

Ramco Systems Q4FY21

Financial Results & Highlights

Brief Introduction:

Ramco Systems Limited operates as an enterprise software company in India, the Americas, Europe, APAC, the Middle East, and Africa. The company offers Ramco AviationSoftware, an enterprise-wide M&E/MRO software to address the needs of airlines, heli operators, MROs, and business aviation segments; Ramco VirtualWorks, a software meta model that captures data required to generate and deliver solutions in various technology platforms; and Ramco DecisionWorks for analytics/reporting. It also provides Ramco ERP on Cloud, a suite of products that covers enterprise functions, such as manufacturing; financial, supply chain, human capital, customer relationship, enterprise asset, and project management; process control; analytics; advanced planning and optimization; and connectors. In addition, the company offers Ramco Human Capital Management, a HR and talent management, and payroll software; and Ramco Logistics Software, a cloud based software that covers the needs of third-party logistics, freight forwarders, and parcel/courier service providers.

Standalone Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	90	76	18.68%	101	-10.69%	354	320	10.63%
PBT	19	13	46.15%	30	-36.67%	81	61	32.8%
PAT	11	-14	178.57%	17	-35.29%	44	25	76.00%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	153	136	12.50%	174	-12.07%	641	578	10.90%
PBT	15	2	650%	36	-58.33%	108	34	218%
PAT	7	-5	240%	18	-61.11%	57	11	418.18%

Detailed Results:

1. Consolidated revenues grew 12.5% YoY in Q4. Consolidated profits saw a phenomenal rise to Rs 7 Cr vs a loss of Rs 5 Cr last year.
2. Similarly, FY21 revenues showed growth of only 10.9% YoY but profit growth of almost 4 times YoY.
3. USD revenues were at \$21 million for Q4 and \$84.92 million for FY21.
4. The company retired all borrowings to become debt free.
5. The company booked orders of over \$100 million in FY21.
6. 22 'Million-Dollar-Plus' deals signed in FY21; with average deal size moving beyond \$1 million.
7. EBITDA grew 58% YoY in FY21.

8. The Ramco Global Payroll platform now has statutory compliance across 50+ countries and 12 other European and African countries on the roadmap.
9. Sharper focus on 3PL service providers, couriers & express parcel, freight forwarders, and chemical logistics becomes the way forward for Ramco Logistics.

Investor Conference Call Highlights

1. The biggest impact from covid in Asia was in the Philippines for Ramco.
2. Revenues from North America grew 40% YoY in FY21 while bookings grew >100% YoY.
3. Ramco signed the first order with an eVTOL company which is one of the largest drone makers in the world.
4. For the traditional ERP and logistics business, Ramco has now started focusing basically on large customers and a few selective customers to completely revamp our fundamental user experience and technology according to the management.
5. The order booking from Asia has dropped in H2 to \$24-25 mn from an average booking of \$45-50 mn previously.
6. The management has stated that there will be a lumpiness in revenues going forward depending on the completion of various projects.
7. The management has stated that the selling of the stock by the CEO was a personal decision and should not be any indication of him turning bearish on the company's prospects.
8. The aviation business has also seen >100% YoY growth in bookings and >30% YoY growth in revenues. Around 30% of the aviation pipeline is now from US defense. There is also big scope in drones with eCommerce giants like Amazon working towards drone delivery.
9. The company has already built connectors into Oracle and Workday for its ERP. It does not see many possibilities of any partnerships in this space currently.
10. In the last 18 months, Ramco has signed on all the top 4 US fighters jet training companies. It is also pitching now for submarines and other defense products like tanks and warships.
11. The current order book of \$ 90 million should get realized in the next 3-3.5 years. Around \$22-23 mn will be done in year 1 while \$19 mn will be done in year 2.
12. The company has gone to the top 15 countries where it gets the most business and has managed to reduce implementation times for these places to 8-10 weeks.
13. The release of the ERP modules will start in 3-4 months and end-to-end release will take at least a year. Around 6 modules of Finance, inventory/procurement, AP, AR, GL, & fixed assets should be done by Sep according to the management.
14. The company made a debt repayment of Rs 96 Cr in FY21.
15. The company will be moving from the premise model to the cloud model for most of its products, but it will be doing the premise model for its defense contracts due to security and regulatory requirements.
16. The management has stated that it is indeed capitalizing on R&D expenses as it is a continuous process for the company.
17. The unexecuted order book is \$182 million for Ramco across all segments. About half of that or \$90-91 million is for HR and payroll business, the aviation business is about \$49 million. The logistics business will be about \$10 million. The rest is from ERP.
18. All the order book should take around 4 years to execute completely.

19. Ramco has partnered with Oracle and Workday for offering its payroll solutions to places where these 2 are not offering currently.
20. Revenues from EU will start from FY23. The company is also going to start taking orders aggressively from multinationals in Japan now.
21. 70% of the large civilian helicopter operators globally with over 50 helicopters each are maintained on Ramco.
22. Logistics also grew >100% YoY in bookings in FY21. The company had to invest to refurbish the product as it was not ready initially for the volume of data it was getting from its large customers on shopping heavy days like Black Friday.
23. The company has also built an ERP platform specially for the cement industry using insights from Ramco Cements and has also identified at least 70-80 global potential customers for this product.
24. Of the \$90 mn order for HR and payroll, 50% is SaaS and 50% is license-based.
25. Once Ramco moves to a pure cloud model, all customers everywhere will run a single version. This should reduce maintenance and deployment costs.

Analyst's View:

Ramco is a fast-growing enterprise software player disrupting the market with its multi-tenanted cloud and mobile-based enterprise software in the area of HCM and Global Payroll, ERP, and M&E MRO for Aviation. Ramco Systems had a decent quarter with revenues rising 10.9% YoY with a profit of Rs 7 Cr vs a loss of Rs 5 Cr in Q4 last year. It had a good FY21 so far with a total order book of \$182 million. The management has repeatedly emphasized the importance of the SaaS cloud model going forward for all its verticals. The management remains confident of the demand going forward despite admitting to the lumpiness of revenues at the same time. It remains to be seen whether this earning momentum can carry on in the quarters to come and whether the company will be able to fulfill its promises of superior implementation times without any compromise on quality. Nevertheless, Ramco Systems is one stock to watch out for in the IT product space.

If you found this report useful and would like to receive more such investing insights, you can [subscribe to our updates](#).

Subscribe



Click here to Subscribe
on WhatsApp