

INDEPENDENT AUDITOR'S REPORT

To the Members of **RAMCO SYSTEMS LIMITED**

REPORT ON THE AUDIT OF THE STANDALONE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying Separate (Standalone) Financial Statements drawn in accordance with the Indian Accounting Standards ('Standalone Financial Statements') of Ramco Systems Limited ('Company'), which comprise the Balance Sheet as at 31 March 2021, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and Statement of Changes in Equity for the year ended on 31 March 2021 and a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Standalone Financial Statements give the information required by the Companies Act, 2013 (Act) in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Indian Accounting Standards, of the state of affairs (Financial Position) of the Company as at 31 March 2021, its Profit (Financial Performance including Other Comprehensive Income), Cash Flows and Changes in Equity for the year ended on 31 March 2021.

Basis for Opinion

We conducted our audit of the Standalone Financial Statements in accordance with the Standards on Auditing ('SAs') specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Standalone Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of the Standalone Financial Statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Standalone Financial Statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion

on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Trade Receivables, Unbilled License Revenue and Unbilled Services Revenue

Trade Receivables:

Trade receivables are amounts billed but not yet received as on 31 March 2021. Amount outstanding on this account is Rs.1,175.38 Mn. Of this Rs.592.63 Mn. is receivable from ten wholly owned subsidiaries and Rs.99.40 Mn. is receivable from a subsidiary (that includes a step down subsidiary) where the Company holds 98% of the Equity.

Unbilled License Revenue:

Revenue recognition in the case of Licenses is on delivery of the software and when the customer obtains a right to use such license. The excess revenue over billing is classified as Unbilled License Revenue and grouped under Financial Assets. The amount outstanding as on 31 March 2021 is Rs.394.66 Mn.

Unbilled Service Revenue:

Revenue recognition in the case of services is based on percentage of completion method. The excess revenue over billing is classified as Unbilled Service Revenue and grouped under Other Assets. The amount outstanding as on 31 March 2021 is Rs.342.81 Mn.

Auditor's Response:

We have audited the Revenue recognition to ensure that it follows the stated policy. The outstanding amount has certain element of credit risk.

In the case of Trade Receivables and Unbilled License Revenue, the credit risk is, default on its payment obligation by the customer, resulting in a financial loss.

In the case of Unbilled Service Revenue, the risk consists of the satisfaction of the customers in respect of completion of service milestones and the default on its payment obligation by the customer, resulting in a financial loss.

We have reviewed the credit risk policy of the Company. The implementation of such policy has been audited through audit / review of accounts through compliance and substantive testing of selected samples. The Company has created a provision for doubtful debts for Trade Receivables and Unbilled Revenue based on expected credit loss method. We have evaluated the empirical data of the previous years, and we have ascertained that the current provisioning for the expected credit loss is in line with the historical evidence.

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We assessed the ageing of Trade Receivables and Unbilled Revenue, the customer's historical billing and collection patterns and whether any payments post year-end have been received up to the date of this report. We have also ascertained the key judgments and assumptions used by the Management in the recoverability assessment of Trade Receivables, Unbilled License Revenue and Unbilled Service Revenue.

2. Investments in Subsidiaries

The Company has various overseas subsidiaries. The carrying cost of investments made in overseas subsidiaries under equity as on 31 March 2021 is Rs.3,672.60 Mn.

Auditor's Response:

We have evaluated the carrying cost of the investments in subsidiaries. The investments in these subsidiaries are considered as long term in nature. We have considered the inter-dependency between the Company and its subsidiaries, the manner in which the operations are carried out by the Company and its subsidiaries, and assessed the key judgments and assumptions used by the Company in evaluating the stated value of the investments.

3. Intangible Assets - Product Software and Technology Platform

The Company's significant cash generating assets are Product Software and Technology Platform. Costs incurred in the development of the product, together with repository of new business components, upon completion of the development phase, have been classified as "Product Software". Similarly, costs incurred in the development of Technology Platform framework, which would enable the Company to provide solutions in both standard and customized way, have been classified as "Technology Platform". These are disclosed under Intangible Assets.

The carrying value of intangible assets is particularly judgmental given its dependency on business forecasts. The carrying cost of Product Software and Technology Platform as on 31 March 2021 is Rs.2,572.14 Mn.

