

Enabling Solutions in a Changing World

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ANNUAL REPORT

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## Organizational Structure

**Ramco Systems Ltd.**  
(India, Middle East)

**Ramco Systems Corporation**  
USA  
(US, Canada)

**Ramco Systems Ltd.**  
Switzerland  
(Switzerland, Germany)

**Ramco Systems Pte. Ltd.**  
Singapore  
(Singapore, Thailand)

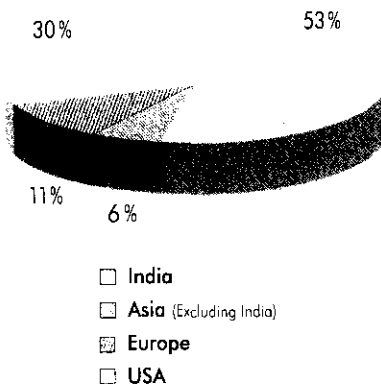
**RamcoSystems Sdn. Bhd.**  
Malaysia  
(Malaysia, Philippines)

**Ramco Systems (UK Branch Office)**  
(UK, France, Belgium)

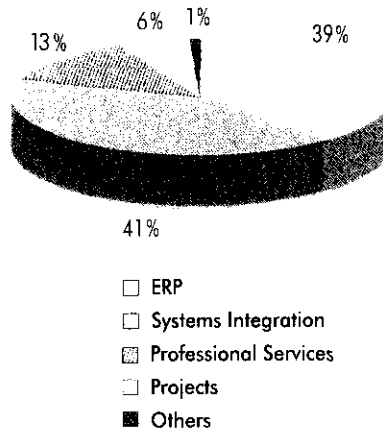
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**Global Revenues = US\$ 39.44 million**

**Global Revenues by Region**



**Global Revenues by Business**





## Letter to Shareholders

Dear Shareholders,

This has been a very significant year for us since this is our first year of operations as an independent company. The demerger from Ramco Industries Ltd. presents us with several exciting opportunities and challenges. We have performed strongly this year and the outlook for the coming year is good. Since its inception in the late eighties, first as a division of RIL and now as an independent company, Ramco Systems has invested over 2400 person-years of development effort and Rs 1.08 billion to develop a family of world class enterprise solutions. These solutions have been well received in the tough international market and today over 600 customer locations in the world use a Ramco enterprise solution.

In the past year, we have built upon our rich expertise in developing and implementing enterprise solutions in two significant ways: (a) we have developed a new platform called Ramco VirtualWorks™, and (b) we have opened up multiple revenue streams through content based services. Ramco VirtualWorks™ will enable us to deliver and deploy our solutions faster and more effectively. We expect the biggest gains of the new development and delivery model to show up in projects that involve online transaction processing, changing business dynamics and emphasis on time-to-market.

### E-business expected to drive sales

A successful e-business model requires seamless integration of the front-end with the back-end enterprise transaction systems. We expect the rapid growth of e-business to provide the next impetus to ERP sales. Ramco VirtualWorks™ will enable your company to exploit this e-business driven ERP opportunity through high-speed definition and deployment of web-enabled online transaction processing systems.

### Bridging the marketing gap

In the past year, Ramco has competed in the global market place with all the leading players and made significant strides in selling its products and winning customer references. Having built a strong technological backbone, we are now strengthening our sales and marketing efforts through a multi-pronged approach:

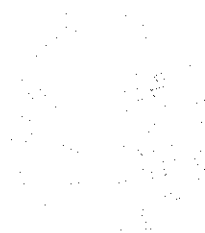
- Recruit world-class sales and marketing people with prior experience in consulting/software industries
- Provide attractive incentive-driven compensation packages for sales and pre-sales personnel
- Collaborate with value-added resellers in the US

### Leveraging Ramco VirtualWorks™

At present, Ramco VirtualWorks™ is being beta tested at customer sites. Over a period of time, most of our products and services will move to the Ramco VirtualWorks™ platform.

### Protecting IPRs

We are taking adequate steps to protect the intellectual property rights (IPR) of Ramco VirtualWorks™. As software does not easily lend itself to patent protection, Ramco intends to build a strong brand ahead of potential competitors. Our lead in the virtual enterprise platform market is a strong advantage.



### Enterprise value chain expertise

Ramco's ERP development and implementation experience provides it with in-depth understanding of the enterprise value chain through the entire order-to-cash cycle. This in-depth knowledge provides us with a unique advantage in developing Ramco VirtualWorks™. Our domain knowledge, built up over years of enterprise solutions development and implementation across industries and market segments, will continue to be a key driver in our growth.

