

16th Annual Report

2009-10



RAM INFORMATICS LIMITED



CORPORATE INFORMATION

| | | | |
|---|---|---|--------------------|
| BOARD OF DIRECTORS: | Mr. P.S. Raman | - | Executive Chairman |
| | Mr. R. Jagadeeswara Rao | - | Executive Director |
| | Mr. P.S. Venkateswaran | - | Director |
| | Mr. G. Hara gopal | - | Director |
| | Dr. S.K. Mathur | - | Director |
| | Dr. Khushwant Singh | - | Director |
| COMMITTEES OF THE BOARD: | | | |
| Audit Committee: | Mr. G. Haragopal | - | Chairman |
| | Dr. S.K. Mathur | - | Member |
| | Dr. Khushwant Singh | - | Member |
| Shareholders/Investor Grievance Committee: | Dr. S.K. Mathur | - | Chairman |
| | Mr. P.S. Raman | - | Member |
| | Mr. R. Jagadeeswara Rao | - | Member |
| Compliance Officer: | Ms. Shraddha Mishra | - | Company Secretary |
| Auditors: | S.S. Kothari & Co. 403, IV Floor Model House Punjagutta Hyderabad 500 082 | | |
| Bankers: | Canara Bank Overseas Branch 5-9-22/1/4C & 4D Damayanthi Chambers Adarshnagar Main Road Hyderabad 500 063 | | |
| Registered office & Software Development Centre: | SVR Towers 8-2-1/B/1, Srinagar Colony Road Punjagutta, Hyderabad 500 082 | | |
| URL: | www.raminfo.com | | |
| Email ID for Investor related matters: | compliance@raminfohyd.com | | |
| U.S. Branch: | 36, Mill Plain Road Suite 410, Danbury Connecticut 06811. | | |
| U.S. Subsidiary: | Aravali Technologies Inc., 1175, Saratoga Avenue, Suite 7 San Jose, California 95129, U.S.A. | | |

NOTICE

NOTICE IS HEREBY GIVEN THAT THE SIXTEENTH ANNUAL GENERAL MEETING OF THE MEMBERS OF RAM INFORMATICS LIMITED WILL BE HELD ON WEDNESDAY 29TH SEPTEMBER 2010, AT 10.00 A.M. AT NAGARJUNANAGAR COMMUNITY HALL, 8-3-903/4/A, NAGARJUNA NAGAR, AMEERPET, HYDERABAD 500073 TO TRANSACT THE FOLLOWING BUSINESS:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Profit & Loss Account for the year ended 31st March 2010 and Balance Sheet as at that date together with the Report of the Directors and the Auditors.
2. To appoint a director in place of Mr. P. S. Venkateswaran who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a director in place of Dr.Khushwant Singh, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint M/s S.S.Kothari & Co., Chartered Accountants as auditors of the Company for the period commencing from the conclusion of this meeting till the conclusion of next Annual General Meeting and to fix their remuneration. The retiring Auditors M/s S.S.Kothari & Co., are eligible for re-appointment.

SPECIAL BUSINESS:

5. To consider and if thought fit, to pass or without modification(s) the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of the sections 198, 269, 309, 310, 311 and other applicable provisions, if any of the companies Act, 1956 read with Schedule XIII thereof including any statutory modifications or re-enactment there of for the time being in force and subject to such approvals as may be necessary, Mr.P.S.Raman be and is hereby re-appointed as Executive Chairman of the Company for a period of five years with effect from 1st July 2010 subject to shareholders approval at the ensuing general meeting on the following terms and conditions so as not to exceed the limits specified in schedule XIII of the companies Act, 1956 or any statutory modification, substitution or re-enactment there of as may be agreed to by the Board of Directors of the Company and MR. PS.Raman.

1. Salary of Rs. 90,000 per month.
2. Company provided furnished residential accommodation or house rent allowance, as per the rules of the Company, with all amenities including gas, electricity, water etc, as allowed under the Income Tax, Act, 1961, subject to minimum of Rs. 30,000 per month.
3. Leave travel concession for self and family including dependent parents subject to a ceiling of one month salary per year will be reimbursed.
4. Medical expenses incurred for self and family including dependent parents subject to a ceiling of one month salary per year will be reimbursed.
5. Fees of clubs subject to maximum of two clubs will be allowed. This will not include admission and life membership fees.
6. Personal Accident Insurance of an amount, the annual premium of which does not exceed Rs. 5,000.
7. Company's contribution to provident Fund and superannuation fund shall be as allowed under the income Tax Act and rules.
8. Gratuity as per the rules of the company, payable not exceeding half a month's salary, for each completed year of service.
9. Use of Company's car with driver for Company's business.
10. Telephone facility at residence for Company's business.
11. He shall be entitled to reimbursement of entertainment expenses actually and properly incurred for the business of the company.

12. He shall not be eligible for any sitting fees of the Company's meetings.

The remuneration mentioned in point 1 and 2 above shall be minimum remuneration payable, in the event of inadequacy / absence of profits.

The Board recommends the resolution for the approval of the members.

None of the Directors of the Company, except Mr.P.S.Raman is concerned or interested in the resolution.

6. To consider and if thought fit, to pass or without modification(s) the following resolutions as an Ordinary Resolution.

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, 311 and other applicable provisions, if any of the Companies Act, 1956 read with Schedule XIII thereof including any statutory modifications or re-enactment thereof for the time being in force and subject to such approvals as may be necessary, Mr.R.Jagadeeswara Rao be and is hereby re-appointed as Executive Director of the Company for the period of five years with the effect from 1st July 2010 subject to the share holders approval at ensuing general meeting on the following terms and conditions so as not to exceed the limits specified in Schedule XIII of the Companies Act, 1956 or any statutory modification, substitution or re-enactment thereof as may be agreed to by the Board of Directors of the Company.

1. Salary of Rs. 90,000 per month.
2. Company provided furnished residential accommodation of house rent allowance, as per the rules of the Company, with all amenities including gas, electricity, water etc., as allowed under the Income Tax Act, 1961 subject to a minimum of Rs. 30,000 per month.
3. Leave Travel concession for the self and family including dependent parents subject to a ceiling of one month salary per year will be reimbursed.
4. Medical expenses incurred for self and family including dependent parents subject to a ceiling of one month salary per year will be reimbursed.
5. Fees of Clubs subject to maximum of two clubs will be allowed. This will not include admissions and life membership fees.
6. Personal accidents Insurance of as amount, the annual premium of which does not exceed Rs. 5,000.
7. Company's contribution to Provident Fund and superannuation fund shall be as allowed under the Income Tax Act and rules.
8. Gratuity as per the rules of the Company, payable not exceeding half a months salary, for each completed year of service.
9. Use of company's car with driver for Company's business.
10. Telephone facility at residence for Company's business.
11. He shall be entitled to reimbursement of entertainment expenses actually and properly incurred for the business of the Company.
12. He shall not be eligible for any sitting fees of the Company's Board / Committee meetings.

The remuneration mentioned in point 1 and 2 above shall be minimum remuneration payable, in the event of inadequacy / absence of profits.

The Board recommends the resolution for the approval of members.

None of the Directors of the Company, except Mr. R. Jagadeeswara Rao is concerned or interested in the resolution.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956**ITEMS Nos. 5 & 6****Mr. P.S. Raman (EXECUTIVE CHAIRMAN)**

Mr.P.S.Raman is a Commerce graduate and a Chartered Accountant. He had around 25 years of post qualifications experience in various Industries like Chemicals, petroleum and Computers in India and abroad. He began his career in the data processing area as systems designer while working in Indian Oil Corporation and subsequently with Asian Paints and NCR Corporation, a MNC Computer Company in various capacities and acquired considerable exposure in the fields of finance, systems and administration.

Earlier he was appointed for a period of 5 years from 1.07.2005 to 30.06.2010. The Board has decided to re-appoint Mr.P.S.Raman for a period of 5 years with the effect from 1.07.2010. The above remuneration has also been approved by the Board.

Mr.R.JAGADEESWARA RAO (EXECUTIVE DIRECTOR)

Mr.R.Jagadeeswara Rao is a graduate in Electronics & Communication Engineering and postgraduate in Computer Engineering from Andhra University, Waltair. He was a recipient on the State Special Merit Scholarship from Andhra Pradesh Government. Starting his career as

systems Engineer in ORG Systems, a Computer manufacturing organization, he has worked both on systems Software as well as Business Applications software for various reputed organizations including the Life Insurance Corporation of India on ORG platforms and has thus acquired good experience on software development.

Earlier he was appointed for a period of 5 years from 1.07.2005 and his term expires on 30.06.2010. The Board has decided to re-appoint Mr. R.Jagadeeswara Rao for a period of 5 years with the effect from 1.07.2010. The above remuneration has also been approved by the Board.

The explanatory statement together with the accompanying notice is and may be treated as an abstract of the terms of appointment and memorandum of Interest under Section 302 of Companies Act, 1956.

The Board of Directors recommends the resolutions for your approval.

For and on behalf of the board

Date: 30.07.2010
Place: Hyderabad

PS. Raman
Executive Chairman

NOTES:

1. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of himself / herself and such proxy need not be a member of the company. In order to be effective, the duly filled in proxy form must be received by the company not less than 48 hours before the meeting.
2. Members/proxies should bring duly filled in attendance slips sent herewith for attending the meeting.
3. A brief profile of each of the directors proposed to be appointed/ reappointed is mentioned elsewhere in the report on Corporate Governance.
4. The register of members and the share transfer books of the company will remain closed from 22.09.2010 to 29.09.2010 (both days inclusive).
5. Members holding shares in physical form are requested to advise any change of address immediately to the company's Registrar and Share Transfer Agents. Members holding shares in electronic form must send the advice about change in address to their respective depository participant.
6. Members desirous of obtaining any information concerning the accounts and operations of the company are requested to send their queries to the company at least seven days before the date of the meeting, so that the information required by them may be made available at the AGM.
7. Members are requested to send all communication relating to shares (Physical and Electronic) to the Company's Share Transfer Agents at the following Address:
M/s. Sathguru Management Consultants Private Limited
Plot no. 15, Hindi Nagar, Punjagutta, Hyderabad – 500034
Tel.: 040-23356507, 23350586, 23356975
Fax: 040-23354042 Email id: sta@sathguru.com

For and on behalf of the board

Date : 30.07.2010
Place: Hyderabad

PS. Raman
Executive Chairman

DIRECTORS' REPORT

Dear Shareholders

Your directors take pleasure in presenting the Sixteenth Annual Report of the company and the Audited accounts for the financial year ended 31st March 2010 together with Auditors' Report thereon.

FINANCIAL RESULTS

The performance of your company for the year under review is summarized below:

(Rs. In thousands)

| Particulars (stand alone) | 2009-10 | 2008-09 |
|--|----------|---------|
| Gross revenue & other income | 61382 | 90455 |
| Profit before interest, depreciation & taxes | (153059) | 16047 |
| Interest | 2997 | 2826 |
| Depreciation & amortization | 5664 | 7035 |
| Profit before tax | (161720) | 6186 |
| Profit after tax | (161720) | 429 |

On a consolidated basis (including US subsidiary's results), your Company achieved revenue of Rs. 742.65 lacs and net loss of Rs. 1641.79 lacs for the year ended 31st March 2010 as compared to revenue of Rs. 1137.15 lacs and PAT of Rs. 2.53 lacs for the previous year. This is mainly due to a substantial amounts of bad debts and balances written off to the tune of Rs 1688.21 in the AY 2009-10.

DIVIDEND:

No dividend has been recommended for the year, in view of the net accumulated loss position as at 31st March 2010.

PERFORMANCE OF THE COMPANY:

Your company's gross revenue declined to Rs. 613.82 lacs on a stand alone basis for the year ended 31st March 2010 compared to Rs. 904.55 lacs in the previous year. The consolidated revenue for the year-end stood at Rs. 744.09 lacs against Rs. 1138.42 lacs in the previous year. The domestic software revenue dropped by 28% while the exports revenue dropped by 53%. The net loss for the year was at Rs. 1617.20 lacs (Stand alone) and consolidated loss was at Rs. 1641.79 lacs.

US SUBSIDIARY:

Aravali Technologies Inc., your company's US subsidiary, registered revenues of US \$ 0.29 million for the year ended 31st March 2010 against US \$ 0.46 million for the previous year. There is a net loss of US \$ 54293 for the current year against a net loss of US \$ 40246 in the previous year. As a small sized consulting company, the subsidiary suffered reduction in revenue with recessionary tendencies continuing to have severe impact in its sustenance as well as in growth. There was a vast reduction in the number of billable consultants due to decline in the number of new clients as well as orders. The Company expects the recessionary tendencies to continue. It is felt that sizeable funds are required for enhancement of billable resources and for marketing initiatives if recovery visible has to be taken advantage of in the coming years. Your Company's revenue and margins are expected to be under further pressure during the year 2010-11 also.

EXPORTS:

On a consolidated basis, the total exports revenue achieved amounted to Rs 130.27 lacs which is primarily the consulting revenue of the US subsidiary. There was no offshore billing by the parent company for the year.

DOMESTIC MARKET:

Your company continued to deliver solutions for the e-governance projects more effectively as a result of which the extension of Bangalore One project was approved of for a term of five years. The volume of transactions

touched ten lacs. The number of centres that are operational is currently sixty including forty mini centres. In the Karnataka One project, eight more districts were added for providing citizen services in the district level. Increase in revenue will be visible from the second quarter of FY 2010-11.

Your company won the bid in the renewal tender of the AP district eseva project, in consortium with HCL Infosystems Ltd as technology partner for fourteen districts in AP. The software service and support for the balance seven districts will be provided by your company, to another vendor who has won the bid for that region. A letter of intent has been received by your company for implementing solutions through 639 Common Service Centres (CSCs) covering four districts, in consortium with a Hyderabad based IT company.

A contract for implementation of integrated e-governance system for the New Mumbai Municipal Corporation (NMMC) was awarded to your company in consortium with a Hyderabad based technology company. The deliverables by your company cover development of specific modules for the project with a value of Rs 1.20 crores, including one year warranty.

PRODUCTS DIVISION: BANKING

Migration of e-smart banker product from Asp.net to Vb.net is completed. This will enhance the security features of the product and enable additional delivery channel possibilities like SMS banking, Mobile banking, etc. Two more orders for providing core banking solution to small cooperative banks were received during the year under review.

QUALITY:

Your company has been following strict quality management standards and constantly upgrading the processes in the ISO 9001 and the ISO 27001 standards adopted by the company.

