



# Delivering Exceptional Value!

Caring  
Innovating  
Transforming



R SYSTEMS INTERNATIONAL LIMITED

Annual Report 2013

# What you will find inside...

Corporate Information	1
Our Journey so Far	2
Delivering Exceptional Value	3
Corporate Identity	10
Chairman's Letter	12
Delivering Value to our Investors	16
Business Verticals	18
Our Quality Journey	26
Our Client Mix	27
Intellectual Capital	28
Beyond Business	30
Directors' Report	32
Corporate Governance Report	48
Management Discussion and Analysis	64
Risk Management Report	78
Financial Statements (Standalone)	85
Financial Statements (Consolidated)	130
Notice of Twentieth Annual General Meeting	174

**Safe Harbor Statement:**

Certain Statements in this report concerning our future growth prospects are forward-looking statements, which involves a number of risks and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. The risks and uncertainties relating to these statements include, but are not limited to, risks and uncertainties regarding the success of our investments, risks and uncertainties regarding fluctuations in earnings, our ability to manage growth, intense competition in IT and ITES services and solutions including those factors which may affect our cost advantage, wage increases, our ability to attract and retain highly skilled professionals, time and cost overruns on fixed-price, fixed-time frame contracts, client concentration, restrictions on immigration, industry segment concentration, our ability to manage our international marketing and sales operations, reduced demand for technology and consulting services in our key focus areas, disruptions in telecommunication networks or system failures, our ability to successfully complete and integrate potential acquisitions and restructuring, liability for damages on our service contracts and product warranty, the success of the companies in which the Company has made strategic investments, withdrawal of governmental fiscal incentives, political instability and regional conflicts, legal restrictions on raising capital or acquiring companies outside India, and unauthorized use of our intellectual property and general economic conditions affecting our industry. The Company may, from time-to-time, make additional written and oral forward-looking statements and does not undertake to update any forward-looking statements that may be made from time-to-time by or on behalf of the Company.

# Corporate Information

## Board of Directors

(As on March 30, 2014)

1. **Mr. Satinder Singh Rekhi**  
(Chairman and Managing Director)
2. **Lt. Gen. Baldev Singh (Retd.)**  
(President and Senior Executive Director)
3. **Mr. Raj Swaminathan**  
(Director and Chief Operating Officer)
4. **Mr. Raj Kumar Gogia**  
(Non-Executive Independent Director)
5. **Mr. Gurbax Singh Bhasin**  
(Non-Executive Independent Director)
6. **Mr. Suresh Paruthi**  
(Non-Executive Independent Director)
7. **Mr. Anuj Kanish**  
(Additional Director – Non Executive Independent)

## Company Secretary and Compliance Officer

Mr. Vikash Kumar Tiwari

## Committees of the Board of Directors Audit Committee

1. **Mr. Raj Kumar Gogia**  
(Chairman)
2. **Mr. Gurbax Singh Bhasin**  
(Member)
3. **Mr. Suresh Paruthi**  
(Member)
4. **Mr. Anuj Kanish**  
(Member)

## Shareholders / Investors Grievance Committee

1. **Mr. Raj Kumar Gogia**  
(Chairman)
2. **Mr. Suresh Paruthi**  
(Member)
3. **Mr. Satinder Singh Rekhi**  
(Member)
4. **Lt. Gen. Baldev Singh (Retd.)**  
(Member)

## Remuneration Committee

1. **Mr. Raj Kumar Gogia**  
(Chairman)
2. **Mr. Gurbax Singh Bhasin**  
(Member)

3. **Mr. Suresh Paruthi**  
(Member)
4. **Mr. Anuj Kanish**  
(Member)

## Compensation Committee

1. **Mr. Raj Kumar Gogia**  
(Chairman)
2. **Mr. Suresh Paruthi**  
(Member)
3. **Lt. Gen. Baldev Singh (Retd.)**  
(Member)

## Registered Office

B - 104A, Greater Kailash - I,  
New Delhi - 110 048, India

## Corporate Office

C - 40, Sector - 59, Noida (U.P.) - 201 307,  
India

## Statutory Auditors

S. R. Batliboi & Co. LLP  
Chartered Accountants  
Golf View Corporate Tower - B,  
Sector - 42, Sector Road,  
Gurgaon - 122 002, Haryana, India

## Registrar & Share Transfer Agent

M/s Link Intime India Private Limited  
44, Community Centre, 2nd Floor,  
Naraina Industrial Area, Phase- I  
Near PVR Naraina,  
New Delhi - 110 028, India

## Bankers to the Company

1. Axis Bank Limited
2. ICICI Bank Limited
3. HDFC Bank Limited
4. State Bank of India
5. The Ratnakar Bank Limited
6. Oriental Bank of Commerce
7. State Bank of Bikaner & Jaipur
8. Canara Bank
9. Kotak Mahindra Bank
10. California Bank and Trust, U.S.A.
11. ABN Amro Bank, The Netherlands
12. Sumitomo Mitsui Banking Corporation (SMBC), Japan

## Listed At

1. National Stock Exchange of India Limited
2. BSE Limited

## Subsidiaries of R Systems International Limited

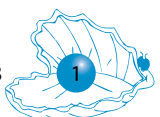
1. R Systems (Singapore) Pte Limited, Singapore
2. R Systems, Inc., U.S.A.
3. Indus Software, Inc., U.S.A.
4. ECnet Limited, Singapore
5. R Systems Solutions, Inc., U.S.A.
6. R Systems NV, Belgium (liquidated on June 24, 2013)
7. R Systems Europe B.V., The Netherlands
8. R Systems S.A.S., France
9. Computaris International Limited, U.K.
10. Systèmes R. International Ltée, Canada