### High end IT consulting

Ramco VirtualWorks™ enables Ramco address client needs through a content and technology platform that will be used for consulting, not just programming. This automatically catapults Ramco into the higher end of IT consulting and means that our consulting revenues are likely to be in line with enterprise consulting rates.

### Virtual enterprise - the new age model

There are some clear and definite trends in the global business environment today : business is moving from a static to a dynamic model; from a firm-centric to a customer-centric approach; and from a 'bounded' enterprise to the 'virtual' enterprise that includes a company's relationships with outside services. Current IT delivery systems are designed to cater to the bounded enterprise and cannot effectively address the needs of the virtual enterprise. VirtualWorks™ enables the virtual enterprise by allowing the IS solution to adapt and link with external systems and applications.

Future versions of Ramco enterprise solutions will be delivered on the VirtualWorks™ platform. This will not only reduce development time and result in faster-to-market solutions, but will also enable Ramco to offer its solutions through the ASP (application service provider) model. The ASP market is potentially huge since it eliminates the barrier of huge license fees that currently prevent a lot of mid-market companies from using enterprise applications.

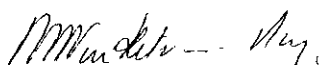
### The future

As a global provider of enterprise management products and services, Ramco Systems is recognized for its technology edge and domain expertise. We believe the action plans we have identified will enhance this brand equity by enabling us to deliver our solutions better and faster. The elements of our strategy are in place and are ready to go into operation. The outlook, we believe, is bright.

With warm regards,



P. R. Ramasubrahmaneya Rajha  
Chairman



P. R. Venketrama Raja  
Vice-Chairman, Managing Director and CEO



## Letter from the President

Dear Shareholders,

The last year has been special and remarkable for Ramco Systems in many ways. As we enter the new millennium, Ramco is successfully transforming itself from an ERP product company to an any-application, any-service global company. We have invested in the right technology, have the right team in place, and have made the right decisions.

**We are responsive.** When our customers told us they wanted an Internet enabled ERP product, we responded. When they told us they wanted easy to develop and maintain applications, we responded with Ramco VirtualWorks™ (RVW).

**We are innovative.** Last year, we channeled our resources to develop Ramco VirtualWorks™ to enable us to develop ERP products and other services efficiently. RVW is an excellent vehicle to develop any transaction-based application quickly and predictably.

**We are in the right place at the right time.** Companies around the world are today faced with a buy or build dilemma: they can either develop or commission custom-made software, or buy off-the-shelf packages. Off-the-shelf packages provide little flexibility and customization features, and require user organizations to change business processes to suit the package. Custom built software offers flexibility and functionality, but carries a high risk of failure. Cost and time over-runs are quite common. For all such customers, Ramco VirtualWorks™ is the solution. RVW enables Ramco build very large complex transaction-based applications on time, on target, and for a fixed price.

Our mission is to become a leading systems integrator and provider of vertical software applications. This is how we'll do it :

- Deliver existing enterprise solutions on the Ramco VirtualWorks™ platform
- Focus on selected vertical segments
- Create new products for these vertical markets from projects using reusable business and technical components
- Leverage RVW as a competitive differentiator
- Firm up a precise delivery model
- Optimize costs

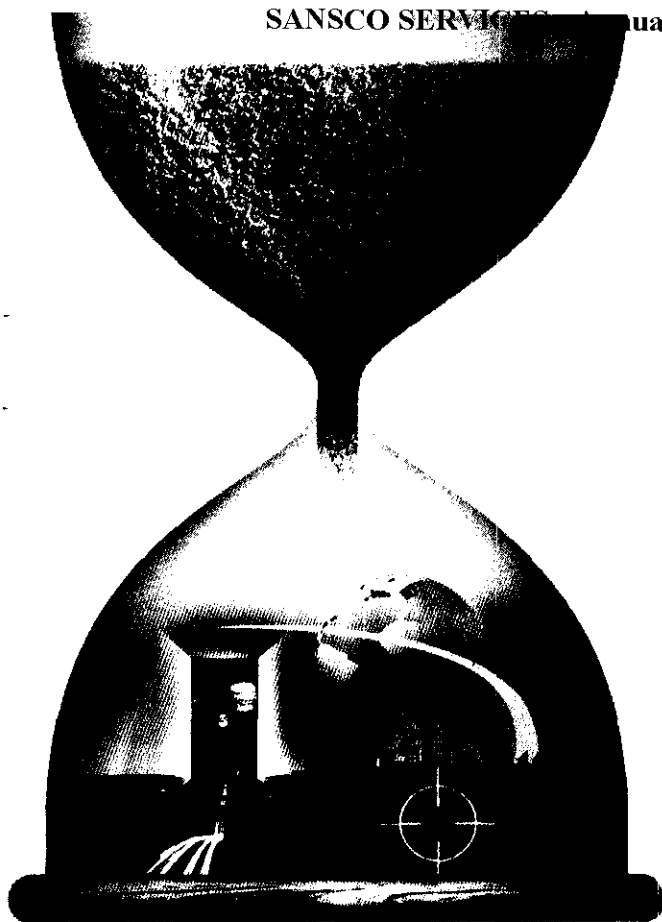
The outlook is bright. We have the vision, the roadmap, the opportunity, and the energy. We have the grit for the long haul and the talent for continuous innovation. There is no stopping us.

