Galloping ahead

The Chennai-based provider of aviation maintenance solutions is fast achieving take-off velocity

Raja wants to make his company the largest in the field

Ramco Systems Ltd (RSL) has grown from a ₹116.45-crore turnover in 1999-2000 to just over ₹163 crore in global business a decade later. The company’s 2009-10 annual report, however, says Ramco India – which chalked up a total income of just ₹108.55 crore against the previous year’s ₹96.9 crore – “recorded prolific growth, both in terms of new order wins and repeat businesses”. But it is the fact that it is small that keeps it nimble and helps it match the biggies, says its vice-chairman, managing director and chief operating officer P.R. Venketrama Raja.

“We can scale to thousands of people with our cloud capabilities,” says Raja, who set up the company in 1997 as a diversification from the group his grandfather founded at Rajapalayam in Tamil Nadu 75 years ago. “The leaders in the field, on the other hand, will have to rewrite their entire systems.” The group now has four listed companies with interests in cement, building products and software – Madras Cements, Ramco Industries, Hyderabad Industries and RSL – boasting a total turnover of $1 billion (₹4,600 crore). The original cotton yarn business has grown to four companies, with half-a-million spindles across Tamil Nadu, Andhra Pradesh and Silvassa.

Raja, who set up RSL as the research and development division in the mid-1990s, spun it off as a separate company that was incorporated in 1997. In the early 2000s, his team created a brand new architecture and moved its entire product line to it. This, he says, gives Ramco the first-mover advantage – others will surely do the same thing, but the process will take them longer. “We’ve made a number of innovations and automated the entire process of software creation with our VirtualWorks platform,” he explains. “This helps modify, create and manage large-scale enterprise systems and gives us an edge over traditional ERP (enterprise resource planning) vendors. It also enables us to create products much faster, which means we need far fewer resources to create, maintain and implement our ERP – and to quickly create different verticals.”

One of these verticals is aviation. Ramco claims to be the world’s largest provider of aviation maintenance and engineering (M&E) and maintenance, repair and overhaul (MRO) software solutions, with customers around the globe, including Gulf Helicopters, Indian Airlines, Air New Zealand’s Safe Air MRO operation, Jazeera Airways, ADAC Luftfahrt Technik and Yemen Airways.

“It’s a niche market, and we are the most comprehensive and powerful in it,” says Raja. “It’s a complex operation to track components across fleets, the various checks after so many hours of flying and so on, because when components have been interchanged between aircraft of different ages, everything changes. And the check schedules become different!”

The latest feather in RSL’s cap is an MRO contract with National Aviation Company of India Limited (NACL), which operates Air India, Indian Airlines and Air India Express. It has also bagged MRO deals in the Americas and Indonesia. With Ramco’s software, Air India will bring all areas of functioning of its MRO facility on to a common information technology platform, which will help increase aircraft availability, reduce inventory, ensure quicker turnaround times and bring about cost effectiveness. “We see the aviation industry reviving globally and this win has further strengthened our
presence and focus in the global aviation market," Raja says.

The big event of the year, of course, was the launch of Ramco On-Demand ERP (RODE) 2.0, an upgraded version of its SaaS (software as a service)-based ERP, which it describes as "India's first full-fledged ERP offering on the cloud". RODE 2.0, built on the Virtual-Works platform, adds major functionalities, features, and modules over the earlier offering. With a rich user interface and a unique set of extension and customisation capabilities, this adds significant functionalities, features, and modules to the earlier offering. It enables customers to go live in as early as seven days against the months taken by traditional ERP.

Customising function

RODE 2.0 - which the company's advertisement, featuring three horse-shaped cloud formations, describes as "the planet's most powerful ERP on the cloud" - offers ERP extendability with a kit that allows customers to build their own unique sets of extended functionalities and integrate with the core ERP on the cloud. The enterprise reporting tool also facilitates the addition of new reports or customisation of existing reports, easy integration with external applications through Web services or simple data-level integration, business intelligence (BI), mobile computing and enhanced security features. "It allows you to get a multi-million-dollar ERP system with no investment," Raja points out. "RODE has given us an opportunity to deploy a robust information system without investing in additional resources or capital," says S. Badrinarayanan, vice-president, RTE, Brakes India. "This model is cost effective and enables us to focus on our core business competency."

Costs of implementing RODE are less than half the norm for on-site ERP. In the first place, equipment expenses are practically wiped out as the company uses the cloud rather than buying and installing its own multiple servers - which, as most people in the industry point out, are planned far in excess of current requirements so as to take care of future needs.

Kamesh: "Strategy differentiated us from the rest of the world"

For instance, a client with 50 users on site and 10 remote users would spend a total of ₹1.04 crore - ₹5 lakh on subscription and ₹99 lakh on implementation - over a five-year period, against almost ₹2 crore for an on-premise ERP, comprising ₹30 lakh for the ERP software, ₹15.75 lakh for the server, ₹5.43 lakh for other software and ₹4.5 lakh for networking, as well as another ₹1.4 crore in annual costs for software, resources and interest.

