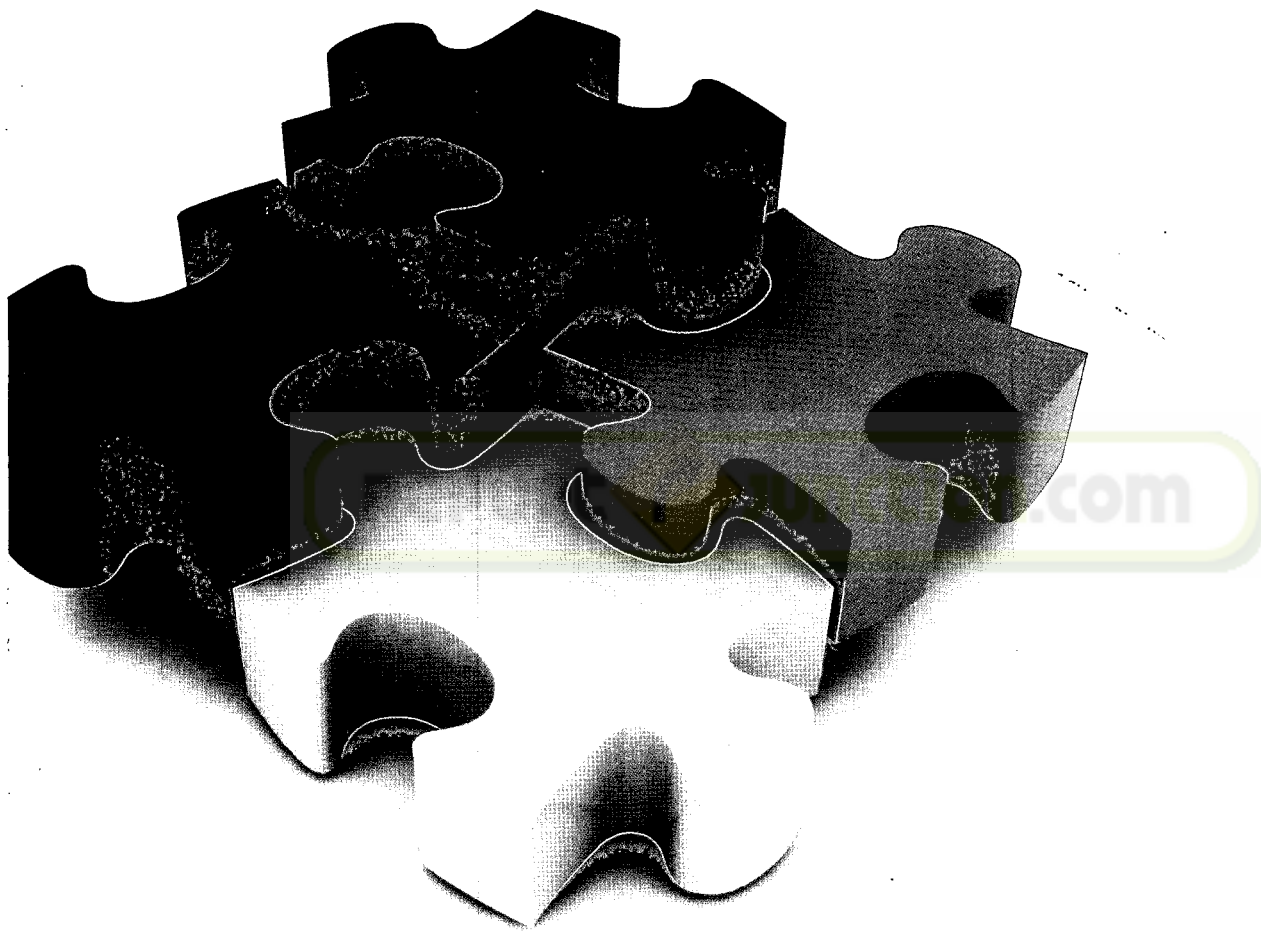


Co-creating Value



annual report
2008-09

Letter to Shareholders



P.R. Ramasubrahmaneya Rajha
Chairman



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

Dear Shareholders,

The year 2008-2009 was quite eventful for Ramco Systems. Your company saw opportunities in the adversity and has been able to show impressive performance in many quarters. This was made possible because we were able to aptly capitalize on our technology and products' maturity level, and thus increase productivity and rationalize costs. It is to be noted that the policies and measures undertaken during the year are not only going to help us in the near-term, but also pave way for a bright future.

