ramco

May 31, 2021

National Stock Exchange of India Ltd
Exchange Plaza, 5th Floor
Plot No:C/1, G Block
Bandra Kurla Complex, Bandra (E)
Mumbai – 400 051
Scrip: RAMCOSYS

BSE Ltd.,
Corporate Relationship Department
Phiroze Jeejheebhoy Towers
Dalal Street, Mumbai – 400 001
Scrip: 532370

Dear Sir/Madam,

Sub: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Further to our intimation dated May 25, 2021, regarding analyst/ investors call, please find enclosed the gist of the points discussed in the Con-Call held on May 26, 2021 and the fact sheet as on March 31, 2021.

The aforesaid intimation is also being hosted on the website of the Company www.ramco.com.

Kindly take on record the same.

Thanking You,

For **RAMCO SYSTEMS LIMITED**

RAMCO SYSTEMS LIMITED CHENNAI 600 113

VIJAYA RAGHAVAN N E
COMPANY SECRETARY

Debrief of Analysts & Investors call for FY 2020-21,
Held at 4 pm on Wednesday, 26th May 2021 - thro Microsoft Teams

From Ramco Systems Limited, **Mr. P R Venketrama Raja,** Chairman, **Mr. Virender Aggarwal,** Chief Executive Officer, **Mr. R Ravi Kula Chandran,** Chief Financial Officer, **Mr. Sandesh Bilagi**, Chief Operating Officer, **Mrs. Gayathri R**, Vice President - Finance and **Mr. Vijaya Raghavan N E,** Company Secretary participated in the call.

R. Ravi Kula Chandran (CFO) welcomed the attendees and thanked them for joining the con-call. He informed that the agenda for the call would be opening remarks by Mr. Virender Aggarwal, CEO / Mr. P R Venketrama Raja, Chairman explaining the performance for the year as well as Q4/ 2020-21, followed by question and answer session.

Business Updates by CEO:

CEO welcomed all the attendees and provided highlights of the business performance for the year as well as Q4/ 2020-21.

I will talk about the whole year as well as Q4. Last quarter was not as good as Q3, nevertheless Q4 had decent numbers. The profitability had dramatically improved for the year, as you have seen from the Profit After Tax, which grew more than four times. EBITDA also grew significantly, by 58% for the year. Overall, there was robust demand in the various global markets, other than Asia. Asia was subdued because of COVID restrictions, which is still prevailing in lot of countries, the biggest one for us being Philippines, while Western economy seems coming back. We have relatively much more activity visible in America and Europe. America saw massive growth in bookings, as well as the revenue for the whole year. Revenue grew about 40% for America last year, the booking grew more than 100% year on year for the North American region. Other than Asia, we had a good show. Coming year we don’t see good avenue opening up as such and need to wait and watch. We have had a good demand in Aviation, especially with the opening up of the business through US defense contractors and one new segment, which we did not anticipate earlier, very rapidly emerging one, is vertical take off and landing taxis (eVTOL), drones, UAS, the defense related drones. We have signed first order with a eVTOL company , for proof of concept, one the largest drones company globally, eVTOL Company rather and negotiating for a few more opportunities. That is the new set of opportunities apart from our usual business in aviation. Logistics had a good demand last year. This year, the overall focus will be in ERP and logistics to focus on the new user interface of the product and also given the huge volumes that we will face in logistics to make the product more scalable to take care of the demand that is coming from e-commerce engines. The e-commerce engines are pumping data for Logistics in very huge numbers. For HR and payroll business, after subdued first two quarters, the Q3 and Q4 have been good. We are sitting on some opportunities, changing the mix significantly in that business - we have moved almost entirely to the SaaS model and we don't have any more license revenues from that – notwithstanding the size of the deal. Due to the change in the business model we have done for our HR & Payroll, we may not have seen revenue growth there, but had an unexecuted order book of 50% for our HR & payroll business for USD90 million orders. Half of the unexecuted order book belong to them. The future potential is growing for that business (HR & Payroll) as we keep going live in more and more customers. Our focus there will be to keep ahead with innovation, and we are opening up Europe as a frontier there, with about 8 to 10 countries in Europe at the year end. That is a brief summary of year gone by. I request our Chairman to add few more perspectives before we move on to the Q&A session.

Chairman’s Remarks:

I want to emphasize that we have built assets over so many years, and some of our assets are starting to do very well, especially in the Aviation & defense industry. Also, HR and payroll assets have started to get a lot of attention, the biggest area where we have to focus and expand to more countries to start taking advantage of the platform, which we are now focusing on for this year. For traditional ERP and logistics business, we have now started focusing basically on large customers and a few selective customers because we wanted to take this opportunity to completely revamp our fundamental user experience and technology, which we are working on for a year now. In the coming year too, we will be focusing on that to get it to become an ultra modern system, to start pushing it out to even smaller companies so that the market can grow. But given the COVID scenario, our Asia market, which is a very robust for us and which is a very high touch market, where it’s important to meet people and customers, we are finding it a little slow now. At the same time, some of the key countries have extensive lock downs like India, though discussions are going on, the decisions are getting postponed, that mutes the growth a bit. Overall, there's more and more confidence in us in taking this whole thing forward in the next few years and we have some exciting new technologies also coming.