## Subsidiaries of ECnet Limited

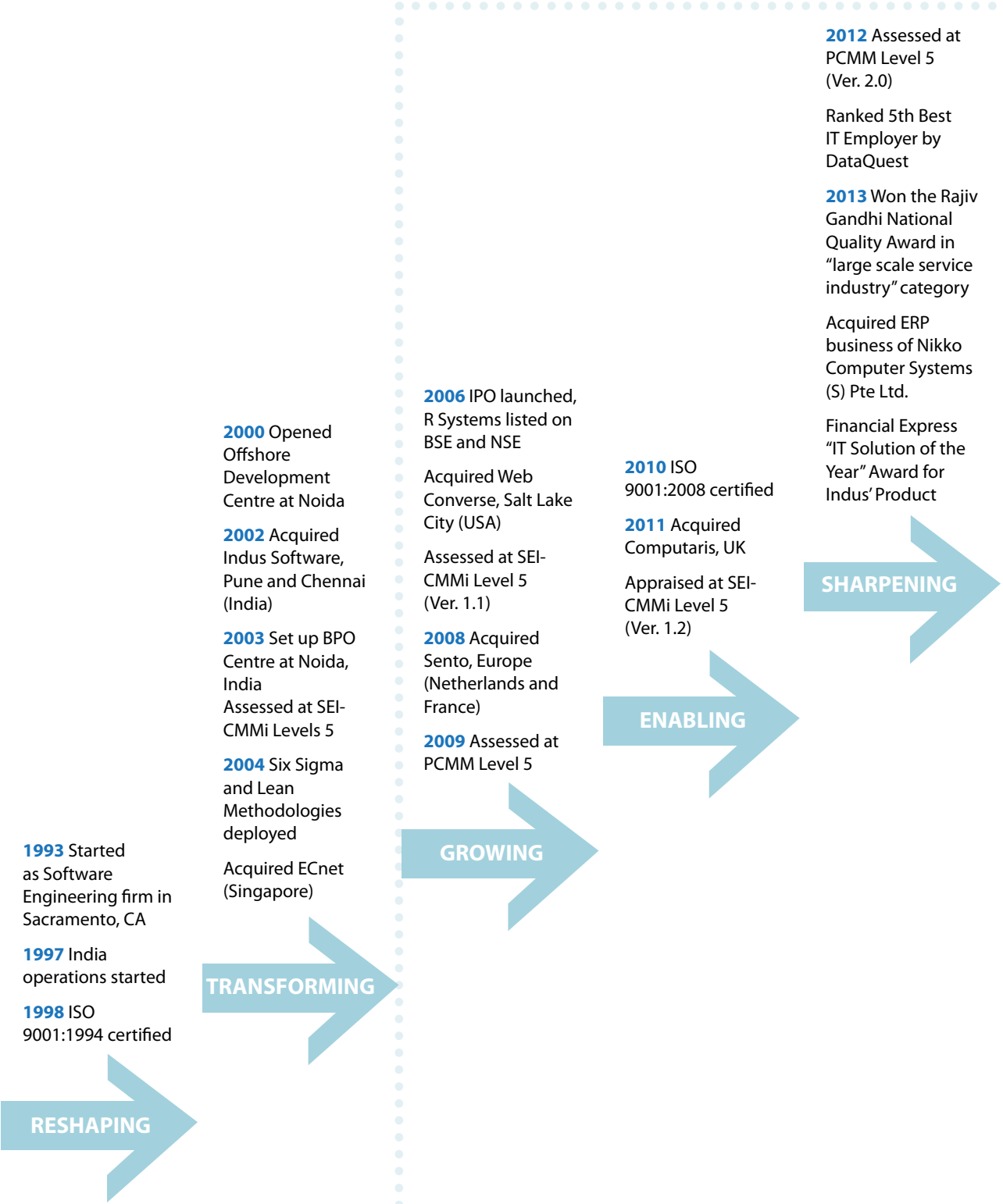
11. ECnet (M) Sdn. Bhd., Malaysia
12. ECnet Inc., U.S.A.
13. ECnet (Hong Kong) Limited, Hong Kong
14. ECnet Systems (Thailand) Company Limited, Thailand
15. ECnet Kabushiki Kaisha, Japan
16. ECnet (Shanghai) Co. Ltd., People's Republic of China

## Subsidiaries of Computaris International Limited

17. ICS Computaris International Srl, Moldova
18. Computaris Malaysia Sdn. Bhd., Malaysia
19. Computaris Polska sp z o.o., Poland
20. Computaris Romania SRL, Romania
21. Computaris USA, Inc.
22. Computaris Limited, U.K. (liquidated on December 24, 2013)



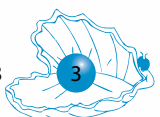
# Our Journey so Far



## Delivering Exceptional Value

An oyster is pushed by the ocean currents on an epic journey to produce a precious pearl. It undergoes various challenges yet rises above the challenges to deliver value in the form of pearl.

At R Systems, we relate ourselves completely to an oyster. Over the years, we have strived hard to grow to the size that we have currently achieved. We have overcome various odds and challenges before achieving success. Over the years, we have grown by leaps and bounds supported by our unstinted dedication, diligence and hard work. In doing so, we are delivering exceptional value to our various stakeholders including employees, customers, investors and the community in which we operate.



# Caring





**At R Systems, we care for our employees, customers, investors and all those who are associated with us. We walk the extra mile and nurture our relationships to build an association that is meaningful, long-term and sustainable.**

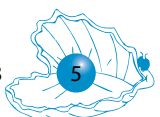
Driven by our core value of caring, we believe that employees are our biggest asset who drive the organisation towards growth. We provide our employees a safe and healthy work environment that encourages them to share, learn and evolve together. We create value for our employees by helping them attain a better lifestyle and purposeful living. In doing so, we encourage an entrepreneurship spirit in our employees so that they, in turn, can generate value for our other stakeholders.

