THE YEAR THAT STRENGTHENED

RAMCO

RAMCO SYSTEMS

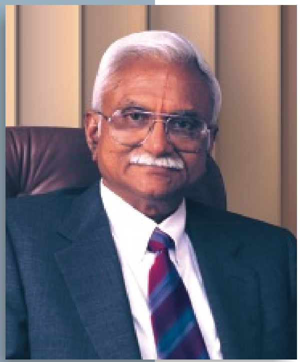
www.ramco.com

ANNUAL 2001 REPORT

A section of our development center

Information center

Contents



Letter to Shareholders

Dear Shareholders,

The year that passed has been a challenging year for the company. The beginning of the year witnessed a change in the top management which resulted in a significant slowdown of the momentum during the first quarter. During the latter half of the fiscal, the slowdown in the US economy affected our business significantly. Against the backdrop of these two events during the fiscal year 2001, the company managed to increase its global revenues by 15% over the previous year (FY 2000) to USD 45.36 million.

In the fiscal 2001, which is the second year of our operations as an independent company, we have embarked on a host of short-to-medium term growth initiatives. In order to increase the focus on our customers' needs as well as to enhance profitability, we have restructured the company into various Strategic Business Units (SBU's).

We have aggressively expanded our suite of offerings to our customers and have transformed into an enterprise solutions provider for global corporations. While our flagship ERP product Ramco e.Applications™ continues to be at the core of our offerings today, we also offer a basket of products and services which includes e-Business, Customer Relationship Management (CRM), Supply Chain Management (SCM), Process Solutions and Emerging Practices.

We firmly believe in "Growth through Partnerships" and have initiated a world wide partnership program - Ramco Value Net. Quite a few strategic partnership agreements have been inked with global corporations, the most significant of them being, The Boeing Company.

The partnership with Boeing is a global recognition of our ability in developing and implementing world class Enterprise Application

Solutions. Under the global agreement, Boeing will market our Aviation Solutions integrated with Boeing's modules, under the brand name - **Enterprise One.**

As providers of enterprise solutions, Ramco Systems has added many new customers during the year, taking the total number of customers to over 1000 worldwide.

In recent months, there has been high turbulence in the technology sector in the US and consequently, the overall US economy has also slowed down. These are indeed challenging times for IT companies operating in the US market as customers are increasingly looking for "value for money" and are in the integration / consolidation mode with respect to their IT initiatives. The sales cycles are getting longer and the customers are closely monitoring their IT budgets. There is also an apprehension that the slowdown might spread to Europe in the coming months.

In these challenging times, your company will succeed by providing cost-effective solutions with the latest technology to its customers. We have a wide customer base and will aggressively market our range of solutions to the existing and potential customers.

With the company restructured into SBU's, aggressive investments in people, marketing and strategic partnerships, the company has transformed itself into a one-stop solutions provider with a bright future.

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 fiscal has been a milestone year for our company in many respects. Focus on business, customers and partnerships were the key initiatives during the year with potential long term impact on growth and profitability. The year saw us successfully transform from a predominantly ERP company to a solutions company with a portfolio of products and services providing one-stop solutions to our customers. The year also witnessed our venturing into long term strategic partnerships with global corporations, the biggest being our 15-year contract with the leader in the global aviation business, The Boeing Company.

The operations of the company have been streamlined into five Strategic Business Units (SBU's) - Enterprise Applications; Projects, Consulting & CRM; Emerging Practices; Systems Integration and Enterprise Process Solutions. These provide customers with a range of products and services across the value chain.

Business is becoming more complex and competitive. Solutions that are adaptable and evolvable, and which provide "Value for money" will impact the future of all businesses. To survive and succeed in this dynamic environment, corporations are re-inventing the way they run their business, consolidating on their core strengths and outsourcing non-core areas of operations. They are transforming themselves from traditional 20th century corporations to virtual enterprises. With a rich product heritage and state-of-art technology framework (RamcoVirtualWorks™), we are at the very heart of this worldwide transformation. Our software solutions are agile and help global corporations transform themselves into adaptable and evolvable enterprises.

During the year, significant advances have been made in the development of the next generation of Ramco e.Applications using our technology framework, RamcoVirtualWorks™. The results of these investments would be reaped in the coming years.

Being high up on the value chain and having a wide geographical presence has helped our company minimize the impact and withstand the tough times. Our visionary approach towards predicting customer and business needs has resulted in the addition of 571 employees during the year and opening up of a branch office in Germany.

The outlook for the company is very positive. We have achieved a successful transformation and the organization is well placed to meet the business challenges of the future. With over a 1000 satisfied and happy customers across the globe and strategic partnerships in place, we look forward to an exciting growth phase in the years to come.

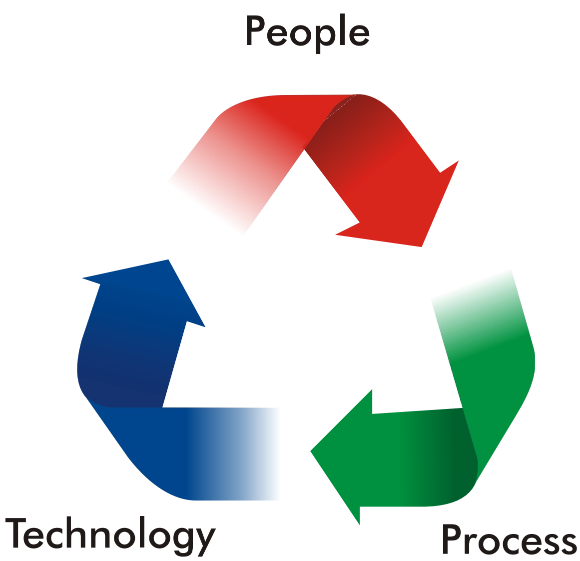
Warm regards,

Lakshmi Narasimhan

President

OUR MISSION

"We will provide agile business solutions through superior engineering and best-in-class people"



The company firmly believes in progress and profitability through partnerships. Strategic partnerships with global corporations and the company's ability to seamlessly integrate a variety of solutions across different platforms help in providing customers with the best-of-breed solutions.

Ramco Systems initiated its Ramco Value Net Partner Program during the year. To attract world class partners, the launch strategy included a series of road shows in 8 locations across North America, Europe and Asia.

Some of the strategic partnerships the company concluded this year are with Boeing, Sun Microsystems, Siebel and Nortel Networks.

The partnership with Sun Microsystems has helped the company in developing highly scalable state-of-art solutions in the Sun/Java application development space. This partnership has enabled Ramco Systems to increase its technology bandwidth.

The partnership with Nortel Networks enables the company to provide leading-edge technology for Call Center Solutions. With rich project management experience in Systems Integration and in deploying CRM solutions, Ramco Systems is well placed to design, build and implement Call Centers on a global scale.

A YEAR OF PARTNERSHIP

The partnership with Siebel spans the areas of Consulting, Professional Services and Mid-Market solutions. Siebel is the world leader in Customer Relationship Management (CRM) software and Ramco Systems provides a wide range of services including Business Process Redesign, Project Management, Systems Integration and a few more. Our proven strengths in developing, implementing and marketing our own software products in the global market were decisive in forging this partnership.

Ramco Systems has signed an exclusive agreement with The Boeing Company to jointly develop and market Enterprise Maintenance Solutions for the global aviation industry. Under the agreement, Ramco Systems will function as the technology, applications and services provider to Boeing for this initiative. The applications supplied by Ramco are built on its premier component-based software development platform called RamcoVirtualWorks™, which helps in delivering high quality, customer-focussed solutions.

Boeing evaluated more than 50 products across 3 continents before choosing Ramco Systems. Ramco was chosen primarily due to a strong and proven global product, customer commitment, superior technology, an energetic team and the strategic vision of the company.

Ramco Systems' strategy for accelerated growth rests on five pillars. These are :

1. Expand the portfolio of Products and Services

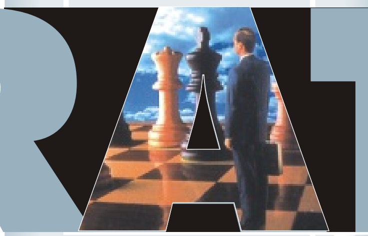
The company has transformed itself from a product company to a company offering a suite of products and services ranging from Ramco e.Applications to e-Business to Systems Integration and Emerging Practicals. This creates an opportunity for customers to experience a wide range of Ramco's world-class solutions and services.

Significant investments have been made in the development of RamcoVirtualWorks™ - a component based platform for design, development, deployment, testing and maintenance of complex business systems. Emerging Practices using RamcoVirtualWorks™ is a new and unique offering which is expected to boost the company's revenues significantly.

2. Tap new markets

Ramco Systems is already present in seven countries and servicing over 1000 customers across 10 countries. We have opened a branch office in Germany and consolidated Asean operations by declaring Singapore as the headquarters for the region. These initiatives are expected to further boost our global reach and help tap new opportunities.

A YEAR OF STRATEGY



3. Strategic Partnerships/Alliances with global corporations

In the era of core competencies and best value for customers' money, the company strongly believes in "Strategic Partnerships" as the best route to growth and profitability. The company has entered into several strategic tie-ups across business lines and geographies. Some of the significant tie-ups are with Boeing, Nortel Networks and Sun Microsystems.

4. Enhance business volumes with existing customers

The company enjoys a formidable base of over 1000 customers worldwide. With the transformation of the company into a products and services company, there are multiple opportunities to service the requirements of existing customers.

5. Adaptability and Evolvability

Business processes are continually changing. It follows that software solutions should have the ability to quickly adapt to these changes. We appreciate this need and employ superior engineering practices to provide agile solutions.

The company is in the knowledge business and its biggest assets are its people. The current year witnessed the company reaffirming its strong belief in people. In the past year, the company invested and grew its human assets by 56% [from 1012 (as on 31/3/2000) to 1583 (as on 31/3/2001)].

The company has appointed a well-known international HR consultancy - William Mercer & Co. to evolve a scientific method for clarifying and evaluating managerial positions and developing a progression plan, besides rewarding employees for their performance. The exercise entails a clear study and description of benchmarked positions, which will help in evolving objectives / key performance areas (KPAs) and performance measurement criteria for each position.

The company has an optimum mix of management and software professionals.

The company has initiated a unique and first-of-its kind HR strategy in forging a healthy Industry-Student interaction. Extending the futuristic in-house training tools and development programs, the company has conducted a series of workshops on "Personality Development" and "Effective Communications" to develop the soft skills of the future engineers and managers at the campuses of the premier educational institutes.

A YEAR OF TEAMWORK

Ramco's rich product heritage has ensured that the company possesses far superior people compared to most other organizations in the software business. Today, there are over 1600 qualified, experienced and talented people who have conceptualization skills and possess the capability to abstract requirements to create features/products that meet the exacting standards of customers worldwide.

This year, Ramco Systems featured amongst the favoured employers across most of the institutes visited. The company visited 15 management and 24 technical campuses. A total of 49 management and 89 engineering graduates from the campuses have accepted our offers for employment and most of them have already joined the company.

The company invests in training and has evolved several methods of motivating, rewarding and retaining employees. Today, over 51% of the employees are covered under the ESOP scheme.

Customers have been and remain the driving force to our continued success.

In today's complex and fast changing business world, there is an ever increasing need for software solutions to adapt and evolve to the business processes of organizations. Since business processes are continually changing, it follows that software solutions should also have the ability to quickly adapt to these changes, instead of being a bottleneck in the process. We appreciate this need and employ superior engineering practices to provide agile solutions to our customers.

This year witnessed several new customers across different lines of business. Ramco Systems now has more than 1000 customers worldwide for Enterprise solutions. Some of the prestigious customers gained during the year are Boeing, Maurice Lacroix, Galenica, People's Association, Chennai Petroleum, United Nations, Holderbank Group, Becker Underwood, ICICI and BSES.

Ramco and its customers in USA have formed a User Group. This is expected to increase exchange of information between Ramco and its various customers.

A YEAR OF THE CUSTOMER

What do some of our customers have to say about us ?

"The teaming of Boeing and Ramco Systems results in a synergy that will deliver a total enterprise maintenance solution to the airline industry. We have built Enterprise One using Ramco's technology and domain knowledge, as well as Boeing's expertise in system integration, innovative design and world class customer service."

- Richard Higgins VP - Maintenance, Engineering & Publications, Boeing

"Maintenance is of strategic value to us. Ramco offered us the flexibility we needed and meets our critical requirements."

- Scott McClure, Columbia Helicopters

"...both in terms of delivery of promises and levels of competence, we could not have asked for a more professional or committed partner."

- Jasminder Singh, Chairman, Radisson Edwardian Hotels

"Software to adapt fast to our dynamic business processes... We appreciate and place on record the efforts and support provided by your on-site personnel."

-Willi Rossi, MIGROS

"Ramco has put "Quality" back into e-Business."

Rolf Kreuzer, TRIAMUN

"We wish to record that we are happy with the quality of your (Ramco's) personnel at the site and that we appreciate their sincerity and hard-working nature..."

- Dr. E. Martin - ETASA, Swatch Group

Operations of the company have been restructured into five SBU's for increased customer focus and to enhance profitability.

SBU I Enterprise Applications

SBU II Projects, Consulting & CRM

SBU III Emerging Practices

SBU IV Systems Integration

SBU V Enterprise Process Solutions

Enterprise Applications (E.Apps) is at the heart of the company and reflects the rich product heritage. E.Apps comprises the Ramco e.Applications family of enterprise solutions covering over 15 industries in six areas - Aviation Solutions, Corporate Solutions, Discrete Manufacturing, Enterprise Asset Management Solutions(EAM), Human Resources Management Solutions (HR) and Process Manufacturing Solutions. Significant investments have been made over the year in developing a suite of next generation Enterprise Application solutions based on the revolutionary component-based architecture, RamcoVirtualWorks™. The new version would be rolled out during the current year.

Projects, Consulting & CRM (P&C) provides e-Business solutions, e-CRM & Client-Server solutions globally. This business unit witnessed impressive growth. The rapid increase in demand for our e-Business projects, coupled with shorter cycle times compared to the traditional ERP business, demands a dedicated facility to sustain such high growth rates. A separate infrastructure of over 50,000 sq. ft. has been dedicated for this SBU commencing this financial year.

A YEAR OF FOCUS

Emerging Practices (EP) offers solutions using RamcoVirtualWorks™ - a component-based enterprise application framework for rapidly developing, deploying and maintaining medium to large-scale multi-tier applications. ASP, e-Enabling, Legacy Transformation solutions and Integration are some of the services offered.

Systems Integration (SI) offers networking solutions which include networking and network security solutions. These solutions span a wide range extending from a few nodes to building large networks, as in The Stock Exchange, Mumbai. During this year, we concentrated on high-margin areas to improve profitability of this unit. SI possesses an impressive list of blue chip clients and is a leader in the networking business in India.

Enterprise Process Solutions (EPS) provides optimization solutions, apart from control and automation solutions to the process industry. Over the last year, this business unit has successfully implemented its solutions across most of the cement plants in India. During this fiscal, EPS intends to expand its offering geographically and attack other process verticals. We are one of the very few Indian companies to offer such services and solutions.

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. S. VISWANATHAN
Chartered Accountants, Chennai

BANKERS

State Bank of India

HDFC Bank Ltd.

Citibank N.A.

ICICI 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

DIRECTORS' REPORT

Your Directors have pleasure in presenting their Fourth Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2001.

Financial Results

(In Rs. Million)

	31st March, 2001	31st March, 2000
Income		
Net Sales/Income from Operations	**1,202.34**	1,161.04
Other Income	**67.42**	11.09
Total Income	**1,269.76**	1,172.13
Expenditure		
– Cost of resale material	**551.90**	550.65
– Staff Cost	**313.51**	189.63
– Sales & Marketing expenses	**20.01**	19.88
– Administration & Other Expenses	**191.57**	158.51
Total Expenditure	**1,077.00**	918.67
Earnings before Interest, Depreciation, Tax & Amortization	**192.76**	253.46
Interest	**20.96**	85.02
Depreciation	**50.57**	48.77
Amortization	**109.15**	109.15
Profit before tax	**12.07**	10.53
Provision for Taxation	**1.65**	1.22
Net Profit	**10.43**	9.31

BUSINESS OPERATIONS OVERVIEW

Your Company had a reasonably good year despite the high turbulence in the technology sector in US. Revenues have gone up to Rs.1,269.76 million in the current year from Rs.1,172.13 million in the previous year registering a growth of 3%. Staff costs were higher during the year as we made significant investments towards the development of our next generation products using RamcoVirtualWorks™. RamcoVirtual Works™ has proven to be a successful framework for developing Internet / Intranet and Online Transaction Processing (OLTP) applications.

The global revenues of Ramco Systems including revenues from its subsidiaries in USA, Switzerland, Singapore and Malaysia and its branches in U.K., and Germany, registered a growth of 15 % at USD 45.36 Million as against USD 39.43 Million in the previous year.

BUSINESS LINES

The Enterprise Resource Planning market experienced a tough year globally. While the services and maintenance revenues witnessed growth, revenues from License fees declined significantly. The ERP market was predominantly stagnant or witnessed declines in growth. At the end of the year, Ramco e.Applications and its previous versions are running at over 1000 customer locations with more than 14,000 users.

The Systems Integration business, which provides networking and network security solutions focused on high margin activities and reduced exposure to low margin business. The year witnessed the unit add some prestigious customers such as the The Stock Exchange, Mumbai, Amara Raja Batteries and Bangalore Stock Exchange.

The Enterprise Process Solutions business registered a healthy growth of 48% over the previous year. The Projects, Consulting and CRM unit which undertakes eBusiness projects more than doubled its revenues.

DOMESTIC OPERATIONS

The strengths of the Company in providing feature rich application groups with speed and ease of implementation has resulted in Ramco adding many prestigious Ramco e.Applications customers during the year. Some of the customers won this year include Chennai Petroleum Corporation Limited, MMTC, ICICI Infotech, CavinKare, Godrej Soaps, Sundaram Industries (TVS Group), BSES and BHEL.

The Systems Integration unit bagged and executed several large orders including Pune Stock Exchange, Air Freight Limited, TIFR, Hughes Escorts Communication Limited, Ericsson and many more. The Enterprise Process Solutions business consolidated their expertise in the cement industry and are now venturing into other verticals and newer markets.

OVERSEAS OPERATIONS

The Far East Operations have been very successful in adding customers during the year. Your subsidiary Company in Singapore clocked a 105% growth in revenues over the last year.

Revenues from operations in Switzerland grew by 64% over the previous year. The Swiss operations procured new orders for Ramco e.Applications, eBusiness and Consulting Services during the year. UK branch was in the second year of its operations and the revenues doubled this year as compared to last year.

The US operations had a reasonably good year in spite of adverse market conditions. The revenue in the current year grew by 29%.

The year witnessed a land mark partnership in the history of your Company. Your Company, along with Boeing is entering the aviation services market, especially the logistics and maintenance software and services. While Boeing will market the product under the brand name **Enterprise One,** your Company will supply key modules from its Enterprise Asset Management offering. Some of the services provided by your Company will include Pre-Sales support, Product Development, Implementation and Product Support. The technology platform to be used is RamcoVirtualWorks™ a shining proof of the world class capabilities of your Company in developing world class products.

The audited statement of accounts of the subsidiaries for the year ended 31, March 2001 along with the reports of the auditors' thereon are attached as per the provisions of Section 212 of the Companies Act, 1956.

US GAAP

The consolidated financials of the Company, under US GAAP together with Independent Accountant's Report thereon forms part of this report. A brief summary of the financials are given below.

Particulars	**US$ (In Million)**	
	31.03.2001	31.03.2000
Revenues	**45.36**	39.43
Cost of Revenues	**26.41**	26.23
Gross Profit	**18.95**	13.20
% Gross Profit	**42**	33
Selling general and administrative expenses	**18.73**	10.86
Other income (expenses) net	**0.53**	(2.33)
Operating Profit	**0.75**	0.22
Research and Development expenses	**2.93**	2.21
Profit/(Loss) before depreciation and Amortisation	**(2.18)**	(2.19)
Depreciation	**2.24**	2.33
Profit/(Loss) before Amortisation of stock compensation	**(4.42)**	(4.51)
Amortisation of Deferred Stock compensation	**0.52**	(3.78)
Profit/(Loss) before taxes	**(4.93)**	(8.29)
Deferred tax asset	**1.82**	0.79
Profit/(Loss) after tax	**(3.11)**	(7.50)

EMPLOYEE STOCK OPTION PLAN

At the Annual General Meeting held on 28th August, 2000, the shareholders had approved the grant of options to employees convertible into equity shares aggregating to 1,60,000 equity shares of Rs.10 each representing approximately 2% of the paid up share capital of the Company.

The details of options granted under this scheme are given below:

Sl No.	**Particulars**	**Remarks**
1	Options Granted	1,40,000 equity shares
2	Pricing Formula	Rs. 254 per share
3	Options Vested	Nil
4	Options exercised	Nil
5	The total number of shares arising as a result of exercise of options	Nil
6	Options lapsed	Nil
7	Money realised by exercise of options	Nil
8	Employee wise details of options granted to-	
	i) Senior Managerial Personnel	Nil
	ii) Any other employee who receives a grant in one year of option amounting to 5% or more of option granted during the year.	Nil
9	Diluted Earning per share (EPS) Pursuant to the issue of the above options.	1.32

RESEARCH AND DEVELOPMENT

Your Company continues to invest in research and development to propel future growth and has been recognized both domestically and internationally for innovations in application of technology, business solutions and methodologies for software development. Your Company's Research and Development efforts will help it to maintain its leadership position in providing enterprise solutions.

Ramco e.Applications

There have been continuous and ongoing improvements in the product features in order to satisfy the emerging needs of our customers / markets. The product offerings are focused towards geographical and vertical market requirements. A suite of complementary solutions are provided in areas like Web Solutions, Data Collections, Multi dimensional analysis, WAP, EDI, Data collection and project management. The Company has completed a substantial amount of work in preparation for releasing the next generation of ERP products (ERP II) on RamcoVirtualWorks™ platform.

RamcoVirtualWorks™

RamcoVirtualWorks™ is a new paradigm in enterprise application architecture. It is a component based enterprise application frame work to rapidly develop, deploy and maintain medium to large scale multi-tier software applications. The dynamic and adaptive feature of RamcoVirtualWorks™ gives it an unique ability to integrate diverse enterprise applications with external solutions. It powerfully combines standard software development practices and methodologies with a high-performance technology frame work.

Your Company continues to undertake research and development activities with the following objectives:

1. To improve software development life cycle to provide strong & dynamic business application products.
2. To improve and enhance the power of existing products.
3. To use best-in-class technologies to provide solutions that enable business innovation.
4. To build a repository of business models and components to provide consulting services and solutions.

QUALITY

During the year, Ramco Systems was re-certified as an ISO 9001 organisation by KPMG. Ramco Systems Limited is a Microsoft Solution provider and ranks among the top 100 software companies in surveys by leading trade publications.

FIXED DEPOSITS

Your Company has not accepted any deposits during the year.

DIRECTORS

Mr. M.M. Venkatachalam and Mr. V. Jagadisan were appointed as Additional Directors effective from 5th April, 2001 and 15th June, 2001 respectively. They hold office upto the date of ensuing Annual General Meeting and are eligible for reappointment. The Company has received notices under Section 257 of the Companies Act, 1956, proposing their appointment as Director, subject to retirement by rotation.

RETIREMENT OF DIRECTOR

Shri. P.R. Ramasubrahmaneya Rajha, Chairman of the Company retires at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

AUDITORS

The auditors Messrs S.Viswanathan, Chartered Accountants, Chennai retire at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO.

The Particulars as prescribed under Sub Section (1) (e) of Section 217 of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in the Annexure A to this Report.

EMPLOYEE PARTICULARS

The particulars of Employees as required to be disclosed in accordance with the provisions of Section 217 (2A) of the Companies Act, 1956, and the Companies (Particulars of Employees) Rules, 1975, as amended forms part of this report. However, as per the provisions of Section 219 (1) (b) (iv) of the Companies Act, 1956, the Report and the Accounts are being sent to all shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Corporate Office of the Company.

CORPORATE GOVERNANCE

Detailed notes on the Company's philosophy on Corporate Governance and the Management Discussion and Analysis report and other such disclosures as are required to be made under the Listing Agreement with the Stock Exchanges, are separately annexed herewith and forms part of this report. Auditors' Certificate regarding compliance on Corporate Governance is annexed to this report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed;

a) That the applicable accounting standards had been followed along with proper explanation relating to material departures, if any;

b) That the selected accounting policies were applied consistently and judgements and estimates that are reasonable and prudent were made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;

c) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

d) That the annual accounts were prepared for the financial year ended 31st March, 2001 on a going concern basis.

COMPLIANCE CERTIFICATE

A Certificate from the auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is attached to this report.

ACKNOWLEDGEMENTS

Your Directors wish to thank the clients, vendors, investors, and bankers for their continued support of your Company's growth. Your Directors place on record their appreciation of the contribution made by all employees at all levels who have been responsible for the growth of your Company.

For and on behalf of the Board

Place : Chennai
Date : 15th June, 2001

P.R.RAMASUBRAHMANEYA RAJHA
Chairman

ANNEXURE 'A'

ANNEXURE TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31.3.2001

In terms of Section 217(1) (e) of the Companies Act 1956 and the disclosure of particulars in the report of the Board of Directors Rules 1988, the following information is furnished for the year ended 31.03.2001.

(A) CONSERVATION OF ENERGY

The operations of your Company are not energy intensive.

(B) TECHNOLOGY ABSORPTION

Efforts made in Technology absorption : Particulars given in Form B

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO

i) Activities relating to export	:	Software to Singapore, Malaysia, Philippines and Thailand.
ii) Initiatives taken to increase exports	:	Marketing efforts are being made in the subsidiaries abroad to increase sales and corresponding exports.
iii) Development of new export market for products and services	:	Marketing efforts in countries like Germany and Thailand are being undertaken in the current year.

		(Rs. in Lakhs)
(D) i) Total foreign exchange used	:	**4437.27**
ii) Total foreign exchange earned	:	**3063.45**

FORM B

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION

Research and Development (R&D)

1. Special areas in which R&D is carried out by the Company

a. RamcoVirtualWorks™

RamcoVirtualWorks™ is a component-based enterprise application framework to rapidly develop, deploy and maintain medium to large-scale multi-tier software applications. The dynamic, adaptive quality of RamcoVirtualWorks™ gives it the unique ability to deal with many diverse applications running in an enterprise as well as those outside. RamcoVirtualWorks™ powerfully combines standard software development practices and methodologies with a high-performance technology framework.

b. Ramco e.Applications

There has been continuous ongoing improvements in the product which meet the needs of the markets. The products are focused both in terms of geography as well as vertical markets. A number of complementary solutions are also provided in areas like Web solutions, Data Collections, Multidimensional analysis, WAP, EDI, Data Collection, and Project Management.

The Company has also completed a substantial amount of work in preparation for releasing the next generation of ERP products on RamcoVirtualWorks™ platform

2. Benefits derived as a result of the above R&D.

RamcoVirtualWorks™ offers the following benefits

- ❑ Delivery of applications designed with adaptability to business and technology changes
- ❑ Increase productivity and speed of delivery without loss of quality and
- ❑ Provide a practical transition framework that combines legacy applications and state-of-art technologies.

