February 06, 2023

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: Con-Call transcript of Analyst/ Investor Meeting held on February 01, 2023
Ref: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Further to our intimation dated January 31, 2023, regarding analyst/ investors call, please find enclosed the gist of the points discussed in the Con-Call held on February 01, 2023 and the fact sheet as on December 31, 2022.

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**

VIJAYA RAGHAVAN
Digitally signed by VIJAYA RAGHAVAN
Date: 2023.02.06 13:07:52 +05'30'

VIJAYA RAGHAVAN N E
COMPANY SECRETARY

Encl: Gist of Con-Call and the Fact Sheet

Ramco Systems Limited
Corporate Office: 64, Sardar Patel Road, Taramani, Chennai 600 113, Tamilnadu, India.
Tel: +91 44 2235 4510 / 6653 4000, Fax: +91 44 2235 5704 | CIN : L72300TN1997PLC037550

Registered Office: 47, P.S.K. Nagar, Rajapalayam 626 108, Tamilnadu, India.
Global Offices: India | Singapore | Malaysia | Indonesia | HongKong | China | Vietnam | Macau | Japan | Philippines | Australia | New Zealand | UAE | Saudi Arabia | USA | Canada | United Kingdom | Germany | Switzerland | Spain | Sudan | South Africa
www.ramco.com

“Ramco Systems Limited
Q3 FY23 Earnings Conference Call”

Event Date / Time : 01/02/2023, 16:30 Hrs.
Event Duration : 59 mins 09 secs

DAM Capital Advisors Ltd.

Hosted by

ANALYST: **MR. ANMOL GARG - DAM CAPITAL ADVISORS LIMITED**

MANAGEMENT: **MR. P.R. VENKETRAMA RAJA – CHAIRMAN**

MR. SANDESH BILAGI - CHIEF OPERATING OFFICER

MR. R. RAVI KULA CHANDRAN - CHIEF FINANCIAL OFFICER

MS. GAYATHRI R - VP FINANCE

MR. VIJAYARAGHAVAN NE - COMPANY SECRETARY

Moderator

Good evening, ladies and gentlemen. I'm Vidya, moderator Ramco Systems Q3 FY23 Earnings Conference Call hosted by DAM Capital Advisors Ltd. .As a reminder, all participants will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need any assistance during the conference call, please signal operator by pressing * and then 0 on your touch-tone telephone. Please note, this conference is recorded. I would now like to hand over the floor to Mr. Anmol Garg from DAM Capital. Thank you. And over to you Sir

Anmol Garg

Thank you, Vidya. Good afternoon, everyone. On behalf of DAM Capital, we welcome you all to the Q3 FY23 conference call of Ramco Systems. We have with us, Mr. P.R. Venketrama Raja, Chairman of the company, Mr. Sandesh Bilagi, COO; Mr. R Ravi Kula Chandran, CFO; Ms. Gayathri, VP finance, and Mr. Vijaya Raghavan N E, Company Secretary.

I now hand over the call to Mr. P. R. Venketrama Raja, for his opening remarks. Thank you, and over to you.

Chairman:

Good evening, everybody. And thank you for joining the Q3 earnings call of Ramco systems Limited. This quarter has been an important quarter for Ramco Systems. It has reinforced the strength of our core products, and the comprehensive and unique functionality that we have built across a product suite, including Global Payroll within HRP, Maintenance, Repair and Overall product for the Aviation and Defense sector as well as our core ERP suite. We are pleased to see an uptick in the business after eight quarters, reflecting in our strong and broad-based bookings, momentum across the businesses we focus on.

We stay invested in our product, people and partnerships, and a platform to ensure continued momentum and our booking, bringing about greater predictability in our business to ensure initialization of best practices, all for driving greater enthusiasm amongst the employees, and enhancing our customer experience. Let me give you an update of the fundraising during the Quarter. We raised Rs.130 Crores through a preferential issue of shares, which will be utilized for repayment of existing loans and to strengthen our products, and selling and marketing activities. I will now turn over the call to Sandesh to walk you through the operation details of the quarter.

COO:

Thanks. Good evening. And thank you all for joining the Q3 earnings call. I'm happy to take this call from Chennai, our global headquarters. I've relocated to India after building out our business and teams on ground in Australia, which is where I operated from during my decade-long stint in the Ramco Systems. I'm pleased to say that we reported a sound Q3, most of the key metrics pointed out to Ramco Systems turning the corner, be it our bookings, broad-based growth across the three business units, unexecuted order book climbing up, improved recurring revenue and lower attrition.

At $27.6 million, our booking for the quarter is highest we have recorded in eight quarters. This is 103% higher than December 2021 Quarter and 59% higher sequentially from September '22 quarter. This strong booking was on back of $7 'million $ wins', out of which two are above $5 million. The solid bookings for the quarter and the growing momentum in our business should flow through to revenue in the coming quarters. The year to date booking at $66.64 million has surpassed the bookings for the entire previous financial year. As you could see from the numbers given in the fact sheet, every business unit has started firing on multiple cylinders. During the quarter, Aviation and Defense business had 4 'million $' deals. HRP had two, out of which one is a top bank in Australia, and core ERP had a '5 million $' deal.