We are more committed than ever to create enduring value for our customers. In fact the transformation exercise undertaken by your company will further help us deliver the most advanced products and services to our customers 'on demand'.

Ramco has the advantage of being one of the few companies globally who can provide large, complex solutions and yet offer standard, basic packages, all delivered on the most appropriate models, as best suited for customers. Our years of efforts on VirtualWorks have helped us achieve this break through, and be a pioneer in delivering software through multiple delivery models. Today many global clients and industry influencers have commended the success of our business models and recognized our delivery capabilities. This is testimony to our technology, flexibility of our business models and our disciplined execution.

Our Ramco OnDemand ERP, launched last year, has achieved several milestones. In a short period of time, we have acquired 2000 users, and the rate of acquisition is expected to exponentially accelerate in the coming years. Our investment in this model is paying off well in terms of business and financial metrics, and we are confident that it's going to make a definite mark in the global arena as never before. Capitalizing on the early-mover advantage, we are going to intensify our marketing and promotional activities, and enhance visibility across verticals and regions in the coming years.

Your company's continued investments in the existing portfolio of products and services are enabling us to move up the value chain and improve revenue productivity on a sustainable basis. Specifically, our focus on the 'Business Intelligence' solutions, and partnership with a global player- HP in co-creating Banking Analytics, are certainly going to propel us into a great future in this spectrum.

Your company
saw opportunities
in the adversity
and has been able
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impressive
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Letter to shareholders

During the year, our reputation as a leading software vendor in the Aviation MRO/MRE industry got a shot in the arm by the addition of marquee names like Yemen Airways, Evergreen Airlines, FlyLAL Technics, Vueling, EnerJet, Aero Mexico Connect in the growing customers' list. With the release of Aviation 5.1 software series, our next focus is on the commercial airlines sector; thus today, we can position ourselves as an end-to-end solution provider to the entire Aviation sector.

During the year, your company continued to win many strategic orders in Manufacturing, HCM, Banking, Insurance, Defence, e-Governance and Logistics verticals, and is concentrating more into emerging markets such as India, Africa and the Middle East region. Your company has achieved a significant breakthrough in the BPO services portfolio, and is already serving some prestigious companies including TSR Darashaw, Avaya, Bharti Airtel, Bharti foundataion, Bharti Airtel Services, Bharti Learning Systems, Sun Life and Damac Holdings, UAE.

Ramco has continued strengthening its partnerships with Sabre Airline solutions, IBM and Microsoft, and has also entered into strategic partnership with HP.

During the year 2008-2009, the company has achieved USD 41.54 million in global revenues across all its business lines and international subsidiaries.

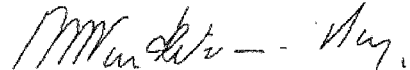
Your company's competitive edge draws upon the skills and confidence of our bright and dedicated people. Powered by the talent of our people and the resilience of our business models, we look forward to overcoming any challenges that may lie ahead of us.

Your company takes pride in being an ethical organization, and has maintained zero-tolerance policy towards compromises in any of its endeavours.

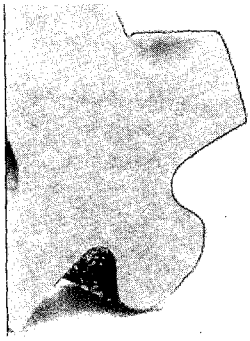
We thank our customers, employees, partners and other stakeholders as we enter a new phase of our journey with determination and optimism.



P.R. Ramasubrahmaneya Rajha
Chairman



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



Value Creation

A way of life

Ramco believes that the best way for a company to differentiate itself from the others is to adopt 'value creation' as a way of life rather than treating it as a yet another management program.

At Ramco, co-creating value for all the stakeholders has become part of our culture and not just a one-off initiative. In an environment of accelerating change, in which long-term partnerships and joint ventures must be built on mutual trust, in which employees must be committed to provide superior services and drive ongoing innovation, in which customers have access to more and more information, value creation is no more a necessity, it is a must. Our management is pursuing strategies that aggressively promote such a value-creation for all.