Ramco e.Applications has become more competitive in the markets it is addressing. The complementary solutions enable extending the products to areas where customers can leverage significant benefits over the investment made in the core ERP, leading to enhanced revenue potential. Customers are satisfied with the improved offerings and are able to derive immense value for investments made.

3. Future Plan of Action

1. Expand the portfolio of products and services
   Products – Improved Version, New solutions
   Services – New services like eBusiness projects, RamcoVirtualWorks™ based Emerging Practices
2. Tap new markets
   Already present in seven countries and servicing customers in 10 countires.
   Recently opened a branch office in Germany.
   Consolidated Asean operations with headquarters in Singapore.
3. Strategic Partnerships/Alliances with global corporations
   Boeing, Nortel Networks, Sun Microsystems, BEML, NIIT, etc
4. Enhance business volumes with existing and potential customers
   Existing base of over 1000 customers worldwide.

Expenditure on R&D	**(Rs. in Lakhs)**
a) Capital	**137.97**
b) Recurring	**2159.09**
c) Total	**2297.06**
d) Total R&D expenditure as a percentage of total turnover	**19 %**

Report on Corporate Governance

1. A brief statement on Company's philosophy on code of Corporate Governance

The code of Corporate Governance introduced by the Securities and Exchange Board of India (SEBI) is required to be implemented in terms of the Listing Agreement with the Stock Exchanges by Ramco Systems Limited (RSL) within the Financial Year 2000-2001. RSL is committed to good Corporate Governance and has taken initiatives to comply with the substantial portion of the Code.

2. Board of Directors

a) The composition of the Board of Directors is as follows:

The Board of Directors of your Company consists of Six Directors. In line with the SEBI guidelines on Composition of Board of Directors the Board has a judicious mix of Executive, Non-Executive and Independent Directors. Out of Six Directors, 5 directors are Non-Executive Directors and 2 of them are Independent Directors. The Managing Director manages the day to day affairs of the Company.

The Board met 5 times during the year on 12th May, 5th June, 28th July, 22nd October 2000 and 25th January, 2001.

Details of attendance of each Director at the Board Meetings held during the year are as follows:

Sl. No.	Designation	Name of the Director	Position	No of Board Meetings (Attendance)	Last AGM Attendance
1	Chairman	Mr. P. R. Ramasubrahmaneya Rajha	Non-Executive Director	5	Yes
2	Vice Chairman, Managing Director & CEO	Mr.P.R.Venketrama Raja	Executive Director	4	Yes
3	Director	Mr. S. S. Ramachandra Raja	Non-Executive Director	5	Yes
4	Director	Mr. N. K. Shrikantan Raja	Non-Executive Director	5	Yes
5	Director	Mr. K. Ramachandran *	—	3	Yes
6	Director	Mr. M. M. Venkatachalam**	Non-Executive Independent Director	—	—
7	Director	Mr. V. Jagadisan ***	Non-Executive Independent Director	—	—

* Retired at the Annual General Meeting held on 9th August, 2000.
** Appointed as Additional Director on 5th April, 2001.
*** Appointed as Additional Director on 15th June, 2001

3. Audit Committee

a. Brief description of terms of reference of the Audit Committee include
   - To review Internal Audit reports.
   - To review the Auditors' Report on the financial statements.
   - To review the strength and weakness of the internal controls and to provide recommendations relating thereto.
   - To ensure compliance of accounting standards

b. Composition, name of members and chairperson

   The committee consists of following directors.

   i) Mr. M.M.Venkatachalam – Chairman
   ii) Mr. P.R.Ramasubrahmaneya Rajha – Director
   iii) Mr. S.S.Ramachandra Raja – Director
   iv) Mr. N.K.Shrikantan Raja – Director

c. Audit Committee was formed on 25th January, 2001 and the first meeting was held on 14th June, 2001.

4. Remuneration Committee

The Company has one Executive Director Mr.P.R.Venketrama Raja who is the Managing Director and was appointed at the Board Meeting held on 23rd March, 2000. His appointment and remuneration (please refer item 8 of Notes to Accounts) was approved by the shareholders at their Extra Ordinary General Meeting held on 12th June, 2000. Since the Company does not have any other Executive Directors, the Remuneration Committee has not been constituted. As and when the Company proposes to appoint any other Executive Directors on the Board, arrangements will be made to constitute the remuneration committee in line with the guidelines on Corporate Governance.

5. Shareholders Committee of the Board

The Board decided to reconstitute the Share Transfer Committee as Shareholders Committee of the Board effective from 25th January, 2001. As the Investor Grievance Committee would basically look into the redressal of grievances of shareholders relating to transfer of share and non-receipt of certificates etc, it was felt that combining the share transfer committee and the investor grievance committee into a Shareholder's Committee would lead to expeditious solution to investors grievances. The purpose of forming this Committee is to mainly focus on the basic rights of the shareholders including, Transfer of Shares, Transmission / Transposition of Shares, Issue of Duplicate / Split Certificates, Sub Division / Consolidation of Shares, Consolidation of Folios, Dematerialisation / Rematerialisation of Shares and such other issues relating to shares.

a. Name of Non Executive Director heading the committee

Mr. P. R. Ramasubrahmaneya Rajha – Chairman (Non-Executive Director)

The other members of the Committee are:

Mr. P. R. Venketrama Raja – Director
Mr. N. K. Shrikantan Raja – Director
Mrs. Chitra Sreenivas – Secretary of the Committee

b. Name and designation of Compliance Officer:

Your Company has appointed Mrs.Chitra Sreenivas, Company Secretary as the Compliance Officer as per Clause 47 of the Listing Agreement entered with the Stock Exchanges.

i) Details of complaints received and redressed during the year.

S No.	Particulars	Received	Redressed	Pending as on 31.03.2001
1	Non receipt of share certificates	22	22	Nil
2	Change of Address request	55	55	Nil
3	Issue of Duplicate Share Certificates	2	2	Nil
4	Request for Stop Transfer	2	—	2

6. Compensation Committee

A Compensation Committee was formed on 22nd October, 2000 for finalising among other things, the procedures and modalities for giving effect to the Employees Stock Option Plan which inter alia include determination of eligibility criteria, maximum number of options/shares offered to each employee and the aggregate number of options/shares offered during the period covered under the Scheme, identification of classes of employees entitled to participate in the scheme, framing of a detailed pricing formula, mode or process of exercise of the option etc.

The Compensation Committee of the Company is comprised of the following Directors.

Mr. P.R. Ramasubrahmaneya Rajha – Chairman
Mr. S.S. Ramachandra Raja – Director
Mr. N.K. Shrikantan Raja – Director

The Committee met twice during the year 2000-2001. The first meeting was held on 22nd October, 2000 and the second meeting was held on 15th December, 2000. A meeting was held on 12th April, 2001 and granted options to 305 employees for a total of 1,40,000 equity shares @ Rs.254 per share. The exercise price is the closing price in The Stock Exchange, Mumbai on the date of grant.

7. General Body Meetings

a) Details of date, location and time of the last three Annual General Meetings and of the Extraordinary General Meetings in the last year.

DATE	MEETING	LOCATION	TIME
15.07.98	A G M	Ramamandiram, Rajapalaiyam	09.30 A.M.
28.07.99	A G M	47 P S K Nagar, Rajapalaiyam 626 108	10.45 A.M.
09.08.00	A G M	Shri P A C R Centenary Community Hall Sudharsan Gardens, P A C Ramasamy Raja Salai, Rajapalaiyam 626 108	02.00 P. M. 09.30 A.M.
12.06.00	E G M	47 P S K Nagar, Rajapalaiyam 626 108	09.30 A.M.
28.08.00	E G M	47 P S K Nagar, Rajapalaiyam 626 108	10.00 A.M.

8. Postal Ballot

Though the provisions of the Postal Ballot are contained in the Companies Amendment Bill 1999, the same has been enacted during May, 2001, and as such Postal Ballot was not conducted in any of the General Body Meetings held so far by the Company. The Company will introduce the postal ballot mode as and when it is necessary.

9. Disclosures

Disclosures on materially significant related party transactions i.e., transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc., that may have potential conflict with the interest of Company at large **: Nil**

Details of non compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years **: Nil**

10. Means of Communication

The Board of Directors of the Company takes on record the Unaudited Financial Results in the prescribed form within one month of the close of every quarter. The results are promptly forwarded to the stock exchanges where the Company's shares are listed. The same are also published within 48 hours in the newspapers such as The Indian Express, Financial Express, (English) and Dinamani (Tamil).

The Quarterly, Half-Yearly and Annual Results and share holding pattern are put on the Company's corporate web site at www.ramco.com

Press briefings are held after important occasions like announcement of quarterly results, inking of new partnerships and other such occasions. Shareholders are being provided with timely information on all Company related matters.

For effective and better communication to the Shareholders, the Company has appointed Good Relations as the Company's PR agency. Good Relations provides services which include press releases, conducting press meets and enhancing the corporate image of the Company through strategic communications.

11. The Management Discussion & Analysis (MDA)

The Management Discussion and Analysis gives an overview of the industry structure and developments, opportunities and challenges for the Company, ingredients for success, etc and is provided separately as a part of this Annual Report.

12. General Shareholder Information.

1.	Number of Annual General Meeting	:	Fourth
2.	Date	:	1st August, 2001
3.	Day	:	Wednesday
4.	Time	:	3.00 P.M.
5.	Venue	:	Shri. P.A.C.R. Centenary Community Hall Sudharsan Gardens, Rajapalaiyam–626 108.
6.	Financial Calendar	:	(Tentative – Subject to change)
	I Quarter Results for June 2001	:	Between 15th July & 31st July, 2001
	II Quarter Results for September 2001	:	Between 15th October & 31st October 2001
	III Quarter Results for December 2001	:	Between 15th January & 31st January 2002
	Financial Results for the Year ending 31.3.2002	:	Between 15th June & 30th June 2002
	Annual General Meeting for The year ending 31.3.2002	:	August/September, 2002
7.	Book Closure Date	:	24th July 2001 – 1st August 2001
8.	Dividend Payment Date	:	Nil
9.	Listing on Stock Exchanges	:	**The Madras Stock Exchange Ltd** Exchange Building, 11 Second Line Beach, Chennai – 600 001 **The Stock Exchange** Phiroze Jheejeebhoy Towers, Dalal Street, Mumbai – 400 001 **The National Stock Exchange of India Limited,** Trade World, Senapati Bapat Marg, Lower Parel, Mumbai – 400 013

Ramco Systems Limited, India

Listing fees for the financial year 2001-2002 have been paid to the stock exchanges where the Company's shares are listed. There has been no penalty imposed on the Company by Stock Exchanges or SEBI on any other statutory authorities on any matter relating to capital markets during the year.

Stock Code in Madras Stock Exchange Ltd.	:	RSST
Stock Code in Bombay Stock Enchange Ltd.	:	RAMSYDM
Trading Symbol in NSE	:	RAMCOSYS
ISIN No for dematerialised shares	:	INE 246B 01019

Details of share price movements in the National Stock Exchange (in Rs.)

S No.	Month	High Rs.P.	Low Rs.P.	Closing Rs.P.
1	April 2000	4300.00	1896.75	1896.75
2	May	2201.00	790.00	813.45
3	June	2006.05	1284.30	1284.30
4	July	1929.00	1233.10	1233.10
5	August	1457.75	1026.00	1074.40
6	September	1777.00	1260.00	1300.10
7	October	1385.00	750.00	765.05
8	November	1105.00	800.00	810.00
9	December	999.00	710.00	719.30
10	January 2001	854.00	623.05	631.50
11	February	810.00	558.00	589.40
12	March	635.50	296.00	304.65

Registrar and Share Transfer Agents

The Company is handling the physical share transfer work in-house at No. 64, Sardar Patel Road, X Floor, Taramani, Chennai – 600 113.

Registrar for Depository Services (Electronic Connectivity)

: M/s Cameo Corporate Services Ltd
Subramaniam Building
1, Club House Road,
Chennai–600 002
Phone : 044-8460390
Fax : 044-8460129

Share Transfer System

Though the shares of the Company are to be traded compulsorily in demat form, shareholders holding lesser quantity can still sell their shares in physical form. In view of the above, the Company is still receiving share transfers in physical form and the same are presently processed and the share certificates are returned to the respective shareholders within a maximum period of one month from the date of receipt.

The Shareholders Committee of the Board has met 19 times and approved 1,64,465 equity shares during the period from 1st April 2000 to 31st March, 2001.

Your Company is handling the physical share transfer work in-house. There is no specific complaint outstanding till date except in cases where the matter is referred to the Court.

Shareholding Pattern of Physical / Dematerialised shares as on 31.03.2001

Particulars	Total Shares	Percentage
Promoters	42,13,602	54.48
Mutual Fund	4,96,105	6.42
Financial Institutions	9,700	0.13
FIIs	2,70,119	3.49
Insurance Companies	3,70,084	4.78
Unit Trust of India	1,53,655	1.99
NRIs/OCBs	22,907	0.30
Banks	29,500	0.38
Bodies Corporate	2,17,859	2.82
Indian Public	19,49,741	25.21
Total	**77,33,272**	**100.00**

Shareholding Pattern of Dematerialised Shares only as on 31.03.2001

Particulars	Total Shares	Percentage
Resident	10,27,068	39.69
Financial Institutions	5,88,319	22.73
FIIs	2,70,069	10.44
NRIs	19,807	0.77
Bodies Corporate	2,05,839	7.95
Mutual Fund	4,42,575	17.10
Bank	28,350	1.09
Others	6,020	0.23
Total	**25,88,047**	**100.00**

Dematerialisation of Shares and Liquidity

Approximately 25,88,047 equity shares of the Company have been dematerialised as on 31.03.2001. The Company has entered into agreements with both National Securities Depository Limited and Central Depository Services (India) Ltd to facilitate the shareholders to demat their equity shares with any one of the depositories.

Outstanding GDRs/ADRs/Warrants or any Convertible Instruments, conversion date and likely impact on Equity : The Company has not Issued any ADR/GDR/ Convertible Warrants

R&D Centre : 64 Sardar Patel Road, Taramani, Chennai – 600 113

Address for Correspondence for Investor Redressal, Physical transfer and Dematerialisation : 64 Sardar Patel Road, Taramani,
Chennai – 600 113
Phone : 2354510
Telefax: 044-2355078

Person to be contacted for Shareholder queries : Mrs.Chitra Sreenivas
Company Secretary
64 Sardar Patel Road, X Floor
Taramani, Chennai – 600 113
Phone : 2354510 Telefax: 044-2355078
Email : chitras@rsi.ramco.com

Management Discussion & Analysis

Overall Review

During the year, Ramco Systems scaled new heights in its pursuit of being a world class provider of enterprise solutions. The year saw the Company enhance and expand its suite of product and services offerings, increasing its man power by over 56%, setting up an exclusive branch office in Germany and inking partnerships with global corporations.

Industry Structure and Developments

The Information technology industry is currently witnessing a corrective phase which was long overdue. There are four broad types of companies in this industry:

a. Companies which develop and market software solutions of their own. These companies possess Intellectual Property (IP) and are at the top of the business value chain.

b. Companies which undertake projects and provide consulting services. These companies typically follow an offshore-onsite model of business.

c. Companies in the business of providing technically skilled manpower.

d. Companies providing IT-enabled services such as call centres, medical transcription services etc., which are currently at the low end of the value chain.

With a recession in the US economy, global corporations are looking for IT partners who can add value to their business. This has forced the Indian IT companies to either move up the value chain or face extinction.

Ramco Systems, by virtue of being the only Asia-Pacific Company to have developed and deployed a suite of world class Enterprise Application solutions, is at the top of the IT value chain, partnering in the strategic needs of global corporations. In line with the changing preferences of customers for a single window contact for all IT requirements, Ramco Systems has transformed itself into a products and services Company offering a wide range of solutions from Ramco e.Applications to eBusiness projects to CRM and many more.

Opportunities

While the slowdown in the US economy has affected the growth and profitability figures, it has also driven IT companies to look at other geographies such as Europe, Asia Pacific, Far & the Middle East and Australia for additional business opportunities. Our Company is already providing solutions to customers in most of these markets and also possess necessary infrastructure for further growth.

The transformation into an Enterprise Solutions Company provides us with large business opportunities to service our existing customers and attract new customers across these markets.

Challenges

As compared to the market share of leading global players in the ERP Market, the Company's market share (as a percentage) is low.

While the Company has rich experience in developing and implementing world class enterprise applications, the business of providing software services is relatively new.

The Company has entered into several strategic partnerships across business lines to provide solutions. This is also a new area of activity for the Company. By virtue of being successful at the high end of the IT value chain, Ramco Systems is confident of extending its' success to its new ventures.

The software business is manpower intensive and **employee retention** is a critical factor in the continued success of the organization. The Company has appointed well-known international HR consultant - William Mercer & Co. to evolve a scientific method for clarifying and evaluating managerial positions and developing a progression plan, besides, rewarding employees for their performance. The Company has adopted an aggressive ESOP policy which currently covers more than 51% of the employees.

Restructuring of Ramco Systems

The transformation of Ramco Systems from a software product Company to a provider of a suite of software products and services has necessitated restructuring. With new lines of business being added, it is important that greater focus and attention is provided to each line of business and hence the restructuring. The new structure will result in improved productivity, faster time-to-market, increased accountability and better service for our customers. It also provides better clarity to our existing/ potential customers and hence the scope to enhance business opportunities with them.

Ingredients for Success - People, Process & Technology

The Company is in the business of providing enterprise solutions to global corporations. Given Ramco Systems' rich heritage in developing and implementing a suite of enterprise application solutions over the last decade, the Company has developed and mastered the business processes enabling the development of such complex applications.

Today, Ramco possesses **superior knowledge of business process** which helps in design, development and implementation of solutions at a rapid pace.

The Company has been built by an impressive team of knowledgeable and motivated employees who are **best-in-class**. Very few companies worldwide enjoy this privilege.

Ramco Systems has developed a component-based software development platform called RamcoVirtualWorks™ which offers **superior** engineering capabilities. This technology framework helps in increasing productivity and reducing costs at all stages of the software development process - right from the requirements definition to maintenance of the applications.

Solutions created by a combination of the three critical inputs – People, Process & Technology ensures continued success for Ramco on a global scale.

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

This is to certify that we, the auditors of Ramco Systems Limited have reviewed the compliance by the Company of the conditions of Corporate Governance as stipulated in Clause 49 of its listing agreement entered into with the Stock Exchanges and report that all the conditions contained therein have been complied by the Company.

For **Messrs S.Viswanathan**
Chartered Accountants

Place : Chennai
Dated : 15th June 2001

C.N.GANGADARAN
Partner

AUDITORS' REPORT

TO THE MEMBERS OF RAMCO SYSTEMS LIMITED

We have examined the annexed Balance Sheet of Ramco Systems Limited as at 31st March 2001 and the Profit & Loss Account of the Company for the year ended 31.03.2001 and report that:

1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of Audit.

2. In our opinion, proper books of accounts as required by law have been kept by the company so far as it appears from our examination of the books of accounts of the Company.

3. The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account of the company.

4. The Balance Sheet and Profit and Loss Account are in compliance with the accounting standards specified in Sec. 211(3C) of the Companies Act, 1956.

5. As per the representation made by the company and all its Directors taken on record, no Director is disqualified from being appointed as Director under section 274(1) (g) of the Companies Act, 1956.

6. In our opinion and to the best of our information and according to the explanations given to us, the accounts read with the notes thereon give the information required by the Companies Act, 1956 in the manner so required, accounts give a true and fair view.

   a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2001 and

   b) in the case of Profit & Loss Account, of the Profit for the year ended 31st March, 2001.

7. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 and on the basis of such checks of the books and records of the company as we considered appropriate and the information and explanations given to us, we state that:

   (I) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets. The Fixed Assets have been physically verified by the Management at reasonable intervals and no material discrepancies were noticed on such verification.

   (II) None of the Fixed Assets have been revalued during the year.

   (III) The Management has conducted physical verification at reasonable intervals in respect of finished goods, stores, spare parts, and raw materials. In our opinion, the frequency of verification is reasonable.

   (IV) The procedure of physical verification of stocks followed by the Management is reasonable and adequate in relation to the size of the Company and nature of its business.

   (V) The discrepancies noticed on verification between the physical stocks and the book records were not material.

   (VI) In our opinion, the valuation of the aforesaid stock is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the earlier year.

   (VII) The rate of interest and other terms and conditions of Loans taken from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 are not prejudicial to the interest of the Company. We have been informed that there are no companies under the same management as defined under section 370(1B) of the Companies Act, 1956.

   (VIII) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the in the register maintained under section 301 of the Companies Act, 1956. We have been informed that there are no companies under the same management as defined under section 370(1B) of the Companies Act, 1956.

(IX) The parties to whom the loans or advances, in the nature of loans have been given by the Company are repaying the principal amounts as stipulated and are also regular in payment of interest wherever applicable.

(X) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of stores, raw materials including components, plant and machinery, equipment and other assets and with regard to the sale of goods.

(XI) In our opinion and according to the information and explanation given to us, the transaction of purchase of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the registers maintained under section 301 and aggregating during the year to Rs.50, 000/- or more in respect of each party have been made at prices which are reasonable having regard to prevailing market prices for such goods, materials or services or the prices at which transactions for similar goods, materials or services have been made with other parties.

(XII) We are informed that there are no unserviceable or damaged stores and raw materials for which provision is necessary.

(XIII) The Company has not accepted deposits from public and hence the directives issued by the Reserve Bank of India do not apply. In respect of Unsecured Loans the Company has complied the provision of Section 58 A of the Companies Act, 1956 and the rules made thereunder wherever applicable.

(XIV) In our opinion and to the best of our information the Company has no by-product or any scrap, which has any significant realisable value.

(XV) The Company has an Internal Audit System commensurate with the size of the Company and nature of its business.

(XVI) The Central Government has not prescribed the maintenance of cost records as required under section 209(1)(d) of the Companies Act, 1956.

(XVII) The Company has been regular in depositing the Provident Fund, Employees State Insurance dues with the appropriate authority during the year.

(XVIII) According to the information and explanations given to us, no undisputed amounts payable in respect of Income tax, Wealth tax, Sales tax, Customs duty and Excise duty were outstanding as on 31st March, 2001 for a period of more than six months from the date they become payable.

(XIX) According to the information and explanation given to us, no personal expenses of employees or directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practices.

(XX) The provisions of Sick Industrial Companies (Special provisions) Act, 1985 are not applicable to the Company.

(XXI) In respect of Service activity of the Company

(i) The Company has a reasonable system of recording receipts, issues and consumption of materials and stores commensurate with the size of the Company and nature of its business. Though allocation of materials consumed is not made to relative jobs, in our opinion, control is exercised on total materials consumed on jobs.

(ii) The Company has a reasonable system of allocating man-hours utilised wherever applicable to relative jobs commensurate with the size and nature of business.

(iii) The Company has a reasonable system of authorisation at proper levels and an adequate system of internal control commensurate with the size of the Company and nature of its business on issue of stores and allocation of stores and labour to jobs wherever applicable.

For **Messrs S.Viswanathan**
Chartered Accountants

Place : Chennai
Dated : 15th June 2001

C.N.GANGADARAN
Partner

Balance Sheet as at 31st March, 2001

	Schedule	As at 31-03-2001 Rs.	As at 31-03-2000 Rs.
I. SOURCES OF FUNDS			
1. Share Holders' Funds			
Share Capital	I	77,680,720	77,680,720
Reserves & Surplus	II	2,775,257,582	2,764,831,983
		2,852,938,302	2,842,512,703
2. Loan Funds			
Secured	III	156,090,261	54,431,602
Unsecured	IV	161,490,852	38,129,875
		317,581,113	92,561,477
TOTAL FUNDS		3,170,519,415	2,935,074,180
II. APPLICATION OF FUNDS:			
1. Fixed Assets			
Gross Block	V	639,378,214	599,516,923
Less : Depreciation		255,289,515	205,632,871
Net Block		384,088,699	393,884,052
Capital Work in progress		5,552,934	–
2. Investments	VI	754,906,697	754,906,697
3. Current Assets, Loans & Advances			
Inventories	VII	79,562,918	44,850,603
Sundry Debtors	VIII	882,828,361	644,729,582
Cash & Bank Balances	IX	457,215,475	876,388,967
Loans & Advances	X	228,746,115	67,067,477
Other Current Assets	XI	6,955,325	3,317,132
		1,655,308,194	1,636,353,761
Less: Current Liabilities and Provisions			
Current Liabilities	XII	259,569,103	343,386,920
Provisions	XIII	2,864,140	1,216,062
		262,433,243	344,602,982
Net Current Assets		1,392,874,951	1,291,750,779
4. Misc Expenditure (to the extent not written off / adjusted)	XIV	633,096,134	494,532,652
TOTAL FUNDS EMPLOYED		3,170,519,415	2,935,074,180
Schedules, Accounting Policies and Notes form an integral part of this accounts	XXI		

As per our Report Annexed
For **Messrs S. Viswanathan,**
Chartered Accountants

C.N. GANGADARAN
Partner
Place : Chennai
Date : 15th June 2001

P.R. RAMASUBRAHMANEYA RAJHA
Chairman

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

S.S. RAMACHANDRA RAJA

N.K.SHRIKANTAN RAJA

M.M. VENKATACHALAM

V.JAGADISAN
Directors

Profit & Loss Account for the year ended 31st March 2001

	Schedule	For the year ended 31st March 2001 Rs.	For the year ended 31st March 2000 Rs.
INCOME			
Sales	XV	**1,202,343,821**	1,161,044,733
Other Income	XVI	**67,417,163**	11,086,223
		1,269,760,984	1,172,130,956
EXPENDITURE			
Cost of Resale Material		**551,899,750**	550,653,360
Employee Compensation & Benefits	XVII	**313,514,232**	189,630,207
Sales & Marketing Expenses	XVIII	**20,013,235**	19,882,659
Administrative & Other Expenses	XIX	**191,575,136**	158,506,483
		1,077,002,353	918,672,709
Profit before Depreciation, Interest, Tax & Amortisation		**192,758,631**	253,458,247
Interest & Finance Charges	XX	**20,965,108**	85,015,177
Profit before Depreciation, Tax & Amortisation		**171,793,523**	168,443,070
Depreciation		**50,570,048**	48,764,598
Profit before Tax & Amortisation		**121,223,475**	119,678,472
Product Research and Development Expenditure Amortised		**109,149,798**	109,149,798
Profit before Tax		**12,073,677**	10,528,674
Provision for Taxation		**1,648,078**	1,216,062
Profit after Tax		**10,425,599**	9,312,612
Profit & Loss Appropriation Account For the Year Ended 31st March 2001			
Transferred from Profit & Loss Account		**10,425,599**	9,312,612
Less : Transfer to Debenture Redemption Reserve		—	5,000,000
Balance in Profit & Loss Account		**10,425,599**	4,312,612
Schedules, Accounting Policies and Notes form an integral part of this accounts	XXI		

As per our Report Annexed
For **Messrs S. Viswanathan,**
Chartered Accountants

C.N. GANGADARAN
Partner
Place : Chennai
Date : 15th June 2001

P.R. RAMASUBRAHMANEYA RAJHA
Chairman

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

S.S. RAMACHANDRA RAJA

N.K.SHRIKANTAN RAJA

M.M. VENKATACHALAM

V.JAGADISAN
Directors

Schedules To Balance Sheet As At March 31, 2001

	Rs.	As at 31-03-2001 Rs.	As at 31-03-2000 Rs.
Schedule I			
Share Capital			
1. Share Capital			
Authorised			
1,50,00,000 equity Shares of Rs.10/- each		**150,000,000**	150,000,000
Issued Share Capital			
80,81,272 equity shares of Rs.10/- each		**80,812,720**	80,812,720
Subscribed Share Capital			
80,81,272 equity shares of Rs.10/- each		**80,812,720**	80,812,720
Paid up Capital			
77,33,272 Equity shares of Rs.10/- each fully paid up	**77,332,720**		
Add: Forfeited Shares	**348,000**		
		77,680,720	77,680,720

Of the above

43,33,153 equity shares of face value Rs.10/- each have been allotted to the shareholders of Ramco Industries Limited credited as fully paid up pursuant to the approval of the scheme of arrangement (Demerger) for the transfer of software business undertaking of Ramco Industries Limited with Ramco Systems Limited by the Honorable High Court of Madras, vide order dated 24th December 1999.