During the quarter, our unexecuted order book was $191 million. In any year between 15% and 20% of our unexecuted order book translates into revenue, thereby giving us foundational start to each quarter. In prior quarters, we have seen some volatility in order wins, which is why translation to revenue was inconsistent or muted. With sequential quarter of healthy order wins, we believe that this will drive revenue growth in coming quarters. Coming to attrition, it is heartening to see attrition come down by 6% on a trailing 12-month basis, with the trendline clearly moving downwards. Let me now provide you some colour on EBITDA. We are taking concrete efforts, like automation of managed services through robotic process automation, testing automation across company, reduction in subcontracting and outsourcing, prudent cost management among others, to gradually bring down the losses over the next several quarters. Should the revenue accelerate faster than we anticipate and the cost optimization measures give us the benefits sooner, they should impact our margin favourably.

In the past few quarters, I had informed you that we will bring a greater degree of focus and discipline in our business, and that we will first get our booking in shape as that will favourably impact other parameters, including revenue, margin and employee retention. As you would see, growth during the quarter is fully aligned to our strategic focus on defined business segments and geographies. New customer acquisition has been across industries in Aviation and Defense, ERP and Global Payroll.

Asia Pacific, which was historically been dominant market for us, emerged as a strong performer recording high momentum, resulting in our business bouncing back to pre-pandemic levels. While our booking is growing and the pipeline of deals are getting converted at healthy pace, we are being watchful about the macro-economic environment. We are seeing some deal decisions slowdown and some bounce back, quarter later. As such, it's too early for us to call out any meaningful one-way trend. We are happy about the roster of prospects, the portfolio of our offerings and the market traction for it and we will stay focused on what we can control as an organization. In closing, we are pleased with the trajectory of our broad-based growth momentum. We believe we are well positioned in the market in our core area of focus, and our pipeline continues to send them with every passing quarter. With this, we are open to any questions from you all.

Moderator:

Thank you. Ladies and gentlemen, we will now begin the Q&A session.

Question:

Thanks for the opportunity. My question is, given the macro-environment, can we at least maintain this kind of bookings and which products are you seeing? And can I assume that the HRP - the Global Payroll is completely subscription based and can you tell the nature of the revenues that you're booking in each of these divisions and where you see the growth in the coming quarters?

Answer:

Yeah, I think there are two questions. I think one was on the macro-economics. As we said, I think our booking is growing and the pipeline deals are getting converted to a healthy rate and I think the delay whatever we have seen in the quarter - they're bouncing back. So, cautiously, we are giving what we told, but however, we are very, very happy with the prospects and roster of prospects and portfolio for our offerings. So, hopefully, it will continue. The momentum of what we are seeing, it will continue. It will be a bit early to exactly say whether it is going to have any adverse impact or so at this stage.
Second question you had on the nature of revenue all across this. In HRP, we have converted most of our revenue on subscription based. That business we have both for the managed services as well as the technology side, we are more akin and more variable now. It is more per employee per month, or per pay slip kind of revenue, we are getting from HRP business, Other businesses, we are transitioning to more annuity business, though there are shades of some license and other are appearing in AAD. More and more we are looking into annuity-based requirements coming from the customers.

Question:

My next question is on the fund raise. Few quarters back the Chairman Sir alluded that we don't need any capital. So can you throw light on why do we raise capital? Is it because of the investors? And can you tell us what is the reason for diluting our equity?

Answer:

We did not dilute equity. We brought funds from the group and from the promoter. Equal part we bought from a private equity private fund.

Question:

But you alluded that we would not need money a few quarters back, so I just want to know that.

Answer:

Initially, our collections were good, and everything was good but then, during the transition, and while order booking started dropping unexpectedly, our bookings, we were running negative cash. So, I didn't want it to adversely affect our order bookings, because these big customers do actually look at a healthy balance sheet before they give these strategic orders. So, we said let us go for a fundraising to make sure that our books are very healthy, so that we can continue to book good orders.

Question:

All right. One request from my side from the last one year is can you clear more data, product wise, your competition, the funnel and our NPS scores, if possible, those kind of data that we could understand how things are shaping, order sizes, and all those things. So, I've been asking for the last one year. If you can do it, it will be good for us.

Answer:

Definitely, we will do. We took that suggestion .If you see our fact sheet now, we have also given the geographical breakdown for the entire period - we are producing in the fact sheet. Competitive and product placement - we have taken that note. From the coming year, we will also give details on the competitive data and where are we - with other aspects of quantitative details. We have taken note of that, and we will produce that.