Customers

Today, we can proudly say that we are moving away from the traditional assumption that the company and customers have distinct roles, and the latter play a passive role while evaluating software products & services. At Ramco, a customer is actively engaged and is welcomed with qualified expertise, insights, answers and solutions that are right for his business. Our software products and services are built after years of R&D so that our customers find them evergreen. This is possible because of our collaborative solution innovation platform, Ramco VirtualWorks, which enables us to undertake product and process innovation, and address unique customer needs with ever-increasing speed and precision. We are trying to deliver value by offering solutions that inspire our customer's ideas and extend their capabilities to compete and win in their markets.

Employees

Ramco is constantly trying to ensure that everyone in the organization understands his or her role in creating value for the organization. This begins at the top and has been cascaded down the entire organization so each individual understands the big question, "How does our company create value?" -- and the even more relevant question, "How does my role and the daily decisions that I make impact value?". To reach this level, Ramco is devoting a significant amount of resources to provide the necessary learning, tools and feedback required, so that all individuals can understand their role in value creation.

Partners

We value the importance of partners and associates in today's globalized business environment. Ramco's ecosystem of partners bring together diverse relationships, resources and communities to help us develop and deliver the next-gen solutions. Fostering collaboration around this need ensures ongoing innovation and value for everyone. Our successful partnerships and engagements with well known names like Sabre Airline Solutions, IBM, HP and other regional business channel partners & agencies are proving to be mutually beneficial.



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
Shri A V DHARMAKRISHNAN
Shri R S AGARWAL

AUDITORS

Messrs CNGSN & ASSOCIATES
Chartered Accountants, Chennai

BANKERS

AXIS Bank Limited
IDBI Bank Limited

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 Ltd., Switzerland
Ramco Systems Pte.Ltd., Singapore
Ramco Systems Sdn.Bhd., Malaysia
RSL Enterprise Solutions (Pty) Ltd., South Africa
Ramco Systems Australia Pty Ltd., Australia

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

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DIRECTORS' REPORT

Your Directors have pleasure in presenting the Twelfth Annual Report together with the Audited Accounts of the Company for the year ended 31st March 2009.

FINANCIAL RESULTS

Description	(In Rs. Million)	
	For the year ended 31st March, 2009	For the year ended 31st March, 2008
Sales	923.54	965.54
Other Income	45.48	54.21
Total Income	969.02	1019.75
Expenditure		
- Cost of Resale Material	30.45	49.70
- Employee Compensation and Benefits	563.16	649.99
- Sales & Marketing Expenses	82.01	34.88
- Administration & Other Expenses	289.35	237.97
Total Expenditure	964.97	972.54
Profit/(Loss) Before Interest, Depreciation, Exceptional Items & Tax	4.05	47.21
Interest & Finance Charges	181.44	180.96
Depreciation	254.91	234.42
Profit/(Loss) Before Exceptional Items and Tax	(432.30)	(368.17)
Exceptional Income/(Expenditure)	421.78	603.34
Profit/(Loss) Before tax	(10.52)	235.17
Tax	5.09	5.88
Net Profit/(Loss) After Tax	(15.61)	229.29

BUSINESS OPERATIONS

The year 2008-09 saw several marquee customer acquisitions, key partnerships and business re-alignments; all aimed to shore up revenues, accomplish operations breakeven and accelerate overall growth.

During the year, Ramco's collaborative solution innovation platform, Ramco VirtualWorks, has successfully moved forward to make a definite mark in the market. This is the only platform today that provides complete and continuous alignment between business processes and applications along with the ability to change those applications on demand as business requirements shift.

The Company enhanced its focus on its core business of providing innovative business solutions that leverage Ramco VirtualWorks. This focused initiative coupled with tighter cost management has enabled the Company to increase productivity levels. With the relevant expertise and experience, we are now well positioned to leverage global opportunities and grow significantly.

Our focused approach on the key market sectors with matured and proven technologies, coupled with significant cost rationalization, has ensured that Ramco is on the path of a sustainable growth. Our strategy to expand our engagements and offer business value consulting and outsourcing services is helping the Company move up the value chain, resulting in good growth with improved profitability.

