



Annual Report **2004**



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Ramco Systems Limited, India

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PR Ramasubrahmaneya Rajha



PR Venketrama Raja

Dear Shareholders,

It gives us immense happiness and a sense of pride to share with you the positive news that all our efforts and investments of the past few years have started yielding expected results, and, for the Jan'04-Mar'04 quarter, we have achieved break-even globally, and in India, we have registered a net profit of Rs 4.20 crores.

During the year, we continued to invest in your company's unique solution assembly and delivery platform- Ramco VirtualWorks®. The platform has successfully delivered the promised order-of-magnitude benefits and we are currently at an exciting stage of leveraging this innovation globally, thereby ensuring rapid penetration and growth. Our continuous investments in building a repository of business components have helped us aggressively pursue market expansion, and during the year, quite a few customers have been acquired. The company is also investing in world-class management talent, especially in the market facing functions. The year also marked your company's first order win to engage the Ramco VirtualWorks platform from a government organization in South Africa.

The year also witnessed the global acceptance of our new and innovative "Personalized Assembly" approach to developing and delivering enterprise solutions. In developed markets such as the USA, the company has successfully transformed itself from serving mid-sized companies to providing ERP class assembled solutions to medium and large enterprises in manufacturing, aviation and financial services. Such solutions offer dual benefits - that of an ERP class offering and the high flexibility in creating new business processes.

The various offerings of your company have been streamlined into domain-specific Solution centers for dedicated and superior customer responsiveness and focused service. All our offerings have been well received and this has resulted in your company gaining entry into newer markets and verticals which is reflected in the improved performance, consistent quarter-on-quarter growth and a healthy prospect base.

During the year, we have initiated steps to protect our intellectual property with the filing of 46 provisional patent applications in the United States Patent and Trademark office.

Ramco DecisionWorks , a holistic solution offering for Corporate Performance Management (earlier called Ramco Business Decisions) has won several important deals during the year including ICI Uniqema, Moser Baer - India; South West of England Regional Developmental Agency-UK; Medical Latex-Malaysia among others. This solution center has commenced a partner program and we are in advanced stages of finalizing three partners in Europe.

Ramco Optima, Ramco's process optimization solution has been implemented outside India for the first time, at Pahang Cement Co., Malaysia. During the year, the solution has also successfully entered the Power and Fertilizer sectors.

The Secure Converged Networking Solutions business has won prestigious deals and this business is moving up the value chain to provide Consultancy Services.

The global revenues of Ramco Systems Ltd., including revenues from subsidiaries in USA, Switzerland, Singapore, Malaysia and South Africa and branches in UK and Germany registered USD 37.22 million, posting a growth of 15% over the corresponding revenues in the previous fiscal (2002-03).

We thank our investors who continue to repose their faith in us and have over-subscribed to the maiden rights issue.

With an innovative and proven technology, competent people, satisfied global customers and a healthy prospect base, we expect an aggressive revenue growth in the coming quarters.

Warm regards,



PR Ramasubrahmaneya Rajha
Chairman



PR Venketrama Raja
Vice-Chairman,
Managing Director and CEO





Corporate Theme

Investments in Technology Yielding Results

This year has been a very satisfying one, in that, we have achieved most of the objectives set:

- ▶ Secured our investments in Intellectual Property (IP) with the filing of over 45 patent applications in the United States Patent and Trademark office.
- ▶ Released Version 2.0 of Ramco VirtualWorks®, our development and delivery platform, with advanced Process to Application features.
- ▶ Built a repository of over 500 pre-assembled components spanning a number of markets such as manufacturing industries, asset-intensive and service organizations.
- ▶ Attained a critical mass of successful implementations for our pre-assembled Enterprise Solutions.
- ▶ Consolidation of the Aviation MRO Solutions Practice with key customers such as Petroleum Helicopters Inc., the largest helicopter services provider in the Americas.
- ▶ Jumpstarted our Personalized Enterprise Solutions Practice in verticals such as Healthcare, eGovernance and Banking, Financial Services & Insurance.

Pre-Assembled Enterprise Solutions

The IP of the earlier ERP solutions has now been crystallized into over 500 pre-assembled components across various verticals such as Discrete Manufacturing, Process Manufacturing, Aviation, Enterprise Asset Management, HRMS and Logistics.

This, coupled with the advantages of the Process-to-Application platform Ramco VirtualWorks, has given us an edge over competition and helped us acquire key customers such as Government of Andhra Pradesh, India (Complete HRMS solution for over 1.3 million state government employees), Tropical Cheese Inc., USA (Process Manufacturing Solution), Kardex Ag, Switzerland (Discrete Manufacturing solution).