Other customers are quite as happy. Ramco has signed an agreement with Gulf Precast Concrete Company (GPCC) LLC, to offer traditional, full suite of on-premise ERP across GPCC's six factories in Abu Dhabi and Dubai, and chief operating officer Daniele Pfeffer describes it as "part of our journey towards excellence... the only means for survival in a world where competition is fierce". Ahmed Hussain Laftir, managing director, Tradeline LLC, with which RSL signed up in May 2010 to offer IT solutions on HCM (human capital management) and payroll management, concurs: "We chose Ramco over many other contenders looking at the comprehensiveness and uniqueness of their solution. Apart from the product, Ramco Systems has displayed an amicable approach towards the effectiveness and the customisability of the product. Understanding the geographical dynamics and being able to frame up accordingly is the first requirement in any business today."

Explaining that an ERP implementation is an expensive decision and its ROI is achieved only after a few years, Laftir says Tradeline has seen a high level of commitment in Ramco, and that it is "more cost-effective, compared to some other bigger companies in the market, while providing comparable standard in quality".

Under the deal, Ramco HCM and payroll solutions will integrate the processes of the different business units of the Dubai-based trading, shipping and iron and steel manufacturing group by providing centralised payroll processing capabilities which will help streamline the HR process across all its business units. This will comprise a package of different functions like employee data management, leave and time management, recruitment, appraisal, training, and so on. Ramco HCM, another of its verticals like aviation, manufacturing and logistics, is deployed at hundreds of customer sites across more than 34 countries, where it handles the entire employee life cycle.

Going across functionalities, Ramco runs the entire backbone for huge organisations like the DLF group, which has a couple of thousand companies in properties, rentals, collection of electricity and other charges, and the like. "We also have 2,000-3,000 users in the UN's Palestine authority at Jordan, where the entire finance and administration is on our system," Raja says. "We may not yet be the right solution for standardised applications, but when there is anything non-standard and complex, people automatically come to us."

Raja counts RTC's rural initiative, eChoupal, among his valued customers. The admiration is mutual. "Ramco ERP is the transaction backbone for RTC eChoupal, so it is vital both in operations and as a decision support system," says S. Sivakumar,
chief executive, agri businesses, ITC. “All the processes of our commodity sourcing operations and supply chain management, and consequently the financial accounting systems, run on Ramco.”

**Varied applications**

Why Ramco? “Firstly, since we deal in multiple commodities, we needed an ERP system that serves the varied processes relevant for each of them, yet standardises them at a broader level,” Sivakumar explains. “More importantly, since ITC eChoupal was a rapidly evolving business model, we needed flexibility to make changes and agility to do them on the go. Ramco VirtualWorks was the only ERP system that could bend and move with the changes in the business model.” Adds R. Shankar, Ramco’s executive vice-president and country head, Middle East, Africa and India: “Ramco conceptualised the solution, which gives the farmer access to the global market. Middlemen are part of the new process, too, but it’s all transparent.”

At the Abu Dhabi-based CERT group, to which Ramco provides the complete ERP, chief financial officer Chandra Sen Hada describes the solution as “critical to our operation as it allows us to extract important financial information on real time basis to make our business decisions”. Explaining that CERT was looking for “something reliable yet flexible, robust yet not too expensive”, he says Ramco fit this bill. “They made a professional presentation to us. We were also impressed by their software development methodology and its modular/flexible nature.” In retrospect, Hada says, “I think we made the right choice and the implemented system is proving beneficial to us. There would have been high maintenance cost if we were to choose any big operators. Also Ramco’s after-sales and implementation support has been great.”

FY10 saw Ramco’s consolidated net profit falling from $4,50,000 of the previous year to $4,00,000, on a standalone basis. However, it managed to reduce its net loss from ₹1.56 crore to ₹1.09 crore. For the half-year ended September 2010, total global revenues, including revenues from subsidiaries in the US, Switzerland, Singapore, Malaysia and South Africa, stood at $20.9 million (₹95.15 crore), with a profit of $1,70,000 (₹79 lakh). The July-September quarter saw global income of $11.04 million (₹50.85 crore); profit was $1,10,000 (₹54 lakh), the same as in last year’s Q2, though revenue grew 23 per cent year-on-year, with India, the primary revenue driver, contributing 52 per cent, followed by the US operations (27 per cent). The company’s subsidiary Ramco Systems Corporation, USA had a wholly-owned subsidiary in Australia, Ramco Systems Australia Pty Ltd, which was de-registered on 27 January, 2010.