The questions and answers session then followed, which is summarized below:

Can you explain exactly the nature of the unbilled revenue? Also, can you throw some lights on how the order booking appears going ahead? We had very good attraction in the third quarter of last year. And lastly, we have made bad debt provision over the last three financial years. Can you throw some lights on how this will be going ahead?

This being a software industry, we go on the basis of proportionate completion method. We get an order from a customer. Licence we recognize upon delivery. With respect to service, as and when we complete the work, as permitted by the accounting standards, based on percentage completion method, we recognize the revenue, but we get the right to bill the customer only when we complete the milestone. Till such time we complete the milestone and bill, this is being kept in unbilled revenue as an asset. We don't have a legal right to move it to debtors. But it's an asset. This is a general practice all over the software industry. Unbilled revenue, once we finish the work and get it sign off from the customer, it will move to the debtors, we will bill the customer and then cash. With respect to bad debts, we had introduced new products five, six years back, the Logistics product, which was not very stable. So we had a lot of challenges, and also we had quite a few customers in the Middle East who gave the order, but they were not very enthusiastic going ahead with the project. So we had a lot of challenges in those areas. We want to be conservative and we are expecting some challenges in that and conservatively providing the bad debts, which we have explained in the previous calls also. So this will continue in the current year also.

For order booking, Q3 was exceptionally good. That was primarily an account of the largest order from Europe, which is not a market we have been traditionally active on, that is from Iberia, one of the largest Airlines of the British Airways Group or IAG group. As a result of that, the Q3 numbers were looking fine. But overall, we have been in the range of $25 to $33 million for quarterly order booking - only reason we are suffering a little bit in Q4 is because of Asia, where order booking dropped to half of last year. So we were averaging $45 - to 50 million over the past three years in Asia. This year it dropped to $24- 25 million. But the rest of the regions have done reasonably well, especially the US has done a hundred percent growth in order booking. And there is some lumpiness in the number as we have some large deals as we mentioned in the previous quarter. So the average deal sizes increased to $1.58

million. About 8-9 years back, this was as low as $70k. From $70k to $1.58 million is a substantial growth. And we closed multiple deals, $5 million plus in the whole year and about 23 deals or more, a million dollars plus in the current year. So if a large deal does not close in a particular quarter, we see the effect. There'll be lumpiness in booking that you will see over quarters. So you can see variance is significant and it may not very smooth. But overall confidence in the business stays. We are confident that the Aviation, HR & payroll business and the ERP will focus on refurbishing the look and feel and bring in the new technology to compete better in the market.

What is the amount that still needs to be brought into the books with respect to the write-off? It seems to be quite high. And how long would it take for the complete write off to be brought into the books? When will we come back to the normal taxation, Tax also seems to be quite high? Last thing is, CEO is selling quite a bit of his stock, is he bearish on the Company?

We cannot exactly predict how long it will go, but we will be continuing minimum the same amount of provisioning for the next year surely - based on the business plans we have drawn up. Probably we have to see as and when the things come - that is on the bad debts. Second is on the tax rate - it is an interesting and quite complex subject. There are two things. One is standalone result and the other is consolidate result. In a standalone result, if you compute the provision for taxation as a % of PBT, it may be closer to 50%. This is because, we have the deferred tax and we also provide for MAT. We have some more accumulated losses to wipe out and so we are not falling under regular tax. Still, we have book profits and hence we are liable for MAT tax. Maybe, at this same rate, we will be coming to the regular tax net in the next two to three years.

Provision for Tax is high in India. There is a provision by which we can take MAT credit. Earlier, once we are liable for MAT tax, you can take the entire thing as MAT Credit, regardless of how the MAT was discharged. MAT can be discharged by paying cash or using domestic withholding tax or the Foreign withholding tax. We have quite a large amount of Foreign withholding tax. But there was a recent amendment in 2017-18, by which if you're going to use Foreign withholding tax for discharge of the MAT, then we cannot take MAT credit. For MAT liability, we have not made any cash payment – even last year, the entire liability was met out of Foreign Withholding tax. We have to use the Foreign Withholding tax fully, since we cannot get a refund of the same. This year, close to $1.8 million is the MAT provision, $1.6 million we had the Foreign withholding tax, so we have used it. So, we can take only the remaining $0.2 million as MAT credit. Actually, this is disadvantageous to companies like us and we have challenged this provision in the Madras High Court. In India, tax rate will continue to be high till we get a favourable verdict. On the global, it's a mix. We have 14 subsidiaries - some subsidiaries make profit where we have to make a provision for tax and for loss-making subsidiaries, we need not make provision for tax. When consolidated, the profits and loss get knocked off, whereas the tax provision remains. So that is obviously high.
On the question of selling of stock, CEO explained that it was a personal decision and that there was no reason to believe that he was being bearish and that he did this some three years back also. From the time of deciding to sell to the date of actual sale, there is no idea how the stock price would be. There are lot restrictions for the CEO to sell the stock.

