

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

Since its inception, Ramco Systems Limited has evolved as a strong organization. Driven by innovation and growth culture, the organization has successfully strengthened its foundation and simplified the digital transformation journey of the organizations across the world.

We provide next generation, end-to-end enterprise solutions that render complete transformation of the business in real time. Built on Ramco VirtualWorks®, all of Ramco products are cloud architected by design and address the entire business cycle – be it promoting transparency across organization, improving employee engagement or encouraging collaboration, boosting operational efficiency and increasing productivity. The organization has been delivering simplified solutions based on AI/ML and delivering measurable outcomes.

Our offerings include comprehensive ERP covering HR & Global Payroll (platform & Managed services), MRO, M&E, SCM, Logistics, Manufacturing, Asset Management, Financials, Inventory, Procurement, Service Management, Process Control, Project Management, on either client premises, or on the most appropriate cloud model—public, private and community. These offerings are delivered across key verticals like Aviation, Aerospace & Defense Manufacturing, Energy & Utilities, Ports, Logistics (focussed for 3PL, Freight forwarders, & Network service providers), Mining & Cement, Real Estate & Construction, Facilities Management Staffing and Professional Services.

INDUSTRY STRUCTURE AND DEVELOPMENTS

Digital transformation is the emerging need for businesses amidst a competitive and challenging business environment. It is a process that enhances productivity and efficiency across business operations. The adoption or modernization and upgradation of digital technologies ultimately leads to increased stakeholder satisfaction and creating value across the organization. It necessitates the need of adopting a state-of-the-art ERP infrastructure to transform daily business operations, manage scale, improve data quality, strengthen analytics, accelerate decision making and bring in more comfort and convenience to both employees as well as customers.

The COVID-19 pandemic disrupted our lives and business, forcing significant changes in the way we work, shop, and

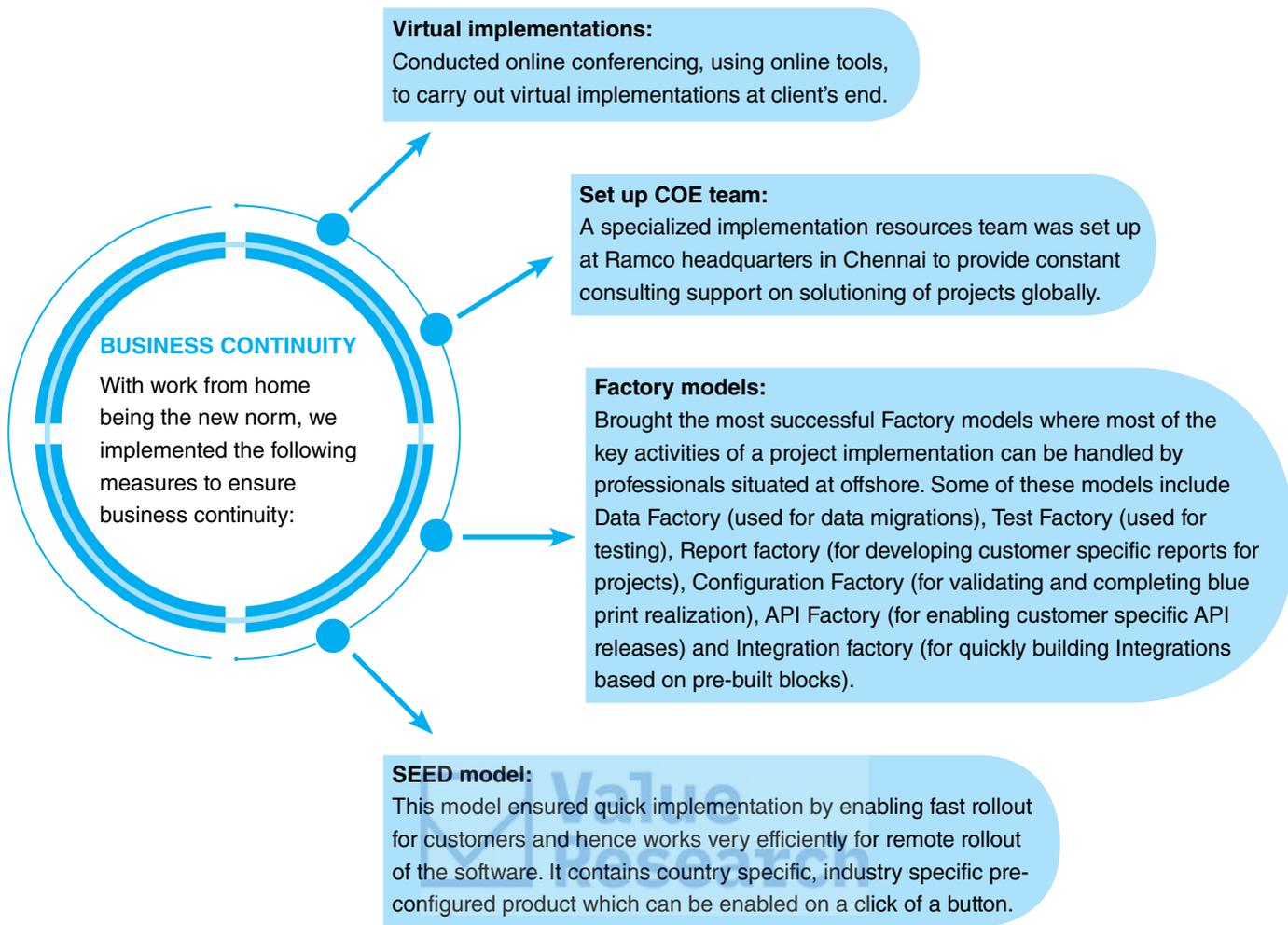
interact. The trend is expected to continue into 2022 as well, and may result in a New Normal. As a result, several transformation trends would drive the overall adaptation of ERP across the world. According to Intrado Global Newswire, the global cloud ERP market size is expected to witness 17.4% CAGR, between 2020-25, growing from USD 45.3 Bln. in 2020 to USD 101.1 Bln. by 2025.