Question:

I need a ballpark quarter where we can turn black in the sense that we will stop posting losses, like any idea and so, I'm assuming from your answers that at least this kind of bookings can be maintained.

Answer:

That is what we are expecting, based on current status of the moment of the pipeline and visibility what we have from the order booking perspective and in coming quarters, I think that is our expectation that first to reach the operational breakeven and then turn into EBITDA profitability, sequentially in coming quarters that should help.

Question:

So, your outlook on all the three products is positive, barring this recession or this macro, in general your products are getting tractions with positive outlook, shall I take it?

Answer:

That is correct. Current quarter - in the fact sheet you can see - order booking has been across all three business lines and across all geographies, and we are seeing a similar kind of traction across geo and across business lines alike. So all the product lines are strongly positioned, right now.

Question:

What is the total unexecuted order book?

Answer:

$191 million.

Question:

Last conference call, around 400 total, in the pipeline order book in $600 million you told.

Answer:

That is pipeline. This is unexecuted order book $191 Million.

Question:

How much pipeline?

Answer:

Similar to last time. Yeah, same thing, 600.

Question:

Is this is possible to 50% materializing?

Answer:

That's hard to say - it is when they decide, also which quarter they will give us the order. So, it's hard to say exactly how much percentage will come through - usually, we convert about 15%.

Question:

Every quarter?

Answer:

No, for the year.

Question:

For the full year?

Answer:

So, the attempt is how do we increase that percentage. It is a basic work we are doing by increasing automation, by increasing our ability to go live faster, so that the velocity of conversion goes up. We are working on to dramatically improve our speed of execution.

Question:

Defense division & Logistics division - have they actually fully operated, and have they upgrade the software?

Answer:

Yes, it is. Logistics is reflected under the ERP business and it is fully operational and we have gone live with many customers now.

Question:

Is the software is completed and updated? Last time call, some upgradation is going on.

Answer:

It is completed.

Question:

And logistics has gone live?

Answer:

Yes. It has gone live. Australia, we have gone live. We're working on one more implementation in Australia, which is going on well.

Question:

On logistics side, order booking, how is it?

Answer:

It is within the ERP domain. As I said, we are seeing traction there in the market where we have offered that one. So, we are getting good inquiry and interest on that product line as well. It is very similar to the other lines.

Question:

Any major competition in logistics side?

Answer:

There are typical competitions we had identified. There are local players, at the global level. Oracle transport management and SAP transport management are two key competitions for us in the market, across the transport, warehouse and rating & billing - what is typically in the package along with our back-end supply chain and finance. That is what is the competition what we'll see. And, of course, there are some local and point solutions in WMS and TMS, which we do see in each of geographies.

Question:

You are competing with SAP – is it better than the Ramco Logistics product? It is capable, Ramco Logistics?

Answer:

Yes. Ramco Logistics is capable. We address different markets from what they do. So, we have our space, and they have their space, yes.

Question:

Okay. So, generally speaking, what is the general relationship between revenue to bookings? I'm just looking at the fact sheet. In the past, we have sort of done closer to one-to-one kind of booking, so if you are booking 100 rupees, the revenue is also close to that number. Whereas in this quarter, this is very low. if you could just explain the relationship and the nature of this, and how does it work, for the understanding?

Answer:

Yeah. See, I think there two things are here. In last call also we also explained the need - what we had to change in the business model. Basically, with the market and clients expecting shift from CapEx to OPEX, we had to actually quickly transition to a model where we can provide OPEX model - which is basically annuity revenue for us. So, that is the reason in the immediate conversion model what we had advantage earlier - to recognise licenses immediately. That has now started spreading over five years - with the annuity, continuous revenue will come.

So, from that immediate conversion, numbers would have dropped in the quarter, not only this quarter, but you will also see that trend in the last three quarters as well. That could continue, but over the period, that would mean, when we are in steady state, you will see increase in the annuity revenue, which will probably provide us better cushion for the cost management and margin management.

Question:

Okay. Understood. And just as an extension to this question, then in terms of unexecuted orderbook, typically, I'm just assuming that - let's say, if we were to close the business today, and just $191 million of unexecuted order book is there, how many quarters will the $191 million run into?

Answer:

That is what we said as around four years roughly. That will leave us with, if you don't do anything at all, then that will be consumed in around four years' period.

Question:

The second question was, in terms of the fundraise that you've done. You've raised about Rs.130 crores. So, you mentioned that the promoters have participated. Are there any external investors as well? Can you share how much has the promoter put in and how much has the external investor put in?

Answer:

Our group company, Ramco Industries, they have subscribed Rs.45 crores, and the Chairman has taken warrants for Rs.40 crores of which 25% has been paid by him immediately. Other two FPIs - one is Atyant Capital India Fund Rs.37.5 crores and Vanderbilt University, has contributed Rs.37.5 crores. Total issue is Rs.160 crores, of which we have now got Rs.130 crores, and Rs.30 crores will be converted into shares within 18 months.