We have been working with many leading international MNCs in USA or HR - what are the benefits coming out of these? For ERP also, will be looking at some kind of partnership. Aviation you said that the deal pipeline looks good. So if you can give some colour on all three businesses, a deal pipeline?

The Aviation business as explained earlier - doing very well, we had a 100% growth in booking last year, 30%+ growth in revenue. New segments are opening up. Those segments are huge - defense related segment to defense contractors and drones, eVTOL. These segments have huge potential. So we really don't know how the market will unfold, but the Aviation sector is no longer limited to helicopters and aircraft anymore. A lot of people who do contracting work for the US defense and other defense also working with us. So this segment has a huge potential. This opens up a very large market, which we have not done earlier. We have about 30% of our pipeline related to this segment now, which was close to zero two years back. This change is taking place in aviation, which can become positive for us because traditionally we were not strong in the airline, we were very strong in helicopters. Now this segment opens up for us. A lot of Logistics companies like Amazon and many other companies are working towards drone delivery. They are talking of tens of thousands of drones. The drones, fortunately for us, are regulated like helicopters in the US market. They have to be covered under the same rules that govern the helicopters, which is our main strength area. So that’s opens up a market, so that's the color to that, there's a possibility in that business. Defense business is a huge thing. We have no where even scratched 1.1% of the opportunity that exists there. We have won significant business there, but there's a lot more to be done on these possibilities, that open up a huge area. It's no longer limited to a small segment that what we have.

In ERP, we don't see too many possibilities of partnership. We will be focusing on making the product a lot more user-friendly, with improved user interface and user experience, and a lot more robust, to make it attractive to the global market. While we keep doing large digital transformation deals this year, but overall, mass selling is something we can do once the user experience and refresh is there. HR & payroll business are seeing very good demand. We have built connectors to both Oracle and Workday, which are two of the largest selling HCM software globally and we see possibilities of a major increase in demand on account of that. We hope to have a Workday certified connector in next August - September timeframe, which should open up more possibilities. We are listed on their website as one of the partners and we have also partnership with Oracle. So these are something which can open up a lot of opportunities for us, without us having to invest in sales for this area.

On defense side, are we talking to contractors for any early discussion?

Many US defense contractors are our partner. We have signed some deals with them and have many more deals in pipeline with them. We are adding more partners and also more people who have been associated with defense - Airforce, Navy and so on. Our workforce in USA is largely American now. We have not added any non-American for the past one and a half years in our US workforce because working with defense requires to avail services of US Nationals only. We are compliant with various USA defense related requirements like DCMA, DCAA, ITAR and Gov cloud and various other requirements. It took us quite a bit of effort to become compliant with these requirements for defense. Last 18 months we have signed four of the four top US fighters jet training companies. We have made in-roads. We are now pitching in for submarines and other defense products. We are not focusing only on aircrafts, but we are open to tanks, guns, submarines and warships.

HR side, you made a statement that 50% of order is based on the SaaS - so over how long, will that revenue be recorded? Coming to license fee, recurring revenue and some services - which are one time and which are recurring?

In the HR case, for the past 18 months, there is a massive reduction of license revenue recognition, but the revenue starts only when we invoice them. So unbilled revenue will keep reducing. Unexecuted order book means this is the future revenue in the bank. We have around $90 million in store for HR and payroll business, which will progressively come over the next five years. But if we were to take the ratio, we can take an average that this will be realized in three and a half years. Last year this progressively kept reducing. If we were to get no further business, out of this $90 million, maybe $22-23 million will come in a year one, which will reduce to 19 million. Those calculations and formulas are available and simulations are available.

So we start recognizing from this year, out of these $90 million are still time on?

That recognition takes place when the customer starts using the system and their payroll is getting processed or their users come online. The day they come online, we charge them per employee per month. So if their headcount increases, revenue and order booking increases. If the head count decreases, revenue and order book decreases. But we have seen that in rare cases the head count decreases, it normally increases. Some of the largest companies are our customers. In world's top 100 companies, almost half of them are our customers, that's the kind of customers we are attracting. In each and every segment, we can say that three of the top 10 of the segment will be with us.

In the last call it was stated that - we are working on to review the implementation time. How much are really very successful and out of balance $90 million, when will the revenue be recognized and in what timeframe?