PARTICULARS REQUIRED UNDER SECTION 212 OF THE COMPANIES ACT, 1956:

Pursuant to the provisions of Section 212 of the Companies Act, 1956, documents in respect of subsidiary viz. Balance Sheet, Profit & Loss account, Directors' Report and Auditors' Report are required to be attached to the Balance Sheet of the holding company. An application was made to the Government of India seeking partial exemption from the provisions of Sec. 212 of the Companies Act, 1956. The Government of India, Ministry of Corporate Affairs, vide its letter no. 47/622/2010-CL-III dt. 01.07.2010, has granted exemption from the provisions of Section 212(1) of the Companies Act, 1956. Accordingly the Annual Report does not contain the full financial statements of its subsidiary M/s. Aravali Technologies Inc., US. A statement under sec. 212(8) containing aggregate information as directed by the approval, has been annexed. The Company will make available the audited annual accounts and related detailed information to the investors upon request at any point of time. These documents are also available for inspection at the registered office of the Company during business hours.

Statement pursuant to Section 212(1)(e) of the Companies Act, 1956 in respect of the wholly owned subsidiary is annexed.

DIRECTORS' RESPONSIBILITY STATEMENT PURSUANT TO SEC. 217(2AA):

The directors confirm that:

- In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

- ii. The directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent 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 or loss of the company for that period;
- iii. The directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- iv. The directors had prepared the annual accounts on a going concern basis.

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

Information with respect to conservation of energy, technology absorption, foreign exchange earnings and outgo pursuant to Sec. 217(1)(e) of the Act read with rule 2 of Companies (disclosure of particulars in the report of board of directors) Rules, 1988 are set out in **Annexure-A** to this Report.

MANAGEMENT DISCUSSION & ANALYSIS:

Pursuant to clause 49 of the listing agreement, a report on Management Discussion and Analysis for the year under review is set out as **Annexure-B** to and forms part of this report.

REPORT ON CORPORATE GOVERNANCE:

The Securities and Exchange Board of India (SEBI), has prescribed certain corporate governance standards vide clause 49 of the listing agreement. Your Directors re-affirm their commitment to these standards and a detailed report on Corporate Governance along with a certificate from statutory auditors on its compliance is given as an **Annexure-C** to this report.

CEO'S DECLARATION AS REQUIRED UNDER CLAUSE 49 OF THE LISTING AGREEMENT:

Declaration as required under clause 49(l)(D)(ii) of the listing agreement with regard to compliance with the code of conduct of the company is set out as **Annexure-D** to this report.

PARTICULARS OF EMPLOYEES - PURSUANT TO SEC. 217(2A) OF THE COMPANIES ACT, 1956:

There are no employees in India whose remuneration during the year is Rs. 2,00,000 per month or Rs. 24,00,000 per annum as per the provisions of Section. 217(2A) of the Companies Act, 1956 read with Companies (particulars of employees) Rules, 1975.

STOCK EXCHANGE LISTING:

The Equity Shares of the company are listed on the Bombay Stock Exchange Limited. The listing fee for the year 2010-11 has been paid to the Bombay Stock Exchange Ltd. The Company has also paid custodial fee for the year 2010-11 to both the depositories viz. NSDL and CDSL on the basis of number of beneficial folios maintained by them as on 31st March 2010.

FIXED DEPOSITS:

Your company has not accepted any fixed deposits and as such, no amount of principal or interest was outstanding as of the balance sheet for the year ended 31st March 2010.

AUDITORS:

The auditors M/s S.S. Kothari & Co., Chartered Accountants, who retire at the ensuing Annual General Meeting of the company, are eligible for reappointment till the conclusion of the next Annual General Meeting. The company has obtained their willingness for reappointment and a certificate under sec. 224(1B) of the Companies Act, 1956.

CHANGES IN DIRECTORS AND IN KEY OFFICIALS:

In accordance with the Articles of Association and pursuant to the provisions of Companies Act 1956, Mr. P.S. Venkateswaran and Dr. Khushwant Singh retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

A brief resume of the above directors with the nature of expertise in specific functional areas, details of other directorships and memberships on committees of board as required under Clause 49 of the listing agreement are given at appropriate section in the Report on Corporate Governance attached to this report.

During the year Mr P R Balasubramanian who was an independent director and Mr. Kumar Raja, promoter & Non-Executive Director resigned. Ms. Shraddha Mishra has been appointed as Company Secretary in place of Mr. Shailesh Baheti.

REPLY TO THE AUDITORS' QUALIFICATIONS:

The Auditors, in point no. ix(a) and xi of the Annexure to their report have stated that the company is not regular in depositing the Provident fund, Employees State Insurance, Income tax and Service tax dues and also that the company has defaulted in repayment of dues to the bank.

Your Directors would like to submit that the reasons for the above are that the company continued to face severe liquidity pressure since 2008 on account of large over due receivables and also due to severe economic downturn affecting business. Part payment of Rs. 60 lacs were made towards PF & TDS and Rs. 13.5 lacs towards bank loan subsequently and additional time has been sought for balance payment of arrears. As regards the bank loans, an appeal has been made to the Debt Recovery Tribunal against their notice of possession of property under SARFAESI Act. The management is in discussion with investors for strategic alliance to mobilise larger resources for clearing the liabilities and for working capital.

ACKNOWLEDGEMENT:

The Directors wish to place on record their appreciation for the continued co-operation and support by the banks, government authorities, business partners, customers and other stakeholders. Your Directors wish to place on record their sincere appreciation for the dedicated contribution made by all the executives, staff members of the company in the achievements of the company during the year under review.

For and on behalf of the board

Date: 30.07.2010
Place: Hyderabad

P.S. Raman
Executive Chairman

ANNEXURES TO THE DIRECTORS' REPORT

ANNEXURE – A

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS & OUTGO

The particulars as required under 217(1)(e) of the Companies Act, 1956 read with rule 2 of Companies (disclosure of particulars in the report of board of directors) Rules, 1988 are as under:

1. Conservation of Energy.

The operations of your company do not consume high levels of energy. However, adequate steps have been taken to conserve energy wherever possible.

2. Technology Absorption.

The company trains its software engineers on a regular basis on latest trends and technologies in software methodologies, software engineering, software development and CASE tools.

The techniques thus absorbed are used to expedite the process of software development as well as the quality of the products developed.

3. Foreign Exchange Earnings and Outgo

| | (in Rs.) |
|---------------------------|----------|
| Foreign Exchange Earnings | NIL |
| Foreign Exchange Outgo : | |
| - Postage & Telegram | 5,975 |
| - Others | 1,79,345 |

For and on behalf of the Board

Date : 30.07.2010
Place : Hyderabad

P S Raman
Executive Chairman

ANNEXURE -B

MANAGEMENT DISCUSSION & ANALYSIS

i. Industry structure and development:

The Indian IT- BPO Sector reported revenues of USD 63.69 billion in the year 2009-10 as against USD 59.95 billion in financial year 2008-09 with overall growth of 6.24%, as per the annual survey on the performance of the Industry by NASSCOM. The IT export revenues registered a growth of 5.5% and touched total revenue of USD 49.69 billion. The domestic revenue in the year under review improved to USD 14 billion as against USD 12.85 billion in the previous year. IT services within the export segment clocked revenues of USD 27.29 billion against USD 25.80 billion in 2008-09. Due to global recession, the growth rate fell to 6.24%. However the industry managed to show resilience and improved the performance in the first quarter of 2010-11 and managed to retain its position as a strategic global outsourcing destination.

As in the previous year, the domestic market provided opportunities in the domains of telecom and e governance. Domestic industry performed better comparatively and achieved 8.94% growth. The recovery appears to be taking longer the industry managed to maintain a decent growth in spite of severe economic downturn in key markets, with in fixed price contracts, end-to-end transformational deals and shift from on-site to offshore.

As per the Annual Survey Report on the outlook for 2010-11 by NASSCOM, Indian IT-BPO exports are projected to grow by 13 to 15% while the domestic segment is expected to grow by 15-17% with growth occurring in core markets supplemented by significant contribution from emerging markets. Of late, improved demand scenario is evidenced by increase in hiring. However cautious optimism seem to prevail.

ii. Opportunities, Threats, Risks and Concerns

The Company's expertise lies in providing efficient solutions in the e-governance space. The Government of India's roadmap for large scale egov implementation across the country and the recommendations to all the states to use IT for better administration and governance, are opening huge opportunities in the domestic market. Indian IT companies are gearing up to address this potential and this calls for larger investment by way of manpower and fund resources. These projects are for long term in nature and require IT

infrastructure set up. The company having specialized in e-governance solutions sees more opportunities in this domain. However, due to the limitation in investment capability, the company is in a position to play the role of software services provider only with a smaller share of the revenue pie. The competition from the bigger players is ever increasing. The dependency on a system integrator and operating as a consortium partner to provide software services only, is limiting the top line growth of the company and the resultant bottom line.

iii. Risk assessment and control

Under the executive management control and monitor, policies and procedures are adopted to assess the risks in projects and all the operational activities. The middle level management personnel are involved in effective supervision and implementation of such policies.

iv. Internal control systems and their adequacy

The company has an internal control system commensurate with its size and nature of business, covering optimum utilization of its resources, safeguard of assets, proper compliance with prevalent statutes and regulatory rules, correctness in recording of transactions, adherence to applicable accounting standards and management policies.

v. Financial performance

The parent company's total income declined to Rs. 613.82 lacs for the year ended 31st March 2010 compared to Rs. 904.55 lacs in the previous year. This was mainly due to delay in finalization of new custom development projects, unfavourable economic conditions and absence of any offshore billing due to economic crisis in the US markets where from the company was to get the second phase of a large ecommerce project. The US subsidiary faced decline in the number of new clients / orders due to the deteriorating market conditions in the US and severe competition from bigger players. Its clients are small / mid-sized business firms and they have been facing extreme difficulties as a consequence of the wide-spread recession in the US. Consequently, the total consolidated income for the year fell to 744.09 lacs against Rs. 1138.42 lacs in the previous year. The company incurred a net loss of Rs 1617.20 lacs after the write off of 1688.21 lacs of unrecoverable debtors and other balances. The corresponding figures on consolidated basis is net loss of Rs 1641.79.

> Deferred Tax:

During the year the company did not record any deferred tax due to the net loss incurred.

> Expenditure:

There has been a considerable reduction of 37% in the total operating expenses of the company with major reduction in employee costs to Rs 280.42 lacs against Rs. 401.51 lacs in the previous year. Other operating expenses reduced to Rs. 105.30 lacs from Rs. 230.26 lacs in the previous year. The number of employees as at the end of March, 2010 fell to 93. Write off of bad debts and advances not considered recoverable amounted to Rs 1688.21 lacs and this contributed to a total net loss of Rs 1617.19 in the parent company. Significant amounts of receivables were unrecoverable due to project termination, rate differential disputes and non implementation by customers. The US subsidiary witnessed 38% fall in revenue and the net loss increased to USD 54293 for the year as against the net loss of USD 40246 for the previous year. Interest and finance charges increased to Rs. 29.97 lacs for the year s against Rs. 28.25 lacs in the previous year. There has been no additional capital expenditure for the year.

At the consolidated level, the employee costs dropped to Rs. 347.05 lacs from Rs. 570.46 lacs in the previous year.

> Secured loans:

During the year, the the bank loan accounts i.e. the cash credit and term loans became irregular and were declared NPA by Canara Bank. The closing balances of the secured loans as of March 2010 was Rs. 182.07 lacs against Rs. 177.96 lacs in the previous year. The total of bank loans including interest was Rs. 159.75 lacs. There has been a reduction in the hire purchase loan balances by Rs. 15.34 lacs due to repayment.

The Bank has served a notice for symbolic possession of the office property and movable assets comprised ,under SARFAESI Act 2002 and subsequently auction notice for recovery of the dues to them. The company has appealed to the Debt Recovery Tribunal and the petition is pending as of date.

> Unsecured loans:

The unsecured loans as at March 2010 stood at Rs Rs 52.03 lacs against Rs 55.70 lacs in the previous year. This includes a sum of Rs 42.03 lacs taken from directors as interest free loans for the current year against Rs 45.70 lacs in the previous year.

> Fixed Assets:

The company has not purchased fixed assets during the year under review. The depreciation charged this year got reduced to Rs 56.28 lacs against Rs. 70 lacs in the previous year.

> Sundry Debtors:

The sundry debtors, net of provision for doubtful debts, reduced to Rs. 476.28 lacs after a write off of Rs. 1513.21 lacs which were considered unrecoverable and bad. No provision was made for the year. The year continued to witness increased delays in collection,

especially from the technology partner with whom major e-governance projects were implemented in consortium with them for the state government.

vi. Human resources development

The company had a reduction of head count due to reduced business. However it continued to focus on skill upgradation of its existing employees by providing them opportunity to upgrade existing skills and build new skills wherever applicable. Training was suitably provided in technology related issues. Multiple skill capacity enhancement was achieved by rotating them between projects and by providing more means of knowledge sharing.

vii. Working capital needs

The company continued to face working capital and cash flow problems during the year with the increased collection cycle of receivables and decreased earnings. On account of this , the total current liabilities and provision increased to Rs. 602.34 lacs by year end from Rs. 429.71 lacs in the previous year. The total dues for operational expenses including payroll stood at Rs. 473.14 lacs and the total statutory dues at Rs. 117.59 lacs by March 2010. A total sum of Rs. 60 lacs was paid on account, towards the statutory dues of PF and TDS in April 2010, out of inter corporate borrowings.

The company has been scouting for strategic investors for investments and have been in dialogue with different prospective investors and has been hoping to have a suitable alliance finalised during the year 2010.

viii. Outlook

The company is working out ways to have strategic investors' participation for funds and business support in order to address the bigger opportunities in e-governance segment. The opportunities are fairly large and a major challenge seen currently is the ability to participate in bids which call for bigger sized operations as qualification eligibility. The company with its portfolio of various project experience could win on technical grounds. However it requires sizeable fund support to take up IT infrastructures projects and also need larger working capital. The e-governance market is growing at around 20% and is said to be the highest growing vertical in the domestic IT market. A policy change to allocate certain portions of these business to small and medium companies will certainly help the company to get a reasonable share this market. There is also improved outlook regarding the export market opportunities.

Cautionary statement:

Some of the statements contained in this report may be forward looking statements within the meaning of applicable laws and regulations. Actual results may differ from those expressed or implied. Factors that could make significant difference to the company's operations include economic conditions, government regulations etc. on which the company does not have any direct control.