The see-saving finances have had no effect on the company’s senior management team. Chief operating officer Kamesh Ramamoorthy, a 16-year veteran, says he was “flabbergasted” when he first saw what Ramco was doing: putting all its efforts into creating ‘true technology’. “I too put all my energies into it, and never looked here and there outside,” he says. Having worked with Wipro earlier as a software engineer, he moved into sales, but software was still his first love. “Here, the work was capital-intensive and high-risk,” he says. “We were involved in strategy, which differentiated us from the rest of the world.” Joining as country head for Switzerland, he found himself rubbing shoulders with ‘the best in the world’, which he realised when he moved to the US a couple of years later. “It has taken us time, but we’re there now!”

“This company has a unique mission and values,” concurs Shankar, who has also been around for 16 years. “Building a product in India which works in the global market, especially the West, has established our credibility.” And he found as he stayed in Ramco that “the software matured, as it got older – like wine, very heady!” Where implementation is concerned, Shankar rates what has been done in group company Madras Cements as “one of the world’s best ERP solutions for cement.”

“Ramco Enterprise Series 4.2 is the backbone of this company’s business processes,” explains N. Varadarajan, SGM, information technology, Madras Cements. “It covers almost all of the processes—from mining to production to distribution and marketing in 10 of our production facilities (five cement factories, three cement grinding plants and two packing plants) and in about 80 marketing locations and warehouses. More than 300 users across these locations are using the system.”

With about 2,000 trucks leaving the factories each day, all the functions are crucial, as the company would lose business if the loads do not reach in time, Varadarajan explains. But even more than the process requirements, the ERP is “a goldmine of information” – which, when properly analysed, helps reap many quantitative and qualitative benefits, he adds.

It would normally take hundreds and hundreds of man-hours to develop the Net-based application to move from a client server, explains Shyamala Jayaraman, vice-president, R&D, and a 19-year Ramco veteran. “So, we started investing in research and automation, for which VirtualWorks came in as the means,” she says. “It gave us the ability for rapid development of our service-oriented architecture, with which we can develop applications using Web services.” Ease of customisation was
always the key focus; so Ramco allows user-defined operation, rather than force change.

Thamizha Nambi M.M, vice-president, marketing and business consulting, has been with Ramco for a much shorter time than his fellow VPs: a mere 10 years! “We have realised the importance of marketing being done by a technocrat, and revamped the entire team and strategy,” he says. “We need to stress the fact that ERP on the cloud is our biggest differentiator.”

But while RODE 2.0 has functionalities that can support the requirements of a large number of new industry verticals like trading, automobile and auto component manufacturers, electronics and engineering, manufacturing industries, services, leather, power generation, food processing, and dairy, Nambi is looking at focussed marketing, short-listing 12-15 of the current 55 verticals in which the company has customers. “Aviation is among the top three, maybe five, such verticals — it will more than double this year,” he says. “We have 35 aviation customers around the world, so it’s a logical growth path.”

A global leader

“Ramco Systems is the global leader in the full M&E and MRO software application business,” concurs Jim Fitzgerald, president, Ramco Systems Corporation, Ramco Systems Canada Inc, and Ramco Global Aviation Solutions. “In July 2010, Ramco announced a global partnership with IDBLUE to provide end-to-end RFID solutions in the aerospace sector for the purpose of MRO, aircraft and component data identification, tracking, enhanced line maintenance and performance-based utilisation. "Our aviation clients can now have faster data access with RFID tags or labels linked via IDBLUE, seamlessly integrated throughout our solution," he explains. Fitzgerald is, however, a tad more cautious than Nambi about the sector’s future. "In the aviation sector, we are projecting a 400 per cent growth over five years, which is 80 per cent year to year," he says.

So, is aviation the future, or RODE? Both, says everyone. Sukumar R, general manager, on-demand solutions — a 14-year Ramco hand, and part of the RODE start-up team — says the first mover advantage will keep it ahead for about three years. "But the competition is right behind us, so time is of the essence if we have to take advantage of the huge market potential," he says. Ramco is today the only company offering an ERP solution on the cloud. None of the biggies, including Tata Consultancy Services, has an ERP product of its own. Some of them are implementation partners for other global vendors like SAP or Oracle.

“We have an immediate target of going from 200 customers to 500.” Explaining that it’s need that drives companies of ₹100-300 crore, Sukumar says many who really need ERP can’t afford it. “People who couldn’t afford it earlier can do so now, because it’s a shared resource,” agrees Vinod Krishnan, regional manager, south, at the Bangalore-based virtualisation major VMware. “The success of companies like Ramco makes us bullish about our work, too.”

Raja obviously has a good thing going: a hot product and service offering, and people who have been with him long enough to make a human resources department practically unnecessary — though Shivakumar J.S, head, HR, says that, while the key people have been with the company for 15-16 years, Ramco has a people turnover of 18-20 per cent. “I hope to make Ramco Systems the largest in the field in the next three-four years,” Raja says. “We have an extremely powerful architecture and product which should make this possible.”