Success is not easy to determine. We have succeeded right now in 15 countries, out of 52 countries for which we offer payroll, to reduce implementation time; with the automation we have managed to go to 15 countries. We have picked up the countries where we have most business and managed to reduce the implementation time for those. And that is something getting rolled out now and some customers are going live faster because of that. One of the UK based shipping related company went live in 8 to 10 weeks time for eight countries. Something like this would not have happened earlier. We will start seeing the benefits more and more in the coming years.

The fresh version of the ERP - when are we likely to be ready to watch?

We will progressively keep releasing. We will release the financials in the next 3-4 months, and then we will release procurement and so on. The most commonly used modules - we will release early. Overall end to end release may take a year or so. Not many people use various modules. Most commonly, we use financials and procurement, and inventory procurement. In SAP language, it is called FICO – Financial Accounting & Controlling. Finance, inventory / procurement, AP, AR, GL, fixed assets - these six modules will hopefully be done by September timeframe.

How much of the Revenue is recurring, out of the total? Are BPO & other services are recurring revenue?

BPO revenue is absolutely recurring. It does not change generally - only keeps increasing, with increase in the number of payslips processed. It is a very solid, steady revenue.

Does the 'Products - Recurring revenue' as per the Fact Sheet, relate to SaaS item? What is the plan to bring down our overall working capital – the number of days - with this very fast execution time, reduction in execution time and everything?

Recurring revenue includes subscription and AMC. The BPO is under the normal services.

Working capital is a mixture of many issues and requirements. So far we have kept it steady. These are all very complex assignments and we are entering new areas, sometimes it takes an unexpected turn. As explained earlier, we have had trouble in logistics in some countries in the Middle East and Asia. But working capital requirement in the USA is negligible, nor we had hardly any bad debt out there. It depends upon the nature of the client also. Most of the business that comes from the USA pays on time; if they delay the project, they pay for the delay also; unlike in Asean, where nobody pays for delay and in India also nobody pays for the delay.

Whether USA revenue going up, can increase our working capital?

We have repaid about Rs.96 crores of debt last year – it means that we generated Rs.96 crores extra cash, compared to the previous 3-4 years in which we had built up that debt. So in last 3-4 years, we built up Rs.96 crores debt versus a single year we cleared 96 crores, that shows more and more business we do from the USA generates a cash flow. In the USA, Australia, Europe all payments come on time.

On the issue of bad debts, how long it will continue and what portion of it is recoverable? Can you quantify how much more bad debts will have to take?

Quantification at this point of time will be very difficult because we are making provision and against that provision whenever we have lost hope, we are charging off. When we charge off or writing off against the provision, it doesn't come to P&L again. We are conservatively making the provisions – both on identified basis in certain cases and also on a general basis. As explained in an earlier question, it will continue at least for this year. We are taking calls at the end of every year and periodically, based on how the projects go well; and in some cases we have reversed the provision. But at this point, we are expecting the same amount – bit more - of provisioning for the coming year also.

It's so important to realize that we are also handling complex projects and in these sort of things there will always be some reversals and so on. It's prudent to have some provisioning going on all the time. We will not be over optimistic. But as we improve automation and the services and become more and more online, these provisions will come down. As we go more and more fully cloud, these risks will definitely start coming down.

We will be moving more and more away from the premise model to a cloud model, so we will stop taking business on premise for some of the product lines this year. Other than aviation, we will move more and more to cloud. In case of Aviation, we may have to take it on premise, because a lot of defense requirements are there or sometimes security related requirements are there. We are much more safer as a company, that the customer keeps the data within himself because of the sensitivity of the data. Other than that, the rest of those things start moving, and that should ease out way of managing the business a lot more for us.

R & D expense and recharging – whether all the expenses are charged to P and L or a portion is capitalized also?

We are capitalizing R & D Expense because it's not a one time expenditure. So, the benefit is enduring in accounting terms. We are consistently capitalizing and also charge off one tenth of the previously capitalized amounts. We had initial benefit in the initial years when we were capitalizing - the capitalization was more and depreciation was less. This last 2-3 years, we have almost reached the point of equilibrium, where the depreciation and the capitalization are almost equal. This year capitalization is a bit more than the amortisation.

What are the cumulative order book as on today, including all verticals and it will be executed over what timeframe?

Unexecuted order book is $182 million, that includes all verticals. About half of that is for HR and payroll business, substantial part is from the aviation business about $49 million. The Logistics will be about $10 million. The rest will be from ERP.

Roughly, what timeframe we can expect the execution of this 180 odd million dollar?

Take average of little less than four years. Technically speaking, some will go into fifth year or some very small amounts might go into sixth and seventh year also, but most of the amounts will get done by fourth year.

Oracle HRP landscape - we are competing with their other payroll partners, which include ADP, Immedis, Zalaris etc. Also they have payroll for China and Middle east. So with these two things, how do we stand our chance on a relative basis from a competitive positioning point of view?

What our competition has done is they have shot themselves in the foot. They are also selling their own HCM - recruitment & performance, which competes with Workday and Oracle. That is all the more reason that Workday and Oracle have warmed up towards us. They were not interested in us till some time back. They have signed a partnership with us. Every time an order goes to ADP for payroll, there's a chance that ADP may also convince the customer to do everything else with them. The same thing Kronos has done, they had been acquired by another company which is into primary HCM business. It's opening up a huge opportunity. Second is the company Ceridian, which has been acquiring companies like Excelity. and Ascender, has gone on acquisition spree. They do not offer a single platform. They offer a multitude of technology platforms built over many years. They have a conglomeration of multiple technologies. We are offering every country in Asia Pacific, other than North Korea and Iran. We will be adding Europe now, on a single platform. Our strategies are absolutely in the right direction, and we are no longer a threat to them because we are focusing on our portion of the business.

Since Oracle have their payroll for important market like China and Middle East, where we also have - would this be a constraint to some degree?

That is a constraint. We will not offer in those cases. When Oracle approaches us, they will offer their own payroll for those countries where they have. Like, in the USA, Workday also has, so we will not be offering. But in all other countries, they find it very convenient to deal with us - a company which is not competing with them. Second is, we give them everything. Other companies are only giving, managed services, a BPO. They are not giving them a platform. We are giving them a technology platform also. In case a customer does not want managed services, what happens is that they don't have a product - but they have, say a Chartered Accountant in Kenya doing processing for the tax computation for them. So while you are dealing with a single company, you may think that company is processing the payroll, but actually it may be an Accountant who is doing it in Kenya or in Nigeria and so on. They don't have any of this trouble with us, because they are dealing with the software, they can process it in their own department. They have walked into a fairly troublesome area and building multi-country payroll is not an easy option for most companies and it is very complicated.

Since in Europe we planned to get into 12 countries, what is the current revenue and what is the opportunity you see in 2-3 years in that market and any risk from GDPR kind of concern?

Right now, we have been very shy on risk account. We have done the UK sometime back, but we are not taking orders as yet. We have hired the first presales person - a Spanish lady has joined us from a company in similar business. our direct competition. We are beginning to put people in place. We have one Japanese person joined us in Japan. So we are just getting the framework in place to execute. Europe is a huge market. We think the first signs of revenue from Europe will be only next year. This year, we will not take orders from Europe for the reason we just want to make sure that everything is proper and working and we have the relevant people with relevant experience in place, before we start accepting orders - just like we did for Japan. We waited and now we have a legal entity incorporated in Japan and we have a Japanese person. One of our senior sales person will be moving to Japan. Now we are hiring one more pre-sales person in Japan. We are ready for Japan now, and we will take orders more aggressively. So far, we were only servicing multinationals who wanted Japan to be done for them. We have not taken orders from any company in Japan.

In aviation, cumulative booking for last 3 years is around $88 million while revenues have been 64 million. So can we say that FY 2022, will be the year of real revenue ramp up for us?

Possibilities are enormous. We have to capitalize on the possibilities - people in India should be able to realize how much money is getting pumped into eVTOL airborne taxi service, and the amount of money that is going into drones. They are asking for quotations in million drones. So far we were used get order for 10 to 50 aircraft, 50- 100 aircraft etc. We have never seen this kind of numbers. People ask for the price for 10,000 drones. We will wait and watch.

What precise role we would be playing in this eVTOL kind of busines?

As mentioned, the first proof of concept we have signed. We will be playing minimum in maintenance area, which is MRO – maintenance, repair & overhauling and M&E – maintenance and engineering. That's the minimum we will be playing, but most likely we will be playing in the entire area because our aviation product now offers manufacturing module end to end. It is an end to end ERP and an organization can run its entire business without going out. We are running financials for about 15, 20 companies in aviation for quite some time. So we have complete financials. We have added manufacturing now. We have added electronic flight bag. There are about 400-500 pilots for one of the clients, who carry electronic flight bag – a Ramco product - to the cockpit. We have also started flight operations. So there is a possibility that the companies can sign up for complete suite - if nothing else, minimum for maintenance, since their operations are covered by laws related to helicopter. We have a distinct advantage, because 70% of the large civilian helicopter operators globally are maintained on Ramco - large operators meaning operators with at least 50 helicopters plus and not counting somebody with 2-5 helicopters. The 8 of the top 10 helicopter operators in the world are using Ramco.

The ERP & logistics business - we have been seeing flatish performance for couple of years. And in this year also the bookings have been similar to revenue. So when do we see a trigger playing out in this space?

In Logistics, the trigger played out this year – you do not see, since we have not reported Logistics separately. Logistics grew more than 100% this year for booking. We want to caution you in Logistics - when we started dealing with very large companies, we were not prepared for the huge volume of business data that is getting pumped from e-commerce engines. We were handling thousand transactions per day, and now people are pumping in a hundred thousand transactions per day - and they tell that during Christmas time / Black Friday / Thanksgiving Day - there would be million transactions per day. That's why the investment in technology to refurbish the product to handle volumes. One is the ease of use – if 10,000 drivers in the market are going and delivering things, they should be able to touch on one part of the screen to see a delivery done. That is as simple as that in a very quick response time. So that is the reason we are revamping the technology framework for Logistics and ERP right now.

We didn't have a positive growth for ERP quite a few years now and we were aiming at specialized segments. We have built a huge pipeline in cement industry. We have identified about 70-80 companies in the cement industry, and that is based on the Ramco Cements expertise. We are extremely well-placed and we now have some industry experts in the process field who have worked for industry process leaders globally. So Cement industry and other process industries will be key focus, apart from asset centric business like Porta, Water Utilities and Power plants etc. We will stay focused on areas where we have a competitive edge, like enterprise asset management where heavy assets are involved - there is very little competition – only two or three players globally – Infor, Maximo etc. That is will be the strategy for ERP.

It was mentioned during Chairman's speech about the new exciting technology on the anvil - can you elaborate about that?

We are moving the product more and more to cloud and cloud native technology. Most of the apps we see in Indian market are new generation products, built on technology called React JS, which is from Facebook, for the front end. The backend engine is required for handling extremely high transaction volumes - these engines typically use message queue based architecture. We will be moving our front end refresh using these elements and we will be moving to technology what we refer as sessionless and also moving a lot to 'in memory' processing. To handle the kind of volumes that we are expecting in Logistics, we will be transitioning towards the message queue based architecture. This, in brief, is the change happening in technology. The highest priority for that will be Logistics and ERP and subsequently for other products is not as much required because payroll is a batch product and does not require too much in that area. Aviation, we will do it at our own pace because we don't have the volume requirements and the depth of the product is so good that the customers are happy with what they have. Our higher priority will be on the introduction of the technology for Logistics, but it is common across all business units. Over a period of time, all of them will migrate to this, but the first priority will be for this business and we will attempt to get the financials out of it by September.

In the helicopter business, you said 70% of the market share you are having - is this the same case with the new business also?

Yes, 70% of the largely operators as explained earlier. The new segment of drones and eVTOL is emerging right now. Under which law they will be managed will vary from country to country. The US had determined that it will be managed under Part 135 - the language they use. If it is so, we manage and report under Part 135, which very much falls into our area of aircraft or heli operations. So it's a new segment that is opening up. We make sure that we tend to dominate the segment as much as we dominate the helicopter segments. The first proof of concept has come our way. We might be able to sign one or two more deals over the next two, three months in that area. Again, everybody is starting small, everybody's getting funded. One of the companies from Europe who signed the POC with us seems to be in the range of $800 million plus funding. So there's a lot of money pouring in this area. Everybody sees the potential and everybody's putting money there. So we want to capitalize early and get into the gate.

Can we say that we are the front runners in this business, in the sense that maybe one of the front runners?

You can say, because if, if helicopter laws apply, then we have an advantage.

In terms of our HR business, what happened in the past 2-3 years, why are we flat on the revenue and how has the mix changed from on-premise to cloud? And can we actually start seeing growth from next year in that business?

The license portion of that revenue used to be around 48% in 2017-18, which has fallen down to 15% in 2020-21. Last year license revenue for the HRP business was $6.5 million or so. Could not remember having signed a licensed deal for HRP recently. That's the mixed change we see. If it seems to that revenue has not gone up, it's because that we are not going in for the deferred revenue in this case. Unbilled license is not something that we want to add and that is a mix that will keep changing for other businesses. So next in line logistics for this.

And in terms of the write offs, already there were few questions about it. I don't want to harp on the same point, but is there anything that we can do in terms of how we account for the revenue being more conservative, so that we don't have these write-offs?

When we get a contract, it's good contract and we cannot suspect a contract. If we have a contract, which is signed by the customer, we have no reason from accounting perspective to pick and choose selectively in recognizing the revenue. If we have a contract, with respect to taking license, after fulfilling our obligation of delivery, we have the right to recognize that revenue and receive the money. We cannot suspect and judge that the customer may not pay. So that is on the licensing. On the implementation services, we follow the proportionate recognition method consistently. As and when we render service, we take the proportionate revenue without waiting for the billing on the customer. That is why it is getting added to the unbilled revenue. If at all, we have to be cautious on recognizing the service revenue - where we can smell some problem, we should try to reduce it and we are already doing that.

What growth in HR business you all expect to see with the order book that you already have for the next year?

We could not hazard a guess on the growth now. We can say that we are seeing the change in the mix. We will be in a much better position to answer that question the day our connector is certified by Workday. We are waiting for that certification because that should open up the flood gates for us, because Workday is normally sold in the biggest companies. Once they see our name on the website, the certified connectors, then they approach on their own. This business has a tremendous amount of potential. The booking growth should take place in next one year. In this business we have a tremendous competitive edge right now. We are the front runners as far as innovation goes. So we have all the positives here. We are trying to sort out only one item, just go live faster, much faster. That’s the only thing we are emphasising on. For 15 countries, we have succeeded now in building the model, and we will keep aggressively increasing this. We can see the potential here, and we will be in a better position as we get the certification done. We can see opportunities increasing from Oracle a lot and Workday will also become similar.

On the unexecuted order book, for example, $90 million is approximately the HRMS order book. As mentioned earlier that 50% is SaaS and 50% in licensed based – my apologies if I heard you wrong. So how does this 50% SaaS tie up with fact that our revenue for eg., this year 85% Saas and 15% license revenue is one part of the question and secondly, as this order book gets executed, is this $90 million based on your approximate subscription revenue that will come over three years. Is that how we get this $90 million order and how does the math work out?

This is not approximate, but based on the residual of the actual orders. We have orders, we have confirmed orders, either purchase orders or the contracts executed with the customers. Earlier, we used to have a license component either on the on-premise model or on the deferred model that would be consumed when we have done our obligation. That will not figure in the unexecuted order book. Basically, unexecuted order book is: If a customer has gone for our platform, it would be a subscription, which will commence after we do the implementation. Generally subscription contract tenure is 5 years. If we have already done two years of subscription, that 90 million unexecuted orderbook will contain the balance three years subscription. If it is a global payroll contract, then after we do all the setup, etc., we start the processing of payroll. There also, we execute the contract with customers for five years. On an average, the unexecuted order book will run for the next three to three and half years. That is how we book, and it is based on the actual balance orders we have on hand.

Out of the $90 million, majority component is recurring component which includes both subscription and BPO services, because we have a good amount of managed services and AMC (unexpired AMC). That's the major component and we have a smaller component, pending services to be executed. So whatever orders we have taken till date will be part of unexecuted orderbook. So some components about close to 20%, would be on account of the pending services to be executed.

As we move towards this SaaS model more and more, how will the cost structure evolve? Will the cost structure also rise and fall in line with how the revenues move or the costs will largely be sort of fixed and how will that evolve? Development cost for example, in Logistics, for moving towards the message queuing, will that also be capitalized and then amortized during the lifetime of the product or will be expensed it upfront ?

That will be treated the same way as other product development costs. This is not a very significant amount, but nor is also an insignificant amount. We will be spending a fair bit of time and effort on that. On the question related to cost structure for SaaS, the cost of manpower will relatively be constant. The cost of infrastructure that is cloud costs, will keep varying based on the SaaS volumes.

So the flexibility of cost is with respect to that cloud usage?

Money we pay to AWS and Microsoft will be flexible. Manpower cost will also somewhat change, but relatively the R&D manpower will stay constant.

The discussion has been on the movement from on-premise to cloud based model. Apart from predictability in revenue, could you quantify some of the benefits, like the total contract value or something? Is there anything that you could quantify for us?

If you see all the Unicorns coming out of India and the valuations that they are attracting is because they are built on a cloud native model. That is a model going into the future. Currently every customer seems to be having a separate version, which makes the maintenance cost very high for us. Once we move to a pure cloud model, then all the customers all over the world will run a single version. So maintenance cost becomes much easier and there is a cost of deployment and the associated complexity of deployment in various companies globally, all that cost will come down. That is a globally tested model. Salesforce.com has become $200 billion plus market cap company in that model. Workday, Oracle, SAP have also announced a major move there. Due to this reason, we are making investment in that area. Enterprise product companies have shied away from this, but we are moving, especially for the HR and payroll business first and then logistics and then subsequently other products.

The total contract value of this would be higher than on-premise in respect of total billing from a customer?

Typically, it is higher. The whole value comes out to be higher. But the customer retains the flexibility if the business goes down, the cost for them comes down. They can terminate at short notice. In case of a license, they make an upfront commitment for license. Here people can move in and out. So retention of the client is a major factor for companies who are in SaaS model.

Is there any reason, since doing this transition, that our recurring revenue grown meaningfully in FY 21?

For recurring revenue we are not even counting, per employee per month revenue. We can change the nomenclature going forward to give you an impression of the movement. This transition is only for one business right now - the HR & Payroll business. That is the reason, the impact is not very pronounced.

After this, the meeting concluded.

Note: This is not an exact transcript of the call. We have made best efforts to capture the essence of the call. The voice modulations and the vocal emphasis cannot exactly be translated. For any clarifications, please reach out to: R. Ravi Kula Chandran at rkc@ramco.com.

FACT SHEET AS ON 31ST MARCH 2021

CONSOLIDATED INFORMATION

Figures in USD Million, except where stated otherwise

	Quarter Ended								Year Ended			
	Mar-21	Dec-20	Sep-20	Jun-20	Mar-20	Dec-19	Sep-19	Jun-19	Mar.31, 2021	Mar.31, 2020	Mar.31, 2019	Mar.31, 2018
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited $	Audited $	Audited $	Audited $
REVENUE - STREAMWISE												
Products	8.65	12.16	10.78	8.91	6.98	10.36	10.90	9.07	40.50	37.25	45.98	37.91
License	*2.81*	*6.63*	*5.25*	*3.86*	*1.82*	*5.14*	*5.92*	*4.31*	*18.56*	*17.14*	*27.92*	*21.59*
Recurring	*5.85*	*5.53*	*5.52*	*5.05*	*5.16*	*5.21*	*4.98*	*4.75*	*21.94*	*20.11*	*18.05*	*16.32*
Services	10.87	10.96	10.57	10.52	11.56	10.31	10.51	10.93	42.91	43.33	31.65	35.13
BPO	*1.46*	*1.42*	*1.37*	*1.36*	*1.40*	*1.11*	*0.97*	*0.80*	*5.60*	*4.29*	*2.93*	*2.84*
Other Services ^	*9.41*	*9.55*	*9.20*	*9.16*	*10.17*	*9.20*	*9.55*	*10.12*	*37.31*	*39.04*	*28.72*	*32.29*
Resale of Material	1.07	0.22	0.21	0.02	0.06	0.15	0.08	0.16	1.50	0.44	0.73	0.11
TOTAL	**20.60**	**23.34**	**21.56**	**19.44**	**18.60**	**20.81**	**21.50**	**20.15**	**84.92**	**81.03**	**78.35**	**73.15**
REVENUE - BUSINESS UNITWISE												
ERP	7.08	9.03	8.48	7.16	6.97	6.44	10.54	8.11	*31.74*	*32.00*	*28.12*	*31.32*
HRP	7.24	6.49	7.64	6.24	7.13	8.28	7.02	7.82	*27.59*	*30.26*	*30.70*	*23.68*
AAD (Formerly AVN)	6.28	7.83	5.44	6.05	4.50	6.09	3.94	4.22	*25.58*	*18.77*	*19.53*	*18.14*
TOTAL	**20.60**	**23.34**	**21.56**	**19.44**	**18.60**	**20.81**	**21.50**	**20.15**	**84.92**	**81.03**	**78.35**	**73.15**
REVENUE - GEOGRAPHYWISE												
Americas	4.35	5.50	4.41	5.59	3.41	3.85	3.60	3.58	*19.87*	*14.43*	*17.26*	*14.42*
Europe	1.84	1.92	0.53	0.48	0.56	0.60	0.52	0.84	*4.75*	*2.51*	*2.05*	*2.12*
APAC	7.00	7.84	9.72	6.94	7.93	9.34	10.46	7.41	*31.50*	*35.13*	*32.27*	*24.65*
India	5.23	6.29	4.42	4.26	4.41	4.24	5.13	6.54	*20.18*	*20.28*	*16.07*	*18.60*
MEA @	2.18	1.79	2.47	2.18	2.30	2.79	1.79	1.78	*8.62*	*8.67*	*10.71*	*13.37*
TOTAL	**20.60**	**23.34**	**21.56**	**19.44**	**18.60**	**20.81**	**21.50**	**20.15**	**84.92**	**81.03**	**78.35**	**73.15**
BOOKING - BUSINESS UNITWISE												
ERP	7.15	4.79	12.99	7.05	4.05	2.62	14.88	5.14	31.98	26.70	38.75	43.58
HRP	9.43	15.66	8.18	6.73	4.81	15.56	9.36	14.51	40.00	44.25	47.52	46.66
AAD (Formerly AVN)	6.94	17.95	5.37	7.58	4.28	11.62	1.77	1.88	37.85	19.54	30.65	13.84
TOTAL	**23.52**	**38.40**	**26.53**	**21.37**	**13.14**	**29.80**	**26.01**	**21.53**	**109.82**	**90.49**	**116.91**	**104.08**
UNEXECUTED ORDER BOOK #	**182.67**	**177.77**	**164.90**	**163.99**	**166.55**	**176.29**	**168.24**	**168.00**	**182.67**	**166.55**	**166.00**	**153.00**
CUSTOMER METRICS												
Revenue from New Customers (%)	29%	31%	20%	18%	14%	21%	24%	17%	*25%*	*19%*	*33%*	*24%*
Revenue from Cloud orders (%)	43%	44%	36%	37%	40%	45%	31%	36%	*40%*	*38%*	*39%*	*34%*
Number of new customers added	14	9	15	12	6	13	17	14	50	50	80	85

$ Figures, other than revenue, are unaudited.
# Unexecuted orderbook comprises of new orders , renewals, reversals & adjustments for the base foreign currency rates in the current financial year.
^ Other Services also include infrastructure and hosting services.
@ Middle East and Africa (MEA) includes South Africa.