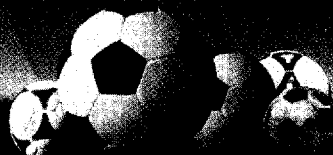


Annual Report 2005

"The secret of success is constancy of purpose"
- Benjamin Disraeli





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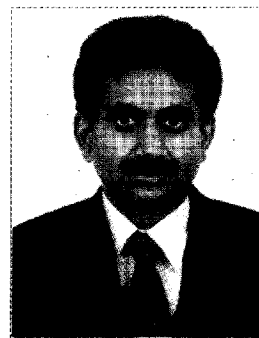
Ramco Systems Limited, India

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Letter to Shareholders



P. R. Ramasubrahmaneya Rajha



P. R. Venketrama Raja

Dear Shareholders,

We are happy to share with you the achievements of the financial year 2004-2005. The year has seen multiple successful implementations of mission critical solutions to global enterprises. These, we believe, will propel the organization to the next phase of growth.

Your company's focus on customer satisfaction, resulted in our being adjudged as the No.1 Enterprise Applications provider in the recent Customer Satisfaction Audit 2005, conducted by DQ-IDC India. Our customers have been a great source of strength and endorsement.

The adaptive enterprise solutions, leveraging the Ramco VirtualWorks® platform, have gained in maturity. Over 50 global projects, most of which have gone live, are addressing mission critical requirements of large enterprises. Many customers have begun reaping the benefits and have reposed faith by awarding repeat orders. The collaborative architecture of Ramco VirtualWorks, has enabled large enterprises derive sustained long-term value. Such engagements, are offering recurring revenues for your company.

Your company has also increased its global presence, through several prestigious projects in the BFSI, e-Governance and Aviation segments. The Aviation segment, has gained considerable ground through extended relationships and new customer acquisitions. On the BFSI front, our solution delivery using Ramco VirtualWorks, has enabled a large US regional bank to empanel us as a "preferred vendor" and has resulted in fresh business. Our e-Governance offerings, have also made a mark with greater domain know-how and maturing service deliveries. This successful foray, is expected to translate into additional and sustained business, across the globe.

Our corporate performance management solution, Ramco DecisionWorks, acquired several customers from the e-Governance and Manufacturing segments. The Secure Convergence Solutions business, won several orders from Telecom, PSUs and FMCG customers.


We have expanded our partner network, to meet the increasing demand from SMB customers. We are also exploring new ways of providing cost effective enterprise solutions to this segment.

A new office has been set up in UAE, to address the unique requirements of Middle East customers. This office, will also act as the hub for providing solutions to the North African region.

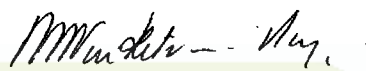
We have initiated multiple people programs, to foster innovation and collaboration in Ramco Systems. Programs such as Fun@Work and PRIDE@Ramco Systems, have been well received by our employees.

During this period, the company achieved \$ 50.02 million in global revenues, across its business lines and international subsidiaries, registering a growth of 33% over the previous year.

Warm regards,



P.R. Ramasubrahmaneya Rajha
Chairman



P.R. Venketrama Raja
Vice Chairman, Managing Director & CEO

Corporate Theme

We have tread a different path in creating novel ways of developing and delivering software solutions. Our persistence in providing adaptive enterprise solutions has gained global acceptance.



Customers have endorsed us...

Our constant efforts in keeping our customers satisfied, got ratified with the DQ-IDC India Customer Satisfaction Audit 2005, ranking us the No.1 Enterprise Applications provider.

Here are some testimonials from our valued customers:

**Mike McCann, CFO,
Petroleum Helicopters Inc.,
USA**

On delivery of the Aviation solution

"The professionalism, experience, dedication and organizational skills displayed by the Ramco team members were commendable."