Question:

We have been seeing a lot of write offs and this has been continuing for many quarters, I think you'd mentioned that probably FY23 would be the last, I mean it will end by Q3 or Q4 FY23. So, I just wanted to understand those write offs of the earlier implementations that we've done, and where are we? How many more quarters can we see write offs to happen?

Answer:

No, we have earlier said eight quarters. So, hopefully, we should be seeing end to the large amount of write offs by next Q3. And we'll be making some provision that will be for expected credit loss as the normal standard.

Question:

So, you mean to say that in other three-four quarters, we may have been continuing to see the same thing later.

Answer:

Yes.

Question:

By when we can you see becoming profitable from a P&L point of view, like next year?

Answer:

As I said earlier, with two-three things happening here - the revenue model what I told, that is annuity based and moving, and then, we are also working on some of the strengthening activity which we have undertaken, that should start showing the results. And the third, this write off is also there, considering all in the coming few quarters, hopefully, it should show. Before that immediate aspect is operationally, we have to be cash neutral. That would happen very earlier than the P&L profitability, that is what we are targeting immediately in coming quarters to be operationally cash positive, and then followed it to the P&L. Hopefully, with all the measures and the way order booking is looking, sooner than later, we should reach in few quarters.

Question:

And this Rs.170 crores or 180 crores you are raising right now. what is the current debt level? I think last quarter is about 140 crores, so has the debt level increased?

Answer:

No. Rs.93 crores as of December, The amount whatever we have after retiring debt, we'll be using it for selling and marketing expenditure and also for investment into products that is, remaining money is reserved for that.

Question:

So, basically, just to put it in a simpler way, we will have about Rs.70 to 80 crores of cash. Let's say if the money comes into our account tomorrow, Rs.93 crores we will pay out and we will have Rs.90 odd crores of cash that we would need. I think in cash we will have in the books, correct?

Answer:

No.. We have got Rs.130 crores, and after the formalities are over, we'll be repaying about 93 crores of debt and balance, we will be having around 35 crores.

Question:

Ok, eighteen months later, the money that you will get is Rs.30 crs.
A few quarters back - almost like four or six quarters back - I think you'd mentioned that there will be more time to go live in lot of the markets in the western world, with the connectors with Oracle and Workday. Can you share some progress, were very optimistic on that. If you can share some progress around that how is that shaping up?

Answer:

Yes. That is a continuous process. We had at that time first connector certified. This quarter we had seven more countries certified for us in Workday. We are continuing on that journey. Our pipeline for the HRP business is right now dominated by both Oracle and Workday. And of course, now, with Darwin box also being our partner, we are seeing that also in our pipeline. So, all the wins what you're seeing are reflective of some of the connection into some of these areas.

Question:

This transition that you're talking about - this one-and-a-half million kind of license business that we are doing quarterly, that you think this number would broadly be there and slowly the recurring business, which I believe is largely subscription of around five-and-a-half million right now, that will sort of keep growing every quarter, like AMC subscription line. Is that the right way to understand?

Answer:

That is correct. And if you currently see, already it has started showing 3 quarters back the recurring revenue, which was 8, which has now moved around 8.78 in last quarter. That is exactly what is the behaviour we wanted to have. And that will continue to accelerate, and the recurring revenue will start increasing, and more and more deals will be taken on recurring revenue basis.

Question:

Few quarters back, we had a lot of trouble in the Asian markets, because they were still suffering from COVID, and a lot of the deals were not happening. How is that now? With COVID behind us now, are you seeing the traction coming back or because of slowdown and all, it is not coming back?

Answer:

In the fact sheet, we have given in this quarter, major business from Asia Pacific. Out of $27.56 million, around $15 million is coming out of the Asia Pacific. Having said that, there were some large deals in this quarter. Next quarter onwards it should, in Asia Pacific, we are seeing good pipeline build up. Conversion is still a bit slow, considering that they just opened up. But good thing about that is we are seeing sufficient enquiry and good pipeline and he's moving in the right direction in Asia, across all geography, excluding Greater China and Hong Kong. Apart from those two markets, all other markets are open for business almost in a pre-pandemic level. We are seeing good traction, our salespeople are able to meet, travel and move the deals the way we want them to. Hopefully, the conversion will start coming up.

Question:

I want to understand the cost side. Let's say the plans that you are imagining materializes over the next 24 months. Where should we see the overall costs rising in terms of different head items, can you give some thoughts on that?

Answer:

Cost rise, we are expecting only mostly into the sales and market facing role or wherever we have to spend them, but we don't expect much, because if you remember, we have invested in automation and rapid implementation and multiple other areas. We are investing so that we don't have to rely and sequentially, we don't need to increase headcount for revenue. We don't exactly foresee that. With the plan materializing equally, cost will not increase in the same proportion.