23,76,719 equity shares, have been allotted to Ramco Industries Limited as fully paid up shares of face value of Rs. 10/- each at a premium of Rs. 293/- per share pursuant to a contract for the transfer of its entire investment in the overseas subsidiary companies without payment being received in cash. The above allotment has been duly approved by the Shareholders of the company in the EGM held on 10th November 1999 and by the Reserve Bank of India.

	Rs.	As at 31-03-2001 Rs.	As at 31-03-2000 Rs.
Schedule II			
Reserves & Surplus			
Capital Reserve		**347,735,351**	347,735,351
Share Premium		**2,407,784,020**	2,407,784,020
Debenture Redemption Reserve			
As per last balance sheet	**5,000,000**		
Less : Transfer to General Reserve	**5,000,000**	**Nil**	5,000,000
General Reserve			
As per last balance sheet	**Nil**		
Add: Transfer from Debenture Redemption reserve	**5,000,000**	**5,000,000**	Nil
Balance in Profit & Loss Account		**14,738,211**	4,312,612
		2,775,257,582	2,764,831,983
Schedule III			
Secured Loans			
Debentures		**Nil**	20,000,000
OTHERS			
a) Bank Borrowings (Secured by Hypothecation of Stock-in-trade & Book Debts)		**Nil**	1,130,906
b) Term Loan from			
Housing Development Finance Corporation		**26,893,998**	31,622,877
Sundaram Home Finance Limited		**28,715,452**	Nil
State Bank of Mauritius		**100,000,000**	Nil
c) Hire Purchase Loans		**480,811**	1,677,819
		156,090,261	54,431,602

	As at 31-03-2001 Rs.	As at 31-03-2000 Rs.
Schedule IV		
Unsecured Loans		
From Directors	**1,490,852**	8,129,875
From Banks	**160,000,000**	Nil
From Others	**Nil**	30,000,000
	161,490,852	38,129,875

Schedule V
Fixed Assets

(in Rs.)

	Gross Block				Depreciation Block				Net Block	
Asset Description	As at 01.04.2000	Additions	Withdrawals	**As at 31.03.2001**	Upto 01.04.2000	For the Year	Withdrawals	**Upto 31.03.2001**	As at 01.04.2000	**As at 31.03.2001**
Land	34,472,975	–	–	**34,472,975**	–	–	–	–	34,472,975	**34,472,975**
Building	160,205,030	–	–	**160,205,030**	18,523,108	5,350,848	–	**23,873,956**	141,681,922	**136,331,074**
Plant & Machinery										
– EDP	207,176,362	22,207,223	1,024,373	**228,359,212**	132,435,701	29,534,487	234,799	**161,735,389**	74,740,661	**66,623,823**
– Software	24,579,989	13,133,317	–	**37,713,306**	11,852,309	4,079,429	–	**15,931,738**	12,727,680	**21,781,568**
– Others	31,821,213	63,000	19,278	**31,864,935**	7,667,557	1,522,518	3,968	**9,186,107**	24,153,656	**22,678,828**
Furniture										
– Furniture	63,304,710	1,829,565	254,999	**64,879,276**	16,266,979	4,605,744	53,361	**20,819,362**	47,037,731	**44,059,914**
– Office Equipments	15,364,807	742,386	–	**16,107,193**	3,025,003	749,454	–	**3,774,457**	12,339,804	**12,332,736**
Electrical Items	58,775,525	2,566,165	999,022	**60,342,668**	15,203,933	3,968,131	146,963	**19,025,101**	43,571,592	**41,317,567**
Vehicles										
– Car	3,805,735	2,896,022	1,278,715	**5,423,042**	647,709	759,437	474,313	**932,833**	3,158,026	**4,490,209**
– Cycle	10,577	–	–	**10,577**	10,572	–	–	**10,572**	5	**5**
Total	599,516,923	43,437,678	3,576,387	**639,378,214**	205,632,871	50,570,048	913,404	**255,289,515**	393,884,052	**384,088,699**
Capital Work-in-progress		5,552,934		**5,552,934**						**5,552,934**

Note: Gross Block includes vehicles (car) acquired under Hire Purchase Rs. 2,180,700/-

	As at 31-03-2001 Rs.	As at 31-03-2000 Rs.
Schedule VI		
Investments		
I. Investments in Subsidiaries (Unquoted):		
121,135,800 Shares in Ramco Systems Corpn., USA of face value of US$ 0.10 each	**429,401,894**	429,401,894
9,600 Shares in Ramco Systems Ltd. Switzerland of face value of CHF 1,000 each (Previous year 8,350 shares)	**288,671,649**	253,910,776
725,000 Shares in Ramco Systems Pte Ltd, Singapore of face value of S $ 1 each	**18,616,100**	18,616,100
1,280,000 Shares in Ramco Systems SDN BHD, Malaysia of face value of RM 1 each	**18,217,054**	18,217,054
	754,906,697	720,145,824
II. Share Application money pending allotment:		
Ramco Systems Limited, Switzerland 1,250 Shares of face value of Swiss Francs 1,000 each fully paid	**Nil**	34,760,873
(The shares have since been alloted vide Board resolution dated May 4, 2001)	**754,906,697**	754,906,697

	As at 31-03-2001 Rs.	As at 31-03-2000 Rs.
Schedule VII		
Inventories		
Resale Hardware & Software Materials (Valued at the lower of cost or net realisable value and as certified by management)	**79,562,918**	44,850,603
Schedule VIII		
Sundry Debtors		
(Unsecured, Considered Good)		
a) Debts Outstanding for period exceeding six months		
From subsidiaries	**315,747,823**	54,642,529
Others	**151,419,585**	73,287,722
b) Other debts		
From subsidiaries	**141,735,702**	183,420,791
Others	**273,925,251**	333,378,540
	882,828,361	644,729,582
Schedule IX		
Cash and Bank Balances		
Cash on hand	**206,585**	848,515
Balances with Scheduled Banks in		
a) Current Accounts	**111,104,571**	425,540,452
b) Deposit Accounts	**345,904,319**	450,000,000
	457,008,890	875,540,452
	457,215,475	876,388,967
Schedule X		
Loans and Advances		
(Unsecured, Considered Good)		
Advances recoverable in Cash or Kind		
From subsidiaries	**109,116,375**	54,603,663
Others	**86,704,183**	Nil
Tax deducted at Source	**25,105,881**	6,788,800
Deposits with Government Departments and Others	**7,819,676**	5,675,014
	228,746,115	67,067,477
Schedule XI		
Other Current Assets		
Prepaid expenses	**3,612,197**	3,181,927
Interest Accrued but not due	**3,343,128**	135,205
	6,955,325	3,317,132
Schedule XII		
Current Liabilities		
For Purchases	**166,153,437**	273,233,308
For Expenses		
To subsidiaries	**18,202,708**	Nil
Others	**75,212,958**	70,153,612
	259,569,103	343,386,920
Schedule XIII		
Provisions		
Provision for Taxation	**2,864,140**	1,216,062
	2,864,140	1,216,062
Schedule XIV		
Miscellaneous Expenditure		
Product Research and Development Expenditure to the extent not amortised	**590,028,198**	483,268,818
Deferred Revenue Expenses	**43,067,936**	11,263,834
	633,096,134	494,532,652

Schedules To Profit & Loss Account for the year ended March 31, 2001

	For the Year ended 31-03-2001 Rs.	For the Year ended 31-03-2000 Rs.
Schedule XV		
Sales		
Software Sales	**142,351,087**	155,255,115
Service & Maintenance charges	**372,615,496**	187,940,150
Value Added Resale Software & Hardware Materials	**602,986,584**	639,441,416
Royalty	**84,390,654**	178,408,052
	1,202,343,821	1,161,044,733
Schedule XVI		
Other Income		
Dividend Income	**Nil**	5,888,000
Interest Received (TDS Rs. 9,905,350/- previous year Rs.180,002/-)	**50,733,675**	1,739,286
Profit on sale of assets	**65,929**	35,489
Foreign Exchange Fluctuation	**16,617,559**	3,423,448
	67,417,163	11,086,223
Schedule XVII		
Employee Compensation & Benefits		
Salaries, Bonus etc.,	**274,016,435**	143,082,215
Gratuity & Superannuation Fund Contributions	**3,187,152**	18,750,329
Provident Fund Contributions	**15,044,424**	11,640,953
Staff Welfare	**21,266,221**	16,156,710
	313,514,232	189,630,207
Schedule XVIII		
Sales & Marketing Expenses		
Advertisement & Sales Promotion	**18,761,433**	18,571,729
Handling, Packing & Forwarding	**1,251,802**	1,310,930
	20,013,235	19,882,659
Schedule XIX		
Administrative & Other Expenses		
Audit, Accountancy, Outsourcing and Consultancy Charges	**21,169,391**	1,956,983
Bank Charges	**7,373,465**	8,089,839
Insurance	**1,634,889**	1,003,043
Loss on sale of fixed assets	**1,029,642**	279,534
Miscellaneous Expenses	**16,517,163**	11,944,469
Postage, Telephone, Telegrams	**15,220,020**	17,799,675
Power & Fuel	**7,082,665**	9,901,918
Printing & Stationery	**2,390,968**	2,614,289
Rates & Taxes	**5,095,780**	2,331,684
Rent	**36,600,363**	27,151,105
Repairs - Buildings	**Nil**	24,000
Repairs - Others	**1,489,097**	3,342,907
Repairs - Plant & Machinery	**2,164,497**	233,635
Travel & Conveyance	**73,807,196**	71,833,402
	191,575,136	158,506,483
Schedule XX		
Interest & Finance Charges		
Fixed Loans	**2,818,385**	50,487,617
Hire Purchase & Finance Charges	**2,847,943**	256,634
Others	**15,298,780**	34,270,926
	20,965,108	85,015,177

Schedule XXI
SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

Significant Accounting Policies

I. Basis of Preparation

The financial statements are prepared under the historical cost convention in accordance with the Generally Accepted Accounting Principles (GAAP) and materially comply with the mandatory accounting standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956. All income and expenditure having a material bearing on the financial statements are recognized on accrual basis.

II. Revenue Recognition

A. Software Services

i) License Fees

License Fee revenue is recognised on delivery of the software.

ii) Implementation Fees

Implementation Contracts are either milestones based or time and material based.

In case of milestone contract, revenue is recognised upon achievement of the milestones as per the terms of the contract.

In case of time and material contracts, revenue is recognised based on billable time spent in the project, priced at the contractual rate.

iii) Annual Maintenance Contract

Revenue from Maintenance services is recognised on a pro-rata basis over the period of the contract.

B. Value Added Resale Hardware & Software

Revenue from sales is recognised upon despatch of goods to customers.

C. E-Commerce

Revenue from the fixed price / fixed time frame contracts is recognised upon the achievement of specified milestones identified in the related contracts in accordance with the percentage of completion method.

D. Other Income

Interest on bank deposits is recognised on accrual basis.

III. Fixed Assets and Depreciation

Fixed Assets are capitalised at historical cost and includes freight, installation cost, finance cost, taxes and duties and other incidental expenses incurred during the installation stage.

Depreciation is charged on a pro-rata basis on the Straight Line Method as per the rates prescribed under Schedule XIV of the Companies Act, 1956.

Individual assets not exceeding Rs.5,000/- or less are depreciated in full in the year of purchase.

Assets acquired on Hire Purchase are capitalised at the gross value and interest thereon charged to Profit & Loss A/c.

In respect of Leased Assets the lease rentals payable during the year are charged to Profit & Loss A/c.

IV. Investments

Investments being long term in nature are stated at cost.

V. Inventories

Inventories are valued at lower of cost and net realisable value. Cost is determined based on FIFO method.

VI. Foreign Currency Transactions

The functional currency of the Company is Indian Rupee.

Transactions denominated in foreign currency are recorded at the exchange rate prevailing on the date of transaction. The monetary items denominated in the foreign currency at the year end are translated at the exchange rates prevailing on the date of the balance sheet, and the loss or gain arising out of such transactions is adjusted in the Profit & Loss A/c.

VII. Translation of Financial Statements of Foreign Branch

All income and expenditure transactions during the year are reported at a monthly moving average exchange rate for the respective periods.

Net foreign exchange difference on translation of items is recognised in the Profit & Loss A/c.

VIII. Retirement Benefits

Gratuity :

In accordance with the Indian law, the company provides for gratuity a defined benefit retirement plan ("The Gratuity Plan"), covering all employees. These employees are covered under the Group Gratuity Scheme of the LIC. The Gratuity, is charged to Profit & Loss A/c on the basis of year's premium, computed by Life Insurance Corporation of India.

Superannuation

Apart from being covered under the Gratuity Plan described above, the senior officers of the Company are participants in a defined contribution benefit plan maintained by the Life Insurance Corporation of India. The plan is termed as superannuation plan to which the company makes contributions based on a specified percentage of each covered employee's salary. The Company has no further obligations under the plan beyond its contributions.

Provident Fund

In addition to the above benefits, all employees receive benefits from a Provident fund, which is a defined contribution plan. Both the employee and employer each make monthly contributions to the plan equal to 12 % of the covered employee's salary. These contributions are made to the employees' provident fund maintained by the Government of India. The Company has no further obligations under the plan beyond its monthly contributions.

Leave Encashment

Leave encashment liability ascertained by actuarial valuation is provided in the books of accounts

Research & Development

Research & Development Costs have been capitalised and amortized over life of the version.

NOTES ON ACCOUNTS

1. Research & Development

Out of an amount of Rs.6,424.33 lacs capitalised upto the year 1999-00 in respect of the Product Research & Development Expenditure, an amount of Rs.2,683.14 lacs has been amortized upto 31 March 2001.

During the current year, an amount of Rs.2,159.09 lacs has been capitalised and grouped under Product Research & Development Expenditure and will be amortized over the useful life of the version.

Product Research and Development Expenses charged to Profit & Loss Account consist of depreciation on assets used for Research and Development amounting to Rs.402.45 lacs

2. Sundry Debtors

Sundry Debtors include dues from Overseas subsidiaries – Ramco Systems Corporation, USA Rs. 3480.77 lacs (Previous year Rs. 2163.54 lacs) (Maximum amount due Rs. 3,480.77 lacs (Previous year Rs. 2163.54 lacs)) Ramco Systems Limited, Switzerland Rs. 907.47 lacs (Previous year Rs. 218.11 lacs) (Maximum amount due Rs. 907.47 lacs (Previous year Rs. 575.60 lacs)), Ramco Systems Sdn. Bhd., Malaysia Rs. Nil (Previous year Rs. Nil) (Maximum amount due Rs. Nil (Previous year Rs. 72.35 lacs)) Ramco Systems Pte Ltd., Singapore Rs. 186.59 lacs (Previous year Rs. 9.61 lacs) (Maximum amount due Rs. 186.59 lacs (Previous year Rs. 9.61 lacs)).

3. Secured Loans

13% Secured Non Convertible Debentures(Secured on Computers) of Face value of Rs.20,000,000 redeemable at par in equal instalments on 23.12.2000, 23.12.2001 and 23.12.2002 were allotted to Indus Ind Bank Limited. The Company has pre closed the secured loan on 23.12.2000 by repaying the entire principal along with interest upto 23.12.2000.

During the current year the Company has raised a Short Term Loan of Rs.100,000,000/- @ 12 % from State Bank of Mauritius. The Short Term Loan is secured by a charge on the Fixed Assets of the Company, excluding Land & Building.

Term Loans from Housing Development Finance Corporation Limited and Sundaram Home Finance Ltd represent a Line of Credit to the Company towards provision of housing loans to the employees which is secured by an equitable mortgage by way of deposit of title deeds of the properties acquired by the employees.

Assets acquired under Hire Purchase Finance are hypothecated to the Hire Purchase Companies as security.

4. Current Liabilities

No amount exceeding Rs. 1 lakh for more than 30 days is due to any Small Scale Industrial undertaking.

Total Outstanding dues of Small Scale Industrial undertaking:- Rs. Nil.

5. Taxation

Provision for tax has been made based on income tax liability computed under the provisions of Minimum Alternate Tax under the Income Tax Act, 1961 and also includes tax on Income from United Kingdom Branch.

6. The Company's shares are listed on Madras Stock Exchange Limited, The Stock Exchange, Mumbai and National Stock Exchange of India Limited. The Listing Fees for the financial year 2000-2001 has been paid.

7. The Company has a branch in United Kingdom. The branch has made a turnover of Rs. 1,363.08 Lacs for the year ended 31st March 2001. The tax liability in respect of UK branch as of March 2001 is Rs. 7.35 lacs.

8. Managerial Remuneration

Computation of Profits as per Sec. 349 of the Companies Act, 1956 for remuneration to Vice Chairman and Managing Director for the year ended 31.03.2001.

		Rs.	Rs.
	Profit as per P&L account		12,073,677
Add:	Directors Sitting Fees	**Nil**	
	Vice Chairman & Managing Director's Remuneration	**1,166,400**	
	Loss on Sale of Assets as per P&L a/c	**1,029,642**	
	Profit on Sale of Assets as per Sec. 350	**518,270**	
			2,714,312
			14,787,989
Less:	Profit on Sale of Assets as per P&L a/c	**65,929**	
	Loss on Sale of Assets as per Sec.350	**3,62,911**	428,840
	Profit arrived for the purpose of Managerial Remuneration		14,359,149
	3% of the above - Rs. 430,774/-.		

Sri. P.R. Venketrama Raja is also the Vice-Chairman & Managing Director of Ramco Industries Limited. As per the provisions of the Companies Act, 1956 read with Schedule XIII the total remuneration payable should not exceed maximum limit admissible from any one of the Companies of which he is the Managing Director. He has been paid a remuneration of Rs. 11,66,400/- from the company as per the terms of appointment by way of monthly remuneration. This remuneration has been adjusted in the overall maximum remuneration payable by Ramco Industries Limited at 3% of its net profits amounting to Rs. 57,18,392/- computed in accordance with the provisions of the Act.

9. Contingent Liabilities

		As at 31.03.2001 (Rs.in lacs)	As at 31.03.2000 (Rs.in lacs)
(a)	Estimated amount of contracts remaining to be executed on capital account	**366.86**	22.07
(b)	Bank Guarantees	**680.74**	461.70
(c)	Letters of Credit	**68.00**	157.00
(d)	Customs duty payable on Raw Material stock at Bonded Warehouses.	**16.21**	11.43
(e)	The Company has extended Corporate Guarantee in favour of ICICI Banking Corporation Limited for an amount of US $ 3.0 million to facilitate availment of loan by its subsidiary, viz., Ramco Systems Corporation, USA		

10. Fees paid to Statutory Auditor's (included in audit, accountancy, outsourcing and consultancy charges) towards:

		As at 31.03.2001 (Rs.in lacs)	As at 31.03.2000 (Rs.in lacs)
(a)	Statutory Audit Fees	**2.00**	2.00
(b)	Tax Audit Fee	**0.90**	—

11. Additional information as required by Schedule VI of the Companies Act, 1956

			For the year ended 31-Mar-2001 Net Value (Rs. In lacs)	For the year ended 31-Mar-2000 Net Value (Rs. In lacs)
A)	Sales			
	a)	Ramco e.Applications and other Software & Services	**5756.27**	5118.58
	b)	Enterprise Networking Solutions	**6267.17**	6526.10
B)	CIF Value of Imports – Raw Materials, Spare Parts & Capital Goods		**2,953.32**	2842.17
C)	Expenditure in Foreign Currency on account of			
	1)	Remittance to Overseas Subsidiaries	**1,066.01**	347.61
	2)	Travelling and other matters	**417.94**	145.71
D)	Number of Non-resident shareholders		**25**	31

		For the year ended 31-Mar-2001 Value (Rs in lacs)	**Percentage**	For the year ended 31-Mar-2000 Value (Rs in lacs)	Percentage
E)	Value of consumption of imports and indigenous raw materials and spare parts				
	RAW MATERIALS				
	Imported	**3,604.45**	**65.31%**	3856.56	70.04%
	Indigenous	**1,914.54**	**34.69%**	1649.97	29.96%
F)	(a) Earnings in Foreign Exchange on export of goods	**3,063.45**		2997.23	
	(b) Dividend	**Nil**		58.88	

12. Figures have been rounded off to the nearest rupee and previous year's figures have been regrouped/recast wherever necessary to make them comparable with that of the current year.

As per our Report Annexed
For **Messrs S. Viswanathan,**
Chartered Accountants

C.N. GANGADARAN
Partner
Place : Chennai
Date : 15th June 2001

P.R. RAMASUBRAHMANEYA RAJHA
Chairman

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

S.S. RAMACHANDRA RAJA

N.K.SHRIKANTAN RAJA

M.M. VENKATACHALAM

V.JAGADISAN
Directors

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT 1956 RELATING TO SUBSIDIARIES

1	**Name of the Subsidiary Company**	**Ramco Systems Corporation, USA**	**Ramco Systems Limited, Switzerland**	**Ramcosystems Sdn Bhd, Malaysia**	**Ramco Systems Pte Ltd, Singapore**
2	Financial Year of the Subsidiary Company	March 31, 2001	March 31, 2001	March 31, 2001	March 31, 2001
3	No of shares held in the Subsidiary Company as on the above date	121,135,800 Equity Shares of US$ 0.10 each	* 9,600 Equity Shares of CHF 1,000 each	1,280,000 Equity Shares of RM 1/-each	725,000 Equity Shares of S$ 1/- each
4	Percentage of holding (Equity)	97%	100%	100%	100%
5	Percentage of holding (Preference)	Nil	Nil	Nil	Nil
6	The net aggregate of Profit / (Losses) of the Subsidiary Company so far as they concern the members of the Company				
	a. Dealt with Accounts of the Company for the year ended 31st March 2001	Nil	Nil	Nil	Nil
	b. Not dealt with Accounts of the Company for the year ended 31st March 2001	US$ (3,637,929)	CHF 537,632	RM 467,664	S$ 207,800
7	The net aggregate of Profit / (Losses) of the Subsidiary Company for the previous financial years since it became a subsidiary company so far as they concern the members of the Company				
	a. Dealt with Accounts of the Company for the year ended 31st March 2001	Nil	Nil	Nil	Nil
	b. Not dealt with Accounts of the Company for the year ended 31st March 2001	Nil	Nil	Nil	Nil
8	Change in the interest of the Company between the end of the financial year of the Subsidiary Company and the Company's Financial year ended 31st March 2001	N . A	N . A	N . A	N . A
9	Material changes between the end of the Financial Year of the Subsidiary Company and the Company's Financial year ended 31st March 2001	N . A	N . A	N . A	N . A
	a. Fixed Assets b. Investments c. Money lent d. Money borrowed other than those for meeting Current Liabilities				
	Notes * Includes 1,250 shares acquired during the year.				

P.R. RAMASUBRAHMANEYA RAJHA
Chairman

S.S. RAMACHANDRA RAJA

N.K.SHRIKANTAN RAJA

M.M. VENKATACHALAM

Place : Chennai
Date : 15th June 2001

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

V.JAGADISAN
Directors

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2001

			Year ended 31-3-2001		Year ended 31-3-2000
A.	**Cash Flow from Operating Activities**	**Rs.**	**Rs.**	Rs.	Rs.
NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS			**12,073,677**		10,528,674
Add :	Interest		**20,965,108**		85,015,177
			33,038,785		95,543,851
Add :	Depreciation and Amortisation	**159,719,846**	**159,719,846**	157,914,396	157,914,396
			192,758,631		253,458,247
Less :	Interest Received	**50,733,675**		1,739,286	
	Dividends Received	–		5,888,000	
	Profit on Sale of Assets	**(963,713)**		(244,045)	
	Miscellaneous Income	**16,617,558**	**66,387,520**	3,423,448	10,806,689
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES			**126,371,111**		242,651,558
Less :	Increase/ Decrease in Current Assets				
	Trade and Other Receivables	**399,777,418**		221,383,465	
	Inventories	**34,712,316**		(4,574,757)	
	Other Current Assets (Other than Cash & Bank)	**3,638,192**	**438,127,926**	(25,799,159)	191,009,549
			(311,756,815)		51,642,009
Add :	Increase/ Decrease in Current Liabilities				
	Trade Payables and Taxes	**(82,169,739)**		130,515,068	
	Bank Borrowings	**(1,130,906)**	**(83,300,645)**	(3,869,094)	126,645,974
CASH GENERATED FROM OPERATIONS			**(395,057,460)**		178,287,983
	Interest payments		**20,965,108**		85,015,177
CASH FLOW FROM OPERATING ACTIVITIES			**(416,022,568)**		93,272,806
	Extraordinary items		–		–
NET CASH USED IN / FROM OPERATING ACTIVITES			**(416,022,568)**		93,272,806
B.	**Cash Flow from Investing Activities**				
	Purchase of Fixed Assets	**48,990,612**		18,663,517	
	Purchase of Investments	–		754,906,697	
	Miscellaneous Expenditure	**247,713,280**	**296,703,892**	217,082,695	990,652,909
Less :	Sale of Fixed Assets	**2,662,986**		1,242,220	
	Interest Received	**50,733,675**		1,739,286	
	Dividends Received	–		5,888,000	
	Miscellaneous Income	**16,617,558**		3,423,448	
	Profit on Sale of Assets	**(963,713)**	**69,050,506**	(244,045)	12,048,909
NET CASH USED IN INVESTING ACTIVITIES			**227,653,388**		978,604,000

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2001 (Contd.)