**Richard Sides, Sr VP IS,
Preferred Meal Systems Inc.,
USA**

On the capabilities of the platform

"Ramco VirtualWorks enables us to implement Fortune 500 business practices. The scale and cost of change is driven down by VirtualWorks."

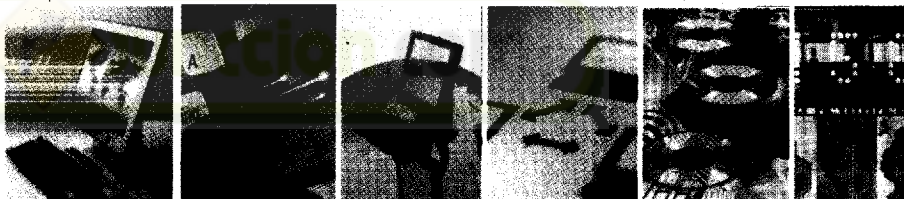
**Sekhar Vardhan,
Head-Operations,
RAKBANK,
UAE**

On choosing Ramco Human Resources Management solution

"The solution comfortably meets the bank's requirements and the implementation plan is in line with our business strategy ..."

Our technology is proven...

The model-based architecture and the process-to-application approach provided by Ramco VirtualWorks® allowed us to address the complex business requirements of large enterprises.



Ramco leveraged its domain expertise in various verticals and horizontals, to provide a wide spectrum of innovative solutions on multiple technology platforms, using minimal resources.

Conventionally, achieving this kind of breadth and depth, would require much larger teams (both technical and functional) working together for years. On the contrary, Ramco has been able to co-create totally unique mission-critical solutions in a matter of months.

We are going forward...



The flexibility provided by our adaptive enterprise solutions has allowed our customers to co-create new/modified business process solutions in line with market dynamics. This has helped us to forge long-term partnerships with key customers, through multiple repeat orders.

We are also continuing our research and development activities, for the next version of Ramco VirtualWorks. This version will improve efficiencies in delivering build-to-order enterprise-class solutions.

Our key assets in keeping our customers satisfied, are our employees. Multiple task forces have been formed to improve our people practices. Various initiatives have been introduced to improve creativity, innovation and work-life-balance.

Towards achieving operational excellence, we have also taken on multiple initiatives in the areas of Quality and Information Security. We are implementing streamlined development and delivery processes, conforming to SEI CMMI-SW LEVEL 5 standards. In order to ensure authorized access and easy availability of our intellectual property, (Component Repository, Process Repository, Best Practices) we are implementing ISO 27001 information security standards.

Here is a snapshot of the wide cross-section of solutions, delivered to global customers:

Global Application Inventory Tracking system - Global Healthcare major

Solution effectively administers and controls diverse software applications.

Enterprise Aviation solution - North American Helicopter Services company

Solution encompasses Engineering, Flight Operations, Reliability, Hangar Maintenance, Shop Maintenance, Warranty Administration, Inventory, Procurement, Electronic Flight Bag and Corporate Performance Management.

Enterprise MRO solution - European Aerospace and Defence specialist

Comprehensive Maintenance Management system to address overall MRO requirements spanning Maintenance, Planning & Execution, Financials, Logistics and Human Resources Management.

Mutual Fund Sweep system - Multinational Banking & Financial Services Group

System tracks and manages investments by corporate clients, in various mutual funds.

Commercial Loan Origination solution - Reputed Regional US Bank

Automated commercial loan origination solution, from booking to closing.

Virtual Shoring solution - South African Local Government agency

Using Ramco VirtualWorks, the agency develops an array of Local Governance solutions.

Business Intelligence solution - Regional British Development agency

Solution enables multidimensional analysis of CRM data.

Integrated HRM & Payroll solution - Prominent Bank in the UAE

Web-based solution to help improve productivity and reduce paperwork.

Distributed Configure-to-Order solution - European Storage Systems manufacturer

Comprehensive web-based solution to streamline the business processes of its manufacturing and distribution operations. Solution encompasses CRM, Procurement, Manufacturing, Sales, Shipping, Installation, Maintenance and Service.