Question:

But still, we will see absolute increase. Let's say today, the employee costs would be around 5 to 5.2 crores around that range. Will it stabilize to 6 crore range or not that much per quarter.

Answer:

Currently, I think the salary costs what we are seeing, probably will come down for some shorter period of time, we have enough manpower right now. So, we are not expecting anything to add. We should be able to absorb the new wins coming in there with the manpower what we have. We don't see substantial increases there. If orders do increase much faster than what we are seeing, before we complete our execution in other areas, we would have to look at that phase based on how the orders are sequenced and then we will take that call.

Question:

I'm relatively new to understand and therefore, pardon if it is a common question. The write offs are non-cash, but coming on expense; what is the number that we have booked in the nine months so far?

Answer:

$6 million in the nine month period.

Question:

From that perspective, when we see these losses, we are not losing as much cash as the P&L is probably making us look. Is that correct?

Answer:

Correct.

Question:

I think nearly Rs.40 Crores is the non-cash item out there? Is this majorly to do with the receivable?

Answer:

There are two non-cash items . One is the write-off and other is ESOP cost of $1.7 million, both are non-cash items.

Question:

All of it is connected to the receivables outstanding that we have, or on what part do we see on the balance sheet side?

Answer:

Lot of the write-offs are based on, during the pandemic, lot of orders were stopped, or companies went back; so all those things which we have recognized because of previous thing of recognizing licenses, and so on. So, once a project is stopped or stalled, and things like that, we are prudently looking at and making sure that we write off whatever we think is going to be not probably to be revived. So, quarter to quarter we are evaluating. And our estimate was that we'll have to go 8 more quarters and that's what we're doing.

Question:

In terms of the ability that we see, and as an organization, I think the CEO has gone out and I think at that time, you had mentioned that we will be looking for a new CEO. So what is the status? And what are your thoughts on the leadership side, if you can expand?

Answer:

I think the team now is executing very well, and things are stabilizing. So, we haven't made any decision as of now.

Question:

Okay, you're not even looking out for a CEO at this point in time is what you are saying?

Answer:

As of now, we are not.

Question:

Just wanted a rough idea from your side, about the Q4 FY24 revenue and margin improvements. I understand you said about your plans ahead about the large order book currently, which we have. So, can you just give us an idea? I know you won't be able to exactly qualify, but any remarks on that?

Answer:

I think currently what I'm seeing, I don't want to give a forward-looking statement, but where we are seeing the order booking and the way it is moving, it should be looking promising. Q4 also from the order booking perspective, on similar lines, hopefully should be there. We are seeing good traction.

Question:

For both, revenue and margin improvements, similar lines to Q3, you say?

Answer:

Yes, correct.

Question:

Thanks for the opportunity, and congratulations on strong booking. I think there was a comment that employee cost would go down, we have the exscapacity. So, is it more like we have capacity for future, or we need to go down a bit from the current level is what you were trying to say?

Answer:

Yes, It is a capacity we built and which is there for us to execute, that is more from, we have capacity to execute.

Question:

There were basically two actions. One is we have the capacity that we can use and as we improve our automation in various areas, we are hoping to make sure that the costs don't increase. And if there's any attrition, we can actually make sure that the cost also decreases at that level. So, it is basically a very delicate balance between reducing costs and keeping the capacity.

So, the important thing to take away from this is how much can we automate our execution of implementation, testing and engineering, where we are putting the extraordinarily heavy amount of effort in automation on these areas, apart from the product, because the product is fairly deep and complete in many respects across the board. So, the product is very strong, but the point is how do we execute with very little effort. And that is where we are investing a lot of effort. And that is where the whole thing plays out.

Question:

Right, and from an SGNA point of view, since there is a significant booking in this quarter, and there was this past challenge that we were facing in terms of several restrictions, travel restrictions, and those were impacting our order book, now order is coming back. So, is it fair to assume that our costs related to SGNA efforts are back to normal, or this needs to go up much more, even from this point.

Answer:

Currently, what you're seeing is for the current volume; we are also planning to actually increase the feet on the ground in this area, because we did invest in Europe, and we did invest in the US, and that is actually translating into good results. So, we will continue with our plan on an affordable basis to increase our footprint on geographies, where we expect higher revenue to come from.

Question:

So, for Europe, I assume it is for HR product, but in the US, is it beyond aviation?

Answer:

In Europe, also, we did invest in aviation and HRP. And in the US, it was more on the defense side and aviation and MRO.

Question:

So, this investment was there in the US specifically when you were talking about, is it more about replacement of the past peak headcount or this is net addition that we're looking to?

Answer:

That is the net addition we had made, and even we had made in US, ERP investment also. Now, we will see in these geographies to send them; based on new orders start coming in here, we will increase headcount in some of the geographies.