			Year ended 31-3-2001		Year ended 31-3-2000
		Rs.	**Rs.**	Rs.	Rs.
C.	**Cash Flow From Financing Activities**				
Add :	Proceeds from issue of Share Capital (incl. Reserves)			2,832,918,091	
	Proceeds from Secured borrowings	**128,715,452**		–	
	Proceeds from unsecured borrowings	**160,000,000**	**288,715,452**	8,129,875	2,841,047,966
Less :	Repayment of Finance Liabilities	**25,925,887**		617,241,628	
	Income Tax	**1,648,078**		–	
	Repayment of unsecured borrowings	**36,639,023**	**64,212,988**	506,909,511	1,124,151,139
NET CASH FROM FINANCING ACTIVITIES			**224,502,464**		1,716,896,827
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS			**(419,173,492)**		831,565,633
Cash and Cash Equivalent as on 01-04-2000		**876,388,967**		44,823,334	
Cash and Cash Equivalent as on 31-03-2001		**457,215,475**	**(419,173,492)**	876,388,967	831,565,633

AUDITORS' CERTIFICATE

To

The Board of Directors
Ramco Systems Limited
Chennai – 600 113.

We have examined the above Cash Flow Statement of Ramco Systems Limited. The Statement has been prepared by the Company in accordance with the requirements of Clause 32 of listing agreement with the Stock Exchange and is based on and in agreement with the corresponding profit and loss account and balance sheet of the Company covered by our report of 15-June-2001 to the members of the Company.

For **Messrs S.Viswanathan**
Chartered Accountants

Place : Chennai
Dated : 15th June 2001

C.N.GANGADARAN
Partner

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS

Registration No.	375501997	State Code (Refer Code List)	18
Balance Sheet Date	31 03 2001 (Date Month Year)		

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL
		Others	NIL

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rs. Thousands)

Total Liabilities	3170519	Total Assets	3170519
Source of Funds:			
Paid-up Capital	77681	Reserves & Surplus	2775258
Secured Loans	156090	Unsecured Loans	161490
Application of Funds:			
Net Fixed Assets	389641	Investments	754907
Net Current Assets	1392875	Miscellaneous Expenditure	633096

IV. PERFORMANCE OF COMPANY (Amount in Rs. Thousands)

Turnover and other Income	1269761	Total Expenditure	1257687
Profit Before Tax	12074	Profit After Tax	10426
Earning Per Share in Rs.	1.35	Dividend Rate %	- -

V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY (as per monetary terms)

Item Code No. (ITC Code)	852451
Product Description	COMPUTER SOFTWARE

As per our Report Annexed
For **Messrs S. Viswanathan,**
Chartered Accountants

C.N. GANGADARAN
Partner
Place : Chennai
Date : 15th June 2001

P.R. RAMASUBRAHMANEYA RAJHA
Chairman

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

S.S. RAMACHANDRA RAJA

N.K.SHRIKANTAN RAJA

M.M. VENKATACHALAM

V.JAGADISAN
Directors

INDEPENDENT ACCOUNTANT'S REPORT
AND
CONSOLIDATED FINANCIAL STATEMENT
UNDER US GAAP

AUDITORS

Price Waterhouse

INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Directors and Shareholders of Ramco Systems Limited

We have reviewed the accompanying consolidated Balance Sheet of Ramco Systems Limited and its subsidiaries as of March 31, 2001, and the related consolidated statement of income, of cash flow and of changes in stockholders' equity for the period ended March 31, 2001. These financial statements are the responsibility of the company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an option regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements for them to be in conformity with generally accepted accounting principles.

Price Waterhouse
Chennai
15th June 2001

CONSOLIDATED BALANCE SHEET

Assets	**As at March 31, 2001**	As at March 31, 2000
Current assets:		
Cash and cash equivalents	**$ 11,952,876**	$ 21,215,548
Accounts receivable, net of allowances of USD 417,602 in 2000 and USD 197,421 in 2001	**18,441,638**	15,415,367
Inventories	**1,706,626**	1,029,865
Due from parent company	**234,412**	244,872
Prepaid expenses	**274,202**	304,281
Other current assets	**1,495,559**	596,527
Total current assets	**34,105,313**	38,806,460
Property, plant and equipment – net	**6,061,552**	6,062,133
Capitalized software costs	**7,101,852**	5,529,835
Deferred tax asset	**3,267,383**	1,408,393
Other assets	**1,354,772**	900,345
Total assets	**$ 51,890,872**	$ 52,707,166
Liabilities and Stockholders' Equity		
Current Liabilities:		
Current portion of long term debt	**$ 35,895**	$ 178,253
Current portion of capital lease obligations	**448,579**	365,759
Short term borrowings	**9,774,636**	4,074,615
Notes payable	**125,000**	250,000
Trade accounts payable	**4,507,921**	6,353,222
Accrued expenses	**2,410,620**	1,842,850
Unearned revenue	**639,750**	523,464
Other current liabilities	**713,430**	801,853
Total current liabilities	**18,655,831**	14,390,016
Capital lease obligations, excluding current portion	**351,462**	266,787
Long term debt, excluding current portion	**1,156,929**	1,007,117
Loans from related parties	**31,978**	186,677
Other liabilities	**336,787**	359,616
Total liabilities	**20,532,987**	16,210,213
Stockholders' equity		
Common stock, 15,000,000 shares authorised as at March 31, 2000 and 2001; 7,733,272 shares issued and outstanding as at March 31, 2000 and 2001, $ 0.234 par value	**1,815,374**	1,815,374
Additional paid in capital	**59,996,992**	60,152,406
Deferred compensation- employees stock compensation plans	**(361,092)**	(1,032,830)
Accumulated deficit	**(31,087,282)**	(27,977,791)
Accumulated other comprehensive income	**993,893**	3,539,794
Total stockholders' equity	**31,357,885**	36,496,953
Total liabilities and stockholders' equity	**$ 51,890,872**	$ 52,707,166

See accompanying notes to the consolidated financial statements

Ramco Systems Limited, Global Consolidated (Under US GAAP)

CONSOLIDATED STATEMENT OF OPERATIONS

	For the year ended March 31, 2001	For the year ended March 31, 2000
Revenues	**$ 45,358,540**	$ 39,427,725
Expenses:		
Operating Expenses	**26,412,250**	26,225,622
Selling, general and administrative expenses	**18,730,330**	10,857,711
Research and development costs	**2,930,018**	2,205,856
Amortization of deferred stock compensation	**516,324**	3,777,243
Depreciation and amortization on property, plant and equipment	**2,240,999**	2,327,666
Total operating expenses	**50,829,921**	45,394,098
Operating loss	**(5,471,381)**	(5,966,373)
Other income		
Interest(income) , net of interest expense	**(673,828)**	2,075,363
Other expenses , net	**139,661**	252,299
Loss before income taxes	**(4,937,214)**	(8,294,035)
Income tax (benefit)	**(1,827,723)**	(792,579)
Net Loss	**$ (3,109,491)**	$ (7,501,456)
Basic and diluted net loss per Common Stock	**$ (0.402)**	$(1.319)
Weighted average Equity Shares used in computing net loss per Common Stock	**77,33,272**	5,684,319

See accompanying notes to the consolidated financial statements

STATEMENT OF CONSOLIDATED CASH FLOWS

	For the Year ended March 31 2001	For the Year ended March 31 2000
Cash flows from operating activities:		
Net loss	$ (3,109,491)	$ (7,501,456)
Adjustments to reconcile net loss to net cash used in operating activities		
Loss on sale of plant and equipment	307,937	119,470
Depreciation and amortization	2,240,999	2,327,666
Amortization of deferred stock compensation	516,324	3,777,243
Amortization of capitalized software costs	2,930,018	2,364,092
Changes in assets and liabilities:		
Inventories	(676,761)	137,480
Accounts receivable (net)	(3,026,271)	(7,224,276)
Due from parent company	10,460	(1,291,917)
Prepaid expenses	(79,193)	150,837
Other current assets	(789,760)	(48,220)
Other assets	(454,427)	(186,395)
Trade Accounts payable	(2,198,456)	2,786,306
Accrued expenses	567,770	904,929
Other current liabilities	58,145	364,972
Unearned revenue	116,287	281,477
Deferred taxes	(1,858,991)	(873,091)
Other liabilities	183,758	359,616
Net cash used in operating activities	(5,261,652)	(3,551,267)
Cash flow from investing activities:		
Purchase of plant and equipment (net)	(2,548,355)	(237,742)
Capitalized software costs	(4,502,035)	(2,457,921)
Net cash used in investing activities	(7,050,390)	(2,695,663)
Cash flow from financing activities		
Proceeds from issuance of equity	—	39,289,287
Proceeds from short term borrowings, net	5,700,021	1,586,084
Proceeds from notes payable, net	(125,000)	(7,557,865)
Proceeds from long term debt	615,947	465,419
Principal repayments of long term debt	(608,493)	(10,334,921)
Principal repayments / proceeds under capital lease obligations	167,495	(247,467)
Loans from related parties	(154,699)	186,677
Net cash provided by financing activities	5,595,271	23,387,214
Effect of exchange rate changes on cash	(2,545,901)	2,493,815
Net increase in cash and cash equivalents	(9,262,672)	19,634,099
Cash and cash equivalents at the beginning of the year	21,215,548	1,581,449
Cash and cash equivalents at the end of the year	$ 11,952,876	$ 21,215,548
Supplementary disclosure of cash payments		
Cash paid towards interest	775,012	3,230,044
Cash paid towards income tax	186,941	4,211
Supplementary disclosure of non-cash information		
Capital leases	433,790	13,558

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENT OF STOCK HOLDERS' EQUITY

	Common stock		Additional Paid-in Capital	Comprehensive Income	Accumulated other comprehensive income	Deferred Compensation employee stock purchase plan	Accumulated Deficit	Debenture Redemption Reserve	Total Stockholders' Equity
	Number of Shares	Par value							
Balance at March 31, 1999	28,200	$ 6,690	$ 17,861,730	$—	$ 1,045,979	$—	$ (20,602,515)	$ 126,180	$ (1,561,936)
Common Stock issued	7,705,072	1,808,684	37,480,603	—	—	—	—	—	39,289,287
Compensation related to stock compensation grants	—	—	4,810,073	—	—	(4,810,073)	—	—	—
Amortisation of compensation related to stock compensation grants	—	—	—	—	—	3,777,243	—	—	3,777,243
Comprehensive income									
Net loss for the year	—	—	—	(7,501,456)	—	—	(7,501,456)	—	(7,501,456)
Other comprehensive income									
Translation adjustment	—	—	—	2,493,815	2,493,815	—	—	—	2,493,815
Comprehensive income	—	—	—	(5,007,641)	—	—	—	—	—
Balance at March 31, 2000	**7,733,272**	**$ 1,815,374**	**$ 60,152,406**	—	**$ 3,539,794**	**$ (1,032,830)**	**$ (28,103,971)**	**$ 126,180**	**$ 36,496,953**
Common Stock issued									
Compensation related to stock compensation grants	—	—	(155,414)	—	—	155,414	—	—	—
Amortisation of compensation related to stock compensation grants	—	—	—	—	—	516,324	—	—	516,324
Comprehensive income									
Net loss for the year	—	—	—	(3,109,491)	—	—	(2,983,311)	(126,180)	(3,109,491)
Other comprehensive income									
Translation adjustment	—	—	—	(2,545,901)	(2,545,901)	—	—	—	(2,545,901)
Comprehensive income	—	—	—	(5,655,392)	—	—	—	—	—
Balance at March 31, 2001	**7,733,272**	**$ 1,815,374**	**$ 59,996,992**	—	**$ 993,893**	**$ (361,092)**	**$ (31,087,282)**	—	**$ 31,357,885**

See accompanying notes to the consolidated financial statements

Notes to the Consolidated Statements
(In US Dollars unless otherwise stated)

1. Nature of Operations

Ramco Systems Limited ('RSL' or 'the Company') is a company incorporated and headquartered in Chennai, India, with the primary objective of developing and marketing Enterprise Resource Planning (ERP) products. The Company also has subsidiaries in the United States, Switzerland, Malaysia and Singapore.

2. Significant Accounting Policies

a) Basis of Preparation

The financial statements are prepared in accordance with the accounting principles generally accepted in the United States of America ("U.S. GAAP"). The fiscal year end of the Company is March 31.

b) Principles of Consolidation

The consolidated financial statements include the assets, liabilities and results of the following majority owned subsidiaries.

- Ramco Systems Corporation, USA (RSC);
- Ramco Systems Limited, Switzerland (RSLS);
- Ramco Systems SDN BHD, Malaysia (RSSB); and
- Ramco Systems PTE LTD, Singapore (RSPL).

All the above subsidiaries are wholly owned by RSL with the exception of RSC where RSL holds 97% of the total shares. All significant inter-company balances and transactions have been eliminated.

c) Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the period reported. Actual results could differ from those estimates.

d) Foreign Currency Transactions

Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in net income.

The functional currency of the parent company is Indian Rupees (Rs). The functional currencies of the subsidiaries are their respective local currencies. The accompanying financial statements are reported in US Dollars.

The Group's assets and liabilities are translated from functional currency to US Dollars at exchange rates in effect at the balance sheet date, while results of operations are translated at average exchange rates for the respective periods. The gains or losses resulting from such translation are reported in other comprehensive income, a separate component of stockholders' equity.

e) Revenue Recognition

Revenue consists of fees for licenses of software products, consulting services, maintenance and customer support and sale of communications hardware.

Revenue from software product licenses to clients are generally recognized when: (i) a signed non cancellable software license agreements exists, (ii) delivery has occurred, (iii) the license fee is fixed or determinable, and (iv) collectability is probable. Maintenance revenue is deferred and recognized ratably over the term of the maintenance agreement. Revenues from consulting, customer support and other services are recognized as the related services are performed, collectability is probable and such revenue are contractually non refundable. Amounts collected prior to satisfying the above revenue recognition criteria are classified as unearned revenue. Revenues from the sale of communications hardware are recognized when the sale is complete in accordance with the terms of the agreement.

Revenue from time and material contracts is recognized when the services are performed. Revenue from fixed price contracts is recognized upon the achievement of specified milestones identified in the related contracts, in accordance with the percentage of completion method. Losses on fixed price contracts are recognized during the period in which the loss first becomes apparent.

f) Cash and Cash Equivalents

Cash and cash equivalents comprise of cash on hand, cash on deposit with banks and all investments with maturity of three months or less when acquired.

g) Inventories

Inventories primarily consist of networking hardware for resale and are stated at the lower of cost and net realisable value. Cost is determined using the First-In-First-Out (FIFO) method.

h) Receivables

Receivables are stated in the balance sheet at their estimated realisable value, after provision for bad and doubtful amounts.

i) Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Assets under capital leases are stated at the present value of minimum lease payments.

Depreciation is provided on the straight-line method based on the estimated useful lives of assets.

The estimated useful lives of the assets are below:

	Years
Buildings	30
Computer Equipment	3
Furniture and fixtures	5
Office equipment	5
Vehicles	5

The cost of software obtained for internal use is capitalized and amortized over the estimated useful life of three years

The cost and the accumulated depreciation for equipment sold, retired or otherwise disposed off are removed from the stated values and the resulting gains and losses are included in the statement of income.

Significant renovations are capitalised if these extend the life of the asset or significantly increase its revenue generating capacity. Maintenance, repairs and minor renewals are charged against income as incurred.

j) Impairment of Long Lived Assets

Under SFAS 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Off" the Company assesses long-lived assets and indentifiable intangibles, if any, for impairment whenever there is an indication that the carrying amount of the asset may not be recoverable. Recoverability of these assets is determined by comparing the forecasted undiscounted cash flows generated by those assets to the assets' net carrying value. The amount of impairment loss, if any, will generally be measured by the difference between the net book value of the assets and the estimated fair value of the related assets.

k) Software costs

Software costs are expensed in the period incurred, until technological feasibility is established. Costs are capitalized only after technological feasibility has been established. The capitalized software costs, on a product-by-product basis are amortized on a periodic basis over the estimated useful life of the product.

The unamortized software costs capitalized are reported at net realizable value as on the balance sheet date. Net realizable value is determined on a product-by-product basis and is equal to the estimated future gross revenues of a specified product, less estimated future costs of completing and disposing of the specified product, including the costs of performing maintenance and customer support on a product-by-product basis as required by the terms of sale. The excess of unamortized costs over its related net realizable value at a balance sheet date is charged to earnings.

l) Income Taxes

In accordance with the provisions of SFAS 109, *"Accounting for Income Taxes"*, income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases and operating losses allowed to be carried forward. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the statement of income in the period of change. A valuation allowance is recorded when it is more likely than not that some or all of the deferred tax assets will not be realized.

m) Retirement benefits to employees

Retirement benefits to RSL employees include provident fund, gratuity and superannuation.

Provident fund

All employees receive benefits from a Provident Fund, which is a defined contribution plan. Both the employee and employer make matching contributions to the plan, each equal to 12% of the employee's salary. The company has no further obligations under the plan beyond its monthly contributions.

Gratuity

In accordance with the Indian Law, the Company provides for gratuity, a defined benefit retirement plan (the"gratuity plan") covering all employees. The plan provides a lump sum payment to vested employees at retirement or termination of employment, an amount based on the respective employee's salary and the years of employment with the Company.

Superannuation

The Company provides for superannuation, a defined contribution retirement plan (the "Superannuation Plan") covering specified employees as per terms of employment. The plan provides a lump sum payment to vested employees at retirement or termination of employment. The Company contributes each year to a superannuation fund maintained by LIC based upon percentage of the employees' salary.

IRC 401(k)

RSC has a 401(k) retirement plan (the plan) that covers substantially all employees of the Company. The plan provides for voluntary salary reduction contributions of upto 15% of eligible participants' annual compensation. At the discretion of the Board of Directors, the Company may make matching contributions. No contributions were made in fiscal year 2001 and 2000.

n) Earnings per share

In accordance with SFAS No. 128, the basic earnings per share is computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of common and dilutive common equivalent shares outstanding during the period, using the treasury stock method for options and warrants, except where the results would be anti-dilutive.

o) Stock- based compensation

The company uses the intrinsic value-based method of Accounting Principles Board ("APB") Opinion No. 25 to account for its employee stock-based compensation plan. The company has therefore adopted the pro forma disclosure provisions of SFAS No. 123, "Accounting for Stock-Based Compensation".

p) Concentration of risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash equivalents and trade receivables. The Company's cash resources are invested with banks with high investment grade credit ratings. Also, the Company performs on-going credit evaluation of clients to reduce its credit risk.

q) Dividends

Dividends and the related dividend tax are given effect only in the period in which dividends are formally declared.

r) Recent Accounting Pronouncements

There are a number of new accounting standards that have been issued that will affect the Company's preparation of consolidated financial statements in accordance with US GAAP.

In December 1999, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) No.101, *"Revenue Recognition in Financial Statements"*. SAB 101 outlines the SEC staff's views in applying generally accepted accounting principles to revenue recognition in financial statements. The Company has evaluated the requirements of SAB 101 and believes it will have no material impact on these financial statements.

In June 1998, the Financial Accounting Standards Board (FASB) issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended by SFAS No. 137, "Deferral of the Effective Date of FASB No. 133, Accounting for Derivative Instruments and Hedging Activities" and SFAS 138 " *Accounting for Certain Derivative Instruments and Certain Hedging Activities – an amendment of FASB Statement No. 133",* which is effective for all fiscal years beginning after June 15, 2000. SFAS 133 establishes standards for the recognition and measurement of derivatives and hedging activities. It requires entity to record, at fair value, all derivatives either as assets or liabilities in the balance sheet as well as establishing specific accounting rules for certain types of hedges. The Company shall adopt SFAS 133 when required, if not earlier. Adoption of SFAS 133 is not expected to have a material adverse effect on the Company's business, financial condition and results of operation.

3. Cash and Cash Equivalents:

Cash and cash equivalents include:

	March 31, 2001	2000
Cash in hand	**$ 11,325**	$ 24,092
Cash in bank	**4,230,511**	10,857,613
Deposits with banks	**7,711,040**	10,333,843
Total	**$ 11,952,876**	$ 21,215,548

4. Accounts Receivable

The collectibility of accounts receivable is reviewed on an ongoing basis and an allowance for doubtful accounts is provided for known and estimated bad debts. The provision for bad and doubtful debts made in the year ended March 31, 2000 and 2001 is $ 417,602 and $ 197,421 respectively.

5. Other current assets

Other current assets include the following:

	March 31, 2001	2000
Rent deposit	**$ 327,774**	$ 179,967
Due from officers and employees	**337,281**	154,725
Deposit with government authorities	**50,448**	11,251
Advance tax payments	**540,931**	168,388
Interest accrued	**71,710**	3,126
Other advances	**167,415**	79,070
Total	**$ 1,495,559**	$ 596,527

6. Property, Plant and Equipment

Property, plant and equipment comprise of:

	March 31, 2001	2000
Land	**$ 739,446**	$ 791,572
Buildings	**3,555,512**	3,678,646
Computer equipment	**7,492,432**	6,109,541
Furniture, fixtures and office equipment	**3,928,754**	4,377,043
Vehicles	**185,717**	501,207
Software for internal use	**1,097,789**	838,145
	16,999,650	16,296,154
Less: Accumulated depreciation	**(10,938,098)**	(10,234,021)
Property, plant and equipment, net	**$ 6,061,552**	$ 6,062,133

Property, plant and equipment includes assets held under capital leases, which comprise of:

	March 31, 2001	2000
Computer equipment	**$ 927,717**	$ 520,172
Vehicles	**240,752**	413,576
Office equipment	**304,063**	104,994
Total	**1,472,532**	1,038,742
Less: Accumulated Depreciation	**(822,055)**	(839,675)
	$ 650,477	$ 199,067

Depreciation and amortization expense for the year ended on March 31, 2000 and 2001 was $2,327,666 and $ 2,240,999 respectively.

7. Capitalized software costs

Capitalized software costs as at March 31, 2000 and 2001 is disclosed net of accumulated amortization. Amortization expenses for the year ended March 31, 2000 and 2001 is $ 2,205,856 and $ 2,930,018 respectively.

8. Leases

The Company leases certain computer equipment, vehicles and office equipment under capital leases. Future minimum lease payments under these capital leases as of March 31, 2001 were as follows:

2001-02	$ 514,251
2002-03	269,190
2003-04	127,805
Total minimum lease payments	911,246
Less: Amount representing interest	111,205
Present value of net minimum capital lease payments	800,041
Less: Current installments of obligations under capital leases	448,579
Obligations under capital Leases, excluding current Installments	$ 351,462

The Company has various operating leases for office space.

The operating lease commitments for the next five years are summarized below:

	March 31, 2001
2001-02	**$ 1,298,727**
2002-03	**1,126,394**
2003-04	**996,218**
2004-05	**833,507**
2005-06	**630,267**
Total	**$ 4,885,113**

Rental expense for operating leases for the year ended on March 31, 2000 and 2001 is $ 487,740 and $ 1,000,543 respectively.

9. Other assets

Other assets include the following:

	March 31, 2001	2000
Rent deposit	**$ 366,062**	$ 195,380
Due from officers and employees	**871,425**	567,282
Deposit with government authorities	**117,285**	119,059
Other advances	—	18,624
Total	**$ 1,354,772**	$ 900,345

10. Long-term debt

	March 31, 2001	2000
Housing Loan from Housing Development Finance Corporation (HDFC)	**$ 576,877**	$ 726,128
Sundaram Home Finance	**615,947**	—
Non-convertible debentures (NCD)	—	459,242
Total long-term debt	**1,192,824**	1,185,370
Less: Current portion	**35,895**	178,253
Long-term debt, excluding current portion	**$ 1,156,929**	$ 1,007,117

The Company availed an Indian rupee denominated Housing Loan from Housing Development and Finance Corporation Limited and Sundaram Home Finance Limited towards housing loans to the employees of Ramco Systems Limited, India. These loans are secured by equitable mortgage of the title deeds to the properties acquired by the employees. The facilities carry an average interest rate varying from 12.5% - 14 % per annum and are repayable over a period of 12-15 years. The employees of the Company pay an average interest rate of 2 % per annum to the Company.

During fiscal 1999, the Company issued Indian rupee denominated 13 % NCD to IndusInd Bank Limited. The NCD's were secured by an exclusive charge against computer equipment of Ramco Systems Limited, India in favour of State Bank of India, the trustees. The debentures were redeemable at par in three equal annual installments beginning December 23, 2000. The Company has redeemed the entire amount of NCD's on December 23, 2000.

Future payments under long-term debt are as follows:

	March 31, 2001
2002	**$ 35,895**
2003	**37,945**
2004	**40,252**
2005	**42,846**
2006	**45,765**
Beyond 2006	**990,121**
Total	**$ 1,192,824**

11. Short-term borrowings

Short term borrowings comprises:

	March 31, 2001	2000
Loans from banks	**$ 7,415,134**	$ 4,074,615
Non – convertible debentures	**2,359,502**	—
Total	**$ 9,774,636**	$ 4,074,615

Loans from banks amounting to $ Nil and $ 2,145,002 as at March 31 2000 and 2001 are secured by a charge on all the fixed assets of the Company excluding land and building. The balance amount of loan from banks are unsecured and the average interest rate of borrowings was 13 % and 11% for years ended March 31, 2000 and 2001.

The Company availed of US dollar, Swiss francs and Indian rupee denominated loan credit facilities aggregating to $ 6,820,655 as at March 31, 2000 and US dollar loan credit facilities aggregating to $ 4,250,000 as at March 31, 2001 from financial institutions and banks to meet its working capital requirements.

The loan facilities availed by subsidiaries are secured by a corporate guarantee provided by RSL. The weighted average interest rate for fiscal 2001, of US dollar denominated loan facilities of 3,000,000 and 1,250,000 was London Inter Bank Offer Rate (LIBOR) plus 3% and LIBOR plus 1.25% per annum respectively. As on March 31, 2000 and March 31, 2001 $ 4,074,615 and $ 4,197,630 has been utilized under this facility respectively.

During fiscal 2000, the Company issued Indian rupee denominated NCD to HDFC Bank Limited amounting to $ 2,359,502 and the average interest rate was 11% for year ended March 31 2001.

12. Accrued Expenses

Accrued expenses consist of the following:

	March 31, 2001	2000
Salary Payable	**$ 1,543,065**	$ 639,949
Consultancy Expenses	**83,476**	706,808
Interest	**107,264**	96,422
Administrative Expenses	**393,192**	329,315
Others	**283,623**	70,356
Total	**$ 2,410,620**	$ 1,842,850

13. Other Current Liabilities

Other current liabilities consist of the following:

	March 31, 2001	2000
Salary deductions and taxes	**$ 394,679**	$ 323,758
Sales tax payable	**155,022**	185,325
Income tax payable	**77,365**	28,115
Others	**86,364**	264,655
Total	**$ 713,430**	$ 801,853

14. Income Taxes

As per the prevailing tax laws in India, the Company is subject to income taxes. The constituent entities file individual tax returns as per prevailing tax regulations.

