September 19, 2025

Ramco Systems Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term Fund-based – Cash Credit	15.00	15.00	[ICRA]BBB+(Stable); reaffirmed
Short-term – Fund-based	75.00	75.00	[ICRA]A2; reaffirmed
Short-term – Non-fund Based	20.50	20.50	[ICRA]A2; reaffirmed
Long-term/ Short-term – Unallocated	39.50	39.50	[ICRA]BBB+(Stable) / [ICRA]A2; reaffirmed
Total	**150.00**	**150.00**	

**Instrument details are provided in Annexure I*

Rationale

The ratings outstanding on Ramco Systems Limited (RSL) remain supported by the company's strong operational profile marked by its extensive track record in developing enterprise resource planning (ERP) software solutions and services, long-term association with its reputed client base of leading global companies across diversified verticals and stable demand outlook for its product profile. The ratings also factor in its strong financial flexibility, as part of the Ramco Group, a business conglomerate with interests in cement, cotton, synthetic yarn, cement software solutions, clean energy, and biotechnology, among others. In FY2025, RSL's revenue grew by 12% year-on-year (YoY), driven by higher order execution in the aviation and ERP sector and improving quality of business profile with increasing focus on subscription-based business (recurring revenues). Following two years of subdued performance (lower order executions, sharp rise in provisioning towards trade receivables and unbilled revenues, and high employee costs), its operating margin improved to 13.7% in FY2025 on the back of cost optimisation measures undertaken by the company, which led to lower employee expenses, and lower provisions. Its operating margin is expected to improve on the back of increased scale and cost optimisation measures taken by the company, although its ability to achieve positive net profits remains to be seen. RSL's capital structure remains comfortable on the back of low debt levels, while its liquidity is adequate, supported by a healthy buffer in working capital limits and Rs. 72.7 crore in cash and liquid investments as on March 31, 2025.

However, the ratings remain constrained by the inherent need for continuous investments towards R&D, intense competition in the industry accentuating risk of employee attrition and its vulnerability to changes in domestic and foreign government policies affecting the IT industry at large. ICRA notes that the company's new order bookings moderated in recent quarters leading to reduction in outstanding order book, given its changing focus on strategic, profitable contracts. Its ability to secure more such deals and manage implementation risks will be critical in improving revenues and earnings, going forward. The company's earnings remain susceptible to any large volatility in exchange rates and demand from its end-user geographies.

The Stable outlook reflects ICRA's belief that RSL will continue to clock a healthy revenue growth, supported by robust order flow with the operating margins witnessing further improvement.

Key rating drivers and their description

Credit strengths

Extensive track record of nearly three decades and established presence in the ERP segment – Incorporated in 1997, RSL offers customised global payroll, logistics, SRP, and EAM services for various industries. It has developed considerable expertise in catering to the aviation sector and has also forayed into the US defence sector. Additionally, the company's shift towards a subscription-based business model from a deferred licensing model has led to better cash flow generation and a reduction in unbilled revenues in the past two years.

Diversified customer base of reputed companies – The company has an established clientele of reputed companies, including Fortune 500 companies from diverse sectors. RSL enjoys high customer diversification (as the top 10 clients accounted for 20% of its revenues in FY2025) with repeat orders from large clients, including industry majors, even as it continues to add a healthy number of new customers every year. RSL added 25 new clients in FY2025, with 6% of the overall revenues accruing from its new customers. ICRA expects the company to consistently add new clients on the back of its extensive track record of operations and niche product offerings in the aviation sector.

Financial flexibility as part of the Ramco Group – The Ramco Group of companies has diversified interests in cement, cotton, synthetic yarn, building products, software solutions, clean energy, and biotechnology, among other sectors. RSL derives financial flexibility as part of the Ramco Group. ICRA notes that the equity infusion of Rs. 160.0 crore by promoter group and other investors in the past three years has supported the company's capitalisation metrics and liquidity position.

Comfortable capital structure – RSL did not have any external debt, apart from Rs. 54.2 crore lease liabilities as on March 31, 2025. It has working capital limits of Rs. 90.0 crore, which largely remained unutilised in the past 12 months. The company has raised funds of Rs. 160.0 crore over the last three years, which shored up the net worth base against losses. Accordingly, the capital structure remained healthy, marked by gearing of 0.2 times and TOL/TNW of 1.0 times as on March 31, 2025. With the expected improvement in margins and low debt levels, the capital structure is expected to remain comfortable, going forward.

Credit challenges

Net losses amid higher fixed costs; sustained improvement in scale and margins remains critical – In FY2025, the company reported an operating income of Rs. 591.3 crore (12.2% YoY growth) with an operating margin of 13.7%; however, due to the company's high fixed costs, it incurred a net loss of Rs. 34.3 crore. The revenue growth was driven by improved order execution in the aviation and ERP sector; the margins improved on the back of decline in provisioning towards trade receivables and unbilled revenues coupled with lower employee expenses. In Q1 FY2026, the company achieved revenues of Rs. 161.3 crore (17.8% YoY growth), while the margin improved to 18.0% on account of benefits of amended scale and cost optimisation measures. ICRA expects RSL's revenues and operating margins to expand in FY2026 on the back of healthy order execution, a sustained improvement in scale and margins over the medium-to-long term remains critical. ICRA notes that the company's new order bookings moderated in the recent quarters leading to reduction in outstanding order book, given its changing focus on strategic, profitable contracts. RSL's ability to secure more such deals and manage implementation risks will be critical in improving revenues and earnings, going forward.

High competitive intensity; vulnerable to industry risks such as employee attrition and adverse changes in Government policies – RSL faces intense competition from large established players, which limits its pricing flexibility and puts pressure on its margins. The company is also exposed to broader IT industry risks such as global demand slowdown, high employee attrition and adverse changes in foreign and domestic Government policies, among other factors.

Exposure to forex risk – RSL's profit margins are susceptible to volatility in forex rates and have been impacted by forex gain/(loss) arising from the same in the past. Some of the losses are mark-to-market provisions, which might be reversed subsequently. The company usually tries to mitigate the risk to an extent by timing the receivables from its subsidiaries and repaying the outstanding packing credit (foreign currency) debt using export proceeds in foreign currency.

Environmental and social risks

Environmental considerations: Given its service-oriented business, RSL's direct exposure to environmental risks as well as those emanating from regulations or policy changes is not material.

Social considerations: Like other Indian IT companies, RSL faces the risk of data breaches and cyber-attacks that could affect large volumes of customer data that it manages. Any material lapse on this front could result in substantial liabilities, fines, or penalties and reputational impact. Also, the company remains exposed to the risk of changes in immigration laws in the key developed markets, where it provides its services. While such changes would be influenced by social and political considerations of those nations, they could increase competition among IT players for skilled workforce, leading to higher attrition rates and may have an adverse impact on the profitability. Managing various facets of human capital, including skills, compensation, and training, are key differentiating factors among IT companies.

Liquidity position: Adequate

RSL's liquidity is adequate with expected retained cash flow of Rs. 90-110 crore in FY2026, cash and liquid balances of Rs. 72.7 crore as on March 31, 2025, and a buffer in working capital limits (against drawing power) of Rs. 45-50 crore as on July 31, 2025. The company does not have any term debt repayment obligations; however, it is likely to spend about Rs. 80-100 crore on capex and R&D in FY2026, which is expected to be funded through internal accruals. The company enjoys healthy financial flexibility as part of the Ramco Group, with a demonstrated track record of financial support from the promoters.

Rating sensitivities

Positive factors - The ratings could be upgraded if there is material improvement in its revenues, earnings and cash flows from operations on a sustained basis backed by timely implementation of projects and improved order bookings.

Negative factors - The rating could be downgraded if there is sustained deterioration in the company's earnings or cash flows, thus weakening its liquidity profile. Any large debt-funded capex in the absence of meaningful improvement in cash accruals could also be a negative rating trigger.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology IT - Software & Services
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of RSL. Refer to the Annexure II for the list of entities considered for consolidation.

About the company

RSL was initially set up as a division of Ramco Industries Limited in 1989, before being spun off into an independent entity in 1997. Headquartered in Chennai, RSL is a leading cloud-based technology company with global operations. It provides ERP, human capital management and aviation maintenance and engineering (M&E) as well as maintenance repair and overhaul (MRO) software to customers across the globe. It is part of the reputed Ramco Group of companies, a business conglomerate with interests in cement, cotton, synthetic yarn, cement software solutions, clean energy, and biotechnology, among others.

Key financial indicators (audited)

RSL (consolidated)	FY2024	FY2025
Operating income	527.3	591.3
PAT	-241.7	-34.3
OPBDIT/OI	-26.4%	13.7%
PAT/OI	-45.8%	-5.8%
Total outside liabilities/Tangible net worth (times)	1.0	1.0
Total debt/OPBDIT (times)	-0.5	0.7
Interest coverage (times)	-17.8	13.7

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore
PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs Crore)	Sep 19, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Cash Credit	Long Term	15.00	**[ICRA]BBB+ (Stable)**	Sep 06, 2024	[ICRA]BBB+ (Stable)	Nov 08, 2023	[ICRA]BBB+ (Negative)	-	-
				-	-	Jun 30, 2023	[ICRA]A- (Negative)	-	-
EPC/PCFC/WCDL	Short Term	75.00	**[ICRA]A2**	Sep 06, 2024	[ICRA]A2	Nov 08, 2023	[ICRA]A2	-	-
				-	-	Jun 30, 2023	[ICRA]A2+	-	-
LC/Bank Guarantees	Short Term	20.50	**[ICRA]A2**	Sep 06, 2024	[ICRA]A2	Nov 08, 2023	[ICRA]A2	-	-
				-	-	Jun 30, 2023	[ICRA]A2+	-	-
Unallocated	Long Term/ Short term	39.50	**[ICRA]BBB+ (Stable)/ [ICRA]A2**	Sep 06, 2024	[ICRA]BBB+ (Stable)/ [ICRA]A2	Nov 08, 2023	[ICRA]BBB+ (Negative)/ [ICRA]A2	-	-
				-	-	Jun 30, 2023	[ICRA]A- (Negative)/ [ICRA]A2+	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Cash Credit	Simple
EPC/PCFC/WCDL	Very simple
LC/Bank Guarantees	Very simple
Unallocated	Not applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	**Cash Credit**	NA	NA	NA	15.00	[ICRA]BBB+(Stable)
NA	**EPC/PCFC/WCDL**	NA	NA	NA	75.00	[ICRA]A2
NA	**LC/BG**	NA	NA	NA	20.50	[ICRA]A2
NA	**Unallocated**	NA	NA	NA	39.50	[ICRA]BBB+(Stable)/[ICRA]A2

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company Name	RSL Ownership	Consolidation
Ramco Systems Corporation, USA	98%	Full Consolidation
Ramco Systems Ltd, Switzerland	100%	Full Consolidation
Ramco Systems Sdn. Bhd, Malaysia	100%	Full Consolidation
Ramco Systems Pte. Ltd., Singapore	100%	Full Consolidation
RSL Enterprise Solutions (Pty) Ltd., South Africa	100%	Full Consolidation
Ramco Systems Canada Inc., Canada	98%	Full Consolidation
Ramco Systems FZ-LLC, Dubai	100%	Full Consolidation
RSL Software Co. Ltd., Sudan	100%	Full Consolidation
Ramco Systems Australia Pty Ltd., Australia	100%	Full Consolidation
Ramco Systems Inc., Philippines	100%	Full Consolidation
Ramco Systems (Shanghai) Co. Ltd., China	100%	Full Consolidation
Ramco System Vietnam Company Limited, Vietnam	100%	Full Consolidation
PT Ramco Systems Indonesia, Indonesia	100%	Full Consolidation
Ramco Systems Macau Limited, Macao	100%	Full Consolidation
CityWorks (Pty.) Ltd., South Africa	30%	Equity Method
Ramco Software Japan Limited, Japan	100%	Full Consolidation
Ramco Systems Defense and Security Incorporated, USA	100%	Full Consolidation
Ramco Middle East for Information Technology, Saudi Arabia	100%	Full Consolidation
Ramco System LLC, Qatar	100%	Full Consolidation
Ramco System Korea Company Limited, South Korea	100%	Full Consolidation

Source: : RSL financials FY2025; ***Note:*** *ICRA has taken a consolidated view of the parent (RSL), its subsidiaries and associates while assigning the ratings.*

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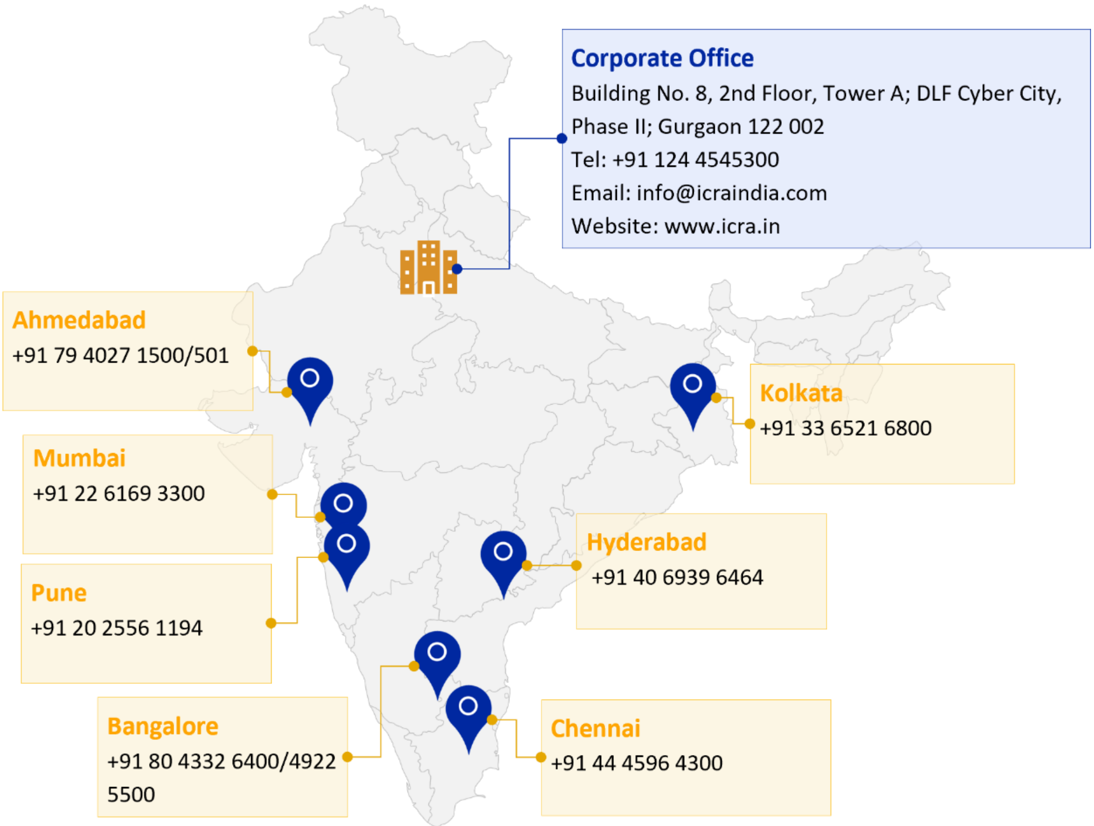

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