Question:

On the growth side, I mean, if you look at the current QoQ increase in the revenue, the bulk of that incremental has come from the license, revenue swing, and same was the reason of decline in the previous quarter. So, we know this volatility would continue and relatively the booking is still lower in segment like ERP, which is a bigger contributor on the license model. So, what are the factors that you see should take the revenue up from current level to a much more convenient number of revenue because our significant amount of losses need to be still covered.

Answer:

If the feet on the ground increase, it will increase the volume of booking. And second, from the ERP perspective - this year we had said aviation and HRP will start and I think that will quickly energize and then we will bring more into ERP that we have started now. So, it should start firing from all cylinders now, even including ERP and footprint on markets should also increase. All businesses should start seeing the order booking. Hopefully, in that, for some time, there will be license revenue coming from ERP and aviation to cover until we are fully transitioning to the annuity model in HRP. Until that time, we would see some licenses revenue coming from these sides.

Question:

Right, I have one more question, which has been asked earlier also in previous calls. somehow this unexecuted order book, this strong booking that we keep on reporting does not reflect in the revenue momentum at all. I know, there's a lot of changes that might have happened in terms of past customer booking, which might not have fructified the way one would have thought of. But from a current point of view, this new momentum that we're seeing, either in the unexecuted book or let's say, fresh booking perspective, how one should see this translating into growth? Is there any base growth that we can say?; if you don't want to give a full guidance, but based on this order book, is there a way to understand that at least x% of growth can be achieved, given the order waterfall that you have in your mind?

Answer:

The best guidance will be, what I told on the recurring revenue side, if you're observing that should go up and we should continue to, that would be contributing too. Right now, I think over 50% is moved to the recurring revenue for us. I think that over the period should only continue to increase, though it would have slowed down immediate revenue, that is a better indication to see; and conversion wise, I think we gave the unexecuted order book to revenue roughly as four years term. So the faster and bigger the unexecuted order book we start seeing, it should definitely translate at much faster than what you have seen in the past.

Question:

So, the only way to reconcile this maths is that there is a lot of current revenue and only after it goes away out of the system, then only this is possible that this unexecuted book is flowing through in 4 years, but still the revenue is not moving on a holistic level. There's still a significant component of legacy revenue or client pruning that needs to be done on the current portfolio, which can be seen as a leaking bucket?

Answer:

That we have done, I think in the current portfolio; but also other initiative is to quicken the implementation - that would also quicken our revenue growth, for which we have taken action. In the unexecuted order book, some of them are taking time to execute. We are, with rapid implementation tools working on; that would also increase our cash to bank much faster. Apart from the correction, what you're suggesting which is underway, that also we are trying to see if we can bring it.

Question:

Sorry to being bit persistent on this but is it safe to assume this 85 odd million of revenue that we achieved in FY21, can be achieved over next fiscal something or beyond?

Answer:

It is possible, the timing is the question there. I think that is the attempt we are making on this booking. I think we gave a guideline very clearly that we have to bring back our order booking to the past number where it is, that is the step number one and then to match up with the cost and revenue, and be healthy; automatically growth in the revenue will start coming up. Our attempt is also to accelerate to that level. These are the first two steps we asked 3 quarters back to watch for and it looks like order booking wise we are getting in there. And similarly, other attempt will be to cost-wise, manage and hopefully sooner than later we will reach that.

Question:

One clarification regarding this fundraise. What I see is the component, which has been raised by Mr. Raja, that part has an option of getting the balance amount over the next 18 months. So, is there any timeline that is in our mind by when we would actually subscribe to this?

Answer:

Whenever required, we will do that. I mean there's no particular timeline, except the 18 month limit.

Question:

So, essentially, this 130 crore includes the direct allotment of the 3 other investors and 25% of the component that has come from PRV.

Answer:

Yes.

Question:

In your current assessment based on this revenue growth acceleration at some point and cost optimization that you're speaking about, is it very safe to assume that we should be retiring all the existing debt and may not be in need off any further rising in any format, at least for the next 2-3 years?

Answer:

Yes. I mean that is what we are aiming for. And if things continue in this direction, that's all it should be because we want to grow much bigger. So, I think the next two to three quarters and the rate of order booking will start establishing that whole thing. So, we'll have to see this thing continue for a few more quarters for us to strongly say and assert what you're looking for. I understand what you're looking for. I don't want to hazard a guess before seeing the trend for the next 2, 3 quarters. I do get what you are trying to say, but it is too premature for us to say anything now.

Question:

So, just to understand this piece on the write offs, can you just explain this in a bit more detail. So, you mentioned that some of the projects they were during Covid and that got cancelled, or just to understand one thing about and how are we sort of thinking about in the future, it would not come, let's say 2-3 years later, like next year and then after that? So if you could just talk a bit about like how do I am thinking over these things.