The provision for income taxes comprises the following:

	March 31, 2001	2000
Current		
– Domestic	**$ (36,065)**	$ (28,115)
– Foreign	**(121,097)**	(52,397)
	(157,162)	(80,512)
Deferred		
– Domestic	**1,394,329**	873,091
– Foreign	**590,556**	—
	1,984,885	$ 873,091
Total income tax (expense)/benefit	**$ 1,827,723**	$ 792,579

The reconciliation between the amounts computed by applying the enacted tax rate to loss and provision for income tax of the Company is as follows:

	Year ended March 31, 2001	2000
Net loss before taxes	**$ (1,335,420)**	$ (5,841,671)
Enacted tax rates	**39.55%**	38.50%
Computed expected tax benefit	**528,159**	2,249,043
Permanent Differences	**792,264**	(1,375,952)
Effect of change in tax rate	**73,906**	—
Minimum Alternate Tax	**(22,392)**	(28,115)
Domestic income taxes	**1,371,937**	844,976
Effect of foreign branch and subsidiaries	**455,786**	(52,397)
Income tax benefit	**$ 1,827,723**	$ 792,579

The components of the net deferred tax asset are as follows:

	March 31, 2001	2000
Deferred Tax Assets:		
Net operating loss carry forwards	**$ 10,363,020**	$ 6,970,142
Expenses currently not deductible for tax purposes	**2,114,000**	1,571,000
Others	—	58,000
Total deferred tax asset	**12,477,020**	8,599,142
Less: Valuation allowance	**(6,438,000)**	(5,019,000)
Net deferred tax asset	**6,039,020**	3,580,142
Deferred Tax Liability:		
Property, plant and equipment	**(761,708)**	(962,614)
Research and development costs	**(1,973,143)**	(1,209,135)
Others	**(36,786)**	—
Total deferred tax liability	**$ (2,771,637)**	$ (2,171,749)
Total net deferred tax asset	**$ (3,267,383)**	$ 1,408,393

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the scheduled reversal of the projected future taxable income, and tax planning strategies in making this assessment. A valuation allowance of $ 5,019,000 and $6,438,000 has been created as of March 31, 2000 and 2001 in respect of RSC, which the management believes that it is more likely than not the Company will not realize any benefits of these deductible differences.

15. Related party transactions

An analysis of transactions with Company's parent, Ramco Industries Limited (RIL) is set out below:

	Year ended March 31, 2001	2000
Balance at the beginning of the year	**$ 244,872**	$ (1,047,045)
Transfer of investments in subsidiaries at cost	—	(16,536,070)
Advances received / given	**(12,990)**	952,203
Expenses incurred on behalf of the Company	**(67,026)**	(681,533)
Allotment of equity	—	17,557,317
Revenue earned on behalf of the Company	**69,556**	—
Balance at the end of the year	**$ 234,412**	$ 244,872

The Company has unsecured loans from its directors amounting to $ 186,677 and $ 31,978 during the year ended March 31, 2000 and 2001. These loans carry an interest rate of 13% per annum and are repayable within 2 years.

16. Common stock

Voting

The Company presently has only one class of common stock. For all matters submitted to vote in the shareholders meeting, every holder of common stock, as reflected in the records of the Company on the date of the stockholders meeting shall have one vote in respect of each share held by him or her.

Dividends

Indian statutes mandate that dividends shall be declared out of distributable profits only after the transfer of up to 10% of net income computed in accordance with current regulations to a general reserve. Dividends declared, distributed or paid by an Indian corporation are subject to a dividend tax of 22.0%, including the presently applicable surcharge, of the total amount of the dividend declared, distributed or paid. This tax is not paid by shareholders nor is it a withholding requirement, but rather it is a direct tax payable by the corporation. Should the Company declare and pay dividends, such dividends will be paid in Indian Rupee to each holder of common stock in proportion to the number of shares held by him to the total common shares outstanding as on that date.

Liquidation

In the event of liquidation of the Company, the holders of common stock shall be entitled to receive all the remaining assets of the Company, after distribution of all preferential amounts, if any. Such amounts will be in proportion to the number of shares of common stock held by the shareholders.

Employee Stock Purchase Plan

There are no voting rights to the holders of shares under the share purchase plan of the company till the completion of the stipulated option period.

17. Retirement benefits to employees

Provident fund

The Company contributed $ 601,003 to the provident fund managed by Government of India during the year ended March 31, 2001 (March 31, 2000 $534,210).

Gratuity

The actuarial changes in the benefit obligation, changes in plan assets and the funded status of the plan are as follows:

	March 31, 2001	2000
Changes in benefit obligation:		
Benefit obligation at the beginning of the year	**$ 481,456**	$ 307,328
Service cost	**135,668**	154,245
Interest cost	**49,473**	33,806
Benefits paid	**(59,211)**	(13,923)
Actuarial (gain) / loss on obligations	—	—
Benefit obligation at the end of the year	**607,386**	481,456
Changes in plan assets *		
Fair value of plan assets at the beginning of the year	**102,650**	64,834
Actual return on plan assets	**10,404**	7,683
Employer contributions	**68,365**	44,056
Benefits paid	**(59,211)**	(13,923)
Fair value of plan assets at end of the year	**122,208**	102,650
Funded status	**(485,178)**	(378,806)
Unrecognized actuarial loss	—	—
Unrecognized transitional obligation	**166,118**	193,995
Net amount recognized	**(319,060)**	(184,811)
Amount recognized in balance sheet consists of:		
Accrued benefit cost	**319,060**	184,811
	319,060	184,811

	March 31, 2001	2000
The components of net gratuity costs are reflected below:		
Service cost	**135,668**	154,245
Interest cost	**49,473**	33,806
Expected return on plan assets	**(10,548)**	(7,132)
Amortization of transition (assets) / liabilities	**15,102**	16,166
Net gratuity costs	**$ 189,695**	$ 197,085

* The amount of plan assets maintained and certified by Life Insurance Corporation of India.

Assumptions in developing the projected benefit obligation were as follows

For the calculations, a discount rate of interest of 11% has been assumed. Salaries are assumed to increase at the rate of 20% for the first five years, 15% for the next ten years and 10% thereafter. The mortality rates used are published by one of the leading life insurance companies in India. As the assumed rates above have a significant effect on the amounts reported, the Company has assessed these rates as comparable with prevalent industry standards and its projected long-term plans of growth.

Superannuation

No contribution to the superannuation plan managed by the Life Insurance Corporation of India was made during the year ended March 31, 2001 due to excess contribution made in the previous year (March 31, 2000 $ 388,685).

18. Interest Income, net

Interest Income, net includes:

	Year ended March 31 2001	2000
Interest expense	**$ 461,568**	$ 2,117,395
Interest Income	**(1,135,396)**	(42,032)
	$ (673,828)	$ 2,075,363

19. Other expenses, net

Other expenses, net, consist of the following:

	Year ended March 31 2001	2000
Foreign exchange fluctuation	**$ (379,565)**	$ 127,340
Loss on sale of plant and equipment	**307,937**	119,470
Other expenses	**211,289**	5,489
	$ 139,661	$ 252,299

20. Commitments and Contingencies

Capital Commitments

As of March 31, 2000 and 2001, the Company had contractual commitments of $ 50,677 and $ 786,915 for capital expenditures.

Bank Guarantees

Bank Guarantees outstanding on behalf of the Company as at March 31, 2000 and 2001 amounts to $ 1,060,161 and $ 1,524,539. The gurantees primarily comprise of performance and financial guarantees.

Letters of Credit

Letters of Credit outstanding as at March 31, 2000 and 2001 amounts to $ 360,505 and $ 262,698.

Others

Customs duty payable on raw material stock lying at bonded warehouses as at March 31, 2000 and 2001 amounts to $ 26,246 and $ 34,770.

21. Stock based compensation

In June 1999, the Company established the Employee Share Purchase Plan ("ESPP") which provides for the issuance of 250,000 common stock to eligible employees. The common stocks were issued to an employee welfare trust (the "Trust") at Rs 10 each. Of the above 195,050 shares were then allotted by the Trust to the employees at Rs 10 each. Although these shares have been allotted to the employees, under the agreement of sale, these would vest gradually with the employees over a four year period of employment. The common stocks are not subject to any repurchase obligations by the Company.

Status of shares purchase plan as at March 31, 2001 is set out below:

	Year ended March 31, **2001**	2000
Stock outstanding at the beginning of the year	**129,000**	—
Stock granted during the year	—	195,050
Vested during the year	**44,450**	66,050
Forfeited during the year	**13,400**	—
Outstanding at the end of the year	**71,150**	129,000
Exercisable at the end of the year	—	—

The deferred compensation is amortized rateably over the vesting period of the equity shares. During the year ended March 31, 2001 the Company recorded stock based compensation expense of $ 516,324 (March 31,2000 – $ 3,777,243).

The company has elected to use the intrinsic value-based method of APB Opinion No. 25 to account for its employee stock-based compensation plan. The Company has adopted proforma disclosure provisions of SFAS 123. Under SFAS 123, employee stock options are valued at grant date using the Black-Scholes valuation model, and compensation cost is recognized ratably over the vesting period. Had compensation cost for the employee stock purchase plans been determined based on the Black-Scholes value at the grant date, pro forma income statements for the year 2001 and 2000 respectively would have been as follows:

	March 31, 2001	March 31, 2000
Net loss		
As reported	**$ (3,109,491)**	$ (7,501,456)
Adjusted pro forma	**(3,121,214)**	(7,525,872)
Basic and diluted loss per share		
As reported	**$ (0.402)**	$ (1.319)
Adjusted pro forma	**(0.404)**	(1.324)

Note: The pro forma disclosures shown above are not representative of the effects on net income / (loss) and earnings per share in future years.

The fair value of each option is estimated on the date of grant using the Black-Scholes model with the following assumptions.

Dividend yield %	–
Expected term	12–48 months
Risk free interest rates	10.8%
Volatility	70%

22. Segmental information

The Company is engaged primarily in the business of providing Enterprise Resource Planning solutions.

In accordance with SFAS 131, Disclosures about Segments of an Enterprise and Related Information, the Company has determined its operating segments as:

- Enterprise resource planning (ERP), engaged in the development, maintenance and sale of software solutions and licenses for diverse customers;
- Enterprise networking solutions (ENS), engaged in the sale of communication hardware, security software and other related services; and
- Enterprise service solutions (ESS), engaged in providing professional services and implementing projects,

These operating segments were identified from the structure of the Company's internal organization. The Company provides these services across geographies and monitors revenues based on segments and regions where such revenues have emanated from. The revenue earned based on the segment and geographic area are given below:

The results of the operating segments for the year ended March 31 2000 and March 31 2001, are summarized as follows:

	March 31, 2001	March 31, 2000
ERP	**$ 15,376,938**	$ 15,374,110
ENS	**14,762,706**	16,023,540
ESS	**15,218,896**	7,658,485
Others	—	371,590
Total consolidated revenues	**$ 45,358,540**	$ 39,427,725

By geographical area, the revenues are as follows:

	March 31, 2001	March 31, 2000
North America	**$ 15,297,121**	$ 11,731,067
India	**18,605,846**	21,058,362
Asia Pacific	**3,425,562**	2,293,693
Europe	**8,030,011**	4,344,603
Total consolidated revenues	**$ 45,358,540**	$ 39,427,725

SFAS 131 also requires that an enterprise report a measure of profit or loss and total assets for each reportable segment. Certain expenses, which form a significant component of total expenses, are not specifically allocable to these business segments as the services are used interchangeably between reportable segments. Management believes that it is not practical to provide segment disclosures relating to segment costs and expenses, and consequently segment profits or losses, since a realistic allocation cannot be made. The fixed assets used in the Company's business are not identifiable to any particular reportable segment and can be used interchangeably among segments. Consequently, management believes that it is not practical to provide segment disclosures relating to total assets since a realistic analysis among the various operating segments is not possible.

23. Concentrations of Credit Risk

Financial instruments that are exposed to concentrations of credit risk consist primarily of cash equivalents and trade receivables.

Deposits with banks and financial institutions included under cash equivalents consist of various short- term deposits with a maturity period of less than 3 months. The Company's cash resources are invested with financial institutions with high investment grade credit ratings.

Further, the company's financial instruments that are exposed to concentrations of credit risk consist of trade receivables. A significant portion of the Company's revenues comes from four major customers. However, the Company monitors credit worthiness of these customers to which it grants credit terms in the normal course of business. These customers accounted for approximately 17% of the total revenue generated by the Company in the year ended March 31, 2001 and approximately 11% of accounts receivable at March 31, 2001. No customer individually accounted for more than 10% of the total revenues for the year ended and 10% of accounts receivable at March 31, 2001.

24. Previous year figures have been re-classified or regrouped wherever necessary.

RAMCO SYSTEMS CORPORATION, USA

(Subsidiary of Ramco Systems Limited, India)

BOARD OF DIRECTORS

SHRI. P.R. RAMASUBRAHMANEYA RAJHA
SHRI. P.R. VENKETRAMA RAJA
SHRI. S.R. SRIRAMA RAJA
SMT. NALINA RAMALAKSHMI
SHRI. LAKSHMI NARASIMHAN (MOHAN)

OFFICES

REGISTERED OFFICE

18510, Decatur Road
Monte Sereno
CA 95030

CORPORATE OFFICE

3150, Brunswick Pike
Crossroads Corporate Center
Lawrenceville
NJ 08648

BRANCH OFFICES

Lisle, Illinois
Dallas, Texas
Santa Clara, California

AUDITORS

Messrs S. VISWANATHAN

BANKERS

SUMMIT BANK

DIRECTORS' REPORT TO THE MEMBERS

Your directors are pleased to present their report on the Company, its performance and the Audited Accounts for the year ended March 31, 2001.

FINANCIAL RESULTS (IN MILLIONS)

Particulars	**March 31, 2001 (US$)**	**March 31, 2001 (Rs.)**	March 31, 2000 (US$)	March 31, 2000 (Rs.)
Revenues	**15.40**	**701.34**	11.92	515.99
Expenditure				
Staff cost	**11.87**	**540.81**	6.08	263.16
Other Direct costs	**2.56**	**116.67**	3.83	165.93
Sales and Marketing Expenses	**0.23**	**10.79**	0.31	13.58
Administration and other expenses	**3.89**	**176.56**	2.83	122.38
Earnings before Interest, Depreciation and Tax	**(3.15)**	**(143.49)**	(1.13)	(49.06)
Interest	**0.40**	**18.22**	0.20	8.81
Depreciation	**0.10**	**4.83**	0.18	8.00
Profit/(Loss) before Tax	**(3.65)**	**(166.54)**	(1.52)	(65.87)
Tax Payments	**0.05**	**2.34**	0.04	1.74
Net Profit/(Loss)	**(3.70)**	**(168.88)**	(1.56)	(67.62)

OPERATIONS

Revenues of your Company have increased by about 30% over last year, despite the slowdown in the US market during the second half of the fiscal.Net losses have increased because of your Company's continued investment in selling and marketing efforts. New offices were established during the year in New Jersey, Chicago and California to provide better market reach. With its combination of good product and technology base, your directors hope to continue to maintain the current growth despite the slow down.

DIVIDENDS

In view of the losses no dividend is being recommended.

DIRECTORS

The Board is happy to welcome its new member Shri.Lakshmi Narasimhan. He brings a wealth of valuable knowledge, experience and contacts, which would benefit your Company. There has been no other change in the composition of the Board. Local laws do not require retirement by rotation.

AUDITORS

Messrs S. Viswanathan, Auditors being eligible offer themselves for re-appointment.

PARTICULARS OF EMPLOYEES

Information as per Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 forms part of this report.

FIXED DEPOSITS

Your Company has not accepted any deposits from the public.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 217(2AA) of the Companies Act, 1956 the directors confirm that in the preparation of the Annual Accounts for the year ended 31st March, 2001, that :

(a) the applicable accounting standards' had been followed along with proper explanation realting to material departures, if any

(b) the selected accounting policies were applied consistently and judgements and estimates were made to ensure that they are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2001 and the Profit & Loss of the Company for the period ended 31st March, 2001.

(c) proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the act have been taken for safeguarding the assets of the Company and to prevent and detect fraud and other irregularities.

(d) the annual accounts are prepared on a going concern basis.

ACKNOWLEDGMENT

The Directors wish to place on record their sincere appreciation to all the Company's employees, clients, vendors, investors and bankers.

For and on behalf of the Board

Place: Chennai
Date : June 15, 2001

P.R. VENKETRAMA RAJA
Director

ANNEXURE TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31.3.2001

In terms of Section 217(1) (e) of the Companies Act, 1956 and the disclosure of particulars in the report of the Board of Directors Rules 1988, the following information is furnished for the year ended 31.03.2001.

(A) CONSERVATION OF ENERGY

(a)	Energy conservation measures taken	:	Strict control was exercised over consumption of energy at all sections
(b)	Additional investment and proposals if any , being implemented for reduction of consumption of energy	:	–
(c)	Impact of measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods	:	–
(d)	Total energy consumption per unit of production of goods	:	–

(B) TECHNOLOGY ABSORPTION

Efforts made in Technology absorption	:	This company is supported by its holding company viz., Ramco Systems Ltd, India in Research and Development activities and hence there is no technology absorption.

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO

The company is engaged in the software services and consulting business in the US market only and as such the company is not engaged in any export activity.

				(Rs. in Lakhs)
(D)	1)	Total foreign exchange used	:	**597.38**
	2)	Total foreign exchange earned	:	**Nil**

AUDITORS' REPORT

TO THE MEMBERS OF RAMCO SYSTEMS CORPORATION, USA

We have examined the annexed Balance Sheet of Ramco Systems Corporation, USA, as at 31st March 2001 and the Profit & Loss Account of the company for the year ended 31st March 2001 and report that:

1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of Audit.
2. In our opinion, proper books of accounts as required by law have been kept by the company so far as it appears from our examination of the books of accounts of the Company.
3. The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account of the company.
4. The Balance Sheet and Profit & Loss Account are in compliance of the accounting standards specified in Sec.211(3C) of the Companies Act 1956.
5. In our opinion and to the best of our information and according to the explanations given to us, the accounts read with the notes thereon give the information required by the Companies Act, 1956 in the manner so required and the accounts give a true and fair view,
   (a) in the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 2001 and
   (b) in the case of Profit & Loss Account, of the Loss for the year ended 31st March 2001
6. In our opinion , clauses of Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, are not applicable.

For **Messrs S. VISWANATHAN**
Chartered Accountants

Place : Chennai
Date : 15th June 2001

C.N. GANGADARAN
Partner

Ramco Systems Corporation, USA

BALANCE SHEET AS AT 31st MARCH,2001

	Sch	As at 31st Mar'2001 US$	As at 31st Mar'2001 Rs.	As at 31st Mar'2000 US$	As at 31st Mar'2000 Rs.
I. SOURCES OF FUNDS					
1. Share Holder's Funds					
a) Share Capital	I	**12,502,080**	**443,173,433**	12,502,080	443,173,433
2. Reserves & Surplus	II	**–**	**77,599,766**	–	86,861,800
3. Loan Funds					
a) Secured	III	**4,197,630**	**195,693,497**	2,805,000	122,298,000
b) Unsecured	IV	**2,418,000**	**112,727,160**	250,000	10,900,000
		6,615,630	**308,420,657**	3,055,000	133,198,000
TOTAL FUNDS		**19,117,710**	**829,193,856**	15,557,080	663,233,233
II. APPLICATION OF FUNDS					
1. Fixed Assets	V				
Gross Block		**1,057,305**	**46,320,164**	943,799	41,149,637
Less: Depreciation		**830,475**	**36,521,475**	726,918	31,693,624
Net Block		**226,830**	**9,798,689**	216,881	9,456,013
2. Current Assets, Loans & Advances					
a) Sundry Debtors	VI	**6,191,769**	**288,660,318**	4,653,555	202,894,990
b) Cash & Bank Balance	VII	**824,931**	**38,458,305**	562,895	24,542,236
c) Loans and Advances	VIII	**3,204,235**	**149,381,413**	2,033,374	88,655,106
d) Other Current Assets	IX	**71,841**	**3,349,227**	18,801	819,724
		10,292,776	**479,849,263**	7,268,625	316,912,056
Less: Current Liabilities and Provisions					
a) Current Liabilities	X	**9,163,281**	**427,192,144**	5,986,088	260,993,439
Net Current Assets		**1,129,495**	**52,657,119**	1,282,537	55,918,617
3. Profit & Loss A/c	XI	**17,761,385**	**766,738,048**	14,057,662	597,858,603
TOTAL FUNDS EMPLOYED		**19,117,710**	**829,193,856**	15,557,080	663,233,233
Significant Accounting Policies and notes to accounts	XVIII				

As per our report annexed
For **Messrs S. Viswanathan**
Chartered Accountants

C.N. GANGADARAN
Partner

Place : Chennai
Date : 15th June 2001

For and on behalf of the Board of Directors

P.R. VENKETRAMA RAJA
Director

S.R. SRIRAMA RAJA
Director

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2001

	Sch	Year ended 31st Mar'2001 US$	Year ended 31st Mar'2001 Rs.	Year ended 31st Mar'2000 US$	Year ended 31st Mar'2000 Rs.
INCOME					
Sales	XII	**15,297,121**	**696,828,236**	11,731,067	507,665,415
Other Income	XIII	**99,065**	**4,512,679**	192,537	8,332,107
		15,396,186	**701,340,915**	11,923,604	515,997,522
EXPENDITURE					
Cost of Sales		**2,561,113**	**116,666,145**	3,834,233	165,927,531
Employee Compensation & Benefits	XIV	**11,872,174**	**540,811,953**	6,081,113	263,161,981
Sales & Marketing Expenses	XV	**236,916**	**10,792,203**	313,964	13,586,907
Administrative & Other Expenses	XVI	**3,875,986**	**176,562,407**	2,828,044	122,384,472
		18,546,189	**844,832,708**	13,057,354	565,060,891
Profit before Depreciation, Interest & Tax		**(3,150,003)**	**(143,491,793)**	(1,133,750)	(49,063,369)
Interest & Finance Charges	XVII	**399,893**	**18,216,307**	203,764	8,817,950
Profit before Depreciation & Tax		**(3,549,896)**	**(161,708,100)**	(1,337,514)	(57,881,319)
Depreciation		**103,558**	**4,827,851**	183,415	7,996,903
Profit/(Loss)		**(3,653,454)**	**(166,535,951)**	(1,520,929)	(65,878,222)
Income Tax Payments		**50,269**	**2,343,494**	40,000	1,744,000
Profit/(Loss) for the year		**(3,703,723)**	**(168,879,445)**	(1,560,929)	(67,622,222)
Accumulated Profit/(Loss) b/f		**(14,057,662)**	**(597,858,603)**	(12,496,733)	(530,236,381)
Retained Profit C/f to Balance Sheet		**(17,761,385)**	**(766,738,048)**	(14,057,662)	(597,858,603)
Significant Accounting Policies and notes to accounts	XVIII				

As per our report annexed
For **Messrs S. Viswanathan**
Chartered Accountants

C.N. GANGADARAN
Partner

Place : Chennai
Date : 15th June 2001

For and on behalf of the Board of Directors

P.R. VENKETRAMA RAJA
Director

S.R. SRIRAMA RAJA
Director

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2001

	As at 31st Mar'2001 US$	As at 31st Mar'2001 Rs.	As at 31st Mar'2000 US$	As at 31st Mar'2000 Rs.
Schedule I				
Share Capital				
Authorised:				
(200,000,000 equity shares of US$ 0.10 each)	**20,000,000**	**7,089,595,215**	20,000,000	7,089,595,215
Issued Share Capital				
(125,020,800 equity shares of US$ 0.10 each)	**12,502,080**	**443,173,433**	12,502,080	443,173,433
Paid-up Share Capital				
(125,020,800 equity shares of US$ 0.10 each)	**12,502,080**	**443,173,433**	12,502,080	443,173,433
	12,502,080	**443,173,433**	12,502,080	443,173,433
Schedule II				
Reserves & Surplus				
Translation Reserve a/c (Please refer notes on accounts)	**–**	**77,599,766**	–	86,861,800
	–	**77,599,766**	–	86,861,800
Schedule III				
Secured Loans				
Bank Borrowings (Secured by Corporate Guarantee given by Ramco Systems Limited, India)	**4,197,630**	**195,693,497**	2,805,000	122,298,000
	4,197,630	**195,693,497**	2,805,000	122,298,000
Schedule IV				
Unsecured Loans				
From Related Companies	**2,293,000**	**106,899,660**	–	–
Short term loans and advances	**125,000**	**5,827,500**	250,000	10,900,000
	2,418,000	**112,727,160**	250,000	10,900,000

Schedule V

Fixed Assets

	Gross Block								Depreciation						Net Block			
Description	Opening Balance 1.4.2000 US$	Opening Balance 1.4.2000 Rs.	**Additions during the year US$**	**Additions during the year Rs.**	Deletions during the year US$	Deletions during the year Rs.	**Balance as at 31.3.2001 US$**	**Balance as at 31.3.2001 Rs.**	Balance as at 1.4.2000 US$	Balance as at 1.4.2000 Rs.	For the year US$	For the year Rs.	**Closing balance 31.3.2001 US$**	**Closing balance 31.3.2001 Rs.**	**As at 31.03.2001 US$**	**As at 31.03.2001 Rs.**	As at 1.4.2000 US$	As at 1.4.2000 Rs.
Plant & Machinery	157,550	6,869,180	**4,679**	**213,142**	–	–	**162,229**	**7,082,322**	104,969	4,576,648	22,185	1,034,265	**127,154**	**5,610,913**	**35,075**	**1,471,409**	52,581	2,292,532
Hardware & Software	746,926	32,565,974	**100,585**	**4,581,938**	–	–	**847,511**	**37,147,912**	586,294	25,562,418	78,406	3,655,288	**664,700**	**29,217,706**	**182,811**	**7,930,206**	160,632	7,003,555
Furniture and fittings																		
– Furniture	13,836	603,250	**8,242**	**375,447**	–	–	**22,078**	**978,697**	10,168	443,325	2,967	138,298	**13,135**	**581,623**	**8,944**	**397,074**	3,668	159,925
– Office equipments	25,487	1,111,233	–	–	–	–	**25,487**	**1,111,233**	25,487	1,111,233	–	–	**25,487**	**1,111,233**	**-**	**-**	–	–
Total	943,799	41,149,637	**113,506**	**5,170,527**	–	–	**1,057,305**	**46,320,164**	726,918	31,693,624	103,558	4,827,851	**830,475**	**36,521,475**	**226,830**	**9,798,689**	216,881	9,456,013

Gross Block

Opening balance on 1.4.2000 has been converted based on the exchange rate prevailing as of 31.3.2000

Additions during the year are converted based on the monthly moving average rate for the year 2000-2001

Depreciation

Accumulated Depreciation on 1.4.2000 has been converted based on the exchange rate prevailing as of 31.3.2000

Depreciation for the year has been converted based on the exchange rate prevailing as of 31.3.2001