The strategic initiatives conceived and nurtured during the earlier fiscal (07-08) enabled a great takeoff for Ramco OnDemand ERP - India's first comprehensive ERP delivered as a service (Software as a Service). This powerful ERP addresses the needs of growing businesses across multiple verticals and is sold and served through an ecosystem of sales and implementation partners. During the year it has successfully reached the milestone of Software as a Service (SaaS) customers with 2000+ users in India. Efforts are underway to offer this service to the international markets.

Along with the successful launch of Ramco OnDemand ERP, the Company's venture into the platform based business process outsourcing and managed services in the areas of Human Capital Management and Payroll business is on an all time high with notable order wins from TSR Darashaw, Avaya, Bharti Airtel, Bharti Foundation, Bharti Airtel Services, Bharti Learning Systems, Sun Life and Damac Holdings, UAE. Currently BPO business processes close to 100,000 payslips every month and this is expected to rise exponentially in the coming months. Also, our HCM & Payroll applications are used by companies like Caterpillar, E&Y etc., as shared services to manage their employees and service their customers better.

Ramco Systems Limited, INDIA

Though the general market slowdown also impacted Ramco's business, we have significantly acquired new customers worldwide in key verticals including Manufacturing, e-Governance, Banking, Insurance and Service sectors. Aviation, which has been our front runner last few years, had a relatively quiet year. However, the last quarter had witnessed good traction for this sector, and is expected to fructify into good business in the current fiscal.

During the year, Ramco Systems has successfully ventured into emerging verticals such as Infrastructure Development - Engineering & Construction, Real estate & property management, Retail, Education and 3rd party Logistics with notable order wins.

As far as partnerships are concerned, during the year, the Company entered into several partnerships. Collaborating and networking with partners has not only enhanced our growth, but also helped us in providing excellent value to our Customers.

Ramco signed a Memorandum of Understanding (MOU) with Hindustan University (Chennai), one of the most sought after institutes in India for aeronautical engineering, to form an alliance for providing industrial input to the students of Hindustan Institute of Technology and Science (HITS) for mutual benefit. The collaboration mainly focuses on Ramco's Aviation-MRO-Software Training Program. The MOU is to build industry-academia relationship and empower students for the corporate world.

Commendable efforts of our partner CEM Business Solutions in the Middle East Region is something to cherish on. CEM has been associated with Ramco for over 3 years now. With a dedicated team, CEM has been securing several orders for Ramco in the Middle East Region apart from providing implementation services. Following are some of the noteworthy orders that Ramco acquired in association with CEM - Hidayath Group, The Al Bahja Group, Gulf Steel Strands, Metito, Jebel Ali Cement Factory and National Bond Corporation.

Our focus on the 'Business Intelligence' solutions and partnership with a global player- HP in co-creating Banking Analytics are certainly going to propel us into a great future in this spectrum.

GLOBAL OPERATIONS

Market conditions are challenging, leading to delays in signing contracts, especially in the global manufacturing sector. Nevertheless, our focus on the domestic market is yielding positive results. We see substantial growth opportunity in the domestic arena, and are well poised with our OnDemand products to capitalize on the emerging opportunities. Also, our R & D efforts have been optimized to the extent of leading us to substantial cost reduction, hence enabling us to increase our focus on the market.

The Indian operations of Ramco have further strengthened and witnessed healthy growth in select verticals including Discrete & Process Manufacturing and Logistics & Service industries. We have further strengthened our HCM & Payroll solutions, which have increased our market share with notable order wins from the domestic and MNC companies. Apart from the conventional offerings, Ramco OnDemand has been gaining traction. The Company has been aggressively marketing this offering across India and the brand has gained impressive footing. In a short span of time, the Company has managed to build a robust ecosystem of sales & implementation partners who are actively penetrating the market. The brand has already reached the milestone of over 2000 users and is expected to grow in the coming fiscal. Some of the key order wins for the product are Synthesis Winding Technologies, GR Corporation, Coimbatore Compressors, Saraplast, TVS Part Smart, Triveni Bialetti, Sri City, Sujana, Forace Polymers, Sujana, KVK Energy, TV 9, Detroit Motors, Kunnath Pharma, Associated Broacasting Company and Sungov Engineering.

Ramco's solution for engineering process optimization (Ramco Optima) and simulation witnessed excellent market success with several new orders and repeat businesses. The team has recently acquired some significant orders including orders from Madras Cements, Shree Jayajothi Cement, Birla Copper, Birla White Cement, Deccan Cement, Malabar Cement, ENEXCO Technology India Ltd. and National Institute Of Ocean Technology. Few of the go-lives include projects at Madras Cement (Andhra Pradesh and Tamil Nadu), Birla Corporation, Shree Cements and CMCL.