Answer:

Yeah. I think the reference from Chairman on the Covid and others, I think some of the projects which we had started executing in the previous model where we licensed early and then collection was spread over the period and then the customer decided to hold the project, they're not terminated or any other aspects because of slowness in their business, they delayed the project and we have assessed some risks there and started making provisions in such cases. They are also a part of our provisioning, what we are doing. Going forward, those situations should not arise because in the licenses area, we have made a conscious decision and effort in the last 4 quarters - not a single order is booked in that manner. We are only providing annuity or per month or maximum per year basis of the revenue. So, that situation should not arise of that scale, what we are provisioning we are doing. We don't anticipate that to happen again.

Question:

So, just to understand, basically the same that the licensing deals that you had, while we booked them in terms of revenue, but the cash flow is that the payment from the customers spread over for a period of time and some of those were either delayed or cancelled due to various reasons that we have to write them off, correct?

Answer:

Correct.

Question:

So, previously we used to upfront book the license revenue. And now, we are only doing it as you're getting that out. How are we doing it now in terms of recognition?

Answer:

Earlier the trend was to take the license, payment for which will be spread over 3-5 years. Now, we are either trying to get either license money upfront, or we are going for term license or on subscription concept, so we don't take the full revenue upfront. So, it will be more or less as you ear, you account for the revenue.

Revenue is very close to cash.

Question:

Revenues close to cash, which was earlier not the case.

Answer:

Correct, you can say it as the payment was spread over a period of time.

That means if you see the balance sheet, the unbilled revenue was mounting up. Now, it is on the reduction part.

Question:

Let's say, 2-3 years out, in terms of the mix of the business, let's say today, from the bookings point of view, we are roughly 70-75% between HR and Aviation. Do you think that this 75% or in some quarters this was also 80% in the past, the numbers would be similar, or this number should actually grow from here, or do you think that ERP should actually be more equated?

Answer:

I think, look, this was a deliberate attempt. In the beginning of the year, we said, for this, we would have to sharply focus on a couple of areas and we will pick up on aviation and HRP at the beginning and we doubled down on these 2 verticals and they have started fully firing and then, we will come back for the ERP, which we have done. We anticipate even ERP order uptick we should start seeing sooner. However, these two will be dominating, but it will not be in the range of 80-90%. ERP will also start picking up in coming years.

Moderator

Thank you. There are no further questions. Now, I hand over the floor to the management team for closing comments. Thank you and over to you.

COO:

We would like to thank everyone for joining this call and patiently hearing and also whatever transformation we are doing here, we have been transparent in explaining and you have been very supportive. We would like to thank our investors in this journey. Thank you very much.

Chairman:

Thank you very much.

Moderator

Thank you. Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using the Door Sabha Conference Call Service. You may disconnect your lines now. Thank you. Have a pleasant evening, everyone.

After this, the meeting concluded.

Note: This is not an exact transcript of the call. This document has been edited to improve readability. Blanks if any in this transcript represent inaudible or incomprehensible words. 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 DECEMBER 2022