ANNEXURE – C
REPORT ON CORPORATE GOVERNANCE

Pursuant to clause 49 of listing agreement with Bombay Stock Exchange Limited, compliance with the requirements of corporate governance is set out below:

1. Company Philosophy on Code of Governance:

The Company continues to emphasize on its philosophy of achieving corporate goals through good Corporate Governance practices. Its belief is that such a policy can enable the Company to serve its stakeholders- customers, vendors and shareholders-better, and enhance value through greater transparency, accountability and integrity. The Company has duly implemented all relevant provisions of Corporate Governance guidelines as suggested by SEBI and as applicable.

2. Board of Directors:

The present board consists of 6 directors and the composition and category of directors on the Board of the company are as under:

| Name of the director | Category | Designation | No. of Board meetings held during the last financial year | No. of meetings attended | No. of other directorships | Attendance at the last AGM |
|-----------------------|------------------------------------|--------------------|---|--------------------------|----------------------------|----------------------------|
| Mr P S Raman | Promoter & Executive Director | Executive Chairman | 5 | 5 | 1* | Yes |
| Mr R Jagadeeswara Rao | Promoter & Executive Director | Executive Director | 5 | 5 | 1* | Yes |
| Mr P S Venkateswaran | Promoter & Non-Executive Director | Director | 5 | 2 | 1* | No |
| Mr G Haragopal | Non-Executive Independent Director | Director | 5 | 3 | - | No |
| Dr. S K Mathur | Non-Executive Independent Director | Director | 5 | 2 | - | No |
| Dr. Khushwant Singh | Non-Executive Independent Director | Director | 5 | 3 | - | No |

* Includes the directorship held in Aravali Technologies Inc., the wholly owned subsidiary of the company.

During the financial year 2009-10 the Board has met 5 times. The maximum time gap between any two meetings was not more than four months. The dates of the Board Meetings held were: 30th April 2009, 30th June 2009, 31st July 2009, 31st October 2009, and 30th January 2010.

Details of the Directors seeking re-appointment at the ensuing Annual General Meeting:

The following are the details of the directors retiring by rotation at the ensuing Annual General Meeting, as required under Clause 49 of the Listing Agreement:

Dr.Khushwant Singh

Dr. Khushwant Singh is a doctor by profession with an MBBS degree from Gandhi Medical College, Osmania University in 1981 and a post graduate in 1984 from Osmania University. He also holds Fellowship of College of General physicians at Hyderabad since 1985. He is a Director of a City based polyclinic in Hyderabad. In addition to his regular medical practices he takes keen interest in other social activities. As a part of these activities, he runs "health point", a fitness center for overall development of a person and a clinic for poor in Hyderabad. He had got rich experience in health care.

Dr.Khushwant Singh being an Independent Director does not hold any shares in the Company.

Mr. P.S. Venkateswaran

Mr P.S. Venkateswaran is a Chartered Accountant and Company Secretary. He is one of the core promoters/ founders of the Company and has more than 25 years of experience in the fields of corporate finance, corporate planning, Information technology, export marketing and general management.

He started his career with M/s Ashok Leyland, Chennai wherein he gained considerable experience in corporate finance, systems and planning. Subsequently, he worked as a freelance consultant specializing in the financial management and consulting, before co-founding M/s Ram Informatics Limited in the year 1994.

He is also serving as the President & CEO of Aravali Technologies Inc, the wholly owned US Subsidiary of the Company.

He holds 352,200 shares in the Company in his own name.

Shares held by Non-executive Directors:

The shares held by non-executive directors as on 31st March 2010:

| Name of the Non-Executive director | No. of shares |
|------------------------------------|---------------|
| Mr. P.S.Venkateswaran | 352,200 |
| Mr. G. Haragopal | Nil |
| Mr. S.K. Mathur | Nil |
| Dr. Khushwant Singh | Nil |

Remuneration to the directors:

The company pays a sitting fee of Rs. 2000/- for attending each Board or Committee meetings to the Non-executive Directors.

| Particulars | Executive Chairman(Rs.) | Executive Director(Rs.) |
|-------------------------------|-------------------------|-------------------------|
| Salary & other Allowances(Rs) | 11,40,000 | 11,40,000 |
| Perquisites(Rs) | 1,72,000 | 1,72,000 |
| Total(Rs) | 13,12,000 | 13,12,000 |

Information available to the Board:

The Board has unlimited accesses to the information. The Information regularly supplied to the Board includes:

- > Quarterly results of the company and its business segment
- > Minutes of the meeting of the Audit committee and other committees of the Board.
- > Information on recruitment and remuneration of senior officers.
- > Show cause, demand, prosecution notices and penalty notices which are materially important.
- > Significant Capital investment proposals.
- > Strategic and business plans.
- > Sale of material nature, of investments, subsidiaries, assets, which is not in the normal course of business.
- > Details of foreign exchange exposure and the steps taken by the management to limit the risks of adverse exchange rate movement.
- > Non-compliance of any regulatory, statutory nature or listing requirements as well as shareholders services such as non-payment of dividend and delay in share transfers.
- > Quarterly report on compliance of various laws.
- > Transaction that involve substantial payment towards goodwill, brand equity, or intellectual property.
- > Significant development in human resource front.

Code of Conduct

The Board has laid down a code of conduct for all Board Members and Senior Management of the company. The code of conduct is available on the website of the company. All the board Members and Senior Management have affirmed compliance with the Code of Conduct.

3. Committees of the Board:

The company has the following committees of the board:

Audit Committee:

The Audit Committee assists the Board in its responsibility for overseeing the quality and integrity of the accounting, auditing and reporting practices of the Company and its Compliance with the legal and regulatory requirements. The Committee's purpose is to oversee the accounting and financial reporting process of the Company, the audits of the Company's financial statements, the appointment, independence, performance and remuneration of the Statutory Auditors, the performance of internal auditors and Company's risk management policies.

The Board of the company has constituted an Audit Committee comprising of three non- executive independent directors namely Dr. Khushwant Singh, Mr. S.K. Mathur and Mr. G. Haragopal. The Committee is chaired by Mr. G. Haragopal. The constitution of audit committee fulfils the requirements of Sec. 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement.

The meetings of the committee were attended by the Executive Chairman and Executive Director of the company.

The Company Secretary is the Secretary to the Audit committee meetings.

Attendance at the meetings of Audit Committee:

| Name of the Director | Designation | No. of meetings held | No. of meetings attended |
|----------------------|-------------|----------------------|--------------------------|
| Mr. G. Haragopal | Chairman | 5 | 5 |
| Dr. Khushwant Singh | Member | 5 | 3 |
| Mr. S. K. Mathur | Member | 5 | 5 |

Terms of Reference: The terms of reference / powers of the Audit Committee are as under.

Powers of the Audit Committee:

- > To investigate any activity within its terms of reference.
- > To seek information from any employee.
- > To obtain outside legal or other professional advice.
- > To secure attendance of outsiders with relevant expertise, if it considers necessary.

The role of the audit committee shall include the following:

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Changes, if any, in accounting policies and practices and reasons for the same

5. Qualifications in the draft audit report.
6. Reviewing, with the management, the quarterly financial statements before submission to the board for approval
7. Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems together with any internal investigations by the internal auditor.
8. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.

Meetings

During the financial year 2009-10 the Board has met 5 times. The dates of the Board Meetings held were: 30th April 2009, 30th June 2009, 31st July 2009, 31st October 2009, and 30th January 2010.

> Shareholders'/Investors' Grievance Committee:

The Shareholders'/Investors' Grievance Committee is constituted with 3 non-executive Directors chaired by Dr.S.K.Mathur. The committee is constituted to look into the redressal of the shareholders'/investors' complaints/grievances like transfer of shares, non-receipt of share certificates/duplicate share certificates, non-registration of change of names/addresses etc.

Company secretary of the company acted as the secretary of the committee and compliance officer. The company has received and resolved the complaints received during the year and there were no complaints pending unresolved at the end of the year.

Pursuant to the provisions of revised clause 47(f) of the Listing Agreement, the company has created/dedicated an exclusive email ID compliance@raminfohyd.com for the redressal of investor's complaints and related matters.

General Body Meetings:

The details of date, location and time of the last three Annual General Meetings held are, as under:

| FINANCIAL YEAR | DATE, TIME AND VENUE |
|----------------|--|
| 2006-07 | 28 th September 2007 at 10.00 A.M.Aditya Park Inn, Aditya Trade Centre, Ameerpet, Hyderabad – 38. |
| 2007-08 | 27 th September 2008, at 10.00 A.M.Kamat Lingapur Hotel, Chikoti Gardens, Begumpet, Hyderabad. |
| 2008-09 | 16 th November 2009, at 10.00 A.M.Kamat Lingapur Hotel, Chikoti Gardens, Begumpet, Hyderabad. |

The Company passed special resolution in the previous AGM on 16th November 2009. No special resolution was passed by the company through postal ballot.

Disclosures:

- i. There are no materially significant related party transactions that may have potential conflict with the interests of the company at large.
- ii. The company does not have a Whistler Blower Policy, but however, no person is denied access to audit committee.
- iii. The company has complied with the mandatory requirements of clause 49 and has not adopted all the non-mandatory requirements.
- iv. There were no instances of material non-compliance and no strictures or penalties were imposed on the Company either by SEBI, Stock Exchange or any Statutory Authority on any matter related to Capital market.

Means of Communication:

Financial results of the Company (quarterly and annual) are normally published in 'Financial Express' and 'Andhra Prabha' and also been displayed on the Company's website www.raminfo.com. Press releases made by the company from time to time are also displayed on the website. Apart from the above, the financial and other details are also placed on the SEBI's website through Electronic Data Information Filing and Retrieval System (EDIFAR).

ADDITIONAL SHAREHOLDER INFORMATION
16th Annual General Meeting:

Day : Wednesday
 Date : 29th September, 2010
 Time : 10.00 am
 Venue : NAGARJUNANAGAR COMMUNITY HALL, 8-3-903/4/A, NAGARJUNA NAGAR, AMEERPET, HYDERABAD-500073.

Financial Year for the year 2010-11 (tentative):

Accounting year : 1st April 2010 - 31st March 2011
 First quarter details : July 2010
 Second quarter details : October 2010
 Third Quarter details : January 2011
 Fourth quarter details : May 2011
 Date of book closure : 22nd September 2010 to 29th September 2010(Both days inclusive)
 Listing on Stock Exchanges : Bombay Stock Exchange Limited
 Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 023
 Stock code : 530951 (Scrip id: RAMINFO)
 ISIN No.INE357B01014
 Scrip Name : RAM INFORMAI

Market price data:

The monthly high and low of stock prices during each month in the last financial year:

| MONTH | BOMBAY STOCK EXCHANGE | | |
|------------------|-----------------------|------|---------------------|
| | High | Low | TOTAL TURNOVER (RS) |
| April - 2009 | 7.40 | 4.77 | 6,67,726 |
| May - 2009 | 9.84 | 5.68 | 20,30,893 |
| June - 2009 | 11.22 | 7.62 | 33,15,198 |
| July - 2009 | 9.85 | 7.00 | 12,69,802 |
| August - 2009 | 10.23 | 7.22 | 14,83,980 |
| September - 2009 | 10.00 | 8.75 | 13,70,889 |
| October - 2009 | 10.20 | 7.98 | 11,49,178 |
| November - 2009 | 10.18 | 7.55 | 17,16,301 |
| December - 2009 | 10.05 | 6.60 | 11,65,545 |
| January - 2010 | 12.00 | 7.75 | 37,72,620 |
| February - 2010 | 11.40 | 7.30 | 29,14,803 |
| March - 2010 | 10.15 | 7.20 | 15,46,093 |

Share transfer system:

Shares lodged for physical transfer are registered within a period of 10 days, if the documents are clear in all respects. M/s. Sathguru Management Consultants Private Limited is the common share transfer agent for both physical and dematerialized mode.

Registrar and Share Transfer Agents:

M/s. Sathguru Management Consultants Private Limited
 Plot no. 15, Hindi Nagar, Punjagutta, Hyderabad – 500034.
 Tel.: 040-23356507, 23350586, 23356975, Fax: 040-23354042
 Email id: sta@sathguru.com

Distribution of shareholding:

Distribution of shareholding as on 31st March 2010 is as under:

| Category (No. of shares) | No. of shareholders | | No. of shares | | % of total shareholding | |
|-----------------------------|---------------------|-------------|-----------------|-----------------|-------------------------|--------------|
| | Physical | Demat | Physical | Demat | Physical | Demat |
| 1 - 500 | 1692 | 5453 | 245188 | 1030573 | 2.18 | 9.17 |
| 501 - 1000 | 68 | 772 | 57500 | 681030 | 0.51 | 6.06 |
| 1001 - 2000 | 21 | 416 | 29800 | 659493 | 0.27 | 5.87 |
| 2001 - 3000 | 29 | 116 | 74900 | 305270 | 0.67 | 2.71 |
| 3001 - 4000 | 5 | 67 | 17700 | 243414 | 0.16 | 2.17 |
| 4001 - 5000 | 6 | 64 | 29000 | 305481 | 0.26 | 2.72 |
| 5001 - 10000 | 2 | 81 | 11500 | 613572 | 0.10 | 5.46 |
| 10001 - above | 2 | 94 | 470000 | 6466979 | 4.17 | 57.52 |
| Grand Total | 1825 | 7063 | 935588 | 10305812 | 8.32 | 91.68 |
| | 8888 | | 11241400 | | 100 | |

Shareholding Pattern as on 31st March, 2010

| Category of Shareholders | No. of Shareholders | Total No. of Shares | Total No. of Shares held in Dematerialised form | Total Shareholding as a % of total No. of shares | |
|--|---------------------|---------------------|---|--|----------------|
| | | | | As a % (A+B) | As a % (A+B+C) |
| (A) Shareholding of Promoter and Promoter Group | | | | | |
| (1) Indian | | | | | |
| Individuals / Hindu undivided Family | 21 | 2,313,942 | 2,092,642 | 20.58 | 20.58 |
| Sub Total | 21 | 2,313,942 | 2,092,642 | 20.58 | 20.58 |
| (2) Foreign | | | | | |
| Total shareholding of Promoter and Promoter Group (A) | 21 | 2,313,942 | 2,092,642 | 20.58 | 20.58 |
| (B) Public Shareholding | | | | | |
| (1) Instructions | | | | | |
| Mutual Funds / UTI | 5 | 6,500 | - | 0.06 | 0.06 |
| Foreign Institutional Investors | 2 | 3,500 | - | 0.03 | 0.03 |
| Sub Total | 7 | 10,000 | - | 0.09 | 0.09 |
| (2) Non-Institutions | | | | | |
| Bodies Corporate | 187 | 1,954,064 | 1,938,064 | 17.38 | 17.38 |
| Individuals | | | | | |
| Individual shareholders holding nominal share capital upto Rs. 1 Lakh | 8,533 | 3,958,112 | 3,541,524 | 35.21 | 35.21 |
| Individual shareholders holding nominal share capital in excess of Rs. 1 Lakh | 57 | 1,910,618 | 1,910,618 | 17.00 | 17.00 |
| Any Others (Specify) | | | | | |
| NRIs / OCBs | 83 | 1,094,664 | 822,964 | 9.74 | 9.74 |
| Sub Total | 8,860 | 8,917,458 | 8,213,170 | 79.33 | 79.33 |
| Total Public Shareholding (B) | 8,867 | 8,927,458 | 8,213,170 | 79.42 | 79.42 |
| Total (A)+(B) | 8,888 | 11,241,400 | 10,305,812 | 100.00 | 100.00 |
| (C) Shares held by Custodians and against which Depository Receipts have been issued | - | - | - | - | - |
| Total (A)+(B)+(C) | 8,888 | 11,241,400 | 10,305,812 | 100.00 | 100.00 |

Dematerialization of shares and liquidity:

As on 31st March 2010, **91.68%** of the total shares representing 10305812 shares were held in dematerialized form and the balance **8.32%** in physical form representing 935588 shares.