Customers are key to any business. At R Systems, we strive to provide measurable business advantages to our customers. We are strongly equipped to respond to customer's changing needs due to our deep domain understanding and technology prowess in select verticals. Over the years, we have won countless accolades from global customers for our benchmarked delivery track record, quality standards and adaptability to technological challenges. With a rich legacy spread over two decades, we have generated

exceptional value that helps organizations transcend to higher levels of efficiency and growth.

Investors are an integral part of our business ecosystem. Over the years we have created exceptional value for our investors by generating healthy return on invested capital, making profitable investments and acquisitions, improving margins and profits consistently, year after year.

Last but not least, we prioritize on developing and nurturing the community around which we operate. We create value for our communities through our well-organized initiatives, which includes providing education to the underprivileged, supporting and empowering the lesser advantaged communities and preserving the environment among others.





**At R Systems, we stay ahead by embracing innovation in all that we think and do. Our innovation spreads across the entire value chain and includes people, processes and products.**

Driven by our core value of innovation, we believe that innovation is not just a practice but an essential component embedded within our organizational DNA. Innovation is one of our core areas which keeps us competitive and successful in today's highly competitive business environment. We harness our knowledge and technical competence, gathered over the years, to innovate new solutions and services for our customers. We believe innovation can enable clients to stay ahead and prepare them for the challenges for tomorrow. Keeping this in mind, we frequently engage with our existing and new clients to incubate, design, develop, implement and sustain products and applications for complex business challenges. We collaborate with our customers to help them launch relevant and breakthrough products ahead of their competitors.

We understand that people perform well when they operate in a culture that is caring, supportive and encouraging. In order to bring out the best in our people, we nurture our employees through our structured training programs and continuous learning and development opportunities. As a result our 2500+ employees combine a unique blend of entrepreneurial spirit, technical competence and passion to innovate.

In order to develop innovative products, we have established dedicated and well-equipped research and development labs at Pune and Noida. Our R&D labs have produced several innovative products that address the diverse needs of a wide range of customers across Banking, Finance and Insurance, Telecom and Mobility. During the year 2013, we invested Rs. 110.92 million in our R&D activities to create new products and solutions and enhance existing products and solutions at our Pune and Noida centres.

Our quality benchmarks are amongst the best in the IT industry, which is evident from our consistently high approval ratings by several Fortune 1000 companies and other customers we serve, worldwide. During 2013, our Noida centre won the Rajiv Gandhi National Quality Award 2011 in the "Large Scale Service Industry" category, which is given to those who are considered as the leaders of quality movement in the country. This award confirms our leadership position in quality and process excellence.





# Innovating



# Transforming



**At R Systems, we see ourselves as transformation agents. Our caring and innovation-driven culture seeks to transform individuals, businesses and society for the better.**

R Systems has emerged as an agent of transformation. We are continuously transforming the lives of our employees, businesses, and the society through our caring and innovation-driven enterprise.

Transformation is one of our core values that seek to better the lives of our employees by helping them realize a purposeful living. We offer our employees much more than just a successful career. We provide a work culture that inspires employees to give in their best. Our continuous learning and competency development opportunities enable them to become partners in our journey for growth and excellence.

We undertake several short and long-term initiatives to help employees realize their full potential. Some of these initiatives include long-term career development programs; structured training programs for skill enhancements; leadership opportunities to scale up the organizational ladder; and opportunities to innovate and participate in R&D activities, among others. Our people practices are mapped to that of PCMM Level 5, which help us bring out the best in our employees and help them realize job satisfaction.

For more than twenty years, R Systems has also been transforming businesses across the globe by helping them realize higher levels of efficiency and growth. We combine the latest technologies with our deep domain expertise and R&D capabilities to offer innovative solutions to our customers.

We generate incredible value for our customers to make them become more efficient and productive. We walk the extra mile and associate closely as partners in our customers' transformative journey. Right from the alignment of their IT initiative with business objectives to the deployment of innovative technology solutions, we work as an extended enterprise for our customers. This helps us ensure that they grow, are able to meet their business requirements, and stay competitive and profitable. For our customers, we are like the oyster, easy to access and work with.

We also see ourselves as an institution which is responsible for bringing about a meaningful change in our society. Ever since our inception, we have been striving to make a positive difference in the society through our well-organized CSR activities. Our CSR initiatives are meaningful, sustainable and have far-reaching benefits for the societies within which we operate.



# Corporate Identity

## We are

R Systems, founded in 1993, is a specialized IT and ITeS services and solutions provider catering to a wide range of global customers. We are endowed with the industry's highest quality certifications and standards, including SEI CMMI Level 5, PCMM Level 5, ISO 27001:2005 and ISO 9001:2008. Our IT 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, 2500+ expert associates and multi-language support capability.

# \$100+ million

Revenues in 2013

## We offer

R Systems' core service offerings include Outsourced Product Engineering, sold under our brand of iPLM (Integrated Product Life Cycle Management) IT and ITeS services.

### iPLM IT Services

iPLM IT Services are designed to help software product development companies accelerate time-to-market, become more competitive, and increase product life spans. Our iPLM IT services include new product development, product maintenance and support, and testing and quality assurance. Our iPLM IT services comprise 1200+ expert resources to service 80+ customers, with a portfolio of 1500+ products.

### ITeS Services

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. Our 450+ expert resources in this segment are servicing 20+ customers using our global delivery model.

R Systems product groups consists of two units i.e., Indus® and ECnet®. Indus® addresses the retail lending, telecom and insurance industry. ECnet® addresses supply chain, warehousing and inventory management.