PERFORMANCE REVIEW

The financial year 2020-21 brought about a high level of uncertainty. It is impossible to quantify the personal and professional challenges the Ramco family has braved yet remained resilient and positive. We remained committed to our spirit of commitment and dedication.

Innovation driven from an obsessed customer focus continued to be the key driving force behind the achievements during the year. The ERP business rolled out important features like anomaly detection, universal personalization engine and smart features for zero UI, like, chatbots, smart adaptive forms (through chatbots, & emails), real-time notifications & alerts, interactive dashboards, facial and voice recognitions, and enhanced hubs, among others. The logistics business, focussed on improving user experience, augment productivity through AI & ML use case implementations, handling higher data volumes, and also enable seamless ecosystem integration. In the HRP business, we introduced several features to enhance employee engagement. These include auto chatbots for employee/administrator queries, self-explaining payslips, compliance portal, country-specific templates and advance analytics, among others. The aviation business expanded solutions beyond MRO & M&E, to manufacturing, defense compliance, flight operations, Inventory Technical Management services, CRM, planning and optimization modules, besides introducing several advanced functionalities across different domains of operations.

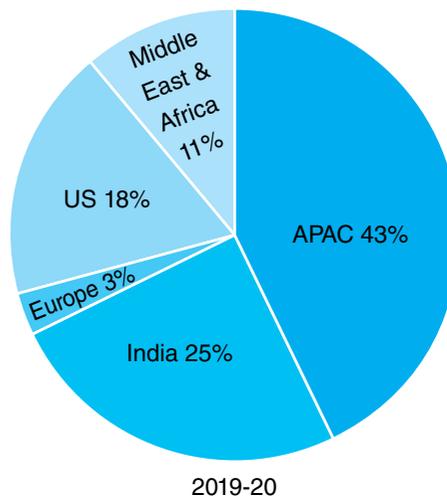
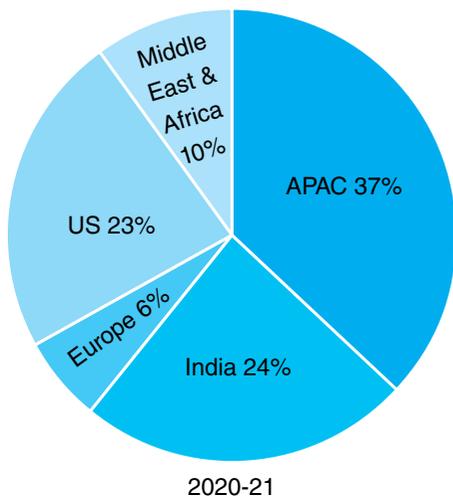
Some of the other prominent achievements during the year across all products include development of pathbreaking solutions like touch-less employee experience, User specific personal experience based on Ramco's UPE Engine (based on AI & ML), powerful visualization and dashboards. Besides, we also did a technology revamp, upgrading RVW for next-gen User interfaces and shifted to use of APIs to help us stay ahead of competition.