Outstanding ADRs/ GDRs/warrants or any convertible instruments, conversion date and likely impact on equity:

The company has not issued any ADRs /GDRs and there are no warrants / instruments pending conversion.

The Company does not have any outstanding instruments of the captioned type.

Share Transfer System

The Shares of the Company are compulsorily traded in the dematerialized form. Shares received in physical form are transferred within a period of 30 days from the date of lodgment, subject to documents being correct, valid and complete in all respects.

Registrar and Transfer Agents

The registrar & Shares Transfer Agent deals with all shareholders communications regarding change of address, transfer of shares, change of mandate, demat of shares, non-receipt of dividend etc.

Address for correspondence:
Ram Informatics Limited

SVR TOWERS, 8-2-1/B/1, Srinagar Colony Road, Punjagutta, Hyderabad – 500 082.

U.S. Branch:

36, Mill Plain Road, Suite 410, Danbury, Connecticut – 06811

U.S. Subsidiary:

Aravali Technologies Inc., 1175, Saratoga Avenue, Suite 7, San Jose, California – 95129, USA.

AUDITORS' CERTIFICATE REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

To
The Members
RAM INFORMATICS LIMITED

We have examined the compliance of conditions of Corporate Governance by Ram Informatics Limited ("the Company"), for the year ended 31st March 2010, as stipulated in Clause 49 of the listing Agreement of the said company with the stock exchange.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was carried out in accordance with the guidance note on certification of Corporate Governance and was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the Financial Statements of the company.

In our opinion and to the best of our knowledge and according to the explanation given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For S.S. Kothari & Co.,
Chartered Accountants

(H.K. Mehta)
Partner
M.No.: 051245

Place: Hyderabad
Date: 29.05.2010

**Annexure-D
CEO'S DECLARATION**

I hereby confirm that:

As provided under clause 49(I)(D) of Listing Agreement, the Board of directors and senior management personnel have complied with the code of conduct & ethics for the financial year ended 31st March, 2010.

For **RAM INFORMATICS LIMITED**

Place: Hyderabad
Date: 29.05.2010

P.S. Raman
Executive Chairman

CEO AND CFO CERTIFICATION

We, P.S. Raman (CEO) and, K.V.Subba Rao (CFO) of Ram Informatics Limited to the best of our knowledge and belief certify that:

1. We have reviewed the balance Sheet and Profit and Loss Account and all its schedules and notes on accounts as well as the Cash Flow Statements for the year ended March 31, 2009.
2. To the best of our knowledge and belief:
 - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
3. There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.
4. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
5. We have indicated to the Company's auditors and the Audit committee of the Company that during the year:
 - (i) there are no significant changes in internal control over financial reporting;
 - (ii) there are no significant changes in accounting policies; and
 - (iii) there are no frauds, whether or not material that involves management or other employees having significant role in the company's internal control system over financial reporting.

P.S.Raman
Chief Executive Officer

Place: Hyderabad
Date: 29.05.2010

K.V. Subba Rao
Chief Financial Officer

AUDITORS' REPORT

To
The Members of
RAM INFORMATICS LIMITED

We have audited the attached Balance Sheet of M/s. Ram Informatics Limited as at 31st March, 2010 and also the Profit and Loss Account for the year ended as on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standard generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

1. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraph 4 of the said order.
2. Further to our comments in the Annexure referred to above, we report that:
 - i). We have obtained all information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - ii) In our opinion, the Company has kept proper books of accounts as required by law so far as appears from our examination of those books.

- iii) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of accounts.
- iv) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
- v) On basis of written representation received from the Directors as on 31st March 2010 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2010 from being appointed as Director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
- vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by Companies Act, 1956 in the manner so required and give true and fair view in conformity with the accounting principles generally accepted in India.
 - a. In the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;
 - b. In case of Profit and Loss Account, the Loss for the year ended on that date, and
 - c. In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For **S.S. Kothari & Co.,**
Chartered Accountants

(H.K. Mehta)
Partner

Date : 29.05.2010
Place : Hyderabad

Membership No. 051245
Firm No:0014475

ANNEXURE TO THE AUDITORS' REPORT

(as referred to in our report to the members of **RAM Informatics Limited** on the accounts for the year ended 31st March, 2010)

- | | |
|--|---|
| <ol style="list-style-type: none"> (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets (b) The Company has a phased programme of physical verification of its fixed assets, which, in our opinion, is reasonable having regard to the size of the Company and nature of its assets. Management has physically verified certain fixed assets during the year. No material discrepancies were noticed on such verification as compared to book records. (c) Fixed assets disposed off during the year were not substantial and therefore do not affect the going concern assumption. (ii) (a) We have been explained that the inventory with the company has been fully verified by the management at the year end. (b) In our opinion and according to the information and explanation given to us, procedures for the physical verification of the stocks followed by the management is reasonable and adequate in relation to the nature and the size of the business of the company. (c) In our opinion the company is maintaining proper records of inventory as far as we could ascertain and according to the information and explanation given to us, no material discrepancies were noticed on such physical verification. (iii) The Company has not granted any loans, secured or unsecured to or from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. The company has taken interest free loans from two parties covered in the Register maintained under section 301 of the Companies Act, 1956. The amount outstanding as at 31st March 2010 is Rs. 42.03 lacs. The terms and conditions on which the loans taken are not prima facie, prejudicial to the interest of the company. (iv) 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, for the purchase of fixed assets and for the sale of goods. (v) (a) In our opinion and according to the information and explanations given to us, the transactions that need to be entered in the register maintained under Section 301 of the Companies Act, 1956 have been entered. (b) In our opinion and according to the information and explanations given to us, aforesaid transactions exceeding the aggregate amount of Rupees five lacs in respect of each party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time. (vi) The Company has not accepted any deposits from the public and consequently, The directives issued by the Reserve Bank of India, the provisions of Section 58A | <ol style="list-style-type: none"> (vii) In our opinion, the Company has a reasonable internal audit system commensurate with the size and nature of its business. (viii) According to information and explanations given to us, the central Government has not prescribed the maintenance of cost records under clause (d) of sub section (1) of Section 209 of the Companies Act, 1956 in respect of services carried out by the Company. (ix) (a) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company is regular in depositing with appropriate authorities the undisputed statutory dues including sales tax, wealth tax, custom duty, excise duty, cess and other applicable dues but has not been regular in depositing the undisputed statutory dues of Provident Fund, Employees' State Insurance, Income-tax, Professional tax and Service tax with the appropriate authorities. The total sum of dues on all the above as at 31st march 2010 is Rs 117.59 lacs. (b) According to the information and explanations given to us, no undisputed amounts payable in respect of Income-tax, Wealth-tax, Sales-tax, Customs Duty, Excise Duty and cess were in arrears, as at 31st March, 2010 for a period of more than six months from the date they become payable. (x) The accumulated losses of the Company are not more than 50% of the net worth. The Company has incurred cash loss during the financial year covered by our audit and but not in immediate preceding financial year . (xi) In our opinion and according to the information and explanations given to us, the Company has defaulted in repayment of dues to the bank. The Company has not issued any debenture. (xii) The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities. (xiii) In our opinion, the Company is not a chit fund or a <i>nidhi</i>/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company. (xiv) The Company has maintained proper records of transactions and contracts for purchase and sale of units/securities during the year under review and timely entries were made therein. All the shares and securities have been held by the Company in its own name except to the extent of the exemption, if any, granted under Section 49 of the Companies Act, 1956. |
|--|---|

- (xv) As per the information and explanations given to us, during the year the Company has not given any guarantee for loans taken by others from banks and financial institutions.
- (xvi) To the best of our information and knowledge and as per records verified by us the Company has applied its term loans for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment. No long-term funds have been used to finance short-term assets except permanent working capital.
- (xviii) According to the information and explanations given to us, the Company has not made any preferential allotment to parties or companies covered in register maintained under Section 301 of the Companies Act, 1956.
- (xix) The Company has not issued any debentures; consequently the provisions of clause 4(xix) are not applicable to the Company.
- (xx) The Company has not raised any money by means of public issue.
- (xxi) During the course of our examination of the books of accounts and records of the company carried out in accordance with the generally accepted auditing practices in India and according to the information and explanation given to us, we have neither come across any instance of fraud on or by the Company noticed or reported during the year, nor have we been informed of such case by the management.

For **S.S. Kothari & Co.**,
Chartered Accountants

(H.K. Mehta)
Partner

Membership No. 051245
Firm No:0014475

Date : 29.05.2010
Place : Hyderabad

BALANCE SHEET AS ON 31.03. 2010

| SCHEDULE | | AS AT 31-03-2010 (Rs.) | AS AT 31-03-2009 (Rs.) |
|-----------------------------|---|------------------------------|------------------------------|
| SOURCES OF FUNDS | | | |
| 1 | SHARE HOLDERS FUNDS | | |
| | Share Capital | A 11,24,14,000 | 11,24,14,000 |
| | Reserves & Surplus | B 48,84,39,702 | 48,84,39,702 |
| 2 | LOAN FUNDS | | |
| | Secured Loans | C 1,82,07,239 | 1,77,96,300 |
| | Unsecured Loans | D 52,03,113 | 55,70,000 |
| | | 62,42,64,054 | 62,42,20,002 |
| APPLICATION OF FUNDS | | | |
| 1 | Fixed Assets | E | |
| | Gross Block | 20,21,88,216 | 20,21,80,691 |
| | Less: Depreciation | 17,13,01,980 | 16,56,87,960 |
| | Net Block | 3,08,86,236 | 3,64,92,731 |
| 2 | INVESTMENTS | F 31,79,64,746 | 31,79,64,746 |
| 3 | CURRENT ASSETS, LOANS AND ADVANCES | G 10,35,73,436 | 24,69,96,139 |
| | Less: CURRENT LIABILITIES AND PROVISIONS | H 5,20,43,182 | 3,94,46,782 |
| | Net Current Assets | 5,15,30,254 | 20,75,49,357 |
| 4 | Deferred Tax Asset (Net) | 1,25,64,681 | 1,25,64,681 |
| 5 | MISCELLANEOUS EXPENDITURE (to the extent not written off or Adjusted) | I -- | 50,000 |
| 6 | Profit and Loss Account | 21,13,18,137 | 4,95,98,487 |
| | | 62,42,64,054 | 62,42,20,002 |
| NOTES TO ACCOUNTS | | O | |

As per our report of even date

For S.S. Kothari & Co.
Chartered Accountants

(H.K. Mehta)
Partner

Place: Hyderabad
Date : 29.05.2010

For and on behalf of the Board

P.S. Raman
Executive Chairman

Shradha Mishra
Company Secretary

R. Jagadeeswara Rao
Executive Director

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2010

| Schedule | For the Year Ended 31-03-2010 (Rs.) | For the Year Ended 31-03-2009 (Rs.) |
|--|--|--|
| INCOME | | |
| Software Sales/Services | | |
| Exports | — | 42,26,852 |
| Domestic | 6,08,59,372 | 8,45,33,068 |
| Training Income | 3,77,661 | 15,68,191 |
| Other Income | 1,44,556 | 1,27,252 |
| | <u>6,13,81,589</u> | <u>9,04,55,363</u> |
| Increase / (Decrease) in Stocks | (70,46,937) | (1,12,30,860) |
| Total | <u><u>5,43,34,652</u></u> | <u><u>7,92,24,503</u></u> |
| EXPENDITURE | | |
| Cost of Software packages sold | — | — |
| Salaries, wages and benefits to employees | 2,80,41,923 | 4,01,50,916 |
| Operating, Administration and Other Expenses | 17,93,51,248 | 2,30,26,518 |
| Interest and Finance Charges | 29,97,111 | 28,25,881 |
| Preliminary and Share Issue expenses written off | 50,000 | 50,000 |
| Depreciation | 56,14,020 | 69,85,151 |
| Total | <u><u>21,60,54,302</u></u> | <u><u>7,30,38,466</u></u> |
| Profit/(Loss) for the year | (16,17,19,650) | 61,86,037 |
| Less: Prior year adjustment | — | 26,66,375 |
| Profit/(Loss) before Tax | (16,17,19,650) | 35,19,662 |
| Less: Provision for Tax : | | |
| - Income Tax | — | 10,05,328 |
| - MAT Credit | — | (10,05,328) |
| - Fringe Benefit Tax | — | 1,97,808 |
| - Deferred Tax (Refer note No. 10) | — | 28,93,082 |
| Profit / (Loss) after tax | (16,17,19,650) | 4,28,772 |
| Loss brought forward from earlier year | (4,95,98,487) | (5,00,27,259) |
| Balance Carried to Balance Sheet | <u><u>(21,13,18,137)</u></u> | <u><u>(4,95,98,487)</u></u> |