Ramco Systems Corporation, USA

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2001

	As at 31st Mar'2001 US$	As at 31st Mar'2001 Rs.	As at 31st Mar'2000 US$	As at 31st Mar'2000 Rs.
Schedule VI				
Sundry Debtors (Unsecured)				
a) Debts outstanding for a period exceeding six months				
Debts considered good	**3,176,842**	**148,104,437**	105,692	4,608,172
Debts considered doubtful	**75,303**	**3,510,645**	392,970	17,133,491
	3,252,145	**151,615,082**	498,662	21,741,663
b) Other debts - considered good	**3,014,927**	**140,555,881**	4,547,863	198,286,819
Total	**6,267,072**	**292,170,963**	5,046,525	220,028,482
Less: Provision for Bad & Doubtful Debts	**75,303**	**3,510,645**	392,970	17,133,492
	6,191,769	**288,660,318**	4,653,555	202,894,990
Schedule VII				
Cash and Bank Balances				
Cash on hand	**375**	**17,489**	–	–
Balances with Banks in				
a) Current Accounts	**822,610**	**38,350,113**	562,003	24,503,364
b) Deposit Accounts	**1,946**	**90,703**	892	38,872
	824,931	**38,458,305**	562,895	24,542,236
Schedule VIII				
Loans and Advances (Unsecured, Considered Good)				
a) Advances recoverable in Cash or Kind	**3,020,945**	**140,836,433**	1,980,195	86,336,502
b) Deposits with Govt Dept and others	**183,290**	**8,544,980**	53,179	2,318,604
	3,204,235	**149,381,413**	2,033,374	88,655,106
Schedule IX				
Other Current Assets				
Prepaid Expenses	**71,841**	**3,349,227**	18,801	819,724
	71,841	**3,349,227**	18,801	819,724
Schedule X				
Current Liabilities				
a) Sundry creditors for expenses	**1,643,065**	**76,599,695**	1,034,558	45,106,731
b) Inter Company payables	**7,520,216**	**350,592,449**	4,951,530	215,886,708
	9,163,281	**427,192,144**	5,986,088	260,993,439
Schedule XI				
Profit & Loss A/c				
Loss b/f from P&L A/c	**17,761,385**	**766,738,048**	14,057,662	597,858,603
	17,761,385	**766,738,048**	14,057,662	597,858,603

SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2001

	Year ended 31st Mar'2001 US$	Year ended 31st Mar'2001 Rs.	Year ended 31st Mar'2000 US$	Year ended 31st Mar'2000 Rs.
Schedule XII				
Sales				
ERP services	**5,529,716**	**251,894,596**	11,555,949	500,087,148
Other services	**9,672,919**	**440,629,526**	–	–
Value Added Resales Software & Hardware Material	**94,486**	**4,304,114**	175,118	7,578,267
Total	**15,297,121**	**696,828,236**	11,731,067	507,665,415
Schedule XIII				
Other Income				
Interest Income	**1,249**	**56,905**	1,820	78,784
Other income	**97,816**	**4,455,774**	190,717	8,253,323
Total	**99,065**	**4,512,679**	192,537	8,332,107
Schedule XIV				
Employee Compensation and Benefits				
Salaries, Bonus etc	**10,192,841**	**464,313,466**	5,151,877	222,949,039
Statutory Contributions	**864,840**	**39,395,961**	476,496	20,620,498
Staff Welfare	**814,493**	**37,102,526**	452,740	19,592,444
Total	**11,872,174**	**540,811,953**	6,081,113	263,161,981
Schedule XV				
Sales & Marketing Expenses				
Advertisement	**12,727**	**579,751**	27,319	1,182,246
Selling and Marketing	**224,189**	**10,212,452**	286,645	12,404,661
Total	**236,916**	**10,792,203**	313,964	13,586,907
Schedule XVI				
Administrative and other expenses				
Consultancy	**657,042**	**29,930,173**	409,020	17,700,467
Bank Charges	**2,487**	**113,302**	2,178	94,248
Insurance	**130,809**	**5,958,731**	64,822	2,805,171
Postage, Telephone, Telegram	**499,624**	**22,759,319**	453,581	19,628,848
Power & Fuel	**16,734**	**762,290**	5,803	251,132
Rent	**670,604**	**30,547,935**	495,812	21,456,403
Printing & Stationery	**84,318**	**3,840,945**	62,395	2,700,150
Repairs & Maintenance	**47,581**	**2,167,438**	19,158	829,048
Provn for Bad & Doubtful Debts	**75,303**	**3,510,645**	392,970	17,133,491
Travel & Conveyance	**1,406,360**	**63,983,416**	830,842	35,827,367
Misc. exps	**285,124**	**12,988,214**	91,464	3,958,148
Total	**3,875,986**	**176,562,407**	2,828,044	122,384,472
Schedule XVII				
Interest & Finance Charges				
Finance Charges	**11,075**	**504,520**	–	–
Loan Interest	**388,818**	**17,711,787**	203,764	8,817,950
Total	**399,893**	**18,216,307**	203,764	8,817,950

Schedule XVIII

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS

Significant Accounting Policies

1. Accounts are maintained on accrual basis. The transactions are in local currency (US Dollars) and are translated for reporting in Indian Currency on the following basis.
2. **Translation to Indian Rupees::** For the purpose of the accounts, all income and expense items are translated at the moving average rate of exchange applicable for the year. All monetary assets and liabilities are translated at the closing rate as on Balance Sheet date. The equity share capital is stated at the exchange rate prevailing at the date of investment by the holding company. The exchange difference arising out of the year end translation is debited or credited to Translation Reserve account and is being classified under Reserves and Surplus account.
3. **Revenue Recognition**

   A) **Software Services**

   i) **License Fees:** License Fee revenue is recognised on delivery of the software.

   ii) **Implementation Fees:** Implementation Contracts are either milestones based or time and material based.

   In case of milestone contract, revenue is recognised upon achievement of the milestones as per the terms of the contract.

   In case of time and material contracts, revenue is recognised based on billable time spent in the project, priced at the contractual rate.

   iii) **Annual Maintenance Contract:** Revenue from Maintenance services is recognised on a pro-rata basis over the period of the contract.

   B) **Value Added Resale Hardware and Software:** Revenue from sales is recognised upon despatch of goods to customers.

   C) **E-Commerce:** Revenue from the fixed price / fixed time frame contracts is recognised upon the achievement of specified milestones identified in the related contracts in accordance with the percentage of completion method.
4. **Fixed Assets and Depreciation:** Fixed assets are stated net of depreciation. Depreciation is provided on Straight Line Method.Depreciation rates are applied after considering the applicable laws of the State and management estimation of the useful life of the asset. However, the rates of depreciation provided are higher than the rates specified under Schedule XIV to the Companies Act, 1956.

   The estimated useful life of the assets are

Computer	5 years
Furinture and Fixtures and Office Equipment	7 years
5. **Holding Company Transactions::** The Company has significant transactions with its parent company for financial support. The same is unsecured and interest is charged at reasonable rates. However there is no fixed terms of repayment.

   However the amount due in respect of trade related activities are unsecured, interest free and has no fixed terms of payment.

NOTES TO ACCOUNTS

1. The Company is a majority owned subsidiary of Ramco Systems Limited. The accounts are prepared and audited to attach with the accounts of the Ramco Systems Limited, the holding company, to comply with the provisions of the Companies Act, 1956.
2. For translating local currency (US Dollars) into Indian Rupees the exchange rate applied is as per paragraph 2 of the accounting policies given above.
3. The accounts pertain to the year April 1,2000 to March 31,2001.
4. **Current Liabilities:** The Company does not have any dues to any small scale industrial undertaking
5. Contingent liability – Nil
6. Audit, Accountancy and Legal Charges includes fees paid to Statutory Auditors towards Statutory Audit Fee Rs.4.55 Lakhs
7. Additional information as required by Schedule VI of the Companies Act,1956.

		(Rs. in Lakhs)
a)	Sales: Ramco e.Application and other Software and Services	**6968.28**
b)	Expenditure in Foreign currency on account of remittance to parent company and related companies	**597.38**
8. The figures have been rounded off to the nearest rupee/US$ and previous year's figures have been regrouped/recast wherever necessary to make them comparable with that of the current year.

As per our report annexed

For **Messrs S. Viswanathan**
Chartered Accountants

For and on behalf of the Board of Directors

C.N. GANGADARAN
Partner

P.R. VENKETRAMA RAJA
Director

Place : Chennai
Date : 15th June 2001

S.R. SRIRAMA RAJA
Director

RAMCO SYSTEMS LIMITED
BASEL, SWITZERLAND

(Wholly Owned Subsidiary of Ramco Systems Limited, India)

BOARD OF DIRECTORS

SHRI. P.R. VENKETRAMA RAJA

DR. STEPHEN ESCHMANN

MR. ERWIN BRUNNER

OFFICE

Lange Gasse 90, Postfach
CH - 4020 Basel, Switzerland

AUDITORS

Messrs ERNST & YOUNG
Messrs S. VISWANATHAN

BANKERS

UBS AG, Basel, Switzerland

Ramco Systems Limited, SWITZERLAND

DIRECTORS' REPORT

The Directors present the Annual Report of Ramco Systems Ltd, Basel, Switzerland for the year ending 31st March, 2001.

PRINCIPAL ACTIVITY

The Principal activity of the Company is to carry on the business of software services.

FINANCIAL RESULTS (IN MILLIONS)

Particulars	**March 31, 2001 (CHF)**	**March 31, 2001 (Rs.)**	March 31, 2000 (CHF)	March 31, 2000 (Rs.)
Revenues	**8.68**	**234.36**	5.27	147.74
Expenditure				
Staff cost	**3.96**	**106.93**	2.62	73.33
Other Direct costs	**1.17**	**31.46**	1.59	44.60
Sales and Marketing Expenses	**0.80**	**21.69**	0.51	14.50
Administration and other expenses	**1.20**	**32.49**	0.90	25.16
Earnings before Interest and Depreciation	**1.55**	**41.79**	(0.35)	(9.85)
Interest	**0.07**	**1.98**	–	(0.05)
Depreciation	**0.94**	**25.10**	1.15	30.25
Profit/(Loss)	**0.54**	**14.71**	(1.50)	(40.05)

OPERATIONS

The revenue had grown by 64% of which 54% was derived from Ramco e.Applications™ and 30% of this is in respect of new business lines of software project and balance from services business.

SALES AND MARKETING

In 2000-01 we acquired 5 new major customers, this includes Maurice Lacroix (Desco Von Schulz group),Triamun and Medcommerce (Gallenica), Bixie Systems and Siam City Cement (Holderbank) and generated sizable number of prospects for the current year.

Additions were also made to inhouse marketing team and enhanced marketing activity including participation in Orbit (Basel) and System 2000 (Munich) and a large and successful marketing event in Luzern with the Gartner Group. The visibility is increased and would help lead generation and client acquisitions significantly in 2001-2002.

CUSTOMER SATISFACTION

Additional projects were acquired from large implementations at ETA, SWATCH and implementation at new acquired customers like Triamun, Rehau, etc moved on schedule. We continued to get good references for our support and services from existing customers for prospective clients of Ramco not only in Europe but also had client reference visit to ETA and SWATCH from prospective clients of other Ramco offices worldwide.

BUSINESS OUTLOOK

The prospect base for ERP has increased, with focused activity towards mid to large market segment of ERP and have a good prospect base at the beginning of the year. There has been a good interest generated in the new technology from Ramco – Racmo VirtualWorks™ with its technology it would give lot more opportunities for Ramco Switzerland specially in the legacy systems transformation area which is a large market in Europe.

DIRECTORS

The Directors in office at the date of this report are

1. Mr. P.R. Venketrama Raja
2. Dr. Stephen Eschmann
3. Mr. Erwin Brunner

AUDITORS

M/s. ERNST & YOUNG the Company's Auditors under the Swiss law of reporting and Messrs S. Viswanathan, Auditors for reporting under the provisions of the Companies Act, 1956 are eligible for re-appointment.

PARTICULARS OF EMPLOYEES

Information as per Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 forms part of this report.

FIXED DEPOSITS

Your Company has not accepted any deposits from the public.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 217(2AA) of the Companies Act, 1956 the directors confirm that in the preparation of the Annual Accounts for the year ended 31st March, 2001, that :

(a) the applicable accounting standards' had been followed along with proper explanation realting to material departures, if any.

(b) the selected accounting policies were applied consistently and judgments and estimates were made to ensure they are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2001 and the Profit and Loss of the Company for the period ended 31st March, 2001.

(c) proper and sufficient care for the maintenance of adequate accounting records in accordance with the provision of the act have been taken for safeguarding the assets of the Company and to prevent and detect fraud and other irregularities.

(d) the annual accounts are prepared on a going concern basis.

ACKNOWLEDGMENT

The Directors wish to place on record their sincere appreciation to all the Company's employees, clients, vendors, investors and bankers.

For and on behalf of the Board

Place : Chennai
Date : 15th June 2001

P.R. VENKETRAMA RAJA
Director

ANNEXURE TO THE DIRECTORS REPORT FOR THE YEAR ENDED 31.3.2001

In terms of Section 217(1) (e) of the Companies Act, 1956 and the disclosure of particulars in the report of the Board of Directors Rules 1988, the following information is furnished for the year ended 31.03.2001.

(A) CONSERVATION OF ENERGY

(a)	Energy conservation measures taken	:	Strict control was exercised over consumption of energy at all sections
(b)	Additional investment and proposals if any , being implemented for reduction of consumption of energy	:	–
(c)	Impact of measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.	:	–
(d)	Total energy consumption per unit of production of goods.	:	–

(B) TECHNOLOGY ABSORPTION

Efforts made in Technology absorption : Particulars given in Form B

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO

The Company is engaged in the software services and consulting business in the Swiss market only and as such the Company is not engaged in any export activity.

				(Rs. in Lakhs)
(D)	1)	Total foreign exchange used	:	**68.33**
	2)	Total foreign exchange Earned	:	**Nil**

FORM - B

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION

RESEARCH AND DEVELOPMENT (R & D)

1. **Special areas in which R & D is carried out by the Company**

   The Company continues to invest in software localisation cost as part of Research & Development Programme. There has been major additons and improvements in the product.

   The Company is in the development of ERP Product based on RamcoVirtualWorks™.

2. **Benefit derived as a result of the above R & D**

   The Company is keeping abreast with the latest developments so that it can compete with the competitors. All the existing customers are happy with the use of the product.

3. **Future Plan of Action**

   a) Web enabled application
   b) Target existing customers of Ramco Systems
   c) Strategic alliances with consulting companies

4. **Expenditure on R & D** **(Rs. in Lakhs)**

a)	Recurring	**420.22**
b)	Total R & D expenditure as a percentage of total turnover	**18%**

AUDITORS' REPORT

TO THE MEMBERS OF RAMCO SYSTEMS LIMITED, Basel

We have examined the annexed Balance Sheet of Ramco Systems Limited, Basel , as at 31st March 2001 and the Profit & Loss Account of the Company for the year ended 31st March 2001 and report that:

1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of Audit. Also, we have relied on the report of the independent Auditors M/s Ernst & Young , Basel for expressing an opinion.
2. In our opinion, proper books of accounts as required by law have been kept by the Company so far as it appears from our examination of the books of accounts of the Company.
3. The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account of the Company.
4. The Balance Sheet and Profit and Loss Account are in compliance of the accounting standards specified in Sec.211(3C) of the Companies Act 1956.
5. In our opinion and to the best of our information and according to the explanations given to us, the accounts read with the notes thereon give the information required by the Companies Act, 1956 in the manner so required and the accounts give a true and fair view,

   a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2001 and
   b) in the case of Profit & Loss Account, of the Profit for the year ended 31st March 2001
6. In our opinion , clauses of Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, are not applicable.

For **Messrs S. VISWANATHAN**
Chartered Accountants

Place : Chennai
Date : 15th June 2001

C.N. GANGADARAN
Partner

Ramco Systems Limited, SWITZERLAND

BALANCE SHEET AS AT 31st MARCH,2001

	Sch	As at 31st Mar'2001 CHF	As at 31st Mar'2001 Rs.	As at 31st Mar'2000 CHF	As at 31st Mar'2000 Rs.
I. SOURCES OF FUNDS					
1. Share Holder's Funds					
a) Share Capital	I	**8,350,000**	**253,910,776**	8,350,000	253,910,776
b) Share application money pending allottment		**1,250,000**	**34,760,873**	1,250,000	34,760,873
2. Secured Loans	II	–	–	923,437	24,188,601
3. Unsecured Loans	III	**7,166,809**	**191,910,662**	3,816,486	99,969,416
TOTAL FUNDS		**16,766,809**	**480,582,311**	14,339,923	412,829,666
II. APPLICATION OF FUNDS					
1. Fixed Assets	IV				
Gross Block		**543,534**	**14,268,452**	504,558	13,216,443
Less: Depreciation		**454,734**	**11,942,440**	401,458	10,515,831
Net Block		**88,800**	**2,326,012**	103,100	2,700,612
2. Current Assets, Loans & Advances					
a) Sundry Debtors	V	**2,898,422**	**77,613,075**	1,019,112	26,694,718
b) Cash & Bank Balance	VI	**1,056,251**	**28,283,971**	334,479	8,761,376
c) Loans and advances	VII	**50,497**	**1,352,194**	108,416	2,839,869
d) Other Current Assets	VIII	**214,709**	**5,749,392**	114,142	2,989,856
		4,219,879	**112,998,632**	1,576,149	41,285,819
Less: Current Liabilities and Provisions					
a) Current Liabilities	IX	**1,099,182**	**29,433,553**	763,371	19,995,829
Net Current Assets		**3,120,697**	**83,565,079**	812,778	21,289,990
3. Miscellaneous Expenses	X	**2,735,900**	**73,261,110**	2,065,000	54,090,817
4. Proflt & Loss a/c	XI	**10,821,412**	**321,430,110**	11,359,045	334,748,247
TOTAL FUNDS EMPLOYED		**16,766,809**	**480,582,311**	14,339,923	412,829,666
Significant Accounting Policies and notes to accounts	XVIII				

As per our report annexed
For **Messrs S. Viswanathan**
Chartered Accountants

For and on behalf of the Board of Directors

C.N. GANGADARAN
Partner

P.R. VENKETRAMA RAJA
Director

Place : Chennai
Date : 15th June 2001

DR. STEPHEN ESCHMANN
Director

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2001

	Sch	Year ended 31st Mar'2001 CHF	Year ended 31st Mar'2001 Rs.	Year ended 31st Mar'2000 CHF	Year ended 31st Mar'2000 Rs.
INCOME					
Sales	XII	8,622,736	232,738,001	5,273,298	147,699,285
Other Income	XIII	14,577	393,451	1,308	36,645
		8,637,313	233,131,452	5,274,606	147,735,930
EXPENDITURE					
Cost of Sales	XIV	1,165,806	31,466,490	1,592,385	44,600,953
Employee Compensation & Benefits	XV	3,961,848	106,935,032	2,618,301	73,335,722
Sales & Marketing Expenses	XVI	803,766	21,694,639	517,729	14,501,017
Administrative & Other Expenses	XVII	1,203,777	32,491,376	898,194	25,157,429
		7,135,197	192,587,537	5,626,609	157,595,121
Profit before Depreciation, Interest		1,502,116	40,543,915	(352,003)	(9,859,191)
Interest & Finance Charges		32,084	865,999	(2,090)	(58,539)
Profit before Depreciation & Tax		1,470,032	39,677,916	(349,913)	(9,800,652)
Depreciation & Amortization		937,576	25,106,129	1,154,836	30,249,890
Profit		532,456	14,571,787	(1,504,749)	(40,050,542)
Add : Extraordinary Income		45,768	1,235,333	–	–
		578,224	15,807,120	(1,504,749)	(40,050,542)
Less : Prior period expenditure		40,591	1,095,604	–	–
Profit from Operations		537,633	14,711,516	(1,504,749)	(40,050,542)
Accumulated Profit/(Loss) b/f		(11,359,045)	(320,892,066)	(9,854,296)	(280,841,524)
Retained profit/(Loss) C/f to Balance Sheet		(10,821,412)	(306,180,550)	(11,359,045)	(320,892,066)
Significant Accounting Policies and notes to accounts	XVIII				

As per our report annexed
For **Messrs S. Viswanathan**
Chartered Accountants

For and on behalf of the Board of Directors

C.N. GANGADARAN
Partner

P.R. VENKETRAMA RAJA
Director

Place : Chennai
Date : 15th June 2001

DR. STEPHEN ESCHMANN
Director

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2001

	As at 31st Mar'2001 CHF	As at 31st Mar'2001 Rs.	As at 31st Mar'2000 CHF	As at 31st Mar'2000 Rs.
Schedule I				
Share Capital				
Authorised:				
8350 shares of CHF1000 each	**8,350,000**	**253,910,776**	8,350,000	253,910,776
Issued and Paidup Share Capital				
8350 shares of CHF 1000 each	**8,350,000**	**253,910,776**	8,350,000	253,910,776
	8,350,000	**253,910,776**	8,350,000	253,910,776
Schedule II				
Secured Loans				
Loan from Citi Bank	–	–	923,437	24,188,601
	–	–	923,437	24,188,601
Schedule III				
Unsecured Loans				
Inter Corporate payables	**7,166,809**	**191,910,662**	3,816,486	99,969,416
	7,166,809	**191,910,662**	3,816,486	99,969,416

Schedule IV

Fixed Assets

	Gross Block								Depreciation						Net Block			
Description	Opening Balance 1.4.2000 CHF	Opening Balance 1.4.2000 Rs.	Additions during the year CHF	Additions during the year Rs.	Deletions during the year CHF	Deletions during the year Rs.	Balance as at 31.3.2001 CHF	Balance as at 31.3.2001 Rs.	Balance as at 1.4.2000 CHF	Balance as at 1.4.2000 Rs.	For the year CHF	For the year Rs.	Closing balance 31.3.2001 CHF	Closing balance 31.3.2001 Rs.	As at 31.03.2001 CHF	As at 31.03.2001 Rs.	As at 1.4.2000 CHF	As at 1.4.2000 Rs.
Furniture	174,208	4,563,222	1,195	32,254	–	–	175,403	4,595,476	121,508	3,182,793	21,995	588,976	143,503	3,771,769	31,900	823,707	52,700	1,380,429
Plant & Machinery Machinery	2,755	72,165	–	–	–	–	2,755	72,165	1,455	38,112	400	10,711	1,855	48,823	900	23,342	1,300	34,053
EDP Hardware	234,130	6,132,824	37,781	1,019,755	–	–	271,911	7,152,579	198,330	5,195,076	24,281	650,189	222,611	5,845,265	49,300	1,307,314	35,800	937,748
EDP Software	93,465	2,448,232	–	–	–	–	93,465	2,448,232	80,165	2,099,850	6,600	176,733	86,765	2,276,583	6,700	171,649	13,300	348,382
Total	504,558	13,216,443	38,976	1,052,009	–	–	543,534	14,268,452	401,458	10,515,831	53,276	1,426,609	454,734	11,942,440	88,800	2,326,012	103,100	2,700,612

Gross Block

Opening balance on 1.4.2000 has been converted based on the exchange rate prevailing as of 31.3.2000

Additions during the year are converted based on the monthly moving average rate for the year 2000-01

Depreciation

Accumulated Depreciation on 1.4.2000 has been converted based on the exchange rate prevailing as of 31.3.2000

Depreciation for the year has been converted based on the exchange rate prevailing as of 31.3.2001

	As at 31st Mar'2001 CHF	As at 31st Mar'2001 Rs.	As at 31st Mar'2000 CHF	As at 31st Mar'2000 Rs.
Schedule V				
Sundry Debtors (Unsecured, Considered Good)				
a) Debts outstanding for a period exceeding six months	**154,258**	**4,130,675**	1,060,112	27,768,676
b) Other debts	**2,794,164**	**74,821,285**	–	–
Less: Provison for Bad & Doubtful Debts	**50,000**	**1,338,885**	41,000	1,073,958
	2,898,422	**77,613,075**	1,019,112	26,694,718
Schedule VI				
Cash and Bank Balances				
Cash on hand	**1,514**	**40,532**	3,341	87,514
Balances with Banks in				
a) Current Accounts	**553,525**	**14,822,134**	331,138	8,673,862
b) Deposit Accounts	**501,212**	**13,421,305**	–	–
	1,056,251	**28,283,971**	334,479	8,761,376
Schedule VII				
Loans and Advances (Unsecured, Considered Good)				
Advances recoverable in cash or kind or for value to be received	**9,174**	**245,666**	87,800	2,299,829
Deposits	**41,323**	**1,106,528**	20,616	540,040
Total	**50,497**	**1,352,194**	108,416	2,839,869
Schedule VIII				
Other Current Assets				
Prepaid Expenses	**214,709**	**5,749,392**	114,142	2,989,856
	214,709	**5,749,392**	114,142	2,989,856
Schedule IX				
Current Liabilities				
a) Sundry Creditors for expenses for Purchases	**205,296**	**5,497,355**	131,841	3,453,456
Other Creditors	**367,569**	**9,842,653**	267,475	7,006,274
b) Accrued expenses	**526,317**	**14,093,545**	364,055	9,536,099
	1,099,182	**29,433,553**	763,371	19,995,829
Schedule X				
Miscellaneous Expenses to the extent not written off				
Intangible Assets – Software Capitalisation	**2,719,000**	**72,808,566**	2,034,000	53,278,800
Foundation cost	**16,900**	**452,544**	31,000	812,017
	2,735,900	**73,261,110**	2,065,000	54,090,817
Schedule XI				
Profit & Loss A/c				
Accumulated Losses b/f from P&L a/c	**10,821,412**	**306,180,550**	11,359,045	320,892,066
Translation Reserve a/c (exchange difference on conversion)	**–**	**15,249,560**	–	13,856,181
	10,821,412	**321,430,110**	11,359,045	334,748,247

SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2001

	Year ended 31st Mar'2001 CHF	**Year ended 31st Mar'2001 Rs.**	Year ended 31st Mar'2000 CHF	Year ended 31st Mar'2000 Rs.
Schedule XII				
Sales				
Software Services	**8,360,416**	**225,657,678**	4,966,908	139,117,631
Value Added Resales Software & Hardware Material	**102,430**	**2,764,709**	157,000	4,397,397
Others	**159,890**	**4,315,614**	149,390	4,184,257
Total	**8,622,736**	**232,738,001**	5,273,298	147,699,285
Schedule XIII				
Other Income				
Bank interest	**14,577**	**393,451**	1,308	36,645
Total	**14,577**	**393,451**	1,308	36,645
Schedule XIV				
Material & Service Cost				
Hardware	**96,508**	**2,604,847**	148,930	4,171,373
Consulting and development cost	**607,298**	**16,391,709**	434,455	12,168,600
Royalty for License	**462,000**	**12,469,934**	1,009,000	28,260,980
Total	**1,165,806**	**31,466,490**	1,592,385	44,600,953
Schedule XV				
Employee Compensation and Benefits				
Salaries, Bonus etc	**2,066,993**	**55,790,630**	1,455,796	40,775,245
Pension Fund	**140,948**	**3,804,345**	45,043	1,261,612
Employee Benefits	**1,753,907**	**47,340,057**	1,117,462	31,298,865
Total	**3,961,848**	**106,935,032**	2,618,301	73,335,722
Schedule XVI				
Sales & Marketing Expenses				
Advertisement	**7,760**	**209,452**	57,968	1,623,613
Marketing expenses	**737,476**	**19,905,365**	413,818	11,590,591
Bad Debts written off	**58,531**	**1,579,822**	45,943	1,286,813
Total	**803,766**	**21,694,639**	517,729	14,501,017
Schedule XVII				
Administrative and other expenses				
Insurance	**11,360**	**306,628**	4,758	133,268
Electricity	**8,896**	**240,111**	6,846	191,753
Postage	**30,045**	**810,940**	16,095	450,796
Communication	**115,785**	**3,125,168**	110,105	3,083,930
Consultancy	**204,179**	**5,511,036**	141,559	3,964,923
Printing & Stationery	**25,798**	**696,319**	17,139	480,032
Travel & Conveyance	**46,887**	**1,265,532**	32,337	905,718
Repairs & Maintenance	**40,232**	**1,085,919**	31,147	872,388
Rent & Leasing cost	**718,457**	**19,392,014**	533,333	14,938,077
Other Expenses	**2,138**	**57,709**	4,875	136,544
Total	**1,203,777**	**32,491,376**	898,194	25,157,429

Schedule XVIII

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS

Significant Accounting Policies

1. Accounts are maintained on accrual basis. The transactions are in local currency (Swiss Francs) and are translated for reporting in Indian Currency on the following basis.