Revenues by Geography

While the world remained under lockdown, our teams continued to win big names. Our revenues increased by 5% from Rs.5,689.16 Mln. in 2019-20 to Rs.6,263.06 Mln. in FY 2020-21. The list of Fortune 500 brands and Global

multinationals trusting Ramco has increased sizeably which is visible in average deal size of new orders moving beyond 1.5 Mln. USD during the year.



APAC

Order Wins:

- (i) World's largest aircraft manufacturer selects Ramco Aviation Software to manage FTM contracts globally and provide unmatched level of guarantees to its customer
- (ii) First Digital Transformation deal with MMC Ports, the largest Port operators in Malaysia owning 5 out of 7 major ports
- (iii) Fortune 500 telecommunication equipment, networking equipment and consumer electronics brand chooses Ramco for their APAC Payroll Transformation

Go-Lives:

- (i) Philippines' largest multi-national corporation went live on Ramco Transport Management System enabled with In-Memory Planning Optimization (iPO)
- (ii) A global leader in power technologies went live on Ramco's Managed Payroll Services for six countries
- (iii) A privately-owned corporation in charge of operating, maintaining, and developing the country's state-owned power grid went live on Ramco Global Payroll & HR
- (iv) One of the largest toll road developer and operator in the Philippines went live on Ramco HR & Global Payroll

India

Order Wins:

- (i) A leading, sustainable agricultural innovation and technology company covering Managed Payroll Services and Lodgments filing for employees across 13 countries in APAC

Go-Lives:

- (i) First virtual implementation at a premium quality CI castings and iron castings provider
- (ii) A Japanese multinational automobile manufacturer went live on Ramco Global Payroll for 14,000 employees across 6 entities in India

Australia

Order Wins:

- (i) Australia's Leading Construction Company, Hansen Yuncken Partners with Ramco to Digitiz its Payroll and HR Operations
- (ii) Salus Aviation Group, one of New Zealand's largest aviation services providers, embarks on a digital transformation initiative for group-wide operational visibility and discipline thus improving overall efficiency
- (iii) One of the largest beverage and food company in Australia and New Zealand trusts Ramco for Managed Payroll Services

- (iv) Prestigious and iconic win from one of the largest Transport company in Australia for Ramco Transportation Management System (TMS) solution
- (v) A global specialty biotechnology company chooses Ramco's Managed Payroll Services as part of their Multi-Country Payroll Transformation

Go-Lives

- (i) Philippine-based bottling and distribution company went live on Ramco Global Payroll & HR for over 10,700 employees

Ramco was awarded the 'Transformation' Award with Cobham Aviation Services for delivering digital transformation and the 'Collaboration' Award with Norske Skog Australasia for enabling ERP transformation at the 2020 ISG Paragon Awards, APAC

- (ii) World's largest provider of commercial explosives and innovative blasting systems went live on Ramco Global Payroll

Americas

Order Wins:

- (i) Two new defense adversary air (ADAIR) services operators. With this Ramco now has the envious position of having all the top four ADAIR service providers to the U.S. Department of Defense, as its customers
- (ii) Bristow, one of the largest Helicopter Operators in the world. They also signed up with Ramco's Center of Excellence (CoE) service model for 5 years to help onboard the aircraft into the application
- (iii) Global Medical Response (GMR), one of the largest air medical operator in the world, migrates all its aircraft to Ramco's Cloud
- (iv) CHI Aviation, a leading U.S. defense contractor selects Ramco for both its Heli operations and Drones. This is Ramco's first venture into the newly emerging segment of Drones and eVTOLs
- (v) One of the largest Helicopter Manufacturer in the world
- (vi) U.S. based leading antimicrobials and equipment manufacturer for the Foods industry, Asset Maintenance and Manufacturing segment
- (vii) Other notable wins in the MRO segments include GoAeroMx, a leading U.S. MRO, PMA, and Fleet Management support provider, Salus Aviation, a leading MRO in New Zealand

Middle East & Africa

Order Wins

- (i) World's largest producer of organic dairy products and one of the global top 10 dairy companies for Global Payroll & HR
- (ii) World's leading logistics company & top 10 largest employers for Global Payroll & HR
- (iii) One of the world's leading container carrier in terms of vessel capacity for Global Payroll
- (iv) One of the world's leading strategy consulting firms trusts for Global Payroll