Farm-to-Store Process Manufacturing - US Dairy Processed Products manufacturer

Solution encompasses Production, Accounting & Financials, Sales, Shipping, Purchasing, Inventory and Truck Logistics.

Mail Order Management system - European Mail Order Solutions company

Web-based mail order management system with multiple interfaces to Credit Rating, Address Validation and e-Shop applications.

Courier Logistics solution - Leading Indian Integrated Logistics provider

Fully integrated customized solution for Courier Logistics & Integration with proprietary systems / third-party applications.

Warehouse Automation solution - European Logistics Engineering Automation company

Solution facilitates the business processes covering planning, visualization and execution.

HRM & Payroll solution - Leading Indian State Government

Multi-tier, web-architected and integrated HRM solution including Payroll and Employee Self Service.

Retail Management solution - Leading European Retailer of Personal Care products

Solution comprises of functionalities involving the management of processes such as Point of Sales, Article, Customer Information, Purchase, Inventory and Pricing / Discount rules.



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

UTI Bank Ltd.

Citibank N.A.

REGISTERED OFFICE

47, P.S.K. Nagar, Rajapalayam – 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

Ramco Infotech Solutions Ltd., India

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 Eighth Annual Report together with the Audited Accounts of the Company for the year ended 31st March 2005.

Financial Results**(In Rs. Million)**

	For theYear ended 31st March, 2005	For theYear ended 31st March, 2004
Net Sales/Income from Operations	1154.81	823.09
Other Income	73.01	36.09
Total Income	1227.82	859.18
Expenditure		
- Cost of resale material	314.90	253.22
- Staff Cost	543.13	341.56
- Sales & Marketing expenses	30.46	70.51
- Administration & Other Expenses	184.31	248.43
Total Expenditure	1072.80	913.72
Earnings before Interest, Depreciation, Amortisation & Tax	155.02	(54.54)
Interest	113.81	119.51
Depreciation	169.83	101.82
Amortization	-	56.80
Extraordinary Expenses	274.98	-
Profit / (Loss) before tax	(403.60)	(332.67)
Provision for Taxation	-	-
Net Profit / (Loss)	(403.60)	(332.67)

BUSINESS OPERATIONS OVERVIEW

This year the company scaled new heights. The Ramco VirtualWorks platform received global acceptance as a better alternative to conventional approaches. Several customers reaped the benefits of faster time to market and better ROI's above all they were happy to be in full control of the development process.

Enterprises were able to effectively co-create domain specific applications, thanks to the collaborative framework offered by VirtualWorks. A significant number of strategic projects on VirtualWorks supporting multiple technology platforms at global customer locations have gone live.

Ernst & Young Europe certified our Ramco Accounting & Financial Management software conforming to Swiss and German standards. Furthermore, Microsoft has elevated us to Gold Certified Partner status.

Global Revenues of Ramco Systems Limited, including its international subsidiaries in USA, Switzerland, Singapore, Malaysia, South Africa and branch offices in UAE, UK and Germany registered USD 50.02 million, recording a 33% growth over the previous year.

GLOBAL OPERATIONS

Our India Operations registered revenues of Rs.122.78 crores, a growth of 43% over the previous year. We received repeat orders for peripheral banking applications from a large MNC financial services company. Our Secure Convergence Networking business continued to consolidate its position in information security services from Telecom, PSUs and FMCG companies. DecisionWorks improved its performance in providing Manufacturing Analytics and the Cement Industry business won a prestigious order from a nodal research agency for a Cement simulator.

Our North American operations achieved significant breakthroughs for adaptive Enterprise Solutions in the BFSI, Manufacturing and Aviation spaces. We have launched a BFSI practice comprising senior finance professionals to focus on emerging opportunities. We got an order from a pre-packaged meal supplier to evolve a streamlined solution for handling their unique requirements. On the Aviation front we successfully delivered MRO solutions to a Canadian Aviation speciality services company.