During the year, other core project Go-lives have also been quiet commendable in the region with projects like Adani Logistics, TVS Logistics, DLF(all operations), KPMG, Bharat Gears, Landmark, India Telecom Infra Limited, Elcomponics ITIL, Metso Minerals, Caterpillar, Avaya and GE going live on schedule.

Overall, Ramco India recorded excellent growth both in terms of new order wins and repeat businesses.



Ramco Systems' Global Aviation Solutions Group has developed Aviation M&E / MRO Enterprise Product - 5.X Series on Ramco VirtualWorks 2.0 platform. The 5.X Series, warranted by requirements, current customers and forward-looking market conditions, brings significant technological and functional advantages to the industry. The release of 5.1 version provides us greater capabilities to efficiently and cost effectively implement the software, and scale for additional customers and users requirements. Aviation remains on track and on target in terms of performance. Key accounts earned as new businesses are from Yemen Airways, Evergreen Airlines, FlyLAL Technics, EnerJet and Aero Mexico Connect. Additional order wins from the existing customers include TACA Regional, Gulf Helicopters, Era Helicopters, Pinnacle Airways, Vueling and a few more. Customers who went 'Live' during this year include TACA Regional with 5 sister airlines in Central America, KD Avia in Moscow, Vueling in Barcelona (Spain) and Pinnacle are amongst others. Global Aviation is progressing with numerous implementations in US, Canada, Central America, Europe, Africa, India and Middle East.

The aviation solutions group has continued its partnerships and engagements with Sabre Airline Solutions and IBM.

In the American market, Ramco has impressed the need for flexible business processes and focused analytics for businesses to be competitive and continue adding value to their customers. Ramco's unique co-creation approach and cost optimization with increased operational efficiency has helped the Company stand unshaken in these challenging times. The key order wins of the region include MBCI and Safe Horizon.

The Middle East region continues to be on course, leveraging on its early movers advantage and outstanding base of referenceable customers in the region for securing business. Recent additions to its customer base include Lupp Middle East L.L.C in Oman, MAM Roads & Constructions in Sudan, Mulk Holdings, UNEECO, Dana Gas, Sharjah Teaching Hospital, Al Dhabi Scaffoldings, Yemen Airways and Emirates Driving College to mention a few. Ramco has also got into prestigious alliances & partnerships with Al-Kalima at Bahrain, SSL in Oman, IFBC in Sudan, Satco International in Qatar, Invalco in Mozambique and Anthara Solutions at Dubai. On the whole, the region saw an action packed year with a high level of profitability.

The APAC operations continued its success in winning HCM and payroll orders from leading corporations. Key order wins include Osotspa and IBM Singapore. The year has been profitable and the company inked several key partnerships that are expected to bring in significant business in the coming years. These wins are strategic in nature with a high potential of securing repeat orders. The region has seen continued success in partnership and engagement with Convergys, and been successful in roping prestigious new orders for Payroll applications for Banking and Healthcare majors.

Highlights for the European Operations during the year include COSMOS and other key order wins for Aviation MRO.

In South Africa, through its partnership with CityWorks, Ramco is co-creating Logosoft (an integrated suite of applications for local government) for a major metropolitan municipality. This deep engagement has resulted in greater awareness of Logosoft within South Africa. Many of them need modern, integrated business systems delivering consistent and timely information to comply with Government and Audit norms. With our expertise over the past few years, we are positioning ourselves as a major player addressing this segment.

We at Ramco are well poised to capitalize on new opportunities that are emerging out of the current market conditions. We are well equipped to employ our substantial IT competency gained over our decades of experience in the domestic and global market, and will make all efforts to seize these opportunities and position ourselves ahead.

GLOBAL CONSOLIDATED FINANCIAL STATEMENT UNDER AS 21

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

Government of India, Ministry of Company Affairs, vide their letter No. 47/195/2009-CL-III dated 13th April, 2009, have granted their approval under Section 212 (8) of the Companies Act, 1956, exempting from attaching the full text of the financial statements of the Company's 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 Systems Limited Australia (Pty) Limited, Australia, along with the Company's accounts for the year ended 31st March 2009.