Go-Lives

- (i) First virtual implementation at a major exporter of automotive castings
- (ii) One of the world's leading container carrier in terms of vessel capacity went live on Ramco Global Payroll across 9 countries in a record time of 9 weeks
- (iii) Caverton Helicopters Limited went live on Ramco Aviation to digitally transform business processes
- (iv) One of the world's leading strategy consulting firms virtually went live on Ramco Global Payroll

FINANCIAL PERFORMANCE

In accordance with SEBI (Listing Obligations and Disclosure Requirements 2018) (Amendment) regulations, 2018, the Company is required to give details of significant changes (change of 25% or more as compared to the previous financial

year) in sector-specific key financial ratios, as well as any changes in return on net worth. The following have been identified by the Company as key financial ratios, which are tracked only at the consolidated level.

Particulars	March 31, 2021	March 31, 2020
Interest Coverage Ratio	13.23	3.75
Current Ratio	2.39	1.57
Debt Equity Ratio	Nil	0.16
Operating Profit Margin	18.63%	8.04%
Net Profit Margin	8.91%	1.79%
Product Revenue to Total Revenue	47.69%	45.98%
Return on Net Worth	8.56%	1.68%
R&D Spend to Revenue	9.57%	8.41%
Days Sales Outstanding (DSO in nos.)	101	115

Detailed explanation for significant changes in sector-specific key financial ratios and changes in Return on Net Worth:

Operating Profit Margin (OPM):

The OPM for the year worked out to 18.63% as against 8.04% due to increase in PAT compared to the previous year. The reasons for the increase in PAT are explained under NPM.

Net Profit Margin (NPM):

The NPM for the year worked out to 8.91% as against 1.79% due to increase in PAT compared to the previous year.

The increase in the NPM is analyzed below:

Particulars	Rs. Min.
Increase in Revenue	573.90
Increase in Other Income	53.94
Increase in Purchase of Stock in Trade	(49.17)
Net Increase in Employee Benefits Expense	(199.57)
Decrease in Finance Costs	33.80
Increase in Depreciation and Amortisation Expense	(26.81)
Increase in Provision for Doubtful Debts	(118.82)
Decrease in Other Exp	476.51
Higher Taxes	(284.27)
Decrease in Share of Profit of an Associate	(1.71)
Increase in Non-Controlling Interests	(1.77)
Increase in PAT attributable to Shareholders of the Company	456.03

Interest Coverage Ratio:

The finance costs have come down to Rs.88.25 Mln. during the current year from Rs.122.05 Mln. during the previous year.

- (i) The interest on loans and finance charges have come down to Rs.2724 Mln. during the current year compared to Rs.52.40 Mln. during the previous year, on account of decrease in borrowings. The borrowings of Rs.962.50 Mln. as at the beginning of the year were gradually repaid during the year and the year end balance was nil.

- (ii) The interest on lease liabilities have come down to Rs.61.01 Mln. during the current year compared to Rs.69.65 Mln. during the previous year due to reduction in the lease liabilities.

At the same time, the earnings before interest and tax (EBIT) has significantly increased from Rs.457.14 Mln. in the previous year to Rs.1,167.12 Mln. during the current year.

The above had resulted in the increase of interest coverage ratio from 3.75 for the previous year to 13.23 for the current year resulting a coverage ratio growth of 253.09%.

Debt Equity Ratio:

The entire debt of Rs.962.50 Mln. as at the beginning of the year has been repaid during the year, through funds generated from operating activities as explained below:

Particulars	Rs. Mln.
Net cash flow from operating activities, excluding unrealised exchange losses	1,724.00
Net cash flow used in investing activities (mainly towards addition to tangible & intangible assets)	(660.66)
Net cash flow used in financing activities (excluding borrowings)	(99.17)
Increase in cash and cash equivalents (excluding bank overdraft)	(1.67)
Net surplus from operations used for repayment of borrowings	962.50

Since there is no debt at the end of the current year, the debt equity ratio is nil compared to 0.16 as at the end of the previous year.