In Europe, we provided Human Resources, Manufacturing, Logistics, Performance Management, Healthcare Management & Retail solutions to leading companies. We won significant orders from a diversified storage systems manufacturer and an international branded foods producer. We have delivered a market version warehouse automation solution to a logistics consulting group.

Our ASEAN operations delivered multiple Enterprise Solutions to customers in the BPO, Construction and Process Manufacturing segments. We have setup an office in UAE to address the growing customer base in the Banking, Cement and Manufacturing segments of the Middle East region.

We consolidated our engagement with a South African Municipality resulting in significant order wins for developing eGovernance Solutions and the rollout of Fleet Management and Corporate Performance Management Solutions.

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 attached.

Government of India, Ministry of Company Affairs, vide their letter No:47/236/2005-CL-III dated 5th August 2005 has granted its approval under Section 212 (8) of the Companies Act, 1956 exempting the company from attaching along with the Company's audited accounts for the year ended 31st March 2005 the full text of the financial statements of its subsidiaries viz., 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 and Ramco Infotech Solutions Limited, India.

Pursuant to the said approval, necessary disclosures have been made in respect of the said subsidiaries in this Annual Report along with the Statement pursuant to Section 212 of the Companies Act, 1956.

The Audited Annual Accounts of the said Subsidiaries and the related detailed information will be made available to the Investors of the Company/Subsidiaries seeking such information at any point of time. The Annual Accounts of the Subsidiary Companies will also be kept for inspection by any investor at the Corporate Office of the Company.

SCHEME OF ARRANGEMENT

The members of the company, in the Extraordinary General Meeting, convened under the directions of the Hon'ble High Court of Madras, pursuant to an application made by the Company and held on the 6th June 2005, approved the implementation by the company of a Scheme of Arrangement whereby, the accumulated losses of the company as it would appear as on 31st March 2005 and the amounts due to the company from its overseas subsidiaries viz. Ramco Systems Corporation, USA, Ramco Systems Limited-Switzerland and Ramco Systems Pte. Ltd., Singapore amounting to Rs. 88.02 crores, aggregating together upto an amount not exceeding Rs. 200.00 crores, would be set off against the Share Premium account. The scheme was duly approved by the Hon'ble High Court of Madras vide its order dated 4th August 2005. The Company has also obtained necessary approvals from its secured creditors and other statutory authorities that were required for carrying out the implementation of the said scheme. Effect for this has been given in the accounts for the year ended 31st March 2005. For details, please refer Note No. 19 to the Notes on Accounts.

INCREASE IN PAID UP CAPITAL

- ♦ During the year, your company has allotted 611,449 equity shares @ Rs.331 per equity share on Preferential basis to the Promoters and Promoters group on 6th January 2005.
- ♦ During the year 20,400 share options were exercised by the employees under ESOP 2000 and ESOS 2003 scheme(s).
- ♦ During the period your company had forfeited 1,228 equity shares due to non payment of the call money by the shareholders in your Rights Issue.
- ♦ Consequent to the above, the paid up capital of your company has increased from Rs.115,965,830 to Rs.122,835,680.
- ♦ Your company also decided to raise Equity Capital amounting to Rs. 64.48 crores through Rights Issue of 3,070,751 Equity Shares to the shareholders of the company, at a price of Rs. 210/- per share (inclusive of a premium of Rs. 200/- per Equity Share) in the ratio of ONE equity share for every FOUR equity shares held. The Draft Letter of Offer has already been filed with SEBI and upon completion of the necessary formalities, the said issue is expected to open by December 2005.

UTILISATION OF PROCEEDS OF RIGHTS ISSUE-2003 AND PREFERENTIAL ISSUE

The details are given in Note No:12 (a) & (b) to the Notes on Accounts.