## Our Vision

To generate Value through Technology, like the Oyster Delivering the Pearl

## Our Mission

Our mission is to emerge as the world's leading solutions and services provider by leveraging on the entrepreneurial spirit of our employees, on cutting-edge technologies and niche verticals, through constant innovation and learning.

## Our Values

**Caring:** We care for our employees, customers, investors and all those who are associated with us. We walk the extra mile and nurture our relationships to build an association that is meaningful, long-term and sustainable.

**Innovating:** We stay ahead by embracing innovation in all that we think and do. Our innovation spreads across the entire value chain and includes people, processes, and technologies.

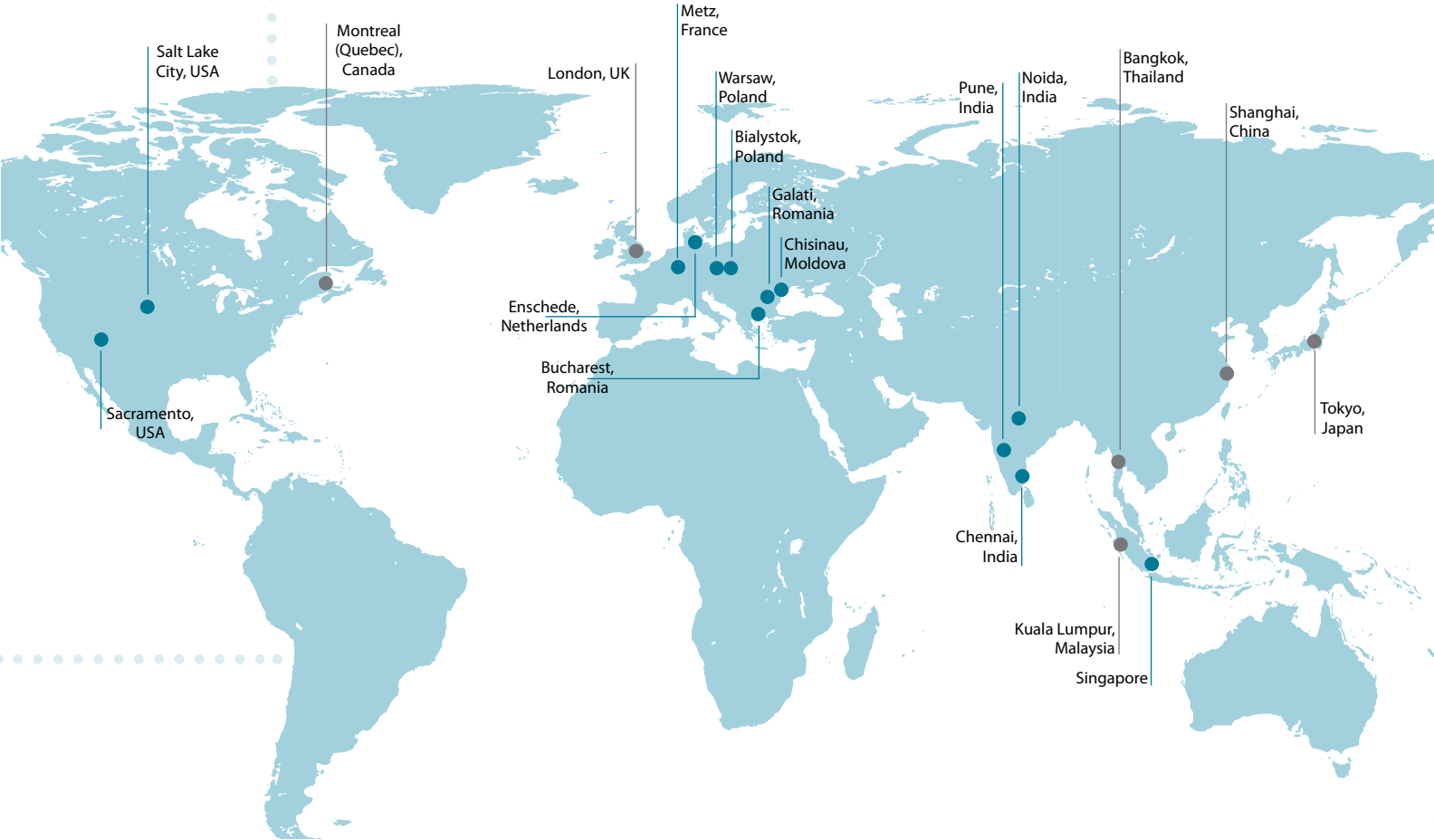
**Transforming:** We see ourselves as transformation agents. Our caring and innovation-driven culture seeks to transform individuals, businesses, and Society, for the better.



**Our Global Footprints**

R Systems began its journey in 1993 as a startup software engineering firm in Sacramento, California. Over the years, we have emerged as a leading player on the world map with a global reach and scale. Currently, we operate from 13 development and service centres located in Noida, Chennai and Pune in India;

Sacramento and Salt Lake City in USA; Singapore; Enschede in Netherlands; Metz in France; Bucharest and Galati in Romania; Warsaw and Bialystok in Poland and Chisinau in Moldova. We continue to expand our global footprints to deliver value to our global customers.



● Development/ Service Centres

● Sales and Service Office

13

Development and Service Centres spread across Asia Pacific, Europe and North America



# Chairman's Letter



*Dear Fellow Stakeholders,*

I am pleased to report that Financial Year 2013 has been yet another remarkable year for your company. The oyster has performed exceptionally well in its 20th year of journey and joined the elite club of companies with revenue above USD 100 million.

Your company has witnessed several interesting changes over the last one year that were intended to help us realize new levels of efficiency which includes implementation of SalesForce for our global sales team to enhance our sales efforts, incorporating SharePoint to synergize information flow across all our global centres and also adding a world-class private data centre in our centre at Noida (India) which will complement our racks in Tier 4 data centre in the USA. A noteworthy change that your company

has witnessed over the past one year relates to its rebranding, which has been done in sync with our enhanced global reputation. Your company now has a new logo and a new tagline that reinforces our distinct value leadership.