The business-process-centric design of components facilitates component reuse across verticals, thereby lowering Total Cost of Ownership. For e.g., Bemis Inc., USA, a Fortune 500 printing and packaging firm, has reused Ramco's Aviation components to manage utilization of their Anilox Printers.

Over 30 customers have reposed their faith in solutions built on Ramco VirtualWorks and are reaping huge benefits in terms of increased fitment, flexibility and responsiveness to business process changes.

We plan to leverage on these successes and achieve compounded growth in our scale of operations. We are also working with Process Consulting and Sales Partners to improve our reach and develop an ecosystem of satisfied customers.

Personalized Enterprise Solutions

The model-based architecture of Ramco VirtualWorks substantially lowers TCO and provides significant advantages over conventional software development vis-à-vis

- ▶▶ Increased traceability
- ▶▶ Upfront preview of the application through user interface generators
- ▶▶ Automation of a majority of the software development life cycle

This technology edge has enabled us to make an aggressive entry into the hitherto Project / Custom solution space dominated by traditional software service providers.

This has been proven in Banking & Financial Services, Healthcare and eGovernance sectors with quite a few customer acquisitions such as Novare, Europe, AFL Wiz, India, Commerce Bank, USA and Citigroup, India.

Significant growth is expected in these verticals through Direct and Partner-led marketing initiatives.

Lastly, many large corporations and government organizations find the value proposition of Ramco VirtualWorks extremely promising, as it enables them to manage their large IT initiatives efficiently and effectively.

Of strategic importance, is an engagement with a South African government organization, which has chosen to standardize Ramco VirtualWorks as its development and delivery platform for all its IT Solutions. This is an excellent endorsement of the capabilities of Ramco VirtualWorks.

Focus on Market Initiatives

Our continued focus on Technology and Pre-Assembled Solutions over the last few years has now started yielding results with initial successes and acceptance in the global markets.

We are at an inflection point with Ramco VirtualWorks, creating a new opportunity space - Personalized Enterprise Solutions, providing the best of both Product and Custom Solutions.

We feel that now is the right time to invest in market creation initiatives to translate these opportunities into successful revenue streams.

In the coming year, we will be strengthening Marketing through:

- ▶▶ Consolidation and streamlining of marketing activities
- ▶▶ Setting up of infrastructure and processes
- ▶▶ Augmenting of sales and marketing personnel

This, coupled with appropriate messaging and positioning of our offerings, would help us penetrate global markets and establish leadership in the Enterprise Solutions space.

We are also exploring strategic tie-ups and partnerships to help us gain entry to key large accounts.



RAMCO SYSTEMS LIMITED

BOARD OF DIRECTORS

Shri P.R. RAMASUBRAHMANEYA RAJHA
Chairman

Shri P.R. VENKETRAMA RAJA
Vice-Chairman, Managing Director & CEO

Shri S.S. RAMACHANDRA RAJA

Shri N.K. SHRIKANTAN RAJA

Shri M.M. VENKATACHALAM

Shri V. JAGADISAN

AUDITORS

Messrs. CNGSN & ASSOCIATES
Chartered Accountants, Chennai

BANKERS

State Bank of India

HDFC Bank Ltd.

Citibank N.A.

ICICI Bank Ltd.

UTI Bank Ltd.

REGISTERED OFFICE

47, P.S.K. Nagar, Rajapalaiyam – 626 108

CORPORATE OFFICE & RESEARCH AND DEVELOPMENT CENTRE

No.64, Sardar Patel Road, Taramani, Chennai – 600 113

SUBSIDIARIES

Ramco Systems Corporation, USA

Ramco Systems Limited, Switzerland

Ramco Systems Pte.Ltd., Singapore

Ramco Systems Sdn.Bhd., Malaysia

RSL Enterprise Solutions (Pty) Ltd., South Africa

REGISTRAR AND SHARE TRANSFER AGENT

Messrs. Cameo Corporate Services Limited

Subramanian Building, No.1, Club House Road, Mount Road, Chennai – 600 002

Ramco Systems Limited, India**DIRECTORS' REPORT**

Your Directors have pleasure in presenting the Seventh Annual Report together with the Audited Accounts of the Company for the year ended 31st March 2004.

Financial Results

	Year ended 31st March, 2004	(In Rs. Million) Year ended 31st March, 2003
Net Sales/Income from Operations	823.09	810.25
Other Income	36.09	39.59
Total Income	859.18	849.84
Expenditure		
- Cost of resale material	253.22	365.15
- Staff Cost	341.56	351.51
- Sales & Marketing expenses	70.51	25.87
- Administration & Other Expenses	248.43	168.16
Total Expenditure	913.72	910.69
Earnings before interest, Depreciation, Amortisation & Tax	(54.54)	(60.85)
Interest	119.51	68.91
Depreciation	101.82	104.57
Amortisation	56.80	38.85
Profit / (Loss) before tax	(332.67)	(273.18)
Provision for Taxation	-	-
Net Profit / (Loss)	(332.67)	(273.18)

BUSINESS OPERATIONS OVERVIEW

During the last year, we have made positive strides on multiple fronts. We have invested on enriching the company's unique platform – Ramco VirtualWorks®, expanded our international operations with the opening of offices in Dubai and South Africa and initiated discussions with multiple partners for rapid market penetration and growth. During the year, the complete suite of ERP class offerings built on Ramco VirtualWorks – Ramco Enterprise Series, was released to the market.