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

The 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.

Ramco Systems Limited, INDIA

INCREASE IN THE AUTHORISED SHARE CAPITAL

During the year under review, the Company has increased the Authorised Share Capital from Rs.300,000,000/- (Rupees Thirty Crores Only) divided into 3,00,00,000 equity shares of Rs. 10/- each to Rs. 500,000,000/- (Rupees fifty crores Only) divided into 5,00,00,000 equity shares of Rs.10/- each, considering the then proposed issue of equity shares on a rights basis to the shareholders and other issue requirements. The said increase in the Authorised Share capital and the consequent amendments to the Memorandum and Articles of Association of the Company were approved by the shareholders in their Extra-ordinary General Meeting held on 18th September, 2008.

STATUS OF RIGHTS ISSUE 2008

The Board of Directors of the Company had proposed to raise equity funds by means of issue of shares on a rights basis to the existing shareholders in the ratio of one right share for every share held (1:1) at a price of Rs.85/- per share, aggregating to Rs.130.54 Crores. The Company had also proposed an issue of one detachable warrant for every two rights shares allotted (1:2) exercisable at a price of Rs. 85/- per share aggregating to Rs. 65.27 Crores.

The Company had submitted the Draft Letter of Offer in connection with the above, with the Securities Exchange Board of India (SEBI) in conformity with the provisions of the SEBI (Disclosure of Investor Protection) Guidelines, 2000. Considering the current recession factors and the unfavourable market conditions, the Board of Directors of the Company, has decided not to proceed further with the issue formalities.

SALE OF LAND

The Company had earlier proposed a state-of-the-art R&D facility on the land owned by the Company at Chennai. Considering the necessity to unlock the value of the land, the Company had sold the same to M/s. Madras Cements Limited, one of the Group Companies, for a consideration of Rs.75 Crores. The Company would continue to operate out of the current facility at the Corporate Office at Chennai.

EQUITY STOCK OPTIONS

In order to attract, motivate and retain best talents, the Compensation Committee of the Board of Directors of the Company, based on the recommendation of the management, has been making grant of equity stock options to the employees of the Company and its subsidiaries from time to time, under the schemes approved by the members, in accordance with the provisions of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

Considering the requirement to make the stock options incentivising to the employees, the Compensation Committee of Board of Directors, had granted fresh stock options under Employees Stock Option Scheme, 2008, on 11th April, 2009, to the employees of the Company and its subsidiaries as against cancellation by the employees of the unexercised stock options granted under the other schemes.

In order to cover further categories of employees, it is proposed to formulate fresh stock option schemes with varied conditions of vesting and exercise which are beneficial to the employees. Accordingly, it is proposed to formulate Employee Stock Option Scheme 2009 - Plan A (ESOS 2009 - Plan A) with the shares underlying the stock option scheme as 5,00,000 equity shares of Rs.10/- each and Employee Stock Option Scheme 2009 - Plan B (ESOS 2009 - Plan B) with the shares underlying the stock option scheme as 7,50,000 equity shares of Rs.10/- each. The resolutions in relation to the formulation of the Stock Option Schemes and extension of the benefits of the stock option schemes to the employees of the subsidiaries are placed before the members for approval as required under the provisions of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The Board of Directors, recommends the formulation of the stock option schemes and extension of the benefits of the schemes to the employees of the subsidiaries of the Company, for the approval of the members by means of special resolutions.

RESEARCH AND DEVELOPMENT

Ramco Systems has successfully developed and delivered several products as part of the ongoing R&D activities. R&D efforts have been primarily focused on initiatives to proactively enhance products such as Ramco OnDemand ERP, Ramco Enterprise Series, Ramco VirtualWorks, and Ramco DecisionWorks.

Ramco OnDemand ERP

Ramco OnDemand ERP is the first full fledged ERP offered on Software as a service Model. The product is delivered through the internet and the customer can subscribe to the Product based on his needs. The Product is offered on a 'pick and choose' model providing very high level of flexibility for the customer to adopt the business functions he requires. The Product, which was launched in Feb 2008, is now adopted by over 150 organizations across the country belonging to various Industry segments like Automotive Ancillaries, OEMs, Textiles, Trading, Engineering, Power etc.