Your company also continues to win accolades from the industry. In 2013, our Indus Product Business won the Financial Express "IT Solution of the Year" award for its high impact and innovative solution that was delivered to one of India's most respected Insurance companies. We were declared the Category winner by an elite jury panel comprising highly regarded Business / IT and Academic leaders.

Your company continues to maintain 13 development and service centres using a global delivery model to serve customers in USA, Europe, South America, India, the Far East, the Middle East and Africa.

*"As an organization we are situated in a distinctive and advantageous position now. Our global spread, technological and process competence, and industry expertise places us high up the leadership matrix. We are now geared up to meet increasing stakeholder aspirations. The Oyster has grown in depth and span and will continue to further strengthen itself in our key business verticals – Telecom and Digital Media, Banking and Finance, Healthcare Services, Manufacturing and Logistics, and Government Services."*

**R SYSTEMS IN 2013**

The pearls we harnessed in 2013 have been extremely satisfactory for your company. We crossed the \$100 million revenue and added 15 marquee clients across all key verticals and geographies. We served over 140 customer globally including 25 million US Dollar plus accounts.

**\$100+ million**  
Revenues in 2013

The growth in consolidated revenues continued and during the year 2013, it reached a new height of Rs. 5,960 million – growth of 28% over last year. Revenue from new customers, volume increases and excellence in execution together with depreciation of the Rupee contributed positively to overall 2013 performance.

**28%**  
Revenue growth in 2013

EBITDA, a key indication of operating performance, continued to grow Rs. 786 million – growth of 125%. Profit after tax was Rs. 527 million- growth of 187% over last year.

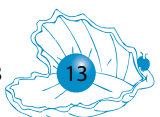
**187%**  
Net profit growth in 2013

We have maintained a strong Balance Sheet to deal with the fluctuations in the economy through judicious treasury and financial management. Shareholder funds stood at Rs. 2,318 million and cash and bank balance was Rs. 1,115 million. The Company continues to be near debt free.

The robust performance in 2013 has enabled us to reward our shareholders with a final dividend of 95% subject to the approval of the shareholders in addition to earlier declared interim dividends of 110%.

**OUTLOOK**

As we begin harnessing the oyster in 2014, I have a positive outlook for your company. The USA economy is improving and the



*“As we step into the third decade, the Oyster has begun working with renewed commitment to continue delivering Value to all our stakeholders. We are poised to emerge as one of the leaders in the global IT Industry in the future.”*

European economy is also showing signs of improvement. This will also propel global tech spending in these economies.

As an organization we are situated in a distinctive and advantageous position now. Our global spread, technological and process competence, and industry expertise places us high up the leadership matrix. We are now geared up to meet increasing stakeholder aspirations. The Oyster has grown in depth and span and will continue to further strengthen itself in our key business verticals – Telecom and Digital Media, Banking and Finance, Healthcare Services, Manufacturing and Logistics, and Government Services.

As we move on, we are keen to continue to invest in research and development and building capabilities across the key business verticals to sustain this upward growth trajectory.

## CONCLUSION

To conclude, I thank all our stakeholders who have contributed to our success. I also express my sincere gratitude to our customers, shareholders, bankers, the stock exchanges, Securities and Exchange Board of India, the Software Technology Parks of India, various government agencies and other organizations for their valuable support.

I am equally thankful to my colleagues worldwide at R Systems for their outstanding performance which helps us to climb up the

value ladder. They have always strived to give in their best and walk the extra mile to serve our global customers, meet shareholders' expectations, and meaningfully contribute to the communities around us.

As we step into the third decade, the Oyster has begun working with renewed commitment to continue delivering value to all our stakeholders. Our perseverance is evident in our increased focus on areas such as quality excellence, innovation, human capital, deep domain expertise and best practices. We are poised to emerge as one of the leaders in the global IT Industry in the future. This is evident from our vision statement which serves as our guiding light:

**“To generate Value through Technology, like the Oyster Delivering the Pearl.”**

Sincerely,

Satinder Singh Rekhi  
Chairman and Managing Director



# From the desk of Sartaj Singh Rekhi

“We feel proud and energized with our accomplishments, and, at the same time, we are thankful for reaching the \$100 million revenue milestone.”

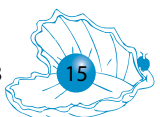


I am pleased to report that the R Systems oyster has reached the \$100 million revenue benchmark and created a “pearl” for our stakeholders. This is a major milestone for us, as well as, an important stepping stone for future success. The achievement demonstrates the vast amount of knowledge that the Company has accumulated that can be utilized to create more innovative solutions for our customers, and, to provide an even better work place for our employees. It is also testimony to our commitment for excellence and growth along with our ability to serve our global customers with innovative solutions. We feel proud and energized with our accomplishments, and, at the same time, we are thankful for reaching the \$100 million revenue milestone.

Today, innovation is vital to businesses for maintaining a competitive edge, accelerate growth, and fuel business transformation. Over the years, we, at R Systems, are creating an innovation-driven culture that encourages out-of-the-box thinking and excellence. We have consolidated our business both horizontally and vertically and are constantly strengthening our technology and domain expertise.

Moving forward, I feel that the global economic growth, despite challenges, will gather momentum. With improvement in the global economy, IT expenditures of organizations and government bodies will also improve and boost the industry. With our comprehensive range of solutions and services for multiple business verticals, strong delivery capabilities, customer-centric approach and global presence, we are well-positioned to capitalize on these opportunities. Our accumulated knowledge and expertise empowers us to make the best of these growth opportunities. It represents a large amount of knowledge that the Company has accumulated with which we create more innovative solutions for our customers and provide a better work place for our employees.