The year also witnessed the global acceptance of our new and innovative “Personalized Assembly” approach to developing and delivering enterprise solutions. Such solutions offer dual benefits – that of an ERP class offering and of the high flexibility and fitment of a custom-built solution. Over the year, the company has enhanced its repository to over 500 pre-built business components that support a wide range of business processes across diverse segments.

These pre-built, ERP class offerings have been organized into seven pre-packaged solutions that include Process Manufacturing, Discrete Manufacturing, Aviation, Enterprise Asset Management, Human Resource Management Solutions, Corporate Solutions and Corporate Performance Management.

Sectors that show promise to our offerings include Government, Manufacturing, Aviation, Banking, Financial Services, Logistics and Services.

Global revenues of Ramco Systems Limited, including revenues from subsidiaries in USA, Switzerland, South Africa, Singapore, Malaysia and branches in UK and Germany registered USD 37.22 million, achieving a growth of 15% over the corresponding revenues in the previous fiscal (2002-03).

DOMESTIC OPERATIONS

In India, we continued to focus on the enterprise solutions market apart from Secure Converged Networking Solutions and Ramco DecisionWorks.

In the Financial Solutions space, we have successfully executed multiple projects for a leading global American financial services group. Some of the projects include Mutual Fund Sweep System, Reconciliation System, EasyPay Vendor System and Nostro Accounting System among others.

Ramco DecisionWorks, Ramco's holistic Corporate Performance Management Solution has won several important orders during the year. Some of the wins include Supply Chain analytics for ICI Uniqema, Moser Baer, IP Rings; Manufacturing analytics for Meridian Apparels among others.

Ramco's Process Optimization solution – Ramco Optima, which is traditionally strong in the cement industry, has expanded its success to new sectors such as Power and Fertilizer. This has resulted in a strong revenue growth of this business over the previous year.

Ramco values its employees as the key to its success. The company worked with a leading HR consultancy firm - Mercer Human Resource Consulting and successfully implemented the recommendations on position clarification and evaluation for managers. For the first time, the company has introduced a Performance Linked Variable Compensation scheme to attract, retain and reward professionals. The year also witnessed the launch of a task based appraisal system. Schemes to recognize employee contribution such as 'Employee of the Quarter' and 'Employee of the Year' were initiated by the Secure Converged Networking division.

During the year, KPMG has certified Ramco Systems as an ISO 9001:2000 Quality standards organization and also assessed it at Level 4 of the coveted SEI-CMM. The earlier ISO Certification was based on 1994 Standards.

OVERSEAS OPERATIONS

During the year, the US geography successfully introduced our new approach of providing personalized solutions and transformed itself from an ERP product company mainly competing for small manufacturing and aviation orders, to a company offering assembled solutions to midsize and large enterprises in manufacturing, aviation and financial services industries. The US geography has significantly increased the license fees for its pre-built components and rates for professional services delivered to the market, based on the added value that a personalized solution assembly brings to its customers. The geography has won a significant order to provide Aviation Solutions and has reported a 37% growth in revenues during the year. Ramco USA has opened up the US Financial Services industry with a first project for Commerce Bank, one of the fastest growing banks in the United States.

In the Middle-East, we have signed up our first Ramco VirtualWorks based Human Resource Management solution customer. The implementation will cover 600 employees across 12 branches of RAKBANK in the United Arab Emirates. In the customers' words, "The solution comfortably meets the bank's requirements and the implementation plan is in line with our business strategy for 2004". One of the highlights of the solution is the **Multi-language capability** for reports in Arabic which is a statutory requirement.

Our European operations have won key orders from companies in Aviation, Government and Healthcare sectors. The year saw Ramco's UK & Benelux operations transform from pure services to providing assembled solutions. The UK Branch has won pilot order wins from a government agency, a large retailer and a local council by working with local partners.

During the year, we have forayed into South Africa with the setting up of an office in Durban. In the first year itself, we have won a significant and strategic order to engage the Ramco VirtualWorks platform for developing solutions from a South African municipality. The engagement is the first of its kind for Ramco and is expected to be long term and mutually rewarding.

