



R Systems Announces Results for Q2, 2014

Q2, 2014: Revenue: Rs 160.67 Crores, EBITDA: Rs 22.43 Crores and Net Profits: Rs 13.93 Crores

Noida, India – July 26, 2014

Highlights

Consolidated results for the quarter ended June 30, 2014

- Consolidated revenue from operations for Q2-14 was Rs. 160.67 crores (US\$ 26.85 mn) compared to Rs. 145.22 crores (US\$ 26.05 mn) in Q2, 2013 and Rs. 156.27 crores (US\$ 25.31 mn) in Q1, 2014. YoY increase was 10.64% and QoQ increase was 2.82%.
- EBITDA was Rs. 22.43 crores (US\$ 3.74 mn) compared to Rs. 15.65 crores (US\$ 2.84 mn) in Q2, 2013 and Rs.18.67 crores (US\$ 3.03 mn) in Q1, 2014. YoY increase was 43.27% and QoQ increase was 20.13%.
- Net profit after taxes was Rs. 13.93 crores (US\$ 2.33 mn) compared to Rs. 7.68 crores (US\$ 1.40 mn) in Q2, 2013 and Rs. 14.36 crores (US\$ 2.33 mn) in Q1, 2014. YoY increase was 81.38% and QoQ decrease was 3.04%.

Mr. Rekhi Singh, Managing Director stated “We concluded the quarter with revenues of Rs. 160 crores and EBITDA of Rs. 22 crores. Volumes growth coupled with discipline in execution and higher license revenue led to improved margins in Q2-2014. Over the quarter, Rupee has witnessed volatility which has impacted our margins. We continue to follow a hedging policy to manage currency risk.”

He added, “Overall business environment is encouraging. To maximize these opportunities, we are committed to deliver innovative services and solutions to offer enhanced value proposition to the delight of our customers.”

He further added, “We are having a strong balance sheet with net worth of Rs. 237 crores including cash and bank balance of Rs. 99 crores. Considering the overall performance, the Board has declared a second interim dividend of 50% i.e. Re. 0.50 per share”

Mr. Raj Swaminathan Executive Director and COO said “Our focus on targeting bigger deals is yielding results. We have 28 accounts having revenue of USD one million plus including 5 accounts having revenue of USD 3 mn and above. We added 45 net technical associates during the quarter to support promising sales pipeline across all our key verticals.”

Key Operational Highlights for the Quarter

R Systems’ core service offerings include Outsourced Product Engineering, sold under our brand of iPLM (Integrated Product Life Cycle Management) IT and ITES services. Our iPLM IT Services are designed to help software product development companies to accelerate their time-to-market, make our customer more competitive and increase product life spans. Our key ITES services include customer care and technical support, managed services, NOC support, high-end quality process management and revenue and claims management. These are delivered in multiple languages using our global delivery model.

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For R SYSTEMS INTERNATIONAL LTD.



R Systems products group consists of two units i.e., Indus® and ECnet®. Indus® addresses its target BFSI market with its flagship product LSI (Lending Solutions from Indus) and its variants for the telecom and insurance industry.

ECnet® addresses supply chain, warehousing and inventory management. Further, ECnet also operates as a channel partner for reselling and implementing several ERP products of one of the largest ERP vendors.

Our services and solutions span five major verticals which include Telecom and Digital Media, Banking and Finance, Healthcare Services, Manufacturing and Logistics, and Government Services. We serve customers worldwide using our global delivery model, 2600+ associates and multi-language support capabilities.

The brief of some significant wins are listed below:

One of the leading providers of cloud-based products for health insurers and state health agencies based in USA has engaged R Systems for various cloud based J2EE initiatives using Spring and Hibernate technologies.

One of the leading Accounting and Consulting firm in USA has selected R Systems for IT services covering a suite of Microsoft applications along with handling significant database migration.

A Russia based producer of smart phones and other high-tech gadgets selected R Systems' European BPO arm to provide technical support and customer services for its devices.

A global manufacturer of watches, printers, scanners and high tech electronic devices has engaged our Singapore subsidiary ECnet Limited to implement a globally renowned and comprehensive ERP system along with ECnet's proprietary SCM e-procurement solution.

A Singapore based company specialized in electrical goods and component has selected our subsidiary ECnet Limited to implement a data collection solution. The solution will result in improved warehouse management.