Auditor's Response:

We have reviewed and verified the process of capitalisation of Product Software and Technology Platform. The Company amortizes the cost incurred in development of these intangible assets over its estimated useful life which is determined as ten years.

Our procedures focused on evaluating the appropriateness of the revenue forecasts and operating cash flows included in the business.

Reviewing the reasonableness of the key assumptions including those driving the cash flows underpinning the analysis, by:

- a) Comparing historical budget forecasts against actual results.
- b) Comparing forecast growth to business plans approved by the Board.

INFORMATION OTHER THAN THE STANDALONE FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The Company's Management and Board of Directors are responsible for the preparation of the other information. The other information comprises the information included in the Management Discussion and Analysis, Board's Report including Annexures to Board's Report, Business Responsibility Report, Corporate Governance and Shareholder's Information, but does not include the Standalone Financial Statements, Consolidated Financial Statements and our auditor's report thereon.

Our opinion on the Standalone Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Standalone Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Standalone Financial Statements, or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

MANAGEMENT'S RESPONSIBILITY FOR THE STANDALONE FINANCIAL STATEMENTS

The Company's Management and Board of Directors are responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ('Act') with respect to the preparation and presentation of the Standalone Financial Statements that give a true and fair view of the Financial Position, Financial Performance (including Other Comprehensive Income), Cash Flows and Changes in Equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance

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with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records relevant to the preparation and presentation of the Standalone Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Standalone Financial Statements, Management and Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management and Board of Directors, either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Board of Directors is also responsible for overseeing the Company's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE STANDALONE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We, also:

- (i) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (ii) Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures

that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls.

- (iii) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (iv) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (v) Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements

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of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

- 1) As required by the Companies (Auditor's Report) Order, 2016 ('Order') issued by the Central Government of India in terms of Sub-Section (11) of Section 143 of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order.
- 2) As required by Section 143(3) of the Act, we report that:
 - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - c) The Balance Sheet, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and Statement of Changes in Equity dealt with by this report are in agreement with the books of account.
 - d) In our opinion, the aforesaid Standalone Financial Statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - e) On the basis of the written representations received from the Directors as on 31 March 2021 and taken on record by the Board of Directors, none of the Directors is disqualified as on 31 March 2021 from being appointed as a director in terms of Section 164 (2) of the Act;
 - f) We have enclosed our report in "Annexure B" with respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls.

Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.

- g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended:

In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of section 197 of the Act.

- h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations as at 31 March 2021 on its financial position in its Standalone Financial Statements - Refer note no. 29 to the Standalone Financial Statements.
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii. There were no amounts that were required to be transferred by the Company to the Investor Education and Protection Fund.

For **M S JAGANNATHAN & N KRISHNASWAMI**
Chartered Accountants
Firm Registration Number: 001208S

K SRINIVASAN
Partner

Membership No.: 021510
UDIN: 21021510AAAABL3810

Place : Tiruchirappalli
Date : 25 May 2021

ANNEXURE A to the Independent Auditor’s Report

Referred to in paragraph 1 under the heading ‘Report on Other Legal & Regulatory Requirements’ of our report of even date to the Standalone Financial Statements of the Company for the year ended 31 March 2021:

- 1) Fixed Assets
 - 1.1 The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - 1.2 The fixed assets were physically verified during the year by the Management in accordance with the phased programme of verification which, in our opinion, provides for physical verification of all fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed during such verification.
 - 1.3 According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties included in property, plant and equipment are held in the name of the Company. In respect of immovable properties and property, plant and equipment taken on lease and disclosed as right-of-use assets in the Standalone Financial Statements, the lease agreements are in the name of the Company.
- 2) The Company is in the business of providing software services and does not have any physical inventories. Accordingly, reporting under clause 3 (ii) of the Order is not applicable to the Company.
- 3) The Company has not granted any loans to parties listed in the Register maintained under Section 189 of the Act.
- 4) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 185 and 186 of the Act, in respect of loans, investments, guarantees, and security.
- 5) The Company has not accepted any deposits from the public and hence the directives issued by the Reserve Bank of India and the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the Companies (Acceptance of Deposit) Rules, 2015 with regard to the deposits accepted from the public are not applicable.
- 6) According to information and explanations given to us, the company is not required to maintain accounts and records which have been specified by the Central Government under Section 148(1) of the Act.