2. **Translation to Indian Rupees:**

   For the purpose of the accounts, all income and expense items are translated at the moving average rate of exchange applicable for the year. All monetary assets and liabilities are tanslated at the closing rate as on Balance Sheet date. The equity share capital is stated at the exchange rate prevailing at the date of investment by the holding company. The exchange difference arising out of the year end translation is debited or credited to Translation Reserve account and grouped under Reserves and Surplus a/c.

3. **Revenue Recognition**

   A) **Software Services**

      i) **License Fees:**

      License Fee revenue is recognised on delivery of the software.

      ii) **Implementation Fees:**

      Implementation Contracts are either milestones based or time and material based.

      In case of milestone contract, revenue is recognised upon achievement of the milestones as per the terms of the contract. In case of time and material contracts, revenue is recognised based on billable time spent in the project, priced at the contractual rate.

      iii) **Annual Maintenance Contract:**

      Revenue from Maintenance services is recognised on a pro-rata basis over the period of the contract.

   B) **Value Added Resale Hardware and Software:**

   Revenue from sales is recognised upon despatch of goods to customers.

   C) **E-Commerce:**

   Revenue from the fixed price / fixed time frame contracts is recognised upon the achievement of specified milestones identified in the related contracts in accordance with the percentage of completion method.

4. **Fixed Assets and Depreciation:**

   Fixed assets are stated net of depreciation. Depreciation is provided on Straight Line Method.Depreciation rates are applied after considering the applicable laws of the State and management estimation of the useful life of the asset. However, the rates of depreciation provided are higher than the rates specified under Schedule XIV to the Companies Act, 1956.

   The estimated useful life of the asset are as follows

Computer	5 years
Software	5 years
Office Equipments	8 years

5. **Holding Company Transaction:**

   The Company has significant transactions with its holding company which are trade related. However the same is unsecured and interest free.

NOTES TO ACCOUNTS

1. The Company is a wholly owned subsidiary of Ramco Systems Limited. The accounts are prepared and audited to attach with the accounts of the Ramco Systems Limited, the holding company to comply with the provisions of the Companies Act, 1956.

2. For translating local currency (Swiss Francs) into Indian Rupees the exchange rate applied is as per paragraph 2 of the accounting policies given above. For the current year, Translation reserve is grouped along with Profit & Loss a/c on the asset side, being exchange loss on conversion.

3. The accounts pertain to the year April 1,2000 to March 31,2001.

4. Current Liabilities: The Company does not have any dues to any small scale industrial undertaking

5. Contingent liability – Nil

6. **Research & Development:**

   Out of an amount of Rs. 532.78 lakhs (CHF 20.34 lakhs) capitalised upto the year 1999-2000 in respect of Software Localisation an amount of Rs.236.79 lakhs (CHF 8.84 lakhs) has been amortised. During the current year 2000-01, an amount of Rs.420.22 lakhs (CHF 15.69 lakhs) has been capitalised and grouped under Software Localisation and will be amortised over the useful life of the asset.

7. **Retirement benefits:**

   There exists a Federal Obligatory Pension Fund to which the employee contributes 50% and the employer contributes 50%.

8. Audit, Accountancy and Legal charges includes fees paid to Statutory Auditors towards Statutory Audit Fee Rs.8.40 Lakhs

9. Additional information as required by Schedule VI of the Companies Act, 1956.

		(Rs. in Lakhs)
a)	**Sales:** Ramco e.Application and other Software and Services	**2327.38**
b)	Expenditure in Foreign Currency on account of Remittance to Related Companies	**68.33**

10. **Taxation:**

    The company has not provided for taxation, as it has carry forward losses of earlier years.

11. The figures have been rounded off to the nearest rupee/CHF and previous year's figures have been regrouped/recast wherever necessary to make them comparable with that of the current year.

As per our report annexed

For **Messrs S. Viswanathan**
Chartered Accountants

For and on behalf of the Board of Directors

C.N. GANGADARAN
Partner

P.R. VENKETRAMA RAJA
Director

Place : Chennai
Date : 15th June 2001

DR. STEPHEN ESCHMANN
Director

RAMCO SYSTEMS PTE. LTD.

(Incorporated in the Republic of Singapore)
(Wholly Owned Subsidiary of Ramco Systems Limited, India)

BOARD OF DIRECTORS

SHRI. P.R. VENKETRAMA RAJA
SHRI. IYENGAR VIJAYKUMAR GOPALAN
SHRI. LAKSHMI NARASIMHAN (MOHAN)

SECRETARY

Kong Yuh Ling Doreen

REGISTERED OFFICE

78, Shenton Way #26-02A, Singapore 079120

HEAD OFFICE

7, Temasek Boulevard,
#12-02B, Suntec Tower One, Singapore 038 987

AUDITORS

Messrs ROHAN.MAH & PARTNERS
Messrs S. VISWANATHAN

BANK

ABN Amro Bank

Ramco Systems Pte. Ltd., SINGAPORE

DIRECTORS' REPORT

The directors present their report together with the audited financial statements of the Company for the financial year ended 31st March 2001.

DIRECTORS OF THE COMPANY

The directors in office at the date of this report are:

P. R. Venketrama Raja
Iyengar Vijaykumar Gopalan
Lakshmi Narasimhan (Appointed on 30th March 2001)

PRINCIPAL ACTIVITIES

The principal activities of the Company are to carry on the business pertaining to or connected with and involving information technology and software.

There have been no significant changes in the nature of these activities during the financial year.

ACQUISITION OR DISPOSAL OF SUBSIDIARIES

There were no acquisitions or disposals of subsidiaries during the financial year.

RESULTS FOR THE FINANCIAL YEAR (IN MILLION)

Particulars	**March 31, 2001 (S$)**	**March 31, 2001 (Rs.)**	March31, 2000 (S$)	March 31, 2000 (Rs.)
Revenues	**3.47**	**91.28**	1.69	43.21
Expenditure				
Direct Cost	**0.91**	**24.00**	0.20	5.18
Staff Cost	**1.26**	**33.21**	0.67	17.06
Sales & Marketing Expenses	**0.08**	**2.19**	0.10	2.69
Administrative & other Expenses	**0.82**	**21.43**	0.48	12.20
Profit before depreciation	**0.40**	**10.45**	0.24	6.08
Depreciation	**0.03**	**0.78**	0.01	0.20
Profit before tax	**0.37**	**9.67**	0.23	5.88
Provision for taxation	**0.15**	**3.88**	0.02	0.54
Profit after tax	**0.22**	**5.79**	0.21	5.34

RESERVES OR PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

ISSUE OF SHARES OR DEBENTURES

No shares or debentures have been issued during the financial year.

ARRANGEMENTS FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the directors of the Company to acquire benefits through the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTEREST IN SHARES OR DEBENTURES

The directors holding office at the end of the financial year and their interests in the shares of the Company and related corporation as recorded in the register kept by the Company as required by the Companies Act, 1956 were as follows:

Shareholdings Registered	Name of Directors	Shares in the Name of Directors		Shareholdings in which registered Directors are deemed to have an Interest	
		31.03.2001	01.04.2000	**31.03.2001**	01.04.2000
		(Shares of S$ 1 each)			
Ramco Systems Limited (Holding Corporation)	P. R. Venketrama Raja	**239,250**	239,250	**7,120**	7,120
	V. Suryanarayanan *	**2,000**	2,000	–	–

* Resigned on 5th April 2001

DIVIDENDS

The directors do not recommend payment of a dividend for the financial year under review

No dividend has been paid since the end of the previous financial year.

BAD AND DOUBTFUL DEBTS

Before the Profit and Loss account and the Balance Sheet of the Company were made out, the directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that all known bad debts, if any, had been written off and that where necessary adequate provisions had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances, which would render any amounts written off or provided for bad and doubtful debts inadequate to any substantial extent.

CURRENT ASSETS

Before the Profit and Loss account and the Balance Sheet were made out, the directors took reasonable steps to ascertain that any current assets which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values or have been adequately provided for.

At the date of this report, the directors are not aware of any circumstances, which would render the values attributable to current assets in the financial statements of the Company misleading.

CHARGES AND CONTINGENT LIABILITIES

At the date of this report:

(a) there does not exist any charge on the assets of the Company which has arisen since the end of the financial year which secures the liability of any other person, and

(b) there does not exist any contingent liability of the Company, which has arisen since the end of the financial year.

CONTINGENT OR OTHER LIABILITIES ENFORCEABLE AFTER YEAR END

No contingent or other liability of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Company to meet its obligations as and when they fall due.

OTHER CIRCUMSTANCES

As at the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Company, which would render any amount stated in the financial statements of the Company misleading.

UNUSUAL ITEMS

In the opinion of the directors, the results of the operations of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

SUBSEQUENT EVENTS

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which would affect substantially the results of the operations of the Company for the financial year in which this report is made.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under the Companies Act, 1956 by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a Company in which he has a substantial financial interest.

SHARE OPTIONS GRANTED

No options were granted during the financial year to take up unissued shares of the Company.

SHARE OPTIONS EXERCISED

During the financial year, no shares were issued by virtue of the exercise of options granted.

UNISSUED SHARES UNDER OPTION

There were no unissued shares under option at the end of the financial year.

AUDITORS

M/s. Rohan.Mah & Partners, the Company's Auditors under the Singapore law of reporting and Messrs S. Viswanathan, Auditors for reporting under the provisions of the Companies Act, 1956 are eligible for re-appointment.

PARTICULARS OF EMPLOYEES

Information as per Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 forms part of this report.

FIXED DEPOSITS

Your Company has not accepted any deposits from the public.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 217(2AA) of the Companies Act, 1956 the directors confirm that in the preparation of the Annual Accounts for the year ended 31st March, 2001, that :

(a) the applicable accounting standards' had been followed along with proper explanation relating to material departures, if any

(b) the selected accounting policies were applied consistently and judgements & estimates were made to ensure they are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2001 & the Profit & Loss of the Company for the period ended 31st March, 2001.

(c) proper & sufficient care for the maintenance of adequate accounting records in accordance with the provision of the Act have been taken for safeguarding the assets of the Company and to prevent & detect fraud and other irregularities.

(d) the annual accounts are prepared on a going concern basis.

ACKNOWLEDGMENT

The Directors wish to place on record their sincere appreciation to all the Company's employees, clients, vendors, investors and bankers.

For and on behalf of the Board

P. R. VENKETRAMA RAJA
IYENGAR VIJAYKUMAR GOPALAN
LAKSHMI NARASIMHAN
Directors

Place : Chennai
Date : 15th June 2001

ANNEXURE TO THE DIRECTOR'S REPORT FOR THE YEAR ENDED 31.3.2001

In terms of Section 217(1)(e) of the Companies Act 1956 and the disclosure of particulars in the report of the Board of Directors Rules 1988, the following information is furnished for the year ended 31.03.2001.

(A) CONSERVATION OF ENERGY

(a)	Energy conservation measures taken	:	Strict control was exercised over consumption of energy at all sections
(b)	Additional investment and proposals if any , being implemented for reduction of consumption of energy	:	–
(c)	Impact of measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.	:	–
(d)	Total energy consumption per unit of production of goods.	:	–

(B) TECHNOLOGY ABSORPTION

Efforts made in Technology absorption	:	This Company is supported by its holding Company viz., Ramco Systems Ltd , India, in Research & Development activities. Hence there is no technology absorption.

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO

The Company is engaged in the software services and consulting business in Singapore market only and as such the Company is not engaged in any export activity.

				(Rs. in Lakhs)
(D)	1)	Total foreign exchange used	:	**36.94**
	2)	Total Foreign Exchange Earned	:	**Nil**

AUDITORS' REPORT

TO THE MEMBERS OF RAMCO SYSTEMS PTE. LTD, SINGAPORE

We have examined the annexed Balance Sheet of Ramco Systems Pte. Ltd., Singapore as at 31st March 2001 and the Profit & Loss Account of the Company for the year ended 31st March, 2001 and report that:

1) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of Audit. Also, we have relied on the report of the independent Auditors M/s Rohan.Mah & Partners, Singapore for expressing an opinion.
2) In our opinion, proper books of accounts as required by law have been kept by the Company so far as it appears from our examination of the books of accounts of the Company.
3) The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account of the Company.
4) The Balance Sheet and Profit and Loss Account are in compliance of the Accounting Standards specified in Sec.211(3C) of the Companies Act, 1956.
5) In our opinion and to the best of our information and according to the explanations given to us, the accounts read with the notes thereon give the information required by the Companies Act, 1956 in the manner so required and the accounts give a true and fair view,
   a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2001 and
   b) in the case of Profit & Loss Account, of the Profit for the year ended 31st March 2001
6) In our opinion , clauses of Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, are not applicable.

For **Messrs S. VISWANATHAN**
Chartered Accountants

Place : Chennai
Date : 15th June 2001

C.N. GANGADARAN
Partner

BALANCE SHEET AS AT 31st MARCH,2001

	Sch	As at 31st Mar'2001 S$	As at 31st Mar'2001 Rs.	As at 31st Mar'2000 S$	As at 31st Mar'2000 Rs.
I. SOURCES OF FUNDS					
1. Shareholder's Funds					
a) Share Capital	I	725,000	18,616,100	725,000	18,616,100
b) Reserves and Surplus	II	256,470	6,759,737	38,670	843,891
TOTAL FUNDS		981,470	25,375,837	763,670	19,459,991
II. APPLICATION OF FUNDS					
1. Fixed Assets	III				
Gross Block		91,241	2,376,949	24,238	617,637
Less: Depreciation		47,103	1,210,813	16,692	425,349
Net Block		44,138	1,166,136	7,546	192,288
2. Current Assets, Loans & Advances					
a) Sundry Debtors	IV	1,542,678	39,844,762	777,686	19,817,150
b) Cash & Bank Balance	V	813,039	20,999,416	50,599	1,289,374
c) Loans and advances	VI	138,204	3,569,561	114,578	2,919,700
d) Other Current Assets	VII	1,600	41,325	–	–
		2,495,521	64,455,064	942,863	24,026,224
Less: Current Liabilities and Provisions					
a) Current Liabilities	VIII	1,481,899	38,274,922	165,739	4,223,394
b) Provisions	IX	76,290	1,970,441	21,000	535,127
		1,558,189	40,245,363	186,739	4,758,521
Net Current Assets		937,332	24,209,701	756,124	19,267,703
TOTAL FUNDS EMPLOYED		981,470	25,375,837	763,670	19,459,991
Significant Accounting Policies and notes to accounts	XV				

As per our report annexed
For **Messrs S. Viswanathan**
Chartered Accountants

C.N. GANGADARAN
Partner

Place : Chennai
Date : 15th June 2001

For and on behalf of the Board of Directors

P.R. VENKETRAMA RAJA
Director

LAKSHMI NARASIMHAN
Director

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2001

	Sch	Year ended 31st Mar'2001 S$	Year ended 31st Mar'2001 Rs.	Year ended 31st Mar'2000 S$	Year ended 31st Mar'2000 Rs.
INCOME					
Sales	X	3,466,764	91,027,516	1,691,818	43,206,663
Other Income		10,000	258,283	–	–
		3,476,764	91,285,799	1,691,818	43,206,663
EXPENDITURE					
Cost of Sales	XI	913,973	23,998,372	202,644	5,175,244
Employee Compensation & Benefits	XII	1,264,679	33,206,933	668,191	17,064,663
Sales & Marketing Expenses	XIII	83,515	2,192,870	105,278	2,688,653
Administrative & Other Expenses	XIV	816,332	21,434,597	477,703	12,199,865
		3,078,499	80,832,772	1,453,816	37,128,425
Profit before Depreciation & Tax		398,265	10,453,027	238,002	6,078,238
Depreciation		30,411	785,464	8,080	205,896
Profit before Tax		367,854	9,667,563	229,922	5,872,342
Provision for Taxation		150,054	3,875,640	21,000	535,126
Profit after Tax		217,800	5,791,923	208,922	5,337,216
Accumulated Profit b/f		38,670	1,168,841	(170,252)	(4,168,374)
Retained Profit/(Loss) C/f to Balance Sheet		256,470	6,960,764	38,670	1,168,841
Significant Accounting Policies and notes to accounts	XV				

As per our report annexed
For **Messrs S. Viswanathan**
Chartered Accountants

C.N. GANGADARAN
Partner

Place : Chennai
Date : 15th June 2001

For and on behalf of the Board of Directors

P.R. VENKETRAMA RAJA
Director

LAKSHMI NARASIMHAN
Director

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH,2001

	As at 31st Mar'2001 S$	As at 31st Mar'2001 Rs.	As at 31st Mar'2000 S$	As at 31st Mar'2000 Rs.
Schedule I				
Share Capital				
Authorised: (8,00,000 ordinary shares of S$ 1 each)	**800,000**	**20,541,903**	800,000	20,541,903
Issued and Paid up Share Capital (7,25,000 ordinary shares of S$ 1 each)	**725,000**	**18,616,100**	725,000	18,616,100
	725,000	**18,616,100**	725,000	18,616,100
Schedule II				
Reserves & Surplus				
Profit b/f from P&L a/c	**256,470**	**6,960,764**	38,670	1,168,841
Translation Reserve a/c (Please refer notes on accounts)	**–**	**(201,027)**	–	(324,950)
	256,470	**6,759,737**	38,670	843,891

Schedule III

Fixed Assets

	Gross Block								Depreciation						Net Block			
Description	Opening Balance 1.4.2000 S$	Opening Balance 1.4.2000 Rs.	**Additions during the year S$**	**Additions during the year Rs.**	Deletions during the year S$	Deletions during the year Rs.	**Balance as at 31.3.2001 S$**	**Balance as at 31.3.2001 Rs.**	Balance as at 1.4.2000 S$	Balance as at 1.4.2000 Rs.	For the year S$	For the year Rs.	**Closing balance 31.3.2001 S$**	**Closing balance 31.3.2001 Rs.**	**As at 31.03.2001 S$**	**As at 31.03.2001 Rs.**	As at 1.4.2000 S$	As at 1.4.2000 Rs.
Computers	19,445	495,501	**61,608**	**1,617,654**	–	–	**81,053**	**2,113,155**	12,758	325,102	27,908	720,816	**40,666**	**1,045,918**	**40,387**	**1,067,237**	6,687	170,399
Office equipments	4,793	122,136	**5,395**	**141,658**	–	–	**10,188**	**263,794**	3,934	100,247	2,503	64,648	**6,437**	**164,895**	**3,751**	**98,899**	859	21,889
Total	24,238	617,637	**67,003**	**1,759,312**	–	–	**91,241**	**2,376,949**	16,692	425,349	30,411	785,464	**47,103**	**1,210,813**	**44,138**	**1,166,136**	7,546	192,288

Gross Block

Opening balance on 1.4.2000 has been converted based on the exchange rate prevailing as of 31.3.2000

Additions during the year are converted based on the monthly moving average rate for the year 2000-01

Depreciation

Accumulated Depreciation on 1.4.2000 has been converted based on the exchange rate prevailing as of 31.3.2000

Depreciation for the year has been converted based on the exchange rate prevailing as of 31.3.2001

	As at 31st Mar'2001 S$	As at 31st Mar'2001 Rs.	As at 31st Mar'2000 S$	As at 31st Mar'2000 Rs.

Schedule IV

Sundry Debtors
(Unsecured, Considered Good)

a) Debts outstanding for a period exceeding six months	**373,662**	**9,651,053**	777,686	19,817,150
b) Other Debts	**1,209,867**	**31,248,795**	–	–
	1,583,528	**40,899,848**	–	–
Less: Provision for Bad Debts	**40,850**	**1,055,086**	–	–
Total	**1,542,678**	**39,844,762**	777,686	19,817,150

Schedule V

Cash and Bank Balances

Balances with Banks in Current Accounts	**813,039**	**20,999,416**	50,599	1,289,374
Total	**813,039**	**20,999,416**	50,599	1,289,374

Schedule VI

Loans and Advances
(Unsecured, Considered Good)

Advances recoverable in cash or kind or for value to be received	**83,534**	**2,157,528**	67,308	1,715,156
Rent Deposit	**54,670**	**1,412,033**	47,270	1,204,544
	138,204	**3,569,561**	114,578	2,919,700

Schedule VII

Other Current Assets

Prepaid Expenses	**1,600**	**41,325**	–	–
Total	**1,600**	**41,325**	–	–

Schedule VIII

Current Liabilities

a) Sundry Creditors for Purchases	**374,343**	**9,668,643**	–	–
for Expenses	**160,165**	**4,136,790**	48,385	1,232,956
b) GST payable	**39,228**	**1,013,194**	19,747	503,197
c) Unaccrued maintenance charges	**187,338**	**4,838,611**	59,507	1,516,369
d) Inter Company dues	**720,825**	**18,617,684**	38,100	970,872
Total	**1,481,899**	**38,274,922**	165,739	4,223,394

Schedule IX

Provisions

Provision for taxation	**76,290**	**1,970,441**	21,000	535,127
Total	**76,290**	**1,970,441**	21,000	535,127

SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2001

	Year ended 31st Mar'2001 S$	Year ended 31st Mar'2001 Rs.	Year ended 31st Mar'2000 S$	Year ended 31st Mar'2000 Rs.

Schedule X

Sales

	Year ended 31st Mar'2001 S$	Year ended 31st Mar'2001 Rs.	Year ended 31st Mar'2000 S$	Year ended 31st Mar'2000 Rs.
Software Sales	**200,800**	**5,272,446**	–	–
Service & Maintenance Charges	**2,841,169**	**74,601,143**	1,691,818	43,206,663
Value Added Resales Software & Hardware Material	**424,795**	**11,153,927**	–	–
Total	**3,466,764**	**91,027,516**	1,691,818	43,206,663

Schedule XI

Cost of Sales

	Year ended 31st Mar'2001 S$	Year ended 31st Mar'2001 Rs.	Year ended 31st Mar'2000 S$	Year ended 31st Mar'2000 Rs.
Services Purchased	**479,390**	**12,587,439**	80,000	2,043,088
Royalty Payments	**60,240**	**1,581,734**	38,100	973,021
Hardware Purchased	**374,343**	**9,829,199**	–	–
Service and Maintenance Exps	–	–	84,544	2,159,135
Total	**913,973**	**23,998,372**	202,644	5,175,244

Schedule XII

Employee Compensation and Benefits

	Year ended 31st Mar'2001 S$	Year ended 31st Mar'2001 Rs.	Year ended 31st Mar'2000 S$	Year ended 31st Mar'2000 Rs.
Salaries, Bonus etc	**1,226,034**	**32,192,220**	570,609	14,572,555
Provident Fund Contributions	**5,180**	**136,012**	11,485	293,311
Employee Benefits	**31,514**	**827,473**	38,743	989,442
Staff Welfare	**1,951**	**51,228**	47,354	1,209,355
Total	**1,264,679**	**33,206,933**	668,191	17,064,663

Schedule XIII

Sales & Marketing Expenses

	Year ended 31st Mar'2001 S$	Year ended 31st Mar'2001 Rs.	Year ended 31st Mar'2000 S$	Year ended 31st Mar'2000 Rs.
Advertisement & Sales Promotion	**83,515**	**2,192,870**	75,278	1,922,495
Agency Commission	**–**	**–**	30,000	766,158
Total	**83,515**	**2,192,870**	105,278	2,688,653

Schedule XIV

Administrative and other expenses

	Year ended 31st Mar'2001 S$	Year ended 31st Mar'2001 Rs.	Year ended 31st Mar'2000 S$	Year ended 31st Mar'2000 Rs.
Consultancy	**40,404**	**1,060,896**	10,045	256,535
Bank Charges	**847**	**22,231**	439	11,211
Office Expenses	**91,273**	**2,396,573**	21,385	546,143
Postage, Telephone, Telegram	**58,253**	**1,529,559**	47,200	1,205,422
Membership fees	**430**	**11,291**	–	–
Rent	**232,360**	**6,101,123**	221978	5,669,007
Guest House Expenses	**61,869**	**1,624,495**	47,210	1,205,677
Travel & Conveyance	**252,194**	**6,639,429**	121,686	3,107,690
Bad Debts Written off	**37,853**	**993,914**	–	–
Provision for Doubtful Debts	**40,850**	**1,055,086**	–	–
Forex fluctuation a/c	**–**	**–**	7,760	198,180
Total	**816,332**	**21,434,597**	477,703	12,199,865

Schedule XV

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS

Significant Accounting Policies

1. Accounts are maintained on accrual basis. The transactions are in local currency (Singapore Dollars) and are translated for reporting in Indian Currency on the following basis.

2. **Translation to Indian Rupees:**

   For the purpose of the accounts, all income and expense items are translated at the moving average rate of exchange applicable for the year. All monetary assets and liabilities are translated at the closing rate as on Balance Sheet date. The equity share capital is stated at the exchange rate prevailing at the date of investment by the holding Company. The exchange difference arising out of the year end translation is debited or credited to Translation Reserve account and is being classified under Reserves and Surplus account.

3. **Revenue Recognition**

   A) **Software Services**

   i) **License Fees:**

   License Fee revenue is recognised on delivery of the software.

   ii) **Implementation Fees:**

   Implementation Contracts are either milestones based or time and material based.

   In case of milestone contract, revenue is recognised upon achievement of the milestones as per the terms of the contract.

   In case of time and material contracts, revenue is recognised based on billable time spent in the project, priced at the contractual rate.

   iii) **Services:**

   Revenue from fixed price contracts is recognised on milestones achieved as per the terms of the specific contract

   iv) **Annual Maintenance Contract:**

   Revenue from Maintenance services is recognised on a pro-rata basis over the period of the contract.

4. **Fixed Assets & Depreciation:**

   Fixed assets are stated net of depreciation. Depreciation is provided on Straight Line Method.Depreciation rates are applied after considering the applicable laws of the State and management estimation of the useful life of the asset. However, the rates of depreciation provided are higher than the rates specified under Schedule XIV to the Companies Act, 1956.

   The estimated useful life of the asset are as follows

Computer	3 years
Software	3 years
Office Equipments	3 years

5. **Holding Company Transaction:**

   The Company has significant transactions with its holding Company which are trade related. However the same is unsecured and interest free.

NOTES TO ACCOUNTS

1. The Company is a wholly owned subsidiary of Ramco Systems Limited. The accounts are prepared and audited to attach with the accounts of the Ramco Systems Limited, the holding Company to comply with the provisions of the Companies Act, 1956.