Interim Dividend

The Board of Directors at its meeting held on July 26, 2014 has declared second interim dividend of Re. 0.50 per equity shares (i.e. 50% on equity share of par value of Re. 1/-).

Liquidity and Shareholder Funds

Total Consolidated Cash and bank balance, including bank deposits and liquid debt funds, as at June 30, 2014 was Rs. 99.51 crores compared to Rs. 123.90 crores as on March 31, 2014. Total shareholder funds as on June 30, 2014 were Rs. 237.39 crores compared to Rs. 243.40 crores as on March 31, 2014.

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**Financial Performance****Consolidated Profit & Loss Statement (Un-audited) for the Quarter Ended June 30, 2014 (As per Indian GAAP)**

(Rs. in mn)

Sr. No.	Particulars	Quarter Ended June 30,		Quarter Ended March 31, 2014
		2014	2013	
1	Income			
1.1	Income from operations	1,606.68	1,452.17	1,562.65
1.2	Other operating income	0.66	2.35	33.87
	Total	1,607.34	1,454.52	1,596.52
2	Expenses			
2.1	Employee benefits expense	979.35	882.96	985.85
2.2	Depreciation and amortisation expense	28.37	25.75	26.99
2.3	Traveling and conveyance	75.17	79.40	93.81
2.4	Communication costs	22.24	20.73	21.80
2.5	Legal and professional expenses (including subcontract expenses)	174.30	142.76	161.80
2.6	Provision for doubtful debts and advances (net)	-	15.47	-
2.7	Other expenses	126.76	179.48	115.56
	Total expenses	1,406.19	1,346.55	1,405.81
3	Profit from operations before other income and finance cost	201.15	107.97	190.71
4	Other income	10.38	9.55	11.38
5	Profit from operations before finance cost	211.53	117.52	202.09
6	Finance cost	1.89	1.98	2.06
7	Profit before tax	209.64	115.54	200.03
8	Tax expense			
8.1	Current tax (net of MAT credit)	70.18	37.83	40.62
8.2	Deferred tax charge	0.19	0.93	15.78
	Total tax expense	70.37	38.76	56.40
9	Net profit after tax	139.27	76.78	143.63
10	Earnings per share (Face value of Re. 1/- each)			
10.1	Basic	1.09	0.61	1.13
10.2	Diluted	1.09	0.61	1.13

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Financial Performance

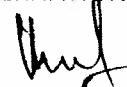
Consolidated Profit & Loss Statement (Un-audited) for the Six Months Ended June 30, 2014 (As per Indian GAAP)

(Rs. in mn)

Sr. No.	Particulars	Six Month Ended June 30	
		2014	2013
1	Income		
1.1	Income from operations	3,169.33	2,700.80
1.2	Other operating income	34.53	5.15
	Total	3,203.86	2,705.95
2	Expenditure		
2.1	Employee benefits expense	1,965.20	1,725.23
2.2	Depreciation and amortisation expense	55.36	47.06
2.3	Traveling and conveyance	168.98	172.19
2.4	Communication costs	44.04	40.58
2.5	Legal and professional expenses (including subcontract expenses)	336.10	261.89
2.6	Provision for doubtful debts and advances (net)	-	34.95
2.7	Other expenditure	242.32	267.67
	Total expenditure	2,812.00	2,549.57
3	Profit from operations before other income and finance cost	391.86	156.38
4	Other income	21.76	20.80
5	Profit from operations before finance cost	413.62	177.18
6	Finance cost	3.95	3.70
7	Profit before tax	409.67	173.48
8	Provision for tax		
8.1	Current tax (net of MAT credit)	110.80	46.06
8.2	Deferred tax charge / (credit)	15.97	(1.32)
	Total tax expense	126.77	44.74
9	Net profit after tax	282.90	128.74
10	Earnings per share (Face value of Re. 1/- each)		
10.1	Basic	2.23	1.02
10.2	Diluted	2.23	1.02

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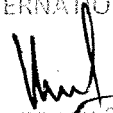
**Financial Performance****Consolidated Profit & Loss Statement (Un-audited) for the Quarter Ended June 30, 2014**
(Contribution Analysis Format; Basis Indian GAAP)

(Figures in mn)