As we traverse the oceans and enter a new financial year, R Systems has renewed confidence and enthusiasm to deliver an exceptional value to our stakeholders, customers, employees, investors and the society at large. Quite like the Oyster that delivers the Pearl.



# Delivering Value to Our Investors

## FINANCIAL PERFORMANCE

On the basis of Consolidated Financial Statements under Indian GAAP

Particulars	(Rs. in millions)				
	2013	2012	2011	2010	2009
Revenue	5,960.54	4,650.09	4,094.96	2,905.47	3,275.25
Other Income	47.15	50.04	55.64	57.00	54.09
Total Income	6,007.69	4,700.13	4,150.60	2,962.46	3,329.34
EBITDA	786.41	348.37	322.79	220.32	403.20
EBT	718.25	288.54	209.19	145.58	105.27
EAT	526.99	183.62	165.13	167.76	77.20
Share Capital	125.92	124.47	122.43	122.43	122.43
Reserve and Surplus	2,191.69	1,821.53	1,863.40	1,680.10	1,551.50
Long-term Borrowings (including current maturities)	14.54	5.63	6.88	8.35	14.52
Fixed Assets (net) (tangible and intangible assets)	463.00	387.07	400.10	444.34	530.27
Cash and Bank Balances	1,115.20	889.39	949.55	956.89	871.98

Key Ratios					
	2013	2012	2011	2010	2009
Debt -Equity Ratio	0.01	0.00	0.00	0.01	0.01
Days Sales Outstanding	56	71	65	61	68
Cash and Bank Balances / Total Assets (%)	32.12%	29.89%	30.85%	41.13%	38.44%
Cash and Bank Balances / Total Income (%)	18.56%	18.92%	22.88%	32.30%	26.19%
EBITDA / Revenue (%)	13.19%	7.49%	7.88%	7.58%	12.31%
EBT / Total Income (%)	11.96%	6.14%	5.04%	4.91%	3.16%
EAT / Total Income (%)	8.77%	3.91%	3.98%	5.66%	2.32%
Return on Avg. Equity (%)	24.72%	9.34%	8.72%	9.65%	4.55%
Return on Avg. Capital Employed (%)	33.59%	14.67%	11.03%	8.36%	6.29%
Earning Per Share (Face value of Re. 1 each) *					
- Basic (Rs.)	4.18	1.48	1.34	1.36	0.61
- Diluted (Rs.)	4.18	1.48	1.33	1.35	0.60
Dividend Per Share (Rs.) (Face value of Re. 1 each) * #	2.05	2.35	0.36	0.24	0.24
Book Value Per Share (Rs.) (Face value of Re. 1 each) *	18.41	15.63	16.22	14.72	13.67
Cash Per Share (Rs.) (Face value of Re. 1 each) *	8.86	7.15	7.76	7.82	7.12

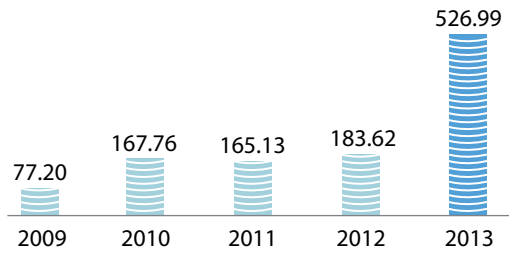
\*Subsequent to the year end, on January 14, 2014, the shareholders of the Company, through postal ballot, approved the sub-division (stock split) of one equity share of face value of Rs. 10/- into ten equity shares of face value of Re. 1/- each fully paid up as recommended by the Board of Directors at their meeting held on November 29, 2013. The sub-division was effected as per record date of February 28, 2014.

# Includes final dividend of Re. 0.95 per equity share of face value of Re. 1/- each (being 95% on the par value) subject to the approval of the shareholders in forthcoming Annual General Meeting.

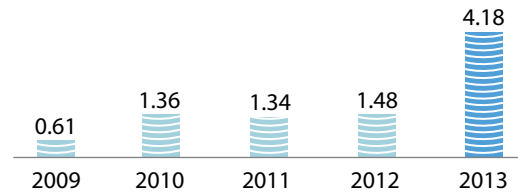
Notes : EBITDA - Earnings before tax, interest, foreign exchange fluctuation, exceptional and prior period items; Cash and Bank Balances including bank deposit and debt mutual fund; EBT - Earnings before tax; EAT - Earnings after tax; Debt Equity ratio = Long Term Debt / Equity; Days Sales Outstanding = Average Trade Receivables / Net Credit Sales\*360; Return on Avg. Equity (%) = EAT/ Average Equity; Return on Avg. Capital Employed (%) = (EBT less interest expenses) / Average Capital Employed; Book Value Per Share = Net Shareholder Fund / Closing Outstanding No of Shares; Cash Per Share = Cash and Bank Balances (including bank deposit and debt mutual fund) / Closing Outstanding No of Shares.

Previous years figures have been regrouped or reclassified where necessary to confirm to current years classification.