CONSOLIDATED INFORMATION

Figures in USD Million, except where stated otherwise

	Quarter Ended								Nine months Ended		Year Ended			
	Dec-22	Sep-22	Jun-22	Mar-22	Dec-21	Sep-21	Jun-21	Mar-21	Dec. 31, 2022	Dec. 31, 2021	Mar.31, 2022	Mar.31, 2021	Mar.31, 2020	Mar.31, 2019
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited $	Audited $	Audited $	Audited $
REVENUE - STREAMWISE														
Recurring	**8.71**	**8.36**	**8.03**	**8.04**	**8.44**	**8.00**	**8.15**	**8.39**	**25.13**	**24.60**	**32.64**	**31.30**	**27.26**	**22.43**
AMC / Subscription	*5.49*	*5.26*	*5.08*	*5.26*	*5.55*	*5.37*	*5.49*	*5.85*	*15.84*	*16.40*	*21.66*	*21.94*	*20.11*	*18.05*
BPO Services	*1.90*	*1.79*	*1.79*	*1.72*	*1.68*	*1.52*	*1.51*	*1.46*	*5.48*	*4.71*	*6.43*	*5.60*	*4.29*	*2.93*
Hosting Charges	*1.33*	*1.31*	*1.16*	*1.06*	*1.22*	*1.12*	*1.16*	*1.09*	*3.81*	*3.49*	*4.55*	*3.76*	*2.86*	*1.44*
Non-recurring	**6.94**	**6.64**	**7.67**	**8.55**	**8.56**	**11.15**	**11.07**	**12.20**	**21.23**	**30.76**	**39.29**	**53.62**	**53.77**	**55.93**
License	*1.48*	*0.96*	*1.73*	*1.21*	*1.42*	*2.43*	*2.66*	*2.81*	*4.16*	*6.50*	*7.69*	*18.56*	*17.14*	*27.92*
Service	*5.33*	*5.53*	*5.84*	*7.15*	*7.03*	*8.63*	*8.35*	*8.32*	*16.69*	*24.00*	*31.14*	*33.55*	*36.18*	*27.28*
Resale of Material	*0.13*	*0.14*	*0.10*	*0.20*	*0.12*	*0.09*	*0.06*	*1.07*	*0.38*	*0.26*	*0.46*	*1.50*	*0.44*	*0.73*
TOTAL	**15.66**	**15.00**	**15.70**	**16.59**	**17.00**	**19.15**	**19.23**	**20.60**	**46.36**	**55.36**	**71.93**	**84.92**	**81.03**	**78.35**
REVENUE - BUSINESS UNITWISE														
ERP	4.04	4.33	4.48	4.78	4.84	7.03	6.97	7.08	12.83	18.81	*23.57*	*31.74*	*32.00*	*28.12*
HRP	6.39	6.45	6.50	6.52	6.33	6.30	6.41	7.24	19.33	19.03	*25.55*	*27.59*	*30.26*	*30.70*
AAD	5.23	4.23	4.73	5.30	5.83	5.83	5.85	6.28	14.21	17.52	*22.81*	*25.58*	*18.77*	*19.53*
TOTAL	**15.66**	**15.00**	**15.70**	**16.59**	**17.00**	**19.15**	**19.23**	**20.60**	**46.36**	**55.36**	**71.93**	**84.92**	**81.03**	**78.35**
REVENUE - GEOGRAPHYWISE														
Americas	3.50	3.69	3.94	3.97	4.74	4.63	4.63	4.35	11.11	14.01	*17.97*	*19.87*	*14.43*	*17.26*
Europe	0.92	0.67	0.83	1.07	0.94	1.01	1.09	1.84	2.42	3.05	*4.11*	*4.75*	*2.51*	*2.05*
APAC	6.28	5.46	5.23	5.20	5.58	6.03	6.63	7.00	17.00	18.24	*23.42*	*31.50*	*35.13*	*32.27*
India	3.04	3.01	4.01	3.95	3.70	5.21	3.85	5.23	10.03	12.76	*16.71*	*20.18*	*20.28*	*16.07*
MEA @	1.93	2.18	1.69	2.41	2.03	2.27	3.02	2.18	5.80	7.30	*9.71*	*8.62*	*8.67*	*10.71*
TOTAL	**15.66**	**15.00**	**15.70**	**16.59**	**17.00**	**19.15**	**19.23**	**20.60**	**46.36**	**55.36**	**71.93**	**84.92**	**81.03**	**78.35**
BOOKING - BUSINESS UNITWISE														
ERP	6.89	4.90	4.47	3.59	4.30	6.08	6.61	7.15	16.26	16.99	20.58	31.98	26.70	38.75
HRP	10.86	5.43	11.90	6.43	7.01	8.98	4.76	9.43	28.20	20.75	27.18	40.00	44.25	47.52
AAD	9.80	6.99	5.40	1.80	2.24	4.61	8.38	6.94	22.19	15.23	17.03	37.85	19.54	30.65
TOTAL	**27.56**	**17.32**	**21.77**	**11.82**	**13.55**	**19.67**	**19.74**	**23.52**	**66.64**	**52.97**	**64.78**	**109.82**	**90.49**	**116.91**
BOOKING - GEO WISE														
Americas	9.96	6.11	5.20	2.57	2.42	8.54	7.89	9.49	21.27	18.86	21.43	31.32	12.81	25.65
Europe	0.54	0.26	0.46	0.01	0.02	0.18	0.12	0.30	1.26	0.31	0.32	11.51	2.20	1.28
APAC	15.11	5.18	6.28	3.83	8.43	3.86	4.67	6.32	26.57	16.96	20.79	32.12	49.12	60.36
India	1.07	2.30	8.76	0.89	2.22	3.52	3.41	5.51	12.13	9.15	10.04	27.73	18.34	15.97
MEA @	0.87	3.48	1.07	4.51	0.47	3.56	3.66	1.90	5.42	7.69	12.21	7.14	8.03	13.65
TOTAL	**27.56**	**17.32**	**21.77**	**11.82**	**13.55**	**19.67**	**19.74**	**23.52**	**66.64**	**52.97**	**64.78**	**109.82**	**90.49**	**116.91**
UNEXECUTED ORDER BOOK #	**190.98**	**181.70**	**177.77**	**174.10**	**185.44**	**189.72**	**189.33**	**182.67**	**190.98**	**185.44**	**174.10**	**182.67**	**166.55**	**166.00**
CUSTOMER METRICS														
Revenue from New Customers (%)	15%	7%	8%	13%	10%	8%	10%	29%	*10%*	*9%*	*10%*	*25%*	*19%*	*33%*
Revenue from Cloud orders (%)	56%	55%	51%	47%	51%	46%	51%	43%	54%	49%	*49%*	*40%*	*38%*	*39%*
Number of new customers added	10	9	13	10	7	12	12	14	32	31	41	50	50	80

$ 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.

@ Middle East and Africa (MEA) includes South Africa.

Disclaimer: