ramco

February 3, 2020

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

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

Dear Sir,

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

Further to our intimation dated January 30, 2020, regarding investors' call, please find enclosed the gist of the points and the fact sheet discussed in the investors' call.

We request you to kindly take the above on record as required under the provisions of SEBI (LODR) and acknowledge receipt.

Yours faithfully

For RAMCO SYSTEMS LIMITED

RAMCO SYSTEMS LIMITED ★ CHENNAI ★

R RAVI KULA CHANDRAN
CHIEF FINANCIAL OFFICER

Encl: As above

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Debrief of Analysts and Investors conference call for Q3 FY 19-20, held on Friday, 31st January 2020 – 4pm.

From Ramco Systems Limited, Mr. Virender Aggarwal ("VA"), Chief Executive Officer, Mr. R. Ravi Kula Chandran, Chief Financial Officer and Gayathri R, Vice-President Finance participated in the call.

Business updates:

VA provided the update on business performance for Q3 FY1920. Overall, there was a dip in the revenue for the quarter. While the order booking has improved and was quite satisfactory, it did not reflect fully in revenue. While few orders were large, revenue was not much from those. For ERP, it was a quite quarter, since a digital transformation order that was expected did not materialize. We had a very good quarter in terms of booking for HRP and Aviation businesses. The disappointment over the decline in the revenue number could be attributed to one large deal, the revenue from which was not high due to choice of the model by the said customer.

On the operation matrix, we are tracking well, with existing revenues consistently going up year on year, which indicates that the execution engine is good, with go lives lot faster and quicker, especially in HRP business. Collections are better, compared to the same year to date period last year. With increase in existing revenue, reliance on new revenue could come down. The projects are beginning to run much better. There is an increase in base revenue and new revenue. We do have delivery concerns in some logistics projects. In ERP business, we expect few large transformation orders, which could help giving good numbers.

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

In an earlier call, it was told that 30% growth was expected in HCM business, but it's flat in 9 months period now. This was said to be the focus business, but the growth has fallen short of the expectations.

> We were also disappointed about this, since this is one of the growth engines. However, the bookings have been good and there is an increase in booking. The impact was mainly due to lesser license business, compared to the subscription revenue. There was more increase in BPO booking and was more than doubled; however this business generally comes without license revenue. Booking was about USD 5 Mln. for YTD December 31, 2018 and it was about USD 14 mln. for YTD December 31, 2019. We agree that we should have had couple of large deals closed and should have had better revenue growth, despite the business issues. There is no reason to believe that we are losing competitiveness. Nobody else offers multi country payroll, as we do. There is significant interest from large consulting houses / Big 4s and are partnering with us to use our platform. We have won an order from one of the Big 4s in the quarter. This will stay as our growth engine. A course correction in terms of positioning the product differently is taken up, because

we have separated the Recruitment and Performance portion from HRP, thereby some adjustment to Market perception is required, perhaps in the way we do Google-ads etc. We are working towards introducing US payroll in coming quarters, which should open up a very large market.

Will there be an increase in 20- 30% 2020-21 in HCM business?

We are positive in this HRP business, since there is no big competition. We became selective in the type of customers we go behind; have added 11 Fortune 500 customers in the first nine months. There is scope of mining the existing customers. We feel that this the most competitive line of business and should grow.

Is there a change in strategy in ERP/Aviation? Are we planning stopping anything? or are we going to continue do with them in the same path?

We will not be monetizing the Aviation business unit. It stays integral part of the company. Have large deals in pipe line, which if materialize, could be game changing. Aviation had very good quarter, with closing two large deals. Whether this business could be a growth engine is not sure, though it would not be a drain on the Company either. In the worst case, it should maintain the revenue and in the best case, revenue could go up by 10% to 15 %. If two large deals in the pipe line come through, it could change the scene, since these would be OEM type of deals, in that with every time an aircraft gets sold, we will get additional revenue. But could not commit this, because these are little far away.

Regarding ERP, we are seeing tremendous traction in the Digital Transformation (DT) area, since we realized that we are unable to compete in the normal ERP business. We are positioning this with our AI/ML engine, with a pitch that going for DT will improve the customers' productivity and the EBIDTA. Pipeline looks promising, with some of the larges deals in the pipeline stays with ERP. This can be a surprise, if happens. There is no change in the product / product strategy. There are no major investments either for Aviation or ERP.

Order booking now is USD 25 Million or more. When will it get down to the reporting revenue of that magnitude in a quarter?

There will always be a lag between order booking and order value realization. The typical order book value / TCV is spread over the years. Existing revenue, which is reflected from the existing Order Book, has grown in the nine months by 26% over last year's. That is the sign that we are steadily increasing the base. So this will always be one / few cycle behind the booking volume and that will continue to be the case. We don't think that this will match, unless we book very poorly in the future. Even if we book USD 50 mln., it will not significantly translate into revenue growth correspondingly, because the TCV of the order comprises of various components – license, services, AMC - spread over a period. But the order base is increasing.

But the company had started booking about USD 28 mln per quarter from Dec 16. There is already a lapse of time since then. But sales have not gone up.

We have already explained in the earlier calls about the problem of the project execution engine not well oiled in the past. We gave the example of a large HRP order of about USD 8 mln., where the expected monthly revenue was USD 150k, but so far realizing only USD 35-40k revenue, because of slow execution. Now the execution engine is running much better, with revenue realization must faster. Aviation orders execution continues to be good.

How many quarter or cycles to get to these nos.?

Order booking has to be 30-40% than the revenue in every quarter. Existing revenue for the first 9 months is USD 45 million and if that grows by about 25-30%, revenue could be USD 60 mln., and the rest has to come from new orders.

Are we not focusing on too many things? Do we need to focus on only one area? Till now, I am not able to tell one particular area, in which Ramco is good at. We had earlier also spoken about the need of Ramco to have laser focus in one area. But with Ramco in many things, seems like adopting short-gun approach. Is there any change in that?

Will agree with your assessment. Doing one thing and doing that well, will be good. However the Group feels that we should continue with all product lines. We focus on HRP business and removed Recruitment and Performance portion away from it, which has helped HRP business operations significantly, with go lives much faster and client satisfaction improving. Atleast, we are making our most promising line of business very narrow in our offering and insulating it from the complexities of the rest of the business of the Company.

Whom do we aspire to be in Payroll - like ADP kind of strategy with doing managed services also as part of BPO?

Intention was not that. Idea was to have one of the large companies / Big 4s use our platform and offer their services. We are still open now, since we are not offering our product to anybody exclusively. Since nobody of that sort is doing that now, we have to do that, because many customers want that way and we do not want to lose customers. Incidentally, that is the most profitable part of our business. Have grown @ average 20% in the past two quarters. Operational excellence is visible in this area. We expect the similar growth next quarter too. We are not backing out of this business, but we do not have the client volume as the Big 4s would have. 3 out 4 Big 4s have signed and the volumes yet to pick up. This would be the cash cow engine.

Do we need to raise money now or in the next year for climbing up of the debt?

Borrowings were at Rs.82 cores at the end of last year and Rs.85 cores at the end of this December. Thus, the incremental borrowing is only Rs.3 crs during the current nine months. Able to manage the operations by focusing on collections and may not require fresh funding now.

Share price had gone down significantly compared to the QIP price. Since the prices are cheap now, why not the promoters or the CEO increased the stake, as this would indicate the confidence in the Company?

My personal view is also that the stock is massively underrated, since not many companies can claim of adding several Fortune 500 as customers. We have two unique offerings for the market - Logistics and HR payroll. I feel, buying the stock by the CEO would be a difficult thing, considering the regulations. I think Promoters are already investing in other group businesses, but you can talk to them. I am only surprised as to why the stock is valued like this and I hope you people will educate the market.

A suggestion was made that the management should visit Mumbai and hold analysts' meet, since the field in which the Company works is very different and not many comparisons are available in the public. At least once in a year, this can be done, so that we can meet and get more information about the business of the Company. One more suggestion was made that the recording of these investor concalls be made available, in the website.

This suggestion was welcomed and it was informed that the investor meet would be planned after the Q4 results. The Company is happy to increase the interaction. Already the debrief of the investor calls are disseminated to the stock exchanges and the same are also hosted in the website of the Company for the benefit of the investors. Regarding upload of the recording of the call, the request had been taken note of.

What are the two products amongst the various products, which will take the Company to the next level in the next 3-5 years?

Despite several large deals in the pipeline, we will not bet on Aviation. The engine of growth with unlimited scope is HR Payroll. Some traction is seen in EAM-Enterprise Asset Management + ERP combination, along with Digital Transformation. Have done some pioneering work in the field of Artificial Intelligence, reducing the cycle time of transactions. We have deployed this with a customer, yielding good results. We are wanting this to use as an example on a global basis, since we have done this ahead of anybody in the market. But the growth should be from HRP. Aviation cannot scale up much, since this it is a limited segment.

Though not seeking guidance, how big will it be in the next 5 years, in terms of the TCV of the Order Booking? Whether the same growth rate can be expected?

The CAGR of the HCM business for the last 5 years was about 41% and this is the first year, where the revenue had a dip. We focused lot more on payroll business, hiving off the Recruitment & Performance part. Most of our opportunities come thro digital channel and we did not leverage Google Adwords programme properly, resulting in missing opportunities which otherwise would have come. We are now narrowing down on digital strategies. We focused more on Payroll conferences, but are now reviving attending HR conferences also. We would still stand out if we go to HR conferences and talk only about Payroll, because we may be the only vendor talking about Payroll. We have adjusted the marketing pitch accordingly and have learnt lesson now. While do not make forward looking statements, all we can is that we are fine tuning our strategies and the competitiveness of the product stays strong. It is now the execution of selling strategy and not the product and delivery strategy, which faced in the past. We feel the customer satisfaction level is high, as evidenced by the feedback from the customers interacted during the visit to Australia recently and we have to translate this into money now. Thus HRP remains the growth business, but would not venture into giving a number. For Logistics, we cannot paint the same picture now. We have so far struggled to deliver and are in a similar cycle which the HRP product had couple of years ago. The product had born new and is maturing, which is unique, with no competition in the market. Thus we are betting for most of the growth in payroll, with a surprise element that could come up in Digital Transformation area. If there is a jump in the next quarter in the ERP, it could be due to closing of few Digital Transformation deals in the pipeline. However, since these deals are mostly in Asia, the Corono virus outbreak would have an impact in closure, with restricted travels and customers postponing the meetings.

Can you please elaborate what is Digital Transformation?

It means channels in which you communicate become Digital and is not physical. For example, when you to want get an international roaming facility, the best thing for the service provider would be to let you do yourself without any human intervention, without not even calling the call centre. Another example is that if you have subscribed for ten channels and want to add another one, you should be able to do it without any human intervention, thereby saving the time and effort for the service provider and interacting with the service provider in a digital manner. In our context for ERP, let us say if a supplier invoice comes, it is automatically read for optical code and fed into the system. Artificial Intelligence is applied on it and matched with the purchase order and sent to for payment without human intervention. The companies can get tremendous efficiencies in man power utilisation. It improves the speed at which decisions can be taken. One of our clients carrying out Digital Transformation in Australia, had 37 days for conversion of a purchase requisitions into purchase orders. We are aiming at enabling conversion of about 80% of the purchase requisitions into purchase orders automatically without human intervention, with 37 days lag becoming 0 days. That is what the transformation is. Coupled with AI, it can make lot of decisions what a person can take. This applies to every part of the business. We have enough such use cases in Finance and building more in other areas and these are what appealing to the customers. Manpower optimization is also possible with DT.

But it seems like this is more and more of customization in your product and whether this will move away you from being a true cloud player?

Yes, this will not fit into the strategy of a SaaS company. But the SaaS offering will be more on the HR payroll side. Our ERP business is moving towards consultative business and is more on Digital Transformation business. It's like a BIG 4 consultant approach, with a product to match. This appeals to the customers, as we will not be simply giving only a report, but will also have a product to match and offer. We will be able to deliver outcome. We are positioning the outcome to the customers while talking the deals, like reduction in process time, reduction in manpower etc.

Employee cost Jumped to Rs.65 crores to Rs.69 crores in this quarter? Is it one off or recurring run rate going forward? Is it on account of addition of more employees and if yes, in which business?

There is no jump in the base cost compared to the previous quarter, but it is the increased provision for incentives based on performance. However in year on year number, there is increase in base cost on account of salary revisions effected from this year. There is no increase in the headcount either.

In the quarter, out of six large deals, two have come thro. How many large deals are there now in the pipeline, which could change the trajectory of the company?

There are about ten opportunities, out which six could be large and the balance, medium. In this quarter, as already explained, in one large deal, customer has chosen subscription model, resulting in lower revenue from that order, though order size is big. Had the customer chosen the regular license model, the revenue could have been higher by USD 1.3 mln. All I can say is that we have enough pipeline. The biggest risk now is corona virus, with our teams having come back from Hong Kong and China. We have a deal in Taiwan, but could not visit. But we are concentrating in other parts of Asia. Other than this risk, we have very good pipeline.

Note: This is not an exact transcript of the call. We have made best efforts to capture the essence of the call. For any clarifications, please reach out to: R. Ravi Kula Chandran; +91 44 6653 5020; rkc@ramco.com.

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FACT SHEET AS ON 31ST DECEMBER 2019

CONSOLIDATED INFORMATION

Figures in USD Million, except where stated otherwise

	Quarter Ended								Nine months Ended		Year Ended			
	Dec-19	Sep-19	Jun-19	Mar-19	Dec-18	Sep-18	Jun-18	Mar-18	Dec. 31, 2019	Dec. 31, 2018	Mar.31, 2019	Mar.31, 2018	Mar.31, 2017	Mar.31, 2016 *
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited $	Audited $	Audited $	Audited
REVENUE - STREAMWISE														
Products	10.36	10.90	9.07	11.78	12.11	11.25	10.78	10.02	30.33	34.19	45.98	37.91	30.75	34.21
License	*5.14*	*5.92*	*4.31*	*7.08*	*7.55*	*6.82*	*6.43*	*5.58*	*15.38*	*20.84*	*27.92*	*21.59*	*16.89*	*20.85*
Recurring	*5.21*	*4.98*	*4.75*	*4.70*	*4.56*	*4.43*	*4.35*	*4.43*	*14.95*	*13.35*	*18.05*	*16.32*	*13.86*	*13.36*
Services	10.31	10.51	10.93	8.36	7.90	7.53	7.85	8.52	31.75	23.28	31.65	*35.13*	*35.54*	*34.32*
BPO	1.11	0.97	0.80	0.77	0.73	0.73	0.70	0.69	2.89	2.16	2.93	2.84	2.47	*2.13*
Other Services ^	9.20	9.55	10.12	7.59	7.17	6.80	7.15	7.83	28.86	21.12	28.72	32.29	33.07	*32.19*
Resale of Material	0.15	0.08	0.16	0.04	0.06	0.25	0.39	0.03	0.39	0.69	0.73	0.11	0.95	*0.40*
TOTAL	**20.81**	**21.50**	**20.15**	**20.18**	**20.07**	**19.03**	**19.02**	**18.56**	**62.46**	**58.16**	**78.35**	**73.15**	**67.24**	**68.94**
REVENUE - BUSINESS UNITWISE														
ERP	6.44	10.54	8.11	7.37	5.84	6.04	8.99	7.34	25.05	20.75	*28.12*	*31.32*	*31.88*	*30.82*
HCM (HRP-HR & Payroll)	8.28	7.02	7.82	7.56	9.77	8.17	5.02	7.38	23.14	23.15	*30.70*	*23.68*	*17.19*	*18.79*
Aviation	6.09	3.94	4.22	5.25	4.46	4.82	5.01	3.84	14.28	14.27	*19.53*	*18.14*	*18.18*	*19.32*
TOTAL	**20.81**	**21.50**	**20.15**	**20.18**	**20.07**	**19.03**	**19.02**	**18.56**	**62.46**	**58.16**	**78.35**	**73.15**	**67.24**	**68.94**
REVENUE - GEOGRAPHYWISE														
Americas	3.85	3.60	3.58	4.89	4.12	4.67	3.54	2.97	11.03	12.36	*17.26*	*14.42*	*12.90*	*12.47*
Europe	0.60	0.52	0.84	0.59	0.42	0.56	0.47	0.50	1.95	1.45	*2.05*	*2.12*	*2.25*	*3.07*
APAC	9.34	10.46	7.41	7.97	8.21	7.53	8.58	5.50	27.22	24.30	*32.27*	*24.65*	*20.14*	*19.93*
India	4.24	5.13	6.54	3.86	3.92	3.96	4.36	4.88	15.89	12.21	*16.07*	*18.60*	*18.15*	*17.70*
MEA @	2.79	1.79	1.78	2.87	3.40	2.31	2.08	4.71	6.37	7.84	*10.71*	*13.37*	*13.81*	*15.77*
TOTAL	**20.81**	**21.50**	**20.15**	**20.18**	**20.07**	**19.03**	**19.02**	**18.56**	**62.46**	**58.16**	**78.35**	**73.15**	**67.24**	**68.94**
BOOKING - BUSINESS UNITWISE														
ERP	2.62	14.88	5.14	11.06	6.67	5.81	15.20	6.97	22.65	27.69	38.75	43.58	29.89	*NA*
HCM (HRP-HR & Payroll)	15.56	9.36	14.51	12.49	15.82	14.61	4.61	18.87	39.43	35.03	47.52	46.66	34.90	*NA*
Aviation	11.62	1.77	1.88	9.02	6.68	9.14	5.80	3.37	15.27	21.63	30.65	13.84	21.23	NA
TOTAL	**29.80**	**26.01**	**21.53**	**32.57**	**29.17**	**29.56**	**25.61**	**29.21**	**77.35**	**84.34**	**116.91**	**104.08**	**86.02**	**-**
UNEXECUTED ORDER BOOK #	**176.29**	**168.24**	**168.00**	**166.00**	**168.00**	**161.00**	**150.49**	**153.00**	**176.29**	**168.00**	**166.00**	**153.00**	**115.94**	**NA**
CUSTOMER METRICS														
Revenue from New Customers (%)	21%	24%	17%	36%	38%	27%	30%	33%	*21%*	*32%*	*33%*	*24%*	*24%*	*35%*
Revenue from Cloud orders (%)	45%	31%	36%	37%	35%	43%	41%	38%	37%	39%	*39%*	*34%*	NA	NA
Number of new customers added	13	17	14	16	25	15	24	25	44	64	80	85	120	157

* represents the figures published for the respective period without considering the IND AS adjustments.
$ 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.

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