Particulars	Q2 2014		Q2 2013		Q1 2014	
	INR	US\$	INR	US\$	INR	US\$
Revenues	1,606.68	26.85	1,452.17	26.05	1,562.65	25.31
Cost of revenues	1,021.48	17.08	937.58	16.80	1,014.07	16.42
Gross margin	585.20	9.77	514.59	9.25	548.58	8.89
	36.42%		35.44%		35.11%	
SG & A						
Expenses	360.92	6.03	358.05	6.41	361.89	5.86
	22.46%		24.66%		23.16%	
EBITDA	224.28	3.74	156.54	2.84	186.69	3.03
	13.96%		10.78%		11.95%	
Depreciation and amortization	28.37	0.47	25.75	0.46	26.99	0.44
Income from operations	195.91	3.27	130.79	2.38	159.70	2.59
Interest expense	(0.22)	(0.00)	(0.27)	(0.00)	(0.42)	(0.01)
Other income (net)	13.95	0.24	(14.98)	(0.28)	40.75	0.66
Income before income tax	209.64	3.51	115.54	2.10	200.03	3.24
Income tax provision	70.37	1.18	38.76	0.70	56.40	0.91
Net earnings	139.27	2.33	76.78	1.40	143.63	2.33

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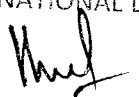
**Financial Performance****Consolidated Profit & Loss Statement (Un- audited) for the Six Months Ended June 30, 2014****(Contribution Analysis Format; Basis Indian GAAP)**

(Figures in mn)

Particulars	Jan to Jun 14		Jan to Jun 13	
	INR	US\$	INR	US\$
Revenue	3,169.33	52.16	2,700.80	49.09
Cost of revenue	2,035.55	33.50	1,785.57	32.45
Gross margin	1,133.78	18.66	915.23	16.64
SG & A	35.77%		33.89%	
Expenses	722.81	11.89	708.74	12.88
	22.81%		26.24%	
EBITDA	410.97	6.77	206.49	3.76
	12.97%		7.65%	
Depreciation and amortization	55.36	0.91	47.06	0.86
Income from operations	355.61	5.86	159.43	2.90
Interest expense	(0.64)	(0.01)	(0.57)	(0.01)
Other income (net)	54.70	0.90	14.62	0.26
Income before income tax	409.67	6.75	173.48	3.15
Income tax provision	126.77	2.09	44.74	0.81
Net earnings	282.90	4.66	128.74	2.34

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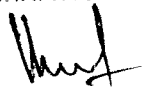
Consolidated Balance Sheet as at June 30, 2014 (As per Indian GAAP)

(Rs. in mn)

Particulars	As at		
	June 30, 2014	June 30, 2013	Mar 31, 2014
	(Unaudited)	(Unaudited)	(Unaudited)
EQUITY & LIABILITIES			
Shareholders' Funds			
Share capital	126.63	125.59	126.63
Reserves and Surplus	2,247.29	1,965.53	2,307.38
Sub-Total Shareholder's Funds	2,373.92	2,091.12	2,434.01
Minority interest	-	-	-
Non-current liabilities			
Long-term borrowings	7.19	9.41	7.24
Other long term liabilities	4.48	4.41	4.37
Long-term provisions	80.80	83.24	75.61
Subtotal - Non-current liabilities	92.47	97.06	87.22
Current liabilities			
Trade payables	480.67	435.81	465.15
Other current liabilities	298.51	236.09	333.95
Short-term provisions	274.15	297.83	307.11
Subtotal- Current Liabilities	1053.33	969.73	1,106.21
TOTAL - EQUITY AND LIABILITIES	3,519.72	3,157.91	3,627.44
ASSETS			
Non-current assets			
Fixed assets	459.27	421.11	468.56
Goodwill on consolidation	292.41	279.21	283.84
Non-current investments	0.03	0.03	18.03
Deferred tax assets (net)	38.96	56.50	39.29
Long-term loans and advances	74.37	88.36	75.04
Other non-current assets	76.27	93.90	74.45
Subtotal - Non- current assets	941.31	939.11	959.21
Current assets			
Current Investment	18.00	10.00	10.00
Trade receivables	1,199.82	1,105.52	1,089.00
Cash and bank balance	907.01	726.21	1,137.65
Short-term loans and advances	175.38	138.70	167.78
Other current assets	278.20	238.37	263.80
Subtotal - Current Assets	2,578.41	2,218.80	2,668.23
TOTAL – ASSETS	3,519.72	3,157.91	3,627.44

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Consolidated Operational Data (Un-audited)