With warm regards,

Lakshmi Narasimhan  
President

## CORPORATE CAPSULE

## Ramco e.Applications™



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## Ramco e.Applications™

ENTERPRISE MANAGEMENT SOLUTIONS

A wide customer base, deep domain knowledge, and an innovative development and delivery model makes Ramco a strong player in the enterprise software segment.

### ENTERPRISE MANAGEMENT SOLUTIONS

*Ramco Systems provides a range of software products and services centered on the enterprise computing market. Today, the Ramco e.Applications™ family of enterprise solutions cover over 15 industries in four broad areas - enterprise resource management (ERP), enterprise asset management (EAM), human resources management, and e-commerce. Ramco enterprise solutions now run at over 600 customer locations worldwide. Our customers range from Fortune 500 corporations to mid-market and government organizations.*

Each Ramco solution is centered on over 35 core applications that cover every area of enterprise operations. These applications combine with industry and function specific add-on products and solution partner products to deliver several industry specific solutions. Ramco ERP solutions are mainly designed for process manufacturing and discrete manufacturing environments. Ramco EAM solutions are designed for asset-intensive industries that include utilities, fleet operators, facilities managers, and cement plants. The *Ramco Human Resources* solution enables organizations to transit the HR function from a traditional data gathering function to a more active and strategic role. Ramco e-commerce products serve as a comprehensive e-commerce back office that combine with popularly available front end products. Ramco solutions can be readily deployed over the Internet, and are e-commerce ready.

Till last year, Ramco Systems had focused on developing enterprise solutions market opportunities in USA, Switzerland, Singapore, Malaysia and India. In the last year, we opened new markets and acquired customers in UK, Thailand and Philippines. This year, we are exploring opportunities in the Middle East, Africa, Australia and New Zealand.

## USA

Despite a significant market slowdown caused by several factors, primarily Y2K concerns, Ramco Systems won significant orders last year in both ERP and EAM markets. In ERP, the Ramco Process Manufacturing offering was recognized as best-in-class and won us significant orders from Sabin Metal, Pete Lien Limestones, MJB Woods and others. In the EAM market, Ramco's offering for the utility and aviation companies was recognized as particularly relevant. We closed a significant order from the Board of Public Utilities, Kansas and are likely to close more orders this year. EAM will continue to be the major thrust area this year. We will continue to promote ERP and EAM through focus on ASPs and specific verticals. In the last year, we also stepped up our promotion of the Ramco Human Resources solution and this is expected to yield significant results this year.

## Switzerland

We acquired new customers last year, opened up new business lines in emerging areas like portals and ASP (application service provider), and augmented the sales team. We completed complex and large enterprise solution projects like ETA, Swatch and Migros to the customer's satisfaction.

These projects are now in maintenance phase and revenues from them will continue this year. This satisfied customer base would serve as excellent references for future business.

## Asia

We remained focused on our core market of medium and large companies and acquired several large and visible customers in India last year. We won significant orders in the fast growing public sector market, particularly the process industry segment. We have also achieved some penetration into the Indian subsidiaries of multinational companies in spite of them using competing products elsewhere in the world.

In Malaysia, we acquired several new customers last year and consolidated our presence in the group companies of existing customers. We won a trend setting order to develop a business intelligence portal for the Malaysian government. The Human Resources management solution has done particularly well. We have taken early advantage of the fact that customers are now willing to pay a premium for better servicing of their enterprise solutions. The multimedia super corridor (MSC) status of our Malaysian subsidiary will help bolster our business in Malaysia in the coming years.



Our Singapore subsidiary showed subdued growth last year. However, it paved the way for future growth in the region by opening up the Thailand market. We acquired several customers in Thailand and are partnering with consulting firms like Pricewaterhouse Coopers for sales and implementation.