As per our report of even date

For and on behalf of the Board

 For S.S. Kothari & Co.
Chartered Accountants

 P.S. Raman
Executive Chairman

 R. Jagadeeswara Rao
Executive Director

 (H.K. Mehta)
Partner

 Shraddha Mishra
Company Secretary

 Place: Hyderabad
Date : 29.05.2010

SCHEDULES TO BALANCE SHEET

| | AS AT 31-03-2010 (Rs.) | AS AT 31-03-2009 (Rs.) |
|--|------------------------------|------------------------------|
| SCHEDULE - A | | |
| SHARE CAPITAL | | |
| AUTHORISED CAPITAL | | |
| 15000000 Equity Shares of Rs.10/- each. | 15,00,00,000 | 15,00,00,000 |
| ISSUED, SUBSCRIBED & PAIDUP CAPITAL | | |
| 1,12,41,400 equity shares of Rs.10/- each Issued Subscribed, and Paid up in full. (Including 10,00,000 shares of Rs.10/- each at premium Rs.240/- each issued for consideration other than cash to acquire 100% stake in M/s.Aravali Technologies Inc., USA) | 11,24,14,000 | 11,24,14,000 |
| Total | <u><u>11,24,14,000</u></u> | <u><u>11,24,14,000</u></u> |

SCHEDULES TO BALANCE SHEET

| | AS AT 31-03-2010 (Rs.) | AS AT 31-03-2009 (Rs.) |
|---|------------------------------|------------------------------|
| SCHEDULE - B | | |
| RESERVES & SURPLUS | | |
| General Reserve | 1,67,81,202 | 1,67,81,202 |
| Share Premium | 47,16,58,500 | 47,16,58,500 |
| Total | <u>48,84,39,702</u> | <u>48,84,39,702</u> |
| SCHEDULE - C | | |
| SECURED LOANS | | |
| Term Loan with Canara Bank | 40,74,496 | 36,40,195 |
| Overdraft facility with Canara Bank | 1,19,01,949 | 1,03,91,272 |
| Amounts due to Companies under Hire Purchase agreements for purchase of Assets | 22,30,794 | 37,64,833 |
| | <u>1,82,07,239</u> | <u>1,77,96,300</u> |
| SCHEDULE - D | | |
| UNSECURED LOANS | | |
| From Companies | 10,00,000 | 10,00,000 |
| From Directors | 42,03,113 | 45,70,000 |
| Total | <u>52,03,113</u> | <u>55,70,000</u> |

SCHEDULE - E
Fixed Assets

| Sl. No. | Description | Gross Block | | | Depreciation | | | Net Block | |
|---------|--------------------------|--------------------------|--------------|----------------------|---------------------|------------------|----------------------|----------------------|----------------------|
| | | COST UPTO 31-Mar-2009 | ADDITIONS | As at 31-Mar-2010 | UPTO 31-Mar-2009 | For the year | Up to 31-Mar-2010 | As at 31-Mar-2010 | As at 31-Mar-2009 |
| 1 | Plant & Machinery | 15,93,92,444 | 2,250 | 15,93,94,694 | 14,70,22,347 | 30,32,230 | 15,00,54,577 | 93,40,117 | 1,23,70,097 |
| 2 | Electrical Installations | 59,11,892 | - | 59,11,892 | 26,92,403 | 2,80,815 | 29,73,218 | 29,38,674 | 32,19,489 |
| 3 | Office Equipment | 75,40,087 | - | 75,40,087 | 32,24,968 | 3,60,079 | 35,85,047 | 39,55,040 | 43,15,119 |
| 4 | Furniture & Fixtures | 1,82,78,217 | 5,275 | 1,82,83,492 | 95,94,448 | 11,57,345 | 1,07,51,793 | 75,31,699 | 86,83,769 |
| 5 | Vehicles | 76,65,871 | - | 76,65,871 | 26,88,458 | 7,28,258 | 34,16,716 | 42,49,155 | 49,77,413 |
| 6 | Office Building | 33,92,180 | - | 33,92,180 | 4,65,336 | 55,293 | 5,20,629 | 28,71,551 | 29,26,844 |
| | TOTAL | 20,21,80,691 | 7,525 | 20,21,88,216 | 16,56,87,960 | 56,14,020 | 17,13,01,980 | 3,08,86,236 | 3,64,92,731 |

| | AS AT 31-03-2010 (Rs.) | AS AT 31-03-2009 (Rs.) |
|--|------------------------------|------------------------------|
| SCHEDULE - F | | |
| INVESTMENTS : | | |
| Long term : at Cost | | |
| Unquoted : | | |
| 40,000 Equity shares of US \$ 1 each in Aravali Technologies Inc, USA | <u>31,79,64,746</u> | <u>31,79,64,746</u> |
| SCHEDULE - G | | |
| CURRENT ASSETS, LOANS & ADVANCES | | |
| A) CURRENT ASSETS | | |
| Accrued Interest | 55,007 | 32,184 |
| INVENTORIES (As Certified by Management) | | |
| Software Products/Projects under development | 4,24,81,216 | 4,95,28,153 |
| SUNDRY DEBTORS (Unsecured): | | |
| Debts outstanding for a period exceeding 6 months | | |
| Considered good | 2,68,78,584 | 13,36,48,053 |
| Considered doubtful | - | - |
| Less : Debtors Written off | - | - |
| Considered doubtful | - | 70,93,449 |
| | <u>2,68,78,584</u> | <u>14,07,41,502</u> |
| Other debts - considered good | <u>1,50,31,671</u> | <u>2,74,10,435</u> |
| | <u>4,19,10,255</u> | <u>16,81,51,937</u> |
| Less: Provision for doubtful debts | - | 70,93,449 |
| | <u>4,19,10,255</u> | <u>16,10,58,488</u> |
| CASH & BANK BALANCES | | |
| Cash on hand | 1,87,142 | 1,27,210 |
| BALANCES WITH SCHEDULED BANKS | | |
| In Current Accounts | 5,78,944 | 1,63,218 |
| In Deposit Accounts | 13,08,568 | 17,40,726 |
| Total (A) | <u>8,65,21,132</u> | <u>21,26,49,979</u> |
| B) LOANS & ADVANCES | | |
| (UNSECURED CONSIDERED GOOD) | | |
| Deposits | 46,65,123 | 46,68,668 |
| ADVANCES RECOVERABLE IN CASH OR IN KIND OR FOR VALUE TO BE RECEIVED | | |
| Advance for Supplies, Expenses & Services | 44,11,707 | 2,08,60,456 |
| Staff advances | 13,53,470 | 10,81,513 |
| Pre-paid expenses | 29,677 | 29,677 |
| MAT Credit Entitlement | 34,35,359 | 34,35,359 |
| Pre-paid Taxes | 31,56,968 | 42,70,487 |
| Total (B) | <u>1,70,52,304</u> | <u>3,43,46,160</u> |
| Total (A+B) | <u>10,35,73,436</u> | <u>24,69,96,139</u> |
| SCHEDULE - H | | |
| CURRENT LIABILITIES & PROVISIONS | | |
| A) CURRENT LIABILITIES | | |
| Advances/Deposits from customers | - | - |
| Sundry Creditors | | |
| For Expenses & Services | 3,91,22,067 | 2,66,07,249 |
| For Others | 1,17,58,692 | 1,01,36,690 |
| Total (A) | <u>5,08,80,759</u> | <u>3,67,43,939</u> |

| | AS AT 31-03-2010 (Rs.) | AS AT 31-03-2009 (Rs.) |
|---|------------------------------|------------------------------|
| B) PROVISIONS | | |
| Provision for Tax | - | 10,05,328 |
| Provision for FBT | - | 1,97,808 |
| Provision for Gratuity | 11,62,423 | 14,99,707 |
| Total (B) | <u>11,62,423</u> | <u>27,02,843</u> |
| Total (A+B) | <u>5,20,43,182</u> | <u>3,94,46,782</u> |
| SCHEDULE - I | | |
| MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted) | | |
| Preliminary and Share Issue Expenses | - | 50,000 |
| Total | <u>-</u> | <u>50,000</u> |

SCHEDULES TO PROFIT AND LOSS ACCOUNT

| | FOR THE YEAR ENDED 31-03-2010 (Rs.) | FOR THE YEAR ENDED 31-03-2009 (Rs.) |
|---|--|--|
| SCHEDULE - J | | |
| OTHER INCOME | | |
| Interest earned (TDS Rs. NIL : P.Y. Rs. NIL) | 1,44,556 | 1,27,252 |
| Excess Provision for Gratuity written back | - | - |
| Miscellaneous Receipts | - | - |
| | <u>1,44,556</u> | <u>1,27,252</u> |
| SCHEDULE - K | | |
| INCREASE IN STOCKS | | |
| Closing Stock: | | |
| Software Products/Projects under development | 4,24,81,216 | 4,95,28,153 |
| | <u>4,24,81,216</u> | <u>4,95,28,153</u> |
| Less: Opening Stock : | | |
| Software Products/Projects under development | 4,95,28,153 | 6,07,59,013 |
| | <u>4,95,28,153</u> | <u>6,07,59,013</u> |
| Increase / (Decrease) in Stocks | <u>(70,46,937)</u> | <u>(1,12,30,860)</u> |
| SCHEDULE - L | | |
| SALARIES, WAGES AND BENEFITS TO EMPLOYEES | | |
| Salaries, Wages & Allowances | 2,71,22,406 | 3,83,77,676 |
| Contribution to Provident fund, ESI etc., | 11,67,791 | 16,46,041 |
| Gratuity | (3,37,284) | 69,069 |
| Staff Welfare Expenses | 89,010 | 58,130 |
| | <u>2,80,41,923</u> | <u>4,01,50,916</u> |
| SCHEDULE - M | | |
| OPERATING, ADMINISTRATION & OTHER EXPENSES | | |
| Power & Fuel | 12,19,062 | 21,30,555 |
| Rent | 30,19,454 | 31,24,786 |
| Consumables | 4,91,681 | 5,64,546 |
| Postage, Telegram & Telephones | 9,19,639 | 17,36,084 |
| Travelling & Conveyance | 7,38,522 | 14,28,209 |
| Printing & Stationery | 2,30,816 | 2,58,580 |
| Subscriptions, Books & Periodicals | 1,21,891 | 2,13,676 |
| Insurance | 1,18,561 | 1,65,293 |
| Rates & Taxes | -- | 43,472 |
| Advertisement | 55,314 | 90,291 |
| Legal & Professional Charges | 4,71,899 | 54,89,638 |
| HRD/Recruitment & Training Charges | -- | 12,000 |
| Filing, Registration and License Expenses | 26,760 | 43,780 |
| Repairs & Maintenance | | |
| Plant & Machinery | 25,437 | 48,867 |
| Other Assets | 1,35,213 | 1,88,320 |
| Vehicle Maintenance | 1,30,549 | 1,69,719 |
| Directors sitting fees | 27,000 | 27,000 |
| Payment to Auditors | | |
| Audit Fee | 3,00,000 | 3,00,000 |
| Tax Audit Fee | 75,000 | 75,000 |
| Tax Representation Fee | 75,000 | 75,000 |
| Provision for doubtful debts | -- | 48,75,250 |
| Bad debts written off | 15,13,21,000 | - |
| Balances not Recoverable written off | 1,75,00,000 | - |
| Other Expenses | 23,48,450 | 19,66,452 |
| | <u>17,93,51,248</u> | <u>2,30,26,518</u> |

| | FOR THE YEAR ENDED 31-03-2010 (Rs.) | FOR THE YEAR ENDED 31-03-2009 (Rs.) |
|-------------------------------------|--|--|
| SCHEDULE - N | | |
| INTEREST AND FINANCE CHARGES | | |
| Interest on Term Loan | 12,69,800 | 6,41,051 |
| Interest on Working Capital Loans | 9,45,954 | 16,56,655 |
| Finance charges on HP agreement | 3,98,469 | 5,28,175 |
| Other Interest and Finance Charges | <u>3,82,888</u> | - |
| | <u><u>29,97,111</u></u> | <u><u>28,25,881</u></u> |

SCHEDULE - O
NOTES ON ACCOUNTS
1. ACCOUNTING POLICIES:
1.1 COST CONVENTION

The Accounts have been prepared under the historical cost convention.

1.2 REVENUE RECOGNITION

All incomes and expenditure are accounted on accrual basis.

1.3 SECURED LOANS

Overdraft facilities from Canara Bank is secured by first charge on Company's Fixed Assets excluding Vehicles and Electrical installations, hypothecation of book debts, equitable mortgage of the property (office space) owned by the Company and also guaranteed by personal guarantee of three directors.

Canara Bank has issued a notice of symbolic possession for the immovable property secured on 30.04.2010 due to the account becoming non performing assets (NPA) and made a claim for Rs.1,49,94,365.08 (excluding contingent liability Rs.47,43,200 for bank guarantees). The management intends to file an appeal to Debt Recovery Tribunal.

Term Loan from Canara Bank is secured by hypothecation of assets (Computers and equipments etc..) pertaining to "PASS Project of APSRTC "at Visakhapatnam and also guaranteed by personal guarantee of three directors.

1.4 FIXED ASSETS

Fixed Assets have been valued at cost less depreciation.

1.5 DEPRECIATION

Depreciation is provided on straight line method in accordance with the rates prescribed under Schedule XIV of the Companies Act, 1956.

1.6 INVESTMENTS:

Investment in subsidiary is long term in nature and is stated at cost. Business circumstances indicate impairment in the value as the management is of the opinion that there has been decline in value. However the same has not been effected in this year.

1.7 INVENTORIES

Inventories are valued at lower of cost and net realisable value. Cost is determined on First in First out basis.

1.8 FOREIGN EXCHANGE TRANSACTIONS

Earnings in foreign currency are accounted at the rates prevailing on the day of the transaction. Differences in realisation is accounted as fluctuations in foreign currency. Sales made at overseas office and collections deposited in overseas bank accounts and also the expenditure incurred and disbursements made out of the said bank accounts of the overseas office are accounted at a rate that approximates the average monthly rate. However, current assets and current liabilities pertaining to the overseas office are translated at the exchange rate prevalent at the date of the balance sheet and the resultant difference is accounted in the profit and loss account. Fixed assets purchased at overseas office are recorded at cost, based on the exchange rate as of the date of purchase. The charge for depreciation is determined as per the company's accounting policy.

1.9 LEASES:

Leases, where the lessor retains substantially all the risks and rewards incidental to the ownership are classified as operating leases. Operating lease payments are recognised as an expense in Profit & Loss account on straight Line basis over the lease term.

1.10 RETIREMENT BENEFITS:

a) Contribution to Provident Fund is recognised as an expenditure on accrual basis.

b) The company has an obligation towards Gratuity, a defined benefit retirement plan covering eligible employees. The plan provides for a lump sum payment to vested employees on retirement, death while in employment or on termination of employment in an amount equivalent to 15 days salary payable for each completed year of service. Vesting occurs upon completion of five years of service. The Gratuity plans of the entity is an unfunded plan. The company accounts for the liability for future Gratuity benefits on the basis of an independent actuarial valuation.

c) Leave encashment is not categorised as a retirement benefit as the company is in the practice of paying the leave encashment benefit every year.