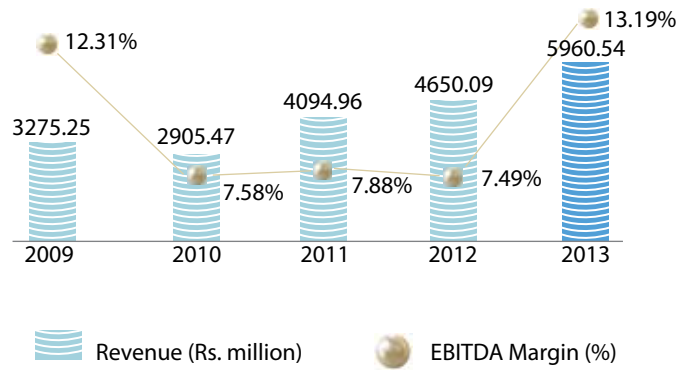
**Earnings After Tax (Consolidated) Rs. in millions**



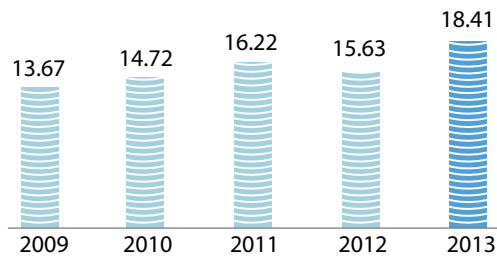
**Basic Earning Per Share (Consolidated) in Rs.**



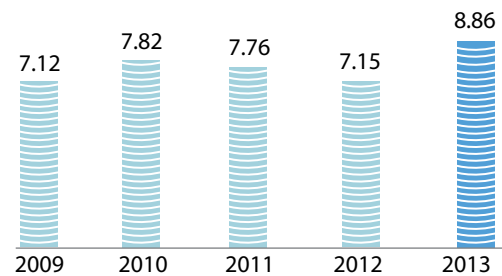
**Revenue and EBITDA Margin**



**Book Value Per Share (Consolidated) in Rs.**



**Cash Per Share (Consolidated) in Rs.**



\* Graphs not to scale



# Business Verticals

## Telecom and Digital Media

Telecom and Digital Media continues to be our largest industry vertical in 2013, with 34.90% share of revenues. Our services help Independent Software Vendors (ISVs), Original Equipment Manufacturers (OEMs), System Integrators (SI), and Communication Service Providers (CSPs) to realize enhanced ROI and competitive edge.

### Telecom and Digital Media Competencies

#### Digital Media Platforms

- IPTV (Middleware, Set-Top Boxes, VoD Servers, DRM and Security Solutions)
- DVB (Various OTT Platforms for delivery of digital video over IP-based network)

#### Business Support System

- Credit Management and Revenue Collections (CMRC)
  - Customer Relationship Management (CRM)
- Billing, Charging, Mediation and Revenue Management
  - MVNO Solutions

#### Core Network Systems

- Subscriber Data Management
- AAA, Policy Control and Mobile Broadband Management
- Legacy and Next Generation IN Systems, JAIN SLEE Platforms

#### Value Added Services (VAS)

- Messaging Solutions
- Service Delivery Platform and Service Management Solutions
- Device Management
- Location-based Services (LBS)

#### Mobile Applications

- Android Platform
  - iOS Platform
  - Blackberry Platform
- Window Phone Platform
  - Symbian Platform

Our Telecom and Digital Media Offerings

Services	Solutions
Product Development and Maintenance Services	Credit Management and Revenue Collections Solution
System Integration Services	Dealer Management
Technical Support and Managed Services	Convergent Charging
BPO Services	Mobile Broadband Management
Testing Services	MVNO in a White Box
	Telecom Orchestration Platform (TOP)
	Value Added Services

Key highlights of 2013

- One of the European largest telecommunication companies has selected R Systems for software development and maintenance services for their IPTV backend products
- Mobile Virtual Network Enabler based in the Netherlands, with a portfolio of more than 15 MVNOs, has selected Computaris as the main integrator for the replacement of its legacy IN platform with the new platform based on JAIN SLEE
- A Hong Kong based Mobile Virtual Network Operator (MVNO) has selected R Systems’ UK based subsidiary, Computaris, to provide end-to-end integrated solution for prepaid billing, churn and campaign management leveraging Computaris’ partner products, as well as, its own IPR
- A USA based provider of IPTV and digital media services selected R Systems to provide services covering automation of source imaging procurement, developing solution for various workflows, test frame work to integrate with overall workflow automation and digital asset management initiatives
- A UK based new mobile phone manufacturer has selected R Systems’ European BPO arm to provide technical support and customer services for its new range of smart phones



## Banking and Finance (BFSI)

The Banking and Finance segment contributed 14.40% of revenue in 2013 and continued to be the second largest industry vertical. We specialize in offering a rich array of Banking and Finance services and solutions to meet the distinct and diverse needs of the sector. With customers spread across the world, key users of our solutions are financial institutions across 25 countries. We also serve ISVs catering to the Banking and Finance domain with our Outsourced Product Development (OPD) services using our time-tested model of iPLM.

### Banking and Finance Competencies

Retail Banking	Corporate Banking	Channel Integration	Regulatory Compliance
<ul style="list-style-type: none"> <li>• Loan Originations</li> <li>• Loan Servicing</li> <li>• Debt Collections</li> <li>• Customer Acquisition and CIF</li> <li>• Account Opening</li> <li>• Deposit Processing</li> <li>• Loans and Mortgages</li> <li>• Participation and Investor Loans</li> <li>• Fraud and Risk Management</li> </ul>	<ul style="list-style-type: none"> <li>• Loan Originations</li> <li>• Loan Servicing</li> <li>• Debt Collections</li> <li>• Commercial Loans and Line of Credit Processing</li> <li>• Escrow, Insurance and Taxes</li> <li>• Trade Finance</li> <li>• Letter of Credit</li> <li>• Bills for Collection</li> </ul>	<ul style="list-style-type: none"> <li>• ISO 8583 Messaging</li> <li>• i-Banking</li> <li>• ACH Processing</li> <li>• ATM Switch, POS and Telebanking</li> <li>• Card Transaction Processing</li> <li>• Third Party Integration and Interfaces</li> <li>• Mobile and Tablet Banking</li> <li>• Canadian CUPS and CUCBC</li> </ul>	<ul style="list-style-type: none"> <li>• Freddie and Fannie, HAMP, GNMA, and CRA Reporting</li> <li>• IRS Reporting</li> <li>• Basel III</li> <li>• Dodd Frank Compliance</li> </ul>