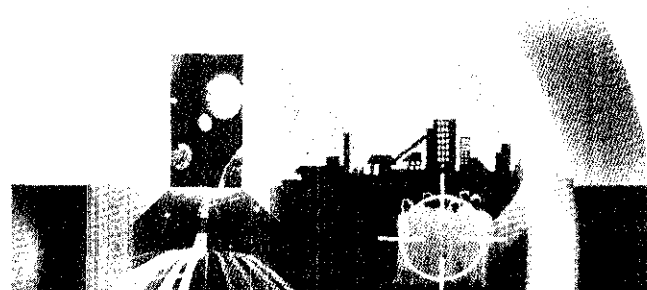
### Outlook

The outlook for the future, we believe, is bright. We've achieved a critical mass of market penetration in our target markets and market segments. The primary intention next year is to concentrate on and consolidate in these markets.

With the maturing of the enterprise software market, there is not much to choose today between one enterprise product and another in terms of functionality. What then makes Ramco different?

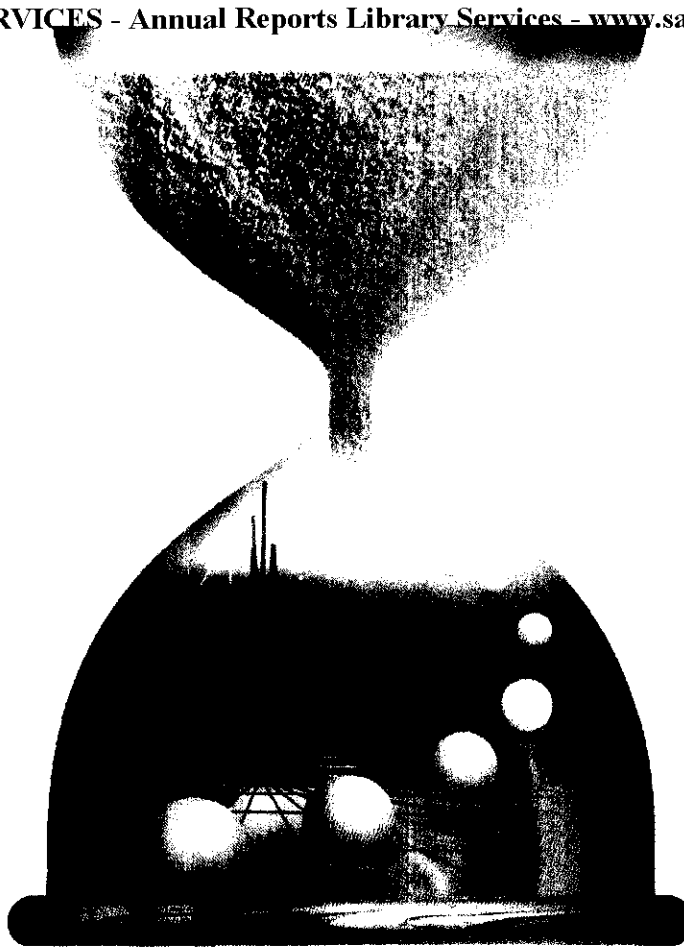
As the Internet changes our lives in many significant ways, the nature of enterprise applications too are expected to change over the next few years to a customer-centric model that will challenge application developers in new ways. Meeting these requirements calls for fundamental changes in the applications and their underlying architecture. We believe that prospective customers for enterprise solutions today look for a basket of attributes from a solution vendor –

comprehensive functionality, an ability to adapt rapidly to the Internet economy, a strong technology platform, rapid implementation, and continuous support. The Gartner Group estimates that only 20% of the existing ERP vendors will be able to deliver the next generation enterprise applications based on component architecture to meet these challenges. Ramco Systems expects to be a strong player in that select fraction of solution providers. We aim to do this through our ongoing development of a next generation component based enterprise solution based on Ramco VirtualWorks™, our new virtual enterprise platform.



## CORPORATE CAPSULE

Ramco & Applications  
**Ramco VirtualWorks™**  
Consulting Services



## **Ramco VirtualWorks™**

VIRTUAL ENTERPRISE PLATFORM

Ramco VirtualWorks™ is a new component based architecture that can radically change the way software is developed and deployed.

### **VIRTUAL ENTERPRISE PLATFORM**

Several factors have recently combined to fundamentally alter the business and technology landscape. Operating systems have changed, underlying technology architectures have altered, and the Internet has raised expectations and enabled the much discussed but difficult to realize business without boundaries. Business processes are changing as never before.

Current information systems and practices simply cannot cope with the combined onslaught of these changes. The reason is simple - existing architectures have been built on fixed business models. Business