1.11 DEFERRED TAXES

Deferred tax assets are recognized and carried forward to the extent that there is a reasonable certainty, except arising from unabsorbed depreciation and carry forward losses which are recognized to the extent that there is virtual certainty, that sufficient future taxable income will be available against which such tax assets can be realized.

2. The Company is engaged in the business of development of Computer Software and rendering of Software services. The production and sales of such Software/Services is not capable of being expressed in any generic unit. The value details of Software Sales/Services is given below:

| | 2009-10 (Rs.) | 2008-09 (Rs.) |
|---------------------------------|--------------------------------|--------------------------------|
| Software products (Developed) | 11,56,000 | 9,03,195 |
| Software products (Traded) | -- | -- |
| Project and Consulting Services | 6,00,81,033 | 8,78,56,725 |
| Total | 6,12,37,033 | 8,87,59,920 |

3. Managerial Remuneration

| | 2009-10 (Rs.) | 2008-09 (Rs.) |
|----------------------------|--------------------------------|--------------------------------|
| EXECUTIVE CHAIRMAN | | |
| Salary and allowances | 11,40,000 | 11,40,000 |
| Perquisites | 1,72,000 | 1,72,000 |
| Total | 13,12,000 | 13,12,000 |
| WHOLE TIME DIRECTOR | | |
| Salary and allowances | 11,40,000 | 11,40,000 |
| Perquisites | 1,72,000 | 1,72,000 |
| Total | 13,12,000 | 13,12,000 |

4. Disclosure as required under Accounting Standard (AS) 15:

Consequent to the application of Accounting Standard AS-15 "Employee Benefits" notified by the Companies (Accounting Standards) Rule, 2006, all employee benefits were determined in accordance with the Standard in the preparation of financial statements for the year 2009-10:

Disclosure (31-03-2010)

| Profit & Loss Account | 2009-10 |
|---|----------------|
| Current Service Cost | 1,42,964 |
| Interest cost on benefit obligation | 1,19,976 |
| Expected return on plan assets | |
| Net Actuarial (gain) , Loss recognised in the year | (6,00,224) |
| Past Services cost | |
| Net Benefit expenses | (3,37,284) |
| Actual return on Plan Assets | |
| Balance Sheet | |
| Details of provision for Gratuity | |
| Change in the present value of the defined benefit obligation are as follows : | |
| Opening defined benefit obligation | 14,99,707 |
| Interest cost | 1,19,976 |
| Current services cost | 1,42,964 |
| Benefits paid | 0 |
| Actuarial (gains)/Losses on obligation | (6,00,224) |
| Past service Cost | 0 |
| Closing defined benefit obligation | 11,62,423 |
| The Principal assumptions used in determining gratuity and post employment medical benefit Obligations for the Company's plans are shown below: | |
| Assumptions | % |
| Salary Rise | 12 |
| Discount Rate | 8 |
| Attition Rate | 18 |

| | | | |
|-----|--|-----------------|-----------|
| 5. | FOB Value of Exports (Software Services) | NIL | 42,26,852 |
| 6. | Expenditure in Foreign Currency | | |
| | Postage & Telegram | 5,975 | 10,947 |
| | Other Expenses | 1,79,345 | 3,38,128 |
| 7. | Maximum balance in current account with First Union Bank of Connecticut, USA on 16 th March 2010 (on 11 th February'09 previous year) | NIL | 75,960 |
| 8. | As at the year-end, there were no dues to SSLI units. | | |
| 9. | Contingent Liabilities not provided for: Outstanding Bank guarantees 47 Lakhs (As on 31.03.2009: 54 Lakhs) | | |
| 10. | The Company has recognized following deferred assets and liabilities determined on account of timing differences in accordance with Accounting Standard - 22 'Accounting of Taxes on Income' issued by the Institute of Chartered Accountants of India | | |

The break up of the deferred tax Assets/(Liabilities) is given below:

| | <u>2010</u> | <u>2009</u> |
|---------------------------------|---------------------------|--------------------|
| | | (Amount in rupees) |
| Timing difference on account of | | |
| - Depreciation | 8,65,776 | (10,42,429) |
| - Gratuity | 3,95,108 | 5,09,750 |
| - Provision for Doubtful Debts | 0 | 24,11,063 |
| - Others | 5,79,87,642 | 1,06,86,297 |
| Total | <u>5,92,48,526</u> | <u>1,25,64,681</u> |

As at March 31, 2010, the Company has net DTL of Rs. 5,92,48,526. In the absence of virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized, the same has not been recognized in the books of account in line with Accounting Standard 22, dealing with "Accounting for taxes on income."

11. Segment Reporting:

The Company is predominantly into software and related service business. The income from the training division for this financial year is very insignificant. Accordingly the total revenue is classified into one single segment.

Geographic Segment

Revenue attributable to location of customers is as follows:

| Geographic location | (Rs. in lakhs) | |
|---------------------|----------------------------|------------|
| | Revenue for the year ended | March 31st |
| | 2010 | 2009 |
| North America | 0.00 | 42.27 |
| India | 612.37 | 861.01 |

12. Related Party Disclosure:

a) Related parties: Wholly Owned Subsidiary M/s Aravali Technologies Inc., California, USA.

Members of the Board : Mr. P.S. Raman, Mr. P.S. Venkateswaran, Mr. R. Jagadeeswara Rao, Mr. K. Kumar Raja, Mr. Haragopal, Mr. S.K. Mathur & Mr. Khushwant Singh.

Key Management Personnel: Mr. P.S. Raman, Mr. P.S. Venkateswaran, Mr. R. Jagadeeswara Rao

b) Summary of transactions with the related parties:

| Nature of Transactions | Transactions for the year ended | | Balance as on | |
|--|---------------------------------|-------|---------------|-------|
| | 31st March | | 31st March | |
| | 2010 | 2009 | 2010 | 2009 |
| 01. Transactions with Subsidiary: Sales/Receivable | — | — | 19.92 | 19.92 |
| 02. Transactions with Key Management Personnel: Remuneration to Key Management Personnel paid/payable | 26.80 | 26.24 | 12.80 | 12.45 |

c) Loans/advances in the nature of Loans and investments in its own shares by the company, its subsidiary, associates etc:

(i) The company has not given any loans and advances in the nature of loans to its subsidiary and/or associates.

(ii) Investment by the loanee in the shares of the company: Not applicable.

13. There are no dues in respect of amounts mentioned under Section 205 C of the Companies Act, 1956 that are required to be credited to the Investor Education and Protection Fund as at 31st March 2010.

14. Figures for the previous year have been regrouped and reclassified wherever necessary to be in conformity with the current year figures.

15. The Statutory Dues as on 31.03.2010

| | | | |
|------------------|---|-----|-----------|
| PF | : | Rs. | 68,64,449 |
| ESI | : | Rs. | 5,39,639 |
| Professional Tax | : | Rs. | 7,04,252 |
| TDS | : | Rs. | 36,50,352 |

As per our report of even date

For S.S. KOTHARI & CO.,
Chartered Accountants

(H.K. Mehta)
Partner

Place: Hyderabad
Date : 29.05.2010

For and on behalf of the Board

P.S. Raman
Executive Chairman

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2010

(RUPEES IN THOUSANDS)

| PARTICULARS | FOR THE YEAR ENDED 31-Mar-2010 | FOR THE YEAR ENDED 31-Mar-2009 |
|--|--------------------------------------|--------------------------------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net Profit before Tax and Extra-ordinary items | (161719) | 6186 |
| Adjustments for: | | |
| Miscellaneous expenditure written off | 50 | 50 |
| Depreciation | 5614 | 6985 |
| Provision for Doubtful debts | -- | 4875 |
| Provision for Gratuity | (337) | (1301) |
| Investment Income (interest) | (144) | (127) |
| Interest | 2997 | 2826 |
| Operating profit before working capital changes | (153539) | 19494 |
| Adjustments for: | | |
| Trade and other receivables | 119125 | (38498) |
| Inventories | 7046 | 11230 |
| Trade payables | 14137 | 12275 |
| Cash generated from operations | (13231) | 4501 |
| Direct Tax paid | (1203) | (4280) |
| Cash flow before Extra-ordinary items | (14434) | 221 |
| Extra-ordinary items | -- | 2666 |
| NET CASH FLOW FROM OPERATING ACTIVITIES | (14434) | (2445) |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of Fixed Assets | (7) | (860) |
| Interest received | 144 | 127 |
| Decrease in Loans and advances | 17294 | 5681 |
| NET CASH USED IN INVESTING ACTIVITIES | 17431 | 4948 |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| Increase in Unsecured Loan | (367) | 280 |
| (Decrease) / Increase in Long Term Borrowings | 411 | (731) |
| Interest paid | (2997) | (2826) |
| NET CASH FROM FINANCING ACTIVITIES | (2953) | (3277) |
| Net (Decrease) / Increase in cash and cash equivalents | 44 | (774) |
| Cash and cash equivalents as at (opening Balance) | 2031 | 2805 |
| Cash and cash equivalents as at (Closing Balance) | 2075 | 2031 |

As per our report of even date

For S.S. KOTHARI & CO.,
Chartered Accountants

(H.K. Mehta)
Partner

Place: Hyderabad
Date : 29.05.2010

For and on behalf of the Board

P.S. Raman
Executive Chairman

AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To
The Board of Directors
RAM Informatics Limited
Hyderabad

We have examined the attached Consolidated Balance Sheet of RAM Informatics Limited and its subsidiary Aravali Technologies Inc as at March 31st, 2010, the consolidated Profit and Loss Account for the year then ended annexed thereto and the consolidated cash flow statement for the year ended on that date.

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audit. We have conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of the wholly owned subsidiary Aravali Technologies Inc. These financial statements have been audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of the subsidiary Aravali Technologies Inc, is based solely on the report of the other auditors.

We report the consolidated financial statements have been prepared by the company in accordance with the requirements of Accounting Standards (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of separate audited financial statements of RAM Informatics Limited and its subsidiary Aravali Technologies Inc included in the consolidated financial statements.

On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of RAM Informatics Limited and its aforesaid subsidiary, we are of the opinion that the said consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India;

- a) The consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of RAM Informatics Limited and its subsidiary as at March 31st, 2010.
- b) The consolidated Profit and Loss account gives a true and fair view of the consolidated results of operations of RAM Informatics Limited and its subsidiary for the year then ended.
- c) The consolidated Cash Flow Statement of the consolidated cash flows for the year ended on that date.

For S.S. Kothari & Co.,
Chartered Accountants

(H.K. Mehta)
Partner

M.No. : 051245

Firm No. : 0014475

Place : Hyderabad

Date : 29.05.2010

CONSOLIDATED BALANCE SHEET AS ON 31st MARCH 2010

| | SCHEDULE | AS AT 31-03-2010 (Rs.) | AS AT 31-03-2009 (Rs.) |
|-----------------------------|---|------------------------------|------------------------------|
| SOURCES OF FUNDS | | | |
| 1 | SHARE HOLDERS FUNDS | | |
| | Share Capital | 11,24,14,000 | 11,24,14,000 |
| | Reserves & Surplus | 48,84,39,702 | 48,84,39,702 |
| 2 | LOAN FUNDS | | |
| | Secured Loans | 1,82,07,239 | 1,77,96,300 |
| | Unsecured Loans | 52,03,113 | 55,70,000 |
| | | <u>62,42,64,054</u> | <u>62,42,20,002</u> |
| APPLICATION OF FUNDS | | | |
| 1 | Fixed Assets | | |
| | Gross Block | 20,24,69,755 | 20,24,81,365 |
| | Less: Depreciation | 17,14,23,656 | 16,57,79,541 |
| | Net Block | 3,10,46,099 | 3,67,01,824 |
| 2 | Goodwill | 31,68,95,028 | 31,59,39,146 |
| 3 | CURRENT ASSETS, LOANS AND ADVANCES | | |
| | Less: CURRENT LIABILITIES AND PROVISIONS | 11,71,25,656 | 25,92,47,408 |
| | Net Current Assets | 6,02,34,736 | 4,29,71,260 |
| 4 | Deferred Tax Asset (Net) | 5,68,90,920 | 21,62,76,148 |
| 5 | MISCELLANEOUS EXPENDITURE (to the extent not written off or Adjusted) | 1,25,64,681 | 1,25,64,681 |
| 6. | Profit and Loss account | 20,68,67,326 | 4,26,88,203 |
| | | <u>62,42,64,054</u> | <u>62,42,20,002</u> |
| NOTES TO ACCOUNTS | | | |
| | N | | |

As per our report of even date

For S.S. Kothari & Co.
Chartered Accountants

(H.K. Mehta)
Partner

Place: Hyderabad

Date : 29.05.2010

For and on behalf of the Board

P.S. Raman
Executive Chairman

Shraddha Mishra
Company Secretary

R. Jagadeeswara Rao
Executive Director

Consolidated Profit & Loss Account for the year ended 31st March 2010

| Schedule | For the Year Ended 31-03-2010 (Rs.) | For the Year Ended 31-03-2009 (Rs.) |
|--|--|--|
| INCOME | | |
| Software Sales/Services | | |
| Exports | 1,30,27,601 | 2,76,13,923 |
| Domestic | 6,08,59,372 | 8,45,33,068 |
| Training Income | 3,77,661 | 15,68,191 |
| Other Income | I 1,44,556 | 1,27,252 |
| Increase in Stocks | J (70,46,937) | (1,12,30,860) |
| Total | <u><u>6,73,62,253</u></u> | <u><u>10,26,11,574</u></u> |
| EXPENDITURE | | |
| Cost of Software packages sold | -- | -- |
| Third Party Consulting expenses | 74,74,500 | 67,65,504 |
| Salaries, wages and benefits to employees | K 3,47,05,191 | 5,70,46,648 |
| Operating, Administration and Other Expenses | L 18,05,73,216 | 2,27,48,511 |
| Interest and Finance Charges | M 30,74,619 | 29,47,316 |
| Preliminary and Share Issue expenses written off | 50,000 | 50,000 |
| Depreciation | 56,27,610 | 70,00,343 |
| Total | <u><u>23,15,05,136</u></u> | <u><u>9,65,58,322</u></u> |
| Profit/(Loss) for the year | (16,41,42,883) | 60,53,252 |
| Less: Prior year adjustment | -- | 26,66,375 |
| Profit/(Loss) before Tax | (16,41,42,883) | 33,86,877 |
| Less: Provision for tax | | |
| - Current Tax | 36,240 | 10,48,372 |
| - MAT Credit | -- | (10,05,328) |
| - Deferred Tax | -- | 28,93,082 |
| - Fringe Benefit Tax | -- | 1,97,808 |
| Profit/(Loss) after tax | (16,41,79,123) | 2,52,943 |
| Loss brought forward from last year | (4,26,88,203) | (4,29,41,146) |
| Balance Carried to Balance Sheet | <u><u>(20,68,67,326)</u></u> | <u><u>(4,26,88,203)</u></u> |