Current Ratio:

The Current Ratio has increased by 52.47%, i.e., from 1.57 current year. This is due to decrease in current liabilities by 32.22% and increase in current assets by 3.34% as at the end of the previous year to 2.39 as at the end of the

Particulars	Rs. in Mln.	
	As at the end of the current year	As at the end of the previous year
CURRENT ASSETS		
Trade receivables	1,820.18	1,901.82
Other financial assets	1,004.35	1,035.27
Other current assets	1,426.78	1,211.91
Others	294.58	249.95
Total	4,545.89	4,398.95
CURRENT LIABILITIES		
Borrowings	-	862.50
Trade payables	563.59	575.78
Lease liabilities	107.04	109.55
Others	1,229.58	1,255.70
Total	1,900.21	2,803.53
Current Ratio	2.39	1.57

As can be seen from the above table, current assets have increased mainly due to increase in unbilled services revenue (included under "Other current assets") and current liabilities have come down mainly due to decrease in borrowings.

Return on Net Worth:

The net profit has increased by 448.23%, i.e., from Rs. 101.74 Mln. to Rs.557.77 Mln. (as explained under NPM above), while the equity has gone up by 7.60% from Rs.6,058.25 Mln. to Rs.6,518.48 Mln., resulting in an increase of 409.52% in return on net worth from 1.68% during the previous year to 8.56% for the current year.

CHALLENGES

Very few organization across the world have embarked upon the digital transformation journey. The priority quotient still runs low, and the transformation exercise gets postponed time and again. Post Covid, while the government is trying to revive the economy, the organizations need to embrace digital transformation to ensure higher efficiencies, adjust to the New normal, and remain competitive in the market.

OUTLOOK

With the new normal, companies are looking forward to having smart digital ERP solutions to improve stakeholder experience, and drive in Automation with technologies like RPA, AI & ML, NLP, multi-tenant & cloud hosting capability, Real time connected system, remote implementation and automated operations, among others. This will lead to enhanced savings in manhours in transforming their core business operations and realigning their goals with the revised focus. Besides, personalization and seamless integration with the ecosystem applications will further play a prominent role in this transformation.

Domains like payroll outsourcing is expected to witness 20% annual growth driven by automation through AI, ML and RPA. We will look forward towards expanding our global presence in the Europe and US regions, focussing on the large enterprises and MNCs. The pandemic shall further necessitate the needs for

applications like ‘pandemic control system’ with pre-configured solutions. We will look forward to providing a uniform touchless payroll experience to organizations across their global entities while continuing to delight employees with empowerment of data and process. We envision to be a defacto standard and a global leader in offering payroll solutions and services.