Profitability in Percentage	Quarter ended		
	June 30, 14	June 30, 13	Mar 31, 14
Revenues	100.00	100.00	100.00
Gross margin	36.42	35.44	35.11
SG & A	22.46	24.66	23.16
EBITDA	13.96	10.78	11.95
EBT	13.05	7.96	12.80
PAT	8.67	5.29	9.19

Revenue from Top 10 Clients	Quarter ended		
	June 30, 14	June 30, 13	Mar 31, 14
Top 10 Clients	32.04%	35.03%	33.94%
Top 5 Clients	19.87%	22.44%	20.29%
Top 3 Clients	14.11%	15.23%	13.75%
Largest Client	5.62%	5.36%	5.25%

Revenues by Geographies	Quarter ended		
	June 30, 14	June 30, 13	Mar 31, 14
USA	58.29%	54.72%	55.82%
Europe	22.60%	25.94%	26.23%
SEAC (South East Asia)	9.45%	11.28%	9.31%
India	5.88%	4.32%	5.29%
Others	3.78%	3.74%	3.35%
Total	100.00%	100.00%	100.00%

Utilization (excluding trainees)	Quarter ended		
	June 30, 14	June 30, 13	Mar 31, 14
Onsite	74.89%	75.97%	74.95%
Offshore	74.62%	70.57%	72.55%
Blended	74.68%	71.79%	73.13%

Utilization (including trainees)	Quarter ended		
	June 30, 14	June 30, 13	Mar 31, 14
Onsite	74.89%	75.97%	74.95%
Offshore	70.78%	67.29%	69.07%
Blended	71.72%	69.19%	70.43%

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Consolidated Operational Data (Un-audited)

Human resources	As at		
	June 30, 14	June 30, 13	Mar 31, 14
Technical	2,233	2,187	2,188
Software services			
Onsite	319	291	305
Offshore	1,367	1,318	1,366
BPO			
Offshore	272	309	244
Onsite	184	189	192
Trainees	91	80	81
Support	391	371	377
Total count	2,624	2,558	2,565

(Rs. in mn, except DSO)

Key Balance Sheet Data	As At		
	June 30, 14	June 30, 13	Mar 31, 14
Receivable	1,199.82	1,105.52	1,089.00
Receivable in days ("DSO")	52	55	52
Total cash and bank balance*	995.13	823.67	1,238.97
Fixed assets	459.27	421.11	468.56
Shareholders' funds	2,373.92	2,091.12	2,434.01

*Including investments in liquid debt funds and fixed deposits with banks

Development/Service Centres Location	As on June 30, 2014	
	Covered areas in sq ft.	No. of seats
India		
Noida	76,980	1,428
Pune	25,190	436
Chennai	12,666	170
	114,836	2,034
USA		
Sacramento, CA	9,500	60
Salt Lake City, Utah	13,800	117
	23,300	177
South East Asia		
Singapore	7,125	42
Malaysia	3,365	31
Thailand	592	6
	11,082	79
Europe		
Netherlands	21,194	251
France	8,600	112
Romania	14,090	126
Poland	6,083	54
Moldova	3,398	46
	53,365	589
Total	202,583	2,879



Notes:

1. US\$ equivalent figures are derived by converting the Rupee figures using average rates for profit & loss items and closing rate for balance sheet items.
2. Previous period's / year's figures have been regrouped / reclassified wherever applicable, to the extent possible, to conform to the current period presentation.

About R Systems International Limited

R Systems International Limited founded in 1993, is one of the leading provider of outsourced product development and customer support services. We help companies to accelerate the speed to market their products and services with a high degree of time and cost predictability by using our proprietary pSuite framework. Clients can choose services specific to their needs from R Systems iPLM suite of services. We help companies to build scalable, configurable and secure products and applications; and help our clients to support their customers worldwide for products and services using our global delivery model in 20 languages. R Systems rapidly growing customer list includes a variety of Fortune 1000, government and mid-sized organizations across a wide range of industry verticals including Banking and Finance, High Technology, Independent Software Vendors, Telecom and Digital Media, Government, HealthCare, Manufacturing and Logistic Industries. R Systems maintains thirteen development and service centres and using our global delivery model we serve customers in USA, Europe, South America, India, the Far East, the Middle East and Africa.

Safe Harbor:

Investors are cautioned that this presentation contains forward looking statements that involve risks and uncertainties. The Company undertakes no obligation publicly to update or revise any forward-looking statements, whether because of new information, future events, or otherwise. Actual results, performance, or achievements could differ from those expressed or implied in such forward-looking statements.

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