As per our report of even date

For and on behalf of the Board

 For S.S. Kothari & Co.
Chartered Accountants

 P.S. Raman
Executive Chairman

 R. Jagadeeswara Rao
Executive Director

 (H.K. Mehta)
Partner

 Shraddha Mishra
Company Secretary

 Place: Hyderabad
Date : 29.05.2010

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

| | AS AT 31-03-2010 (Rs.) | AS AT 31-03-2009 (Rs.) |
|--|------------------------------|------------------------------|
| SCHEDULE - A | | |
| SHARE CAPITAL | | |
| AUTHORISED CAPITAL 1,50,00,000 Equity Shares of Rs.10/- each. | <u>15,00,00,000</u> | <u>15,00,00,000</u> |
| ISSUED, SUBSCRIBED & PAID UP CAPITAL 1,12,41,400 equity shares of Rs.10/- each Issued Subscribed, and Paid up in full. (Including 10,00,000 Shares of Rs. 10/- each issued at a premium of Rs. 240/- each for consideration other than cash to acquire 100% stake in M/s. Aravali Technologies Inc., USA) | <u>11,24,14,000</u> | <u>11,24,14,000</u> |
| Total | <u><u>11,24,14,000</u></u> | <u><u>11,24,14,000</u></u> |
| SCHEDULE - B | | |
| RESERVES & SURPLUS | | |
| General Reserve | <u>1,67,81,202</u> | <u>1,67,81,202</u> |
| Share Premium | <u>47,16,58,500</u> | <u>47,16,58,500</u> |
| Total | <u><u>48,84,39,702</u></u> | <u><u>48,84,39,702</u></u> |
| SCHEDULE - C | | |
| SECURED LOANS | | |
| Term Loans with Canara Bank | <u>40,74,496</u> | <u>36,40,195</u> |
| Overdraft facility with Canara Bank | <u>1,19,01,949</u> | <u>1,03,91,272</u> |
| Amounts due to Companies under Hire Purchase agreements for purchase of Assets | <u>22,30,794</u> | <u>37,64,833</u> |
| Total | <u><u>1,82,07,239</u></u> | <u><u>1,77,96,300</u></u> |
| SCHEDULE - D | | |
| UNSECURED LOANS | | |
| From Companies | <u>10,00,000</u> | <u>10,00,000</u> |
| From Directors | <u>42,03,113</u> | <u>45,70,000</u> |
| Total | <u><u>52,03,113</u></u> | <u><u>55,70,000</u></u> |

SCHEDULE - E
Fixed Assets

| Sl. No. | Description | Gross Block | | | Depreciation | | | Net Block | |
|---------|--------------------------|----------------------|--------------------|----------------------|---------------------|------------------|----------------------|----------------------|----------------------|
| | | AS AT 31-Mar-2009 | ADDITIONS (NET) | As at 31-Mar-2010 | UPTO 31-Mar-2009 | For the year | Up to 31-Mar-2010 | As at 31-Mar-2010 | As at 31-Mar-2009 |
| 1 | Plant & Machinery | 16,12,24,077 | (16,885) | 16,12,07,192 | 14,78,08,259 | 30,45,821 | 15,08,70,585 | 1,03,36,607 | 1,34,15,818 |
| 2 | Electrical Installations | 59,11,892 | - | 59,11,892 | 26,92,403 | 2,80,815 | 29,73,218 | 29,38,674 | 32,19,489 |
| 3 | Office Equipment | 75,40,087 | - | 75,40,087 | 32,24,968 | 3,60,079 | 35,85,047 | 39,55,040 | 43,15,119 |
| 4 | Furniture & Fixtures | 1,67,47,258 | 5,275 | 1,67,52,533 | 89,00,117 | 11,57,345 | 1,00,57,462 | 66,95,071 | 78,47,141 |
| 5 | Vehicles | 76,65,871 | - | 76,65,871 | 26,88,458 | 7,28,258 | 34,16,716 | 42,49,155 | 49,77,413 |
| 6 | Office Building | 33,92,180 | - | 33,92,180 | 4,65,336 | 55,293 | 5,20,629 | 28,71,551 | 29,26,844 |
| | TOTAL | 20,24,81,365 | (11,610) | 20,24,69,755 | 16,57,79,541 | 56,27,610 | 17,14,23,656 | 3,10,46,099 | 3,67,01,824 |

| | AS AT 31-03-2010 (Rs.) | AS AT 31-03-2009 (Rs.) |
|---|------------------------------|------------------------------|
| SCHEDULE - F | | |
| CURRENT ASSETS, LOANS & ADVANCES | | |
| A) CURRENT ASSETS | | |
| Accrued Interest | 55,007 | 32,184 |
| INVENTORIES (As Certified by Management) | | |
| Software Products/Projects under development | 4,97,29,216 | 5,66,17,753 |
| SUNDRY DEBTORS (Unsecured): | | |
| Debts outstanding for a period exceeding 6 months | | |
| Considered good | 2,68,78,584 | 13,36,48,053 |
| Considered doubtful | -- | - |
| Less : Debtors Written off | -- | - |
| Considered doubtful | -- | 70,93,449 |
| | <u>2,68,78,584</u> | <u>14,07,41,502</u> |
| Other debts - considered good | <u>2,07,49,256</u> | <u>3,36,80,984</u> |
| | <u>4,76,27,840</u> | <u>17,44,22,486</u> |
| Less: Provision for doubtful debts | -- | 70,93,449 |
| | <u>4,76,27,840</u> | <u>16,73,29,037</u> |
| CASH & BANK BALANCES | | |
| Cash on hand | 1,87,142 | 1,27,210 |
| BALANCES WITH SCHEDULED BANKS | | |
| In Current Accounts | 5,78,944 | 1,63,218 |
| In Deposit Accounts | 13,08,568 | 17,40,726 |
| Heritage Bank of Commerce, Sanjose, CA, USA | 1,86,998 | 2,58,821 |
| Total (A) | <u>9,96,73,715</u> | <u>22,62,68,949</u> |
| B) LOANS & ADVANCES | | |
| (UNSECURED CONSIDERED GOOD) | | |
| Deposits | 47,01,001 | 49,53,872 |
| ADVANCES RECOVERABLE IN CASH | | |
| OR IN KIND OR FOR VALUE TO BE RECEIVED | | |
| Advance for Supplies, Expenses & Services | 47,75,466 | 1,92,07,551 |
| Staff advances | 13,53,470 | 10,81,513 |
| Pre-paid expenses | 29,677 | 29,677 |
| MAT Credit Entitlement | 34,35,359 | 34,35,359 |
| TDS and Advance Tax | 31,56,968 | 42,70,487 |
| Total (B) | <u>1,74,51,941</u> | <u>3,29,78,459</u> |
| Total (A+B) | <u>11,71,25,656</u> | <u>25,92,47,408</u> |
| SCHEDULE - G | | |
| CURRENT LIABILITIES & PROVISIONS | | |
| A) CURRENT LIABILITIES | | |
| Advances/Deposits from customers | - | - |
| Sundry Creditors | | |
| For Expenses & Services | 4,73,13,621 | 3,00,88,683 |
| For Others | 1,17,58,692 | 1,01,36,690 |
| Total (A) | <u>5,90,72,313</u> | <u>4,02,25,373</u> |
| B) PROVISIONS | | |
| Provision for Tax | - | 10,48,372 |
| Provision for FBT | - | 1,97,808 |
| Provision for Gratuity | 11,62,423 | 14,99,707 |
| Total (B) | <u>11,62,423</u> | <u>27,45,887</u> |
| Total (A+B) | <u>6,02,34,736</u> | <u>4,29,71,260</u> |
| SCHEDULE - H | | |
| MISCELLANEOUS EXPENDITURE | | |
| (To the extent not written off or adjusted) | | |
| Preliminary and Share Issue Expenses | - | 50,000 |
| Total | <u>-</u> | <u>50,000</u> |

SCHEDULES FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT

| | FOR THE YEAR ENDED 31-03-2010 (Rs.) | FOR THE YEAR ENDED 31-03-2009 (Rs.) |
|---|--|--|
| SCHEDULE - I | | |
| OTHER INCOME | | |
| Interest earned (TDS Rs. NIL : P.Y. Rs. NIL) | 1,44,556 | 1,27,252 |
| Excess Provision for Gratuity written back | - | - |
| Miscellaneous Receipts | - | - |
| Total | <u>1,44,556</u> | <u>1,27,252</u> |
| SCHEDULE - J | | |
| INCREASE IN STOCKS | | |
| Closing Stock: | | |
| Software Products/Projects under development | 4,24,81,216 | 4,95,28,153 |
| Less: Opening Stock : | 4,24,81,216 | 4,95,28,153 |
| Software Products/Projects under development | 4,95,28,153 | 6,07,59,013 |
| | 4,95,28,153 | 6,07,59,013 |
| Increase in Stocks | <u>-70,46,937</u> | <u>-1,12,30,860</u> |
| SCHEDULE - K | | |
| SALARIES, WAGES AND BENEFITS TO EMPLOYEES | | |
| Salaries, Wages & Allowances | 3,30,52,176 | 5,33,92,436 |
| Contribution to Provident fund, ESI etc., | 19,01,289 | 35,27,013 |
| Gratuity | -3,37,284 | 69,069 |
| Staff Welfare Expenses | 89,010 | 58,130 |
| Total | <u>3,47,05,191</u> | <u>5,70,46,648</u> |
| SCHEDULE - L | | |
| OPERATING, ADMINISTRATION & OTHER EXPENSES | | |
| Power & Fuel | 12,19,062 | 21,30,555 |
| Rent | 34,89,124 | 36,49,822 |
| Consumables | 4,91,681 | 5,64,546 |
| Postage, Telegram & Telephones | 11,66,071 | 20,80,183 |
| Travelling & Conveyance | 8,41,127 | 15,19,918 |
| Printing & Stationery | 2,30,816 | 2,58,580 |
| Subscriptions, Books & Periodicals | 1,21,891 | 2,13,676 |
| Insurance | 2,27,100 | 2,62,218 |
| Rates & Taxes | - | 43,472 |
| Advertisement | 55,314 | 90,291 |
| Legal & Professional Charges | 5,48,909 | 57,51,700 |
| HRD/Recruitment & Training Charges | - | 12,000 |
| Filing, Registration and License Expenses | 26,760 | 43,780 |
| Repairs & Maintenance | | |
| Plant & Machinery | 25,437 | 48,867 |
| Other Assets | 1,35,213 | 1,88,320 |
| Vehicle Maintenance | 1,30,549 | 1,69,719 |
| Directors sitting fees | 27,000 | 27,000 |
| Payment to Auditors | | |
| Audit Fee | 3,00,000 | 3,00,000 |
| Tax Audit Fee | 75,000 | 75,000 |
| Tax Representation Fee | 75,000 | 75,000 |
| Provision for doubtful debts | - | 48,75,250 |
| Bad debts written off | 15,13,21,000 | - |
| Balances not recoverable written off | 1,75,00,000 | - |
| Other Expenses | 25,66,162 | 3,68,614 |
| Total | <u>18,05,73,216</u> | <u>2,27,48,551</u> |
| SCHEDULE - M | | |
| INTEREST AND FINANCE CHARGES | | |
| Interest on Term Loan | 12,69,800 | 6,41,051 |
| Interest on Working Capital Loans | 9,45,954 | 16,56,655 |
| Finance charges on HP agreement | 3,98,469 | 5,28,175 |
| Other Interest and Finance Charges | 4,60,396 | 1,21,435 |
| Total | <u>30,74,619</u> | <u>29,47,316</u> |

Schedule N
Notes to Consolidated Financial Statements:

1. Basis of Consolidation: The consolidated financial statements of the company together with its wholly owned subsidiary Aravali Technology Inc., have been prepared under historical cost convention on accrual basis to comply in all material respect with the mandatory accounting standards issued by the Institute of Chartered Accountants of India.

Investment in the subsidiary has been accounted in accordance with accounting principles as defined in Accounting Standard 21 "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.

All material inter company balances and inter company transactions and resulting in unrealized profits/losses are eliminated in full in consolidation. The following are the details of the company's wholly owned subsidiary.

| Name of the subsidiary | Country of incorporation | Nature of Interest | % of Interest | Accounting year |
|--------------------------|--------------------------|--------------------|---------------|---------------------------|
| Aravali Technologies Inc | U.S.A. | Subsidiary | 100% | 31 st December |

1. ACCOUNTING POLICIES:
1.1 COST CONVENTION:

The Accounts have been prepared under the historical cost convention.

1.2 REVENUE RECOGNITION:

All incomes and expenditure are accounted on accrual basis.

1.3 SECURED LOANS:

Overdraft facilities from Canara Bank is secured by first charge on Company's Fixed Assets excluding Vehicles and Electrical installations, hypothecation of book debts, equitable mortgage of the property (office space) owned by the Company and also guaranteed by personal guarantee of three directors.

Canara Bank has issued a notice of symbolic possession for the immovable property secured on 30.04.2010 due to the account becoming non performing assets (NPA) and made a claim for Rs.1,49,94,365.08 (excluding contingent liability Rs.47,43,200 for bank guarantees). The management intends to file an appeal to Debt Recovery Tribunal.

Term Loan from Canara Bank is secured by hypothecation of assets (Computers and equipments etc.) pertaining to "PASS Project of APSRTC" at Visakhapatnam and also guaranteed by personal guarantee of three directors.

1.4 FIXED ASSETS:

Fixed Assets have been valued at cost less depreciation.

1.5 DEPRECIATION

Depreciation is provided on straight line method in accordance with the rates prescribed under Schedule XIV of the Companies Act, 1956.

1.6 INVESTMENTS:

Investment in subsidiary is long term in nature and is stated at cost. Business circumstances indicate impairment in the value as the management is of the opinion that there has been decline in value. However the same has not been effected in this year.

1.7 INVENTORIES:

Inventories are valued at lower of cost and net realisable value. Cost is determined on First in First out basis.