2. For translating local currency (Singapore Dollars) into Indian Rupees the exchange rate applied is as per paragraph 2 of the accounting policies given above.

3. The accounts pertain to the year April 1,2000 to March 31,2001.

4. **Current Liabilities:**

   The Company does not have any dues to any small scale industrial undertaking

5. **Taxation:**

   Deferred Taxation is provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatement of income and expenditure which are expected with reasonable probability to crystallise in the foreseeable future.

   Deferred tax benefits are recognised in the financial statements only to the extent of any deferred tax liability or when such benefits are reasonably expected to be realisable in the near future.

6. Contingent liability – Nil

7. Audit, accountancy and legal charges includes fees paid to Statutory Auditors towards Statutory Audit Fee Rs.0.47 Lakhs

8. Additional information as required by Schedule VI of the Companies Act, 1956

		(Rs. in Lakhs)
a)	**Sales:** Ramco e.Application and other Software & Services	**910.27**
b)	Expenditure in Foreign Currency on account of Remittance to Related Companies	**36.94**

9. The figures have been rounded off to the nearest rupee/S$ and previous year's figures have been regrouped/recast wherever necessary to make them comparable with that of the current year.

As per our report annexed

For **Messrs S. Viswanathan**
Chartered Accountants

For and on behalf of the Board of Directors

C.N. GANGADARAN
Partner

P.R. VENKETRAMA RAJA
Director

Place : Chennai
Date : 15th June 2001

LAKSHMI NARASIMHAN
Director

RAMCO SYSTEMS SDN. BHD., MALAYSIA

(Company No. 342313 W)
(Incorporated in Malaysia)
(Wholly Owned Subsidiary of Ramco Systems Limited, India)

DIRECTORS

SHRI. P.R. VENKETRAMA RAJA
SAW BEE LEAN
LUM CHEE YENG
SHRI. LAKSHMI NARASIMHAN (MOHAN)

SECRETARIES

SAW BEE LEAN
LUM CHEE YENG

REGISTERED OFFICE

11th Floor, Wisma Damansara
Jalan Semantan, Damansara Heights
50490, Kuala Lumpur, Malaysia

HEAD OFFICE

Suite 10-01, Level 10, Menara PJ,
Amcorp Trade Centre, 18, Persiaran Barat
46050, Petaling Jaya, Selangor Darul Ehsan, Malaysia

AUDITORS

Messrs K P M G
Messrs S. VISWANATHAN

BANKERS

ABN AMRO BANK BERHAD
BUMIPUTRA - COMMERCE BANK BERHAD

RAMCO SYSTEMS SDN.BHD., MALAYSIA

DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2001

The Directors have pleasure in submitting their report and the audited financial statements of the Company for the year ended 31st March, 2001.

PRINCIPAL ACTIVITY

The principal activity of the Company remained unchanged and is to carry on the business of a computer software house. The Company obtained Multimedia Super Corridor (MSC) status in 1997.

FINANCIAL RESULTS (IN MILLION)

Particulars	**March 31, 2001 (RM)**	**March 31, 2001 (Rs.)**	March 31, 2000 (RM)	March 31, 2000 (Rs.)
Revenues	**4.82**	**57.75**	4.92	56.04
Expenditure				
Staff Cost	**1.79**	**21.42**	1.55	17.68
Sales & Marketing Expenses	**0.44**	**5.34**	0.16	1.85
Administrative & other Expenses	**1.91**	**22.87**	1.89	21.53
Profit before depreciation	**0.68**	**8.12**	1.32	14.98
Depreciation	**0.21**	**2.58**	0.20	2.25
Profit	**0.47**	**5.54**	1.12	12.73

RESERVES

All material transfers to or from reserves and provisions during the year under review are disclosed in the finacial statements

DIVIDEND

No dividend was paid during the year and the Directors do not recommend any dividend to be paid for the year under review.

DIRECTORS OF THE COMPANY

Directors who served since the date of the last report are:

Mr. P. R. Venketrama Raja

Ms. Lum Chee Yeng

Mr. Lakshmi Narasimhan (appointed on 23.4.2001)

Ms. Saw Bee Lean (appointed on 29.9.2000)

Ms. Ng Lee Chum (resigned on 30.9.2000)

Mr. V. Suryanarayanan (resigned on 23.4.2001)

None of the directors in office at the year end held any beneficial interest in the shares of the company, related corporations or holding company during the year ended 31st March, 2001 except as follows.

	Balance as on 1.4.2000	Number of Shares Bought	Sold	**Balance as on 31.3.2001**
In Holding Company				
– Mr. P. R. Venketrama Raja	239,350	–	–	**239,350**

DIRECTORS BENEFIT

Since the end of the previous financial year , no Director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of a related Company) by reason of a contract made by the Company or a related company with the Director or with a firm of which the Director is a member or with a company in which the Director has a substantial financial interest other than fees paid to a firm in which two Directors are also Directors for professional services rendered to the Company.

There were no arrangements during and at the end of the year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

ISSUE OF SHARES

There were no changes in the issued and paid-up capital of the Company during the year.

OPTIONS GRANTED OVER UNISSUED SHARES AND DEBENTURES

No options were granted to any person to take up unissued shares or debentures of the Company during the year.

QUALIFICATORY REMARK IN AUDITORS' REPORT

We invite the attention to the remark made in the Auditors Report regarding non provision of dues from customers.In this regard Management is of the opinion that these dues are recoverable in nature and hence no provision is required.

OTHER STATUTORY INFORMATION

Before the financial statments of the Company were made out the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provisions made for doubtful debts, and

ii) all current assets have been stated at the lower of the cost and net realisable value

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts in the Company, inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the company financial statements misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Company misleading.

At the date of this report, there does not exist:

i) any charge on the assets of the Company that has arisen since the end of the financial year and which secures the liability of any other person, or

ii) any contingent liability in respect of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which in the opinion of the Directors, will or may substantially affect the ability of the Company to meet its obligations as and when they fall due.

In the opinion of the Directors, the results of the operations of the Company, for the financial year ended 31st March, 2001 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

Messrs KPMG, the Company's Auditors under the Malaysian law of reporting and Messrs S. Viswanathan, Auditors for reporting under the provisions of the Companies Act, 1956 are eligible for re-appointment.

PARTICULARS OF EMPLOYEES

Information as per Section 217 (2 A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 forms part of this report.

FIXED DEPOSITS

Your company has not accepted any deposits from the public.

RAMCO SYSTEMS SDN.BHD., MALAYSIA

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 217(2AA) of the Companies Act, 1956 the directors confirm that in the preparation of the Annual Accounts for the year ended 31st March, 2001, that:

(a) the applicable accounting standards' had been followed along with proper explanation relating to material departures, if any

(b) the selected accounting policies were applied consistently and judgments & estimates were made to ensure they are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at 31st March, 2001 & the profit and loss of the company for the period ended 31st March, 2001.

(c) proper and sufficient care for the maintenance of adequate accounting records in accordance with the provision of the act have been taken for safeguarding the assets of the company and to prevent and detect fraud and other irregularities.

(d) the annual accounts are prepared on a going concern basis.

ACKNOWLEDGMENT

The Directors wish to place on record their sincere appreciation to all the company's employees, clients, vendors, investors and bankers.

For and on behalf of Board of Directors

Place : Chennai
Date : June 15, 2001

P.R. VENKETRAMA RAJA
LAKSHMI NARASIMHAN
Directors

ANNEXURE TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31.3.2001

In terms of Section 217(1) (e) of the Companies Act and the disclosure of particulars in the report of the Board of Directors Rules 1988, the following information is furnished for the year ended 31.03.2001.

(A) CONSERVATION OF ENERGY

(a)	Energy conservation measures taken	:	Strict control was exercised over consumption of energy at all sections
(b)	Additional investment and proposals if any , being implemented for reduction of consumption of energy	:	–
(c)	Impact of measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods	:	–
(d)	Total energy consumption per unit of production of goods	:	–

(B) TECHNOLOGY ABSORPTION

(e)	Efforts made in Technology absorption	:	This company is supported by its holding company viz., Ramco Systems Ltd., India in Research & Development activities and hence there is no technology absorption.

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO

The company is engaged in the software services and consulting business in Malaysia market only and as such the company is not engaged in any export activity.

				(Rs. in Lakhs)
(D)	1)	Total foreign exchange used	:	**110.58**
	2)	Total foreign exchange Earned	:	**Nil**

AUDITORS' REPORT TO THE MEMBERS OF RAMCO SYSTEMS SDN. BHD, Malaysia

We have examined the annexed Balance Sheet of Ramco Systems Sdn.Bhd, Malaysia as at 31st March 2001 and the Profit & Loss Account of the company for the year ended 31st March 2001 and report that:

1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of Audit. Also, we have relied on the report of the independent Auditors M/s KPMG, Malaysia for expressing an opinion.

2. In our opinion, proper books of accounts as required by law have been kept by the company so far as it appears from our examination of the books of accounts of the Company.

3. The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account of the company.

4. The Balance Sheet and Profit and Loss Account are in compliance of the accounting standards specified in Sec.211(3C) of the Companies Act .

5. The Company has made partial provision of Rs. 33 Lakhs (RM 269,000) in respect of a customer whose dues are outstanding for more than two years & no provision has been made for Rs. 20.6 Lakhs (RM 168,000) in respect of another customer which is overdue.

6. In our opinion and to the best of our information and according to the explanations given to us, the accounts read with the notes thereon give the information required by the Companies Act, 1956 in the manner so required and the accounts give a true and fair view, subject to the note (5) above.

   a) in the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 2001 and

   b) in the case of Profit & Loss Account, of the Profit for the year ended 31st March 2001

7. In our opinion , clauses of Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, are not applicable.

For Messrs **S. VISWANATHAN**
Chartered Accountants

Place : Chennai
Date : 15th June 2001

C.N. GANGADARAN
Partner

RAMCO SYSTEMS SDN.BHD., MALAYSIA

BALANCE SHEET AS AT 31st MARCH, 2001

	Sch	As at 31st Mar'2001 RM	As at 31st Mar'2001 Rs.	As at 31st Mar'2000 RM	As at 31st Mar'2000 Rs.
I. SOURCES OF FUNDS					
1. Share Holders' Funds					
a) Share Capital	I	**1,280,000**	**18,217,054**	1,280,000	18,217,054
b) Reserves and Surplus	II	**1,948,979**	**21,063,177**	1,481,315	13,466,276
TOTAL FUNDS		**3,228,979**	**39,280,231**	2,761,315	31,683,330
II. APPLICATION OF FUNDS					
1. Fixed Assets	III				
Gross Block		**683,730**	**7,881,417**	613,165	7,035,455
Less: Depreciation		**426,315**	**5,058,413**	216,331	2,482,182
Net Block		**257,415**	**2,823,004**	396,834	4,553,273
2. Current Assets, Loans & Advances					
a) Sundry Debtors	IV	**2,108,244**	**25,865,408**	1,179,075	13,528,707
b) Cash & Bank Balance	V	**872,430**	**10,703,585**	1,133,820	13,009,450
c) Loans and Advances	VI	**970,318**	**11,904,542**	921,187	10,569,700
		3,950,992	**48,473,535**	3,234,082	37,107,857
Less: Current Liabilities and Provisions					
a) Current Liabilities	VII	**888,574**	**10,901,643**	778,747	8,935,336
b) Provisions	VIII	**90,854**	**1,114,665**	90,854	1,042,464
		979,428	**12,016,308**	869,601	9,977,800
Net Current Assets		**2,971,564**	**36,457,227**	2,364,481	27,130,058
TOTAL FUNDS EMPLOYED		**3,228,979**	**39,280,231**	2,761,315	31,683,330
Significant Accounting Policies and notes to accounts	XIII				

As per our report annexed
For **Messrs S. Viswanathan**
Chartered Accountants

C.N. GANGADARAN
Partner

Place : Chennai
Date : 15th June 2001

For and on behalf of the Board of Directors

P.R. VENKETRAMA RAJA
Director

LAKSHMI NARASIMHAN
Director

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2001

	Sch	**Year ended 31st Mar'2001 RM**	**Year ended 31st Mar'2001 Rs.**	Year ended 31st Mar'2000 RM	Year ended 31st Mar'2000 Rs.
INCOME					
Sales	IX	**4,817,384**	**57,752,721**	4,920,479	56,037,862
		4,817,384	**57,752,721**	4,920,479	56,037,862
EXPENDITURE					
Employee Compensation & Benefits	X	**1,786,809**	**21,420,976**	1,552,405	17,679,887
Sales & Marketing Expenses	XI	**445,855**	**5,345,076**	162,904	1,855,260
Administrative & Other Expenses	XII	**1,907,072**	**22,862,742**	1,890,314	21,528,213
		4,139,736	**49,628,794**	3,605,623	41,063,360
Profit before Depreciation		**677,648**	**8,123,927**	1,314,856	14,974,502
Depreciation		**209,984**	**2,576,231**	195,948	2,248,307
Profit from Operations		**467,664**	**5,547,696**	1,118,908	12,726,195
Accumulated Profit b/f		**1,481,315**	**16,614,952**	874,407	9,763,445
Retained Profit		**1,948,979**	**22,162,648**	1,993,315	22,489,640
Interim Dividend		–	–	512,000	5,874,688
Retained Profit Carried to Balance Sheet		**1,948,979**	**22,162,648**	1,481,315	16,614,952
Significant Accounting Policies and notes to accounts	XIII				

As per our report annexed
For **Messrs S. Viswanathan**
Chartered Accountants

C.N. GANGADARAN
Partner

Place : Chennai
Date : 15th June 2001

For and on behalf of the Board of Directors

P.R. VENKETRAMA RAJA
Director

LAKSHMI NARASIMHAN
Director

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2001

	As at 31st Mar'2001 RM	As at 31st Mar'2001 Rs.	As at 31st Mar'2000 RM	As at 31st Mar'2000 Rs.
Schedule I				
Share Capital				
Authorised:				
1500,000 Ordinary shares of RM 1 each	**1,500,000**	**21,348,110**	1,500,000	21,348,110
Issued & Paid-up Share Capital				
1280,000 Ordinary shares of RM 1 each	**1,280,000**	**18,217,054**	1,280,000	18,217,054
	1,280,000	**18,217,054**	1,280,000	18,217,054
Schedule II				
Reserves and Surplus				
Balance in Profit & Loss A/c	**1,948,979**	**22,162,648**	1,481,315	16,614,952
Translation Reserve a/c (refer notes on accounts)	**–**	**(1,099,471)**	–	(3,148,676)
	1,948,979	**21,063,177**	1,481,315	13,466,276

Schedule III

Fixed Assets

Description	Gross Block								Depreciation						Net Block			
	Balance as at 1.4.2000 RM	Balance as at 1.4.2000 Rs.	**Additions during the year RM**	**Additions during the year Rs.**	Deletions during the year RM	Deletions during the year Rs.	**Balance as at 31.3.2001 RM**	**Balance as at 31.3.2001 Rs.**	Balance as at 1.4.2000 RM	Balance as at 1.4.2000 Rs.	For the year RM	For the year Rs.	**Balance as at 31.3.2001 RM**	**Balance as at 31.3.2001 Rs.**	**As at 31.03.2001 RM**	**As at 31.03.2001 Rs.**	As at 1.4.2000 RM	As at 1.4.2000 Rs.
Plant & Machinery																		
– EDP	23,065	264,648	79,765	956,255	9,200	110,293	**93,630**	**1,110,610**	7,048	80,869	18,631	228,578	**25,679**	**309,447**	**67,951**	**801,163**	16,017	183,779
– Software	550,000	6,310,700	–	–	–	–	**550,000**	**6,310,700**	198,593	2,278,656	183,333	2,249,258	**381,926**	**4,527,914**	**168,074**	**1,782,786**	351,407	4,032,044
Office equipments	40,100	460,107	–	–	–	–	**40,100**	**460,107**	10,690	122,657	8,020	98,395	**18,710**	**221,052**	**21,390**	**239,055**	29,410	337,450
Total	**613,165**	**7,035,455**	**79,765**	**956,255**	**9,200**	**110,293**	**683,730**	**7,881,417**	**216,331**	**2,482,182**	**209,984**	**2,576,231**	**426,315**	**5,058,413**	**257,415**	**2,823,004**	**396,834**	**4,553,273**

Gross Block

Opening balance on 1.4.00 has been converted based on the exchange rate prevailing as of 31.3.2000

Additions during the year are converted based on the monthly moving average rate for the year 2000-01

Depreciation

Accumulated Depreciation on 1.4.00 has been converted based on the exchange rate prevailing as of 31.3.2000

Depn for the year has been converted based on the exchange rate prevailing as of 31.3.2001

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2001

	As at 31st Mar'2001 RM	**As at 31st Mar'2001 Rs.**	As at 31st Mar'2000 RM	As at 31st Mar'2000 Rs.
Schedule IV				
Sundry Debtors (Unsecured)				
a) Debts outstanding for a period exceeding six months	**720,438**	**8,838,838**	861,368	9,883,337
b) Other Debts	**1,656,081**	**20,317,956**	317,707	3,645,370
	2,376,519	**29,156,794**	1,179,075	13,528,707
Less: Provision for Bad & Doubtful Debts	**268,275**	**3,291,386**	–	–
	2,108,244	**25,865,408**	1,179,075	13,528,707
Schedule V				
Cash and Bank Balances				
Cash on hand	**149**	**1,830**	1,145	13,132
Balances with Banks in Current Accounts	**872,281**	**10,701,755**	1,132,675	12,996,318
	872,430	**10,703,585**	1,133,820	13,009,450
Schedule VI				
Loans and Advances (Unsecured, Considered Good)				
a) Advances recoverable in Cash or kind	**885,123**	**10,859,306**	776,850	8,913,577
b) Deposits with Govt Dept and others	**85,195**	**1,045,236**	144,337	1,656,123
	970,318	**11,904,542**	921,187	10,569,700
Schedule VII				
Current Liabilities				
a) Sundry Creditors for purchases	**84,490**	**1,036,583**	–	–
b) Payable others	**804,084**	**9,865,060**	778,747	8,935,336
	888,574	**10,901,643**	778,747	8,935,336
Schedule VIII				
Provisions				
Provision for Taxation	**90,854**	**1,114,665**	90,854	1,042,464
	90,854	**1,114,665**	90,854	1,042,464

SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH,2001

	Year Ended 31st Mar'2001 RM	Year Ended 31st Mar'2001 Rs.	Year Ended 31st Mar'2000 RM	Year Ended 31st Mar'2000 Rs.
Schedule IX				
Sales				
License fee	**154,525**	**1,852,508**	55,000	626,379
Service charges	**3,866,538**	**46,353,599**	4,610,679	52,509,643
Annual Maintenance charges	**796,321**	**9,546,614**	254,800	2,901,840
	4,817,384	**57,752,721**	4,920,479	56,037,862
Schedule X				
Employee Compensation and Benefits				
Salaries, Bonus etc	**1,452,130**	**17,408,712**	1,075,889	12,252,982
Provident Fund Contributions	**23,468**	**281,344**	43,353	493,736
Employee Benefits	**311,211**	**3,730,920**	433,163	4,933,169
	1,786,809	**21,420,976**	1,552,405	17,679,887
Schedule XI				
Sales & Marketing Expenses				
Advertisement & Sales Promotion	–	–	18,693	212,881
Discount	**27,602**	**330,904**	–	–
Incentive	**418,253**	**5,014,172**	144,211	1,642,379
	445,855	**5,345,076**	162,904	1,855,260
Schedule XII				
Admininstrative and other expenses				
Audit Accountancy & Legal Charges	**14,491**	**173,727**	12,000	136,664
Consultancy	**159,176**	**1,908,270**	455,172	5,183,817
Bank Charges	**1,296**	**15,542**	3,606	41,067
Insurance	**14,559**	**174,533**	13,074	148,901
Postage & Courier	**4,889**	**58,615**	–	–
Telephone	**338,280**	**4,055,432**	214,358	2,441,261
Water & Power	**13,730**	**164,596**	–	–
Printing & Stationery	**9,428**	**113,028**	11,339	129,140
Rent	**399,336**	**4,787,406**	470,586	5,359,360
Equipment Rentals & Lease Rentals	**22,398**	**268,521**	51,103	582,001
Repairs-Others	**5,778**	**69,267**	–	–
Repairs-Plant & Machinery	**13,093**	**156,958**	–	–
Entertainment	**8,972**	**107,562**	14,303	162,893
Travel & Conveyance	**504,098**	**6,043,313**	486,626	5,542,042
Stamp Duty	**18,165**	**217,773**	–	–
Forex fluctuation	**29,200**	**350,061**	93,450	1,064,274
Loss on misplaced asset	**7,000**	**83,919**	–	–
Secretarial Fee	**25,531**	**306,078**	39,454	449,325
Other expenses	**49,377**	**516,755**	25,243	287,468
Provision for Bad & Doubtful Debts	**268,275**	**3,291,386**	–	–
	1,907,072	**22,862,742**	1,890,314	21,528,213

Schedule XIII

SIGNIFICANT ACCOUNTING POLIICIES & NOTES TO ACCOUNTS

Significant Accounting Policies

1. Accounts are maintained on accrual basis. The transactions are in local currency (Malaysian Ringitt) and are translated for reporting in Indian Currency on the following basis.

2. **Translation to Indian Rupees:**

   For the purpose of the accounts, all income and expense items are translated at the moving average rate of exchange applicable for the year. All monetary assets and liabilities are translated at the closing rate as on Balance Sheet date. The equity share capital is stated at the exchange rate at the date of investment by the holding company. The exchange difference arising out of the year end translation is debited or credited to Translation Reserve account and is being classified under Reserves and Surplus account.

3. **Revenue Recognition:**

   A) Software Services

   i) License Fees:

   License Fee revenue is recognised on delivery of the software.

   ii) Implementation Fees:

   Implementation Contracts are either milestones based or time and material based.

   In case of milestone contract, revenue is recognised upon achievement of the milestones as per the terms of the contract.

   In case of time and material contracts, revenue is recognised based on billable time spent in the project, priced at the contractual rate.

   iii) Services:

   Revenue from fixed price contracts is recognised on milestones achieved as per the terms of the specific contract

   iv) Annual Maintenance Contract:

   Revenue from Maintenance services is recognised on a pro-rata basis over the period of the contract.

4. Fixed Assets & Depreciation:

   Fixed assets are stated net of depreciation. Depreciation is provided on Straight Line Method.Depreciation rates are applied after considering the applicable laws of the State and management estimation of the useful life of the asset. However, the rates of depreciation provided are higher than the rates specified under Schedule XIV to the Companies Act, 1956.

   The estimated useful life of the asset are as follows

Computer	5 years
Software	5 years
Office Equipments	3 years

5. Taxation: Deferred Taxation is provided on the liability method for all material timing differences except where no liability is expected to arise in the foreseeable future. Deferred tax benefits are only recognised when there is a reasonable expectation of realisation in the near future.

6. **Holding Company Transaction:** The Company has significant transactions with its holding company which are trade related. However the same is unsecured and interest free.

RAMCO SYSTEMS SDN.BHD., MALAYSIA

NOTES TO ACCOUNTS

1. The Company is a wholly owned subsidiary of Ramco Systems Limited. The accounts are prepared and audited to attach with the accounts of Ramco Systems Limited, the holding company to comply with the provisions of the Companies Act, 1956.
2. For translating local currency (Malaysian Ringitt) into Indian Rupees the exchange rate applied is as per paragraph 2 of the accounting policies given above.
3. The accounts pertain to the year April 1,2000 to March 31,2001.
4. **Current Liabilities:** The Company does not have any dues to any small scale industrial undertaking
5. Contingent liability – Nil
6. Audit, accountancy and legal charges includes fees paid to Statutory Auditors towards Statutory Audit Fee Rs.1.47 Lakhs
7. Additional information as required by Schedule VI of the Companies Act, 1956.

		(Rs. in Lakhs)
a)	Sales: Ramco e.Application and other Software & Services	**577.52**
b)	Expenditure in Foreign Currency on account of Remittance to Related Companies	**110.58**

8. **Taxation:** No provision for Tax is made in the Current Year's accounts as the company has been granted pioneer status incentive arising from its Multimedia Super Corridor (MSC) Status.
9. The figures have been rounded off to the nearest rupee/RM and previous year's figures have been regrouped/recast wherever necessary to make them comparable with that of the current year.

As per our report annexed

For **Messrs S. Viswanathan**
Chartered Accountants

C.N. GANGADARAN
Partner

Place : Chennai
Date : 15th June 2001

For and on behalf of the Board of Directors

P.R. VENKETRAMA RAJA
Director

LAKSHMI NARASIMHAN
Director

RAMCO SYSTEMS
www.ramco.com

CORPORATE OFFICE & R&D CENTER

Ramco Systems Limited
64, Sardar Patel Road, Taramani
Chennai - 600 113, India
Tel: +91 (44) 235 4510
Fax: +91 (44) 235 2884
Website: www.ramco.com

e-BUSINESS DIVISION

Ramco Systems Limited
Prince Kushal Towers,
3rd Floor, 96, Anna Salai,
Chennai - 600 002, India
Tel: +91 (44) 841 0363
Fax: +91 (44) 841 2744

NORTH AMERICA

Ramco Systems Corporation
Crossroads Corporate Center
3150, Brunswick Pike, Suite 100
Lawrenceville, NJ 08648
Toll free: 1 800 4RAMCO1
Tel: +1 (609) 620 4800
Fax: +1 (609) 620 4860
(Other offices in Lisle, Dallas and Milpitas)

EUROPE

Ramco Systems Limited
Lyoner Strasse 14
60528 Frankfurt am Main
Germany
Tel: +49 (0) 69 66554485
Fax: +49 (0) 69 66554100

Ramco Systems Limited
Lange Gasse 90, Postfach
CH - 4020 Basel, Switzerland
Tel: +41 (61) 205 2525
Fax: +41 (61) 205 2590
Website: www.ramco.ch

Ramco Systems Limited
2, Gayton Road
Harrow HA1 2XU, UK
Tel: +44 (208) 901 4075
Fax: +44 (208) 901 7553

ASIA

Ramco Systems Limited
Century Center, III Floor
39, TTK Road, Alwarpet
Chennai - 600 018, India
Tel: +91 (44) 497 0886
Fax: +91 (44) 466 1022
(Other offices in Bangalore, Calcutta
Hyderabad, Mumbai, and New Delhi)

Ramco Systems Sdn Bhd
Suite 1001, Level 10,
Menara PJ, Amcorp Trade Centre,
18, Persiaran Barat, 46050, Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel: +60 (3) 79588978
Fax: +60 (3) 79588443

Ramco Systems Pte Limited
7, Temasek Boulevard
12-02B, Suntec Tower One
Singapore - 038987
Tel: +65 3339691
Fax: +65 3339685

ISO 9001 Registered
KPMG Quality Registrar
The Quality Advantage

Accredited by
the Dutch Council
for Certification

Ramco Systems Limited
64, Sardar Patel Road, Taramani
Chennai 600 113, India
Tel: +91(44) 235 4510, Fax: 91(44) 235 2884
website: www.ramco.com

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