Ramco DecisionWorks, Ramco's holistic Corporate Performance Management Solution has won several important orders during the year. Some of the overseas wins include Supply Chain analytics for Medical Latex (Malaysia), Maurice Lacroix (Switzerland), e-Governance CRM analytics for South West of England Regional Developmental Agency (UK), Manufacturing analytics for Tropical Cheese (USA) and Maintenance analytics for Conair (Canada). This solution center has inked a few partnerships in Europe and is in discussions with many more to grow aggressively in the coming year.

Ramco's Process Optimization solution – Ramco Optima has been implemented outside India for the first time, at Pahang Cement Co., Malaysia.

Our new approach of providing the best of both ERP class offerings and custom built solutions has been well received across all geographies and we intend to focus on Government, Manufacturing, Aviation, Banking, Financial Services, Logistics and Services.

GLOBAL CONSOLIDATED FINANCIAL STATEMENT UNDER AS 21

The Global consolidated financial statement as prescribed by ICAI under Accounting Standard 21 together with the Auditors Report thereon is enclosed.

INCREASE IN PAID UP CAPITAL

- ♦ During the year, 11,750 Share Options were exercised by the employees under ESOP 2000 Scheme.

Ramco Systems Limited, India

- During the year the Company came out with a Rights Issue of 3,872,511 Equity shares of Rs.10/-each at a premium of Rs.190/- per Equity share in the ratio of one Equity share for every two shares held (1:2). The issue opened on 12th November 2003 and closed on 12th December 2003 and was subscribed to the extent of 1.22 times. The basis of allotment, finalized in consultation with the Designated Stock Exchange, viz., The Stock Exchange, Mumbai on 2nd January 2004, was approved by the Rights Issue committee of the Board of Directors on 3rd January 2004. Electronic credit of shares, dispatch of physical share certificates and dispatch of refund orders were duly completed. The first and final call money of Rs.100/- per share was made in March 2004. As on 31st March 2004, members holding 111,500 shares did not pay the call money amounting to Rs.11,150,000/- and they have now been given time till 30th June 2004 for the payment of the said call money to avoid forfeiture.

Consequent to the above, paid up capital of your Company has increased from Rs.77,680,720/- to Rs.116,523,330/-

UTILISATION OF PROCEEDS OF RIGHTS ISSUE

The details are given in Note No: 13(b) to the Notes on Accounts.

RESEARCH AND DEVELOPMENT

In continuation of the R&D efforts, Ramco Systems has made further enhancements in the solution delivery methodologies and application of technologies. The Ramco VirtualWorks platform has been further refined and enhanced with additional features. Significant investments have been made in enriching its repository to over 500 pre-built business components that support pre-packaged solutions including Process Manufacturing, Discrete Manufacturing, Aviation, Enterprise Asset Management, Corporate Solutions, Human Resource Management Solutions and Corporate Performance Management. These pre-packaged solutions are marketed globally as Ramco Enterprise Series.

Assembled Solutions – Superior ROI

Traditionally, software has been either packaged as a product, with the available functionality being rigid and change only possible through the vendor's release plans, or developed from the ground-up as a custom solution, resulting in high lead times, high total cost of ownership and challenging maintenance issues.

'Software Assembly' is the process by which an IT solution is constructed from a mix of existing and newly built components - small pieces of software that Ramco stores in a repository or library. Solutions built by software assembly have a high degree of fit, low total cost of ownership due to re-use of components and shorter project lead times, maintaining the best attributes of both the product and the custom approach, without the negatives of either.

Instead of offering a 'one size fits all' solution, designed for generic business challenges, Ramco gives a Personalized Solution. The solution from Ramco is uniquely tailored to the customers' business requirements - explaining why Ramco customers derive superior ROI and enjoy remarkable user acceptance.

Ramco DecisionWorks

During the year, investments have been made in enhancing Ramco Business Decisions to Ramco DecisionWorks. The enhanced DecisionWorks suite offers a comprehensive corporate Performance Management solution that complements ProcessWorks & VirtualWorks to offer comprehensive IT solutions to organizations.

A separate Profit and Loss Account, Balance Sheet and Schedules in respect of Research & Development Activities is enclosed as part of the Accounts.

QUALITY

Ramco Systems employs stringent quality standards. During the year, the company has been certified as an ISO 9001:2000 Quality standards organization and assessed at Level 4 of the coveted SEI-CMM.

FIXED DEPOSITS

Your Company has not accepted any deposits during the year.

RETIREMENT OF DIRECTORS

Shri P.R. Ramasubrahmaneya Rajha and Shri. N.K. Shrikantan Raja, Directors retire by rotation and being eligible, offer themselves for re-appointment.

AUDITORS

The auditors CNGSN & Associates, Chartered Accountants, Chennai retire at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.