1.8 FOREIGN EXCHANGE TRANSACTIONS:

Earnings in foreign currency are accounted at the rates prevailing on the day of the transaction. Differences in realisation is accounted as fluctuations in foreign currency. Sales made at overseas office and collections deposited in overseas bank accounts and also the expenditure incurred and disbursements made out of the said bank accounts of the overseas office are accounted at a rate that approximates the average monthly rate. However, current assets and current liabilities pertaining to the overseas office are translated at the exchange rate prevalent at the date of the balance sheet and the resultant difference is accounted in the profit and loss account. Fixed assets purchased at overseas office are recorded at cost, based on the exchange rate as of the date of purchase. The charge for depreciation is determined as per the company's accounting policy.

1.9 LEASES:

Leases, where the lessor retains substantially all the risks and rewards incidental to the ownership are classified as operating leases. Operating lease payments are recognised as an expense in Profit & Loss account on straight Line basis over the lease term.

1.10 RETIREMENT BENEFITS:

a) Contribution to Provident Fund is recognised as an expenditure on accrual basis.

b) The company has an obligation towards Gratuity, a defined benefit retirement plan covering eligible employees. The plan provides for a lump sum payment to vested employees on retirement, death while in employment or on termination of employment in an amount equivalent to 15 days salary payable for each completed year of service. Vesting occurs upon completion of five years of service. The Gratuity plans of the entity is an unfunded plan. The company accounts for the liability for future Gratuity benefits on the basis of independent actuarial valuation.

c) Leave encashment is not categorised as a retirement benefit as the company is in the practice of paying the leave encashment benefit every year.

1.11 DEFERRED TAXES:

Deferred tax assets are recognized and carried forward to the extent that there is a reasonable certainty, except arising from unabsorbed depreciation and carry forward losses which are recognized to the extent that there is virtual certainty, that sufficient future taxable income will be available against which such tax assets can be realized.

2. The Company is engaged in the business of development of Computer Software and rendering of Software services. The production and sales of such Software/Services is not capable of being expressed in any generic unit. The value details of Software Sales/Services is given below:

| | 2009-10 (Rs.) | 2008-09 (Rs.) |
|---------------------------------|--------------------------------|--------------------------------|
| Software products (Developed) | 11,56,000 | 9,03,195 |
| Software products (Traded) | - | - |
| Project and Consulting Services | 7,31,08,634 | 11,28,11,987 |
| Total | <u>7,42,64,634</u> | <u>11,37,15,182</u> |

| | | |
|----------------------------|------------------|------------------|
| 3. Managerial Remuneration | | |
| | 2009-10 | 2008-09 |
| | (Rs.) | (Rs.) |
| EXECUTIVE CHAIRMAN | | |
| Salary and allowances | 11,40,000 | 11,40,000 |
| Perquisites | 1,72,000 | 1,72,000 |
| Total | 13,12,000 | 13,12,000 |
| WHOLE TIME DIRECTOR | | |
| Salary and allowances | 11,40,000 | 11,40,000 |
| Perquisites | 1,72,000 | 1,72,000 |
| Total | 13,12,000 | 13,12,000 |

4. Disclosure as required under Accounting Standard (AS) 15:

Consequent to the application of Accounting Standard AS-15 "Employee Benefits" notified by the Companies (Accounting Standards) Rule, 2006, all employee benefits were determined in accordance with the Standard in the preparation of financial statements for the year 2008-09:

Disclosure (31-03-2010)

| Profit & Loss Account | 2009-10 |
|--|----------------|
| Current Service Cost | 1,42,964 |
| Interest cost on benefit obligation | 1,19,976 |
| Expected return on plan assets | |
| Net Actuarial (gain) , Loss recognised in the year | (6,00,224) |
| Past Services cost | |
| Net Benefit espenses | (3,37,284) |
| Actual return on Plan Assets | |
| Balance Sheet | |
| Details of provision for Gratuity | |
| Change in the present value of the defined benefit obligation are as follows : | |
| Opening defined benefit obligation | 14,99,707 |
| Interest cost | 1,19,976 |
| Current services cost | 1,42,964 |
| Benefits paid | 0 |
| Actuarial (gains)/Losses on obligation | (6,00,224) |
| Past service Cost | 0 |
| Closing defined benefit obligation | 11,62,423 |
| The Principal assumptions used in determining gratuity and post employment medical benefit | |
| Obligations for the Company's plans are shown below: | |
| Assumptions | % |
| Salary Rise | 12 |
| Discount Rate | 8 |
| Attition Rate | 18 |

| | | | |
|-----|--|----------|-----------|
| 5. | FOB Value of Exports (Software Services) | NIL | 42,26,852 |
| 6. | Expenditure in Foreign Currency | | |
| | Postage & Telegram | 5,975 | 10,947 |
| | Other Expenses | 1,79,345 | 3,38,128 |
| 7. | Maximum balance in current account with First Union Bank of Connecticut, USA on 16 th March, 2010 (on 11 th February'09 previous year) | NIL | 75,960 |
| 8. | As at the year-end, there were no dues to SSI units. | | |
| 9. | Contingent Liabilities not provided for: Outstanding Bank guarantees 47 Lakhs (As on 31.03.2009: 54 Lakhs) | | |
| 10. | The Company has recognized following deferred assets and liabilities determined on account of timing differences in accordance with Accounting Standard - 22 'Accounting of Taxes on Income' issued by the Institute of Chartered Accountants of India | | |
| | The break up of the deferred tax Assets/(Liabilities) is given below: | | |

(Amount in rupees)

| | <u>2010</u> | <u>2009</u> |
|---------------------------------|---------------------------|---------------------------|
| Timing difference on account of | | |
| - Depreciation | 8,65,776 | (10,42,429) |
| - Gratuity | 3,95,108 | 5,09,750 |
| - Provision for Doubtful Debts | 0 | 24,11,063 |
| - Others | 5,79,87,642 | 1,06,86,297 |
| Total | <u><u>5,92,48,526</u></u> | <u><u>1,25,64,681</u></u> |

As at March 31, 2010, the Company has net DTL of Rs. 5,92,48,526. In the absence of virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized, the same has not been recognized in the books of account in line with Accounting Standard 22, dealing with "Accounting for taxes on income."

11. Segment Reporting:

The Company is predominantly into software and related service business. The income from the training division for this financial year is very insignificant. Accordingly the total revenue is classified into one single segment.

Geographic Segment

Revenue attributable to location of customers is as follows:

| Geographic location | <i>(Rs. in lakhs)</i> | |
|---------------------|--|--------|
| | Revenue for the year ended March 31st 2010 | 2009 |
| North America | 130.28 | 276.14 |
| India | 612.37 | 861.01 |

12. Related Party Disclosure:

a) Related parties: Wholly owned subsidiary' M/s Aravali Technologies Inc., California, USA.

Members of the Board: Mr. P.S. Raman, Mr. P.S. Venkateswaran, Mr. R. Jagadeeswara Rao, Mr. K. Kumar Raja, Mr. Haragopal, Mr. S.K. Mathur & Mr. Kushwant Singh.
Key Management Personnel: Mr. P.S. Raman, Mr. P.S. Venkateswaran, Mr. R. Jagadeeswara Rao

b) Summary of transactions with the related parties:

| Nature of Transactions | <i>Rs. in Lakhs</i> | | |
|--|---|--------------|-------|
| | Transactions for the year ended 31 st March | 2010 | 2009 |
| Transactions with Key Management Personnel: | | | |
| Remuneration to Key Management personnel paid /payable | | 34.95 | 44.47 |

13. Contingent Liabilities not provided for: Outstanding Bank Guarantees Rs.47 Lakhs (As on 31.03.2009 Rs. 54 Lakhs)

14. Figures for the previous year have been regrouped and reclassified wherever necessary to be in conformity with the current year figures.

c) Loans/advances in the nature of Loans and investments in its own shares by the company, its subsidiary, associates etc:

- (i) The company has not given any loans and advances in the nature of loans to its subsidiary and/or associates.
- (ii) Investment by the loanee in the shares of the company: Not applicable.

15. There are no dues in respect of amounts mentioned under Section 205 C of the Companies Act, 1956 that are required to be credited to the Investor Education and Protection Fund as at 31st March 2009.

16. Figures for the previous year have been regrouped and reclassified wherever necessary to be in conformity with the current year figures.

17. The Statutory Dues as on 31.03.2010

| | | | |
|------------------|---|-----|-----------|
| PF | : | Rs. | 68,64,449 |
| ESI | : | Rs. | 5,39,639 |
| Professional Tax | : | Rs. | 7,04,252 |
| TDS | : | Rs. | 36,50,352 |

As per our report of even date

For S.S. KOTHARI & CO.,
Chartered Accountants

(H.K. Mehta)
Partner

Place: Hyderabad
Date : 29.05.2010

For and on behalf of the Board

P.S. Raman
Executive Chairman

Consolidated Cash Flow Statement for the year ended 31st March 2010

(RUPEES IN THOUSANDS)

| PARTICULARS | FOR THE YEAR ENDED 31-Mar-2010 | FOR THE YEAR ENDED 31-Mar-2009 |
|---|--------------------------------------|--------------------------------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net Profit/(Loss) before Tax and Extra-ordinary items | (1,64,143) | 6,053 |
| Adjustments for: | | |
| Miscellaneous expenditure written off | 50 | 50 |
| Depreciation | 5,627 | 7,000 |
| Provision for doubtful debts | -- | 4,875 |
| Provision for gratuity (net) | (337) | (1,301) |
| Investment Income (interest) | (144) | (127) |
| Interest | 3,075 | 2,947 |
| Operating profit before working capital changes | (1,55,872) | 19,497 |
| Adjustments for: | | |
| Trade and other receivables | 1,19,680 | (38,599) |
| Inventories | 6,888 | 11,102 |
| Trade payables | 18,849 | 12,648 |
| Cash generated from operations | (10,455) | 4,648 |
| Direct Taxes paid | (1,246) | (4,312) |
| Cash flow before Extra-ordinary items | (11,701) | 336 |
| Extra-ordinary items | -- | (2,666) |
| NET CASH FLOW FROM OPERATING ACTIVITIES | (11,701) | (2,330) |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of Fixed Assets | (11) | (893) |
| Decrease / (Increase) in Goodwill | -956 | 422 |
| Interest received | 144 | 127 |
| Decrease in Loans and advances | 15,526 | 5,488 |
| NET CASH USED IN INVESTING ACTIVITIES | 14,703 | 5,144 |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| Increase in Unsecured Loans | (366) | 280 |
| (Decrease) / Increase in Long Term Borrowings | 411 | (731) |
| Interest Paid | (3,075) | (2,947) |
| NET CASH FROM FINANCING ACTIVITIES | (3,030) | (3,398) |
| Net Decrease in cash and cash equivalents | (28) | (584) |
| Cash and cash equivalents as at (opening Balance) | 2,290 | 2,874 |
| Cash and cash equivalents as at (Closing Balance) | 2,262 | 2,290 |

As per our report of even date

For S.S. KOTHARI & CO.,
Chartered Accountants

(H.K. Mehta)
Partner

Place: Hyderabad
Date : 29.05.2010

For and on behalf of the Board

P.S. Raman
Executive Chairman

**STATEMENT PURSUANT TO EXEMPTION RECEIVED UNDER SEC. 212(8) OF COMPANIES ACT, 1956
RELATING TO SUBSIDIARY COMPANY**

| Particulars | For the period ended 31st March 2010 (in US \$) | For the period ended 31st March, 2010 (in Rs.) |
|-------------------------------|---|--|
| Capital | 40,000 | 18,12,000 |
| Reserves | 82,166 | 37,22,120 |
| Total assets | 3,02,995 | 1,37,25,674 |
| Total liabilities | 1,80,829 | 81,91,554 |
| Details of investment | - | - |
| Turnover | 2,87,585 | 1,30,27,601 |
| Profit/(Loss) before taxation | (53,493) | (24,23,233) |
| Provision for taxation | 800 | 36,240 |
| Profit/(Loss) after taxation | (54,293) | (24,59,473) |
| Dividend paid | - | - |
| Country | USA | |
| Reporting currency | US Dollars | |

(Note: The exchange rate as on 31st March 2010 – 1 US \$ = Rs. 45.30)

For and on behalf of the Board

Place: Hyderabad
Date : 30.07.2010

P.S. Raman
Executive Chairman



RAM INFORMATICS LIMITED

Regd.Office: SVR Towers, 8-2-1/B/1, Srinagar Colony Road, Punjagutta, Hyderabad - 500082

ATTENDANCE SLIP

(To be presented at the entrance)

16TH ANNUAL GENERAL MEETING ON WEDNESDAY, SEPTEMBER 29TH 2010 at 10.00A.M
at Nagarjuna Community Hall, 8-3-903/4/A, Nagarjuna Nagar, Ameerpet, Hyderabad – 500073.

Folio No..... DP ID No..... Client No.....

I/We hereby record my/our presence at the 16th Annual General Meeting of the members of the company held on Wednesday, 29th September 2010 at 10.00A.M. at Nagarjuna Community Hall, 8-3-903/4/A, Nagarjuna Nagar, Ameerpet, Hyderabad – 500073.

Name of the Member/Proxy holder:

Signature of Shareholder/proxy



RAM INFORMATICS LIMITED

Regd.Office: SVR Towers, 8-2-1/B/1, Srinagar Colony Road, Punjagutta, Hyderabad – 500082

PROXY FORM

I/We _____ of _____ being a Member/Member(s) of

RAM INFORMATICS LIMITED hereby appoint _____ or

failing him/her _____ of _____ as my / our proxy to attend and vote for me/us on my / our behalf at the Sixteenth Annual General Meeting of the company to be held Wednesday, 29th September 2010 at 10.00 A.M. at at Nagarjuna Community Hall, 8-3-903/4/A, Nagarjuna Nagar, Ameerpet, Hyderabad – 500073 and at any adjournment thereof.

Folio No..... DP ID No..... Client No.....

No. of Shares.....

Signed this..... day of,2010



Signature

Note:

1. The Proxy form should be signed by the member across the stamp
2. A member intending to appoint a Proxy should complete the Proxy form and deposit it at the Company's Registered office, at least 48 hours before the time for holding the aforesaid meeting.
3. Those who hold shares in Demat form to quote their Demat Account No. and Depository Participant (D.P) ID no.

Book-Post

If undelivered please return to :



RAM INFORMATICS LIMITED

SVR Towers, 8-2-1/B/1, Srinagar Colony Road, Punjagutta, Hyderabad – 500082

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ISO 9001 & 27001 Company

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