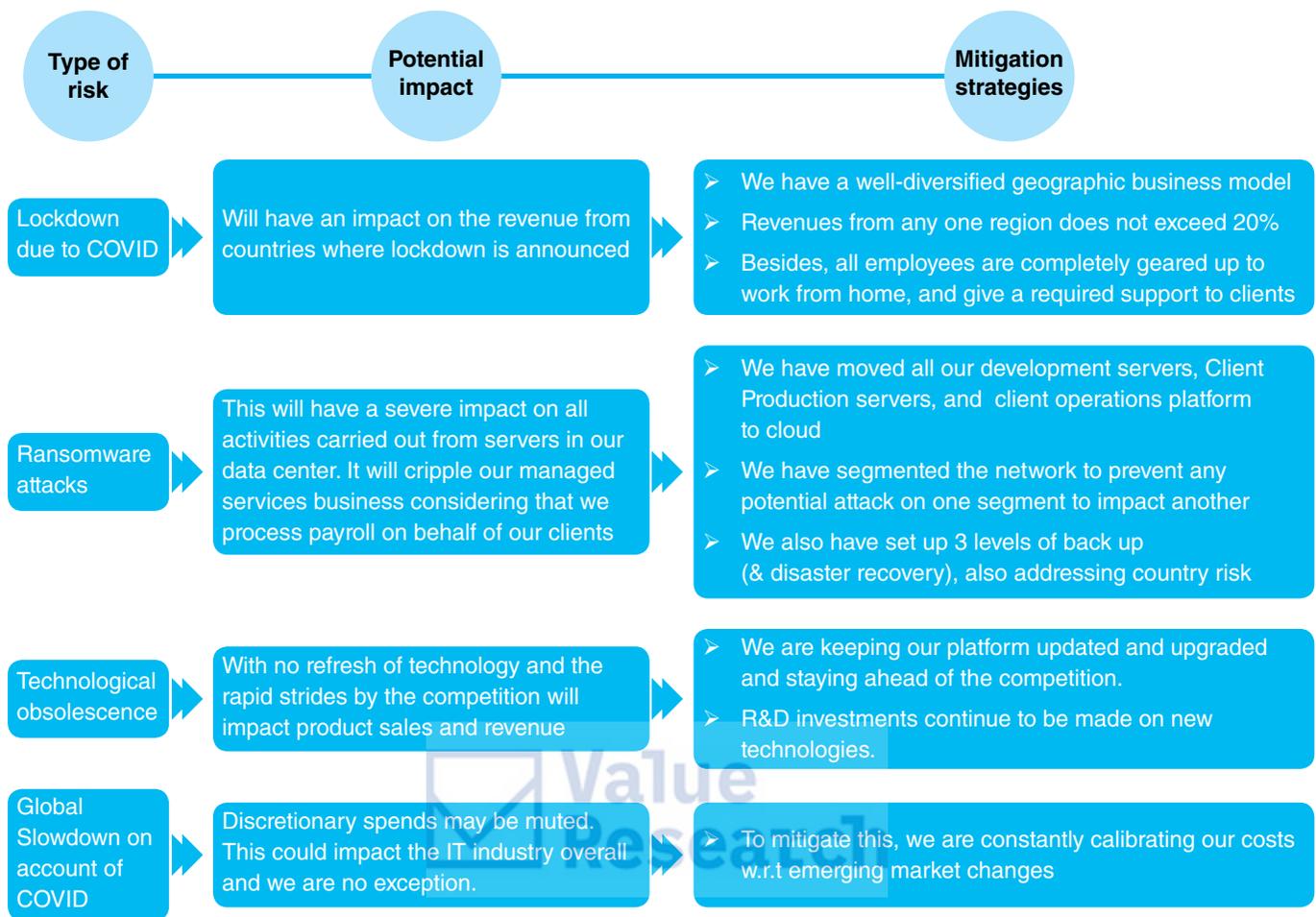
The logistics segment has witnessed an upward shift in terms of orders, opportunity and growth from the express parcel industry. Thanks to the emergence of e-commerce services and increase in digitalization exercise by the logistics services providers, there would be a strong demand for a next-gen, asset light user interface with Zero UI and scalable smart features with extensive use of AI/ML technology.

In the aviation, we are witnessing renewed interests on paperless shopfloors, e-signatures and digital collaboration post pandemic. Large MRO organizations are even considering to break away from their heavily customized and expensive legacy systems to out of the box best breed solutions. Our strategic priorities going ahead will be MRO , defence and Heli along with UAM/Drone based applications going ahead.

RISK MANAGEMENT

At Ramco, we continuously assess and monitor risks across our businesses. Risks with the potential to materially impact the financial/operational performance of the Company are monitored under the risk management framework. To enable a quick and appropriate response when a major risk materializes, the Company has set up several mitigation measures to reduce the impact. Besides, the Company’s internal audit division regularly assesses the adequacy of risk management strategies and regularly reports its findings to the Audit Committee of the Board of Directors.

Some of the major operational risks recognized and managed by the Company include:



INTERNAL CONTROL SYSTEMS

The Company has an internal control system, commensurate with the size and nature of its operations, which have been designed to provide reasonable assurance of recording the transactions of its operations in all material aspects and providing reliable financial and operational information, complying with applicable laws and safeguarding the assets of the Company. The Company constantly reviews its processes and the systems to address the changing regulatory and business environments. The Company uses its own enterprise resource planning system for recording of accounting data and for management information purposes. The Company had aligned the internal financial control system with the requirement of Companies the Act 2013 (“the Act”).

The Company has an external audit firm for carrying out the internal audit, based on a plan finalized in consultation with the statutory auditors and approved by the Audit Committee.

The Internal Auditors directly report to the Audit Committee. The internal audit reports are submitted to and presented in the Audit Committee and discussed. The Audit Committee also obtains the views of the internal and statutory auditors to ascertain the adequacy of internal control systems. The statutory auditors have issued a report on the internal control over financial reporting (as defined in Section 143 of the Act). The Company had assessed the effectiveness of the internal control over financial reporting (as defined in Clause 17 of SEBI Regulations 2015) as of March 31, 2021. Based on its evaluation (as defined in Section 177 of the Act and Clause 18 of SEBI Regulations 2015), our Audit Committee has concluded that, as of March 31, 2021, our internal financial controls were adequate and operating effectively.