- 7) Undisputed and disputed taxes and duties
 - 7.1 The Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Employees’ State Insurance, Income Tax, Sales tax, Service Tax, Customs Duty, Goods and Service Tax, Value Added Tax, Cess and any other material statutory dues applicable to it during the year. According to the information and explanations given to us, no undisputed amounts payable in respect of the above were in arrears as at 31 March 2021 for a period of more than six months from the date they became payable.
 - 7.2 The disputed statutory dues aggregating to Rs.77.16 Mn. that have not been deposited on account of matters pending before appropriate authorities are as under:

| Name of the Statute | Nature of dues | Forum where dispute is pending | Rs. Mn. |
|---|-----------------|---|---------|
| Tamil Nadu Value Added Tax Act, 2006 | Value Added Tax | Honorable High Court of Madras | 75.86 |
| The Maharashtra Value Added Tax Act, 2002 | Value Added Tax | Deputy Commissioner of Sales Tax, Mumbai | 0.09 |
| Finance Act 1994 | Service Tax | The Assistant Commissioner of GST & Central Excise, Chennai | 1.21 |

- 8) The Company has not defaulted in repayment of dues to Financial Institutions, Banks, Government or Debentures holders.
- 9) The Company did not raise any money by way of initial public offer or further public offer. The Company has not raised term loans from Banks / Institutions during the year. The Company has not issued any debentures during the year. Money obtained as short-term loan has been utilized for the purpose for which it was obtained.
- 10) Based upon the audit procedures performed and the information and explanations given by the Management, we report that no fraud by the Company or on the Company by its officers or employees has been noticed or reported during the year.
- 11) According to the information and explanations given to us and based on our examination of the records of

Annexure A to the Independent Auditor's Report (Contd.)

the Company, the Company has paid / provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.

- 12) In our opinion, the Company is not a Nidhi Company. Therefore, the provisions of clause 3 (xii) of the Order are not applicable to the Company.
- 13) In our opinion, all transactions with the related parties are in compliance with Section 177 and 188 of Companies Act, 2013 and the details have been disclosed in the Standalone Financial Statements as required by the applicable Accounting Standards.
- 14) Based upon the audit procedures performed and the information and explanations given by the Management, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of clause 3 (xiv) of the Order are not applicable to the Company.
- 15) Based upon the audit procedures performed and the information and explanations given by the Management,

the Company has not entered into any non-cash transactions with Directors or persons connected with them. Accordingly, the provisions of clause 3 (xv) of the Order are not applicable to the Company.

- 16) In our opinion, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934 and accordingly, the provisions of clause 3 (xvi) of the Order are not applicable to the Company.

For **M S JAGANNATHAN & N KRISHNASWAMI**

Chartered Accountants
Firm Registration Number: 001208S

K SRINIVASAN

Partner
Membership No.: 021510
UDIN: 21021510AAAABL3810

Place : Tiruchirappalli
Date : 25 May 2021



ANNEXURE B to the Independent Auditor's Report**Report on the Internal Financial Controls over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ('Act'), referred to in Paragraph 2(f) of our report.****OPINION**

We have audited the internal financial controls over financial reporting of RAMCO SYSTEMS LIMITED ('Company') as of March 31, 2021, in conjunction with our audit of the Standalone Financial Statements of the Company for the year ended on 31 March 2021.

In our opinion, and to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2021, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

MANAGEMENT'S RESPONSIBILITY FOR INTERNAL FINANCIAL CONTROLS

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('Guidance Note') and the Standards on

Auditing, issued by ICAI and deemed to be prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls and, both applicable to an audit of Internal financial controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

MEANING OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company.
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of Management and Directors of the Company; and

Annexure B to the Independent Auditor's Report (Contd.)

(3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

INHERENT LIMITATIONS OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control

For **M S JAGANNATHAN & N KRISHNASWAMI**

Chartered Accountants

Firm Registration Number: 001208S

K SRINIVASAN

Partner

Membership No.: 021510

UDIN: 21021510AAAABL3810

Place : Tiruchirappalli

Date : 25 May 2021