### Key highlights of 2013

- One of the oldest private commercial banks operating in Bangladesh has selected Indus Retail Originations and Collections systems to manage its growing retail lending business. R Systems has entered the Bangladesh market
- A large auto manufacturer establishing its wholly owned captive financing company has chosen R Systems' flagship Indus product suite for a wing-to-wing implementation for its lending and leasing business covering retail and corporate customers
- A major NBFC focusing on the small businesses segment in India has selected R Systems' Lending Solution from Indus (LSI) comprising of Loan Originations System, Loan Management System, Collateral Management System and Common Reporting Services module
- One of the leading Swiss banks offering a wide range of products including loans, leasing, credit cards and savings products has selected R Systems to implement a project to upgrade its key front end applications

- One of India's fastest growing scheduled commercial banks specializing in Agri and Development banking has chosen R Systems' Indus Collections solution for implementation across its multi-portfolio retail lending operations
- The Company has successfully completed its first implementation of Corporate Loan Originations in the year to fullest satisfaction of a bank in Africa. The Corporate Loan Originations can be used by banks and NBFCs addresses the niche requirement for Loans to the SME segment
- The Company will be releasing a comprehensive solution namely Commercial Vehicles and Equipment Leasing for banks, NBFCs and leasing companies

## Banking and Finance Offerings

### Indus Solutions

- Loan Originations System
- Loan Management System
- Loan Collections
- Corporate Loan Originations
- Collateral Management System
- Commercial Vehicle and Leasing System
- Exposure Monitoring System
- Dealer Funding (Auto Loan Business)
- Stock Audit (Auto Loan Business)
- Ipersyst – Managing Renewals
- Iprotect - Originations
- Common Reporting System
- Commissions and Incentives

### Maintenance Services

- Application Maintenance
- Customization and Localization
- Client Care Support
- Analysis

### Development Services

- Application Development
- Technology Migration
- Product Integration
- Mobile Banking Apps

### Support Services

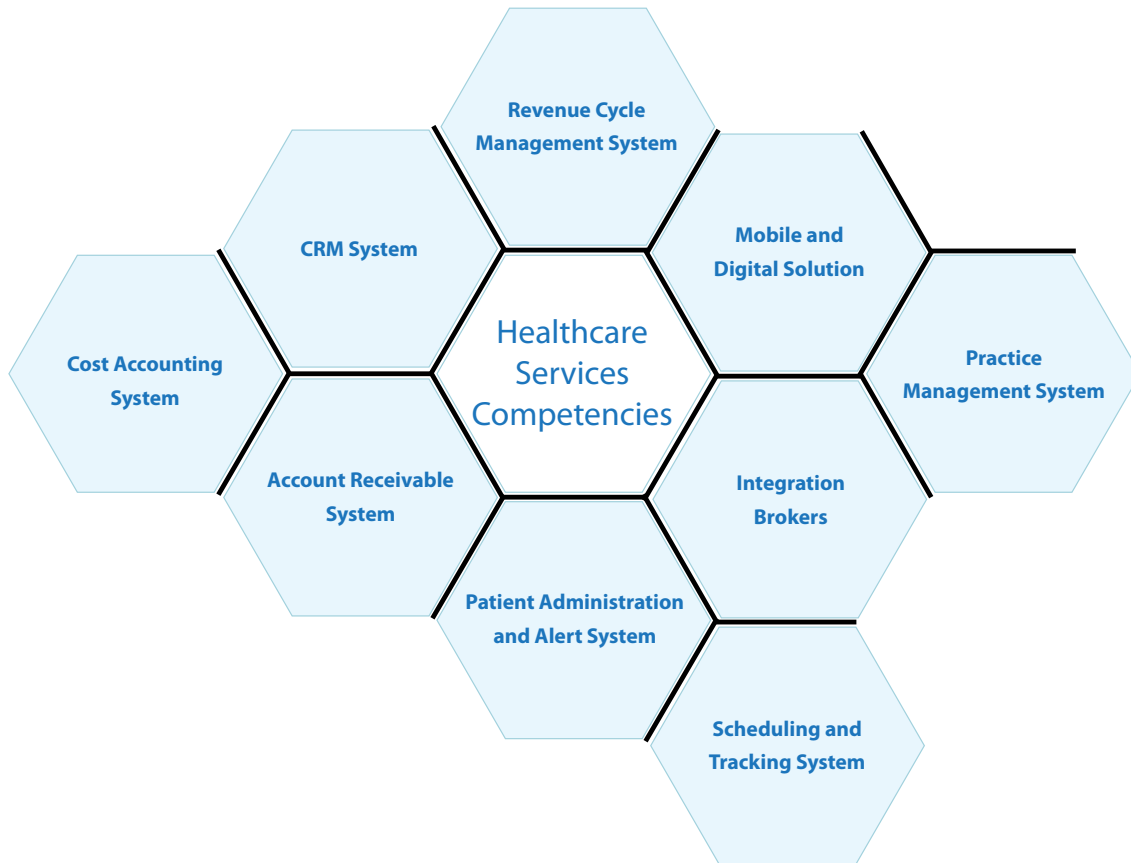
- Application Testing
- Automated Testing
- Requirement Engineering
- Solution Designs
- Regulatory Compliance Testing



## Healthcare Services

With our focused approach and expertise in the healthcare arena, we offer a broad spectrum of innovative healthcare solutions and services to different players in the healthcare industry. Our healthcare offerings are based on a deep understanding of today's complex and dynamic healthcare industry.

Our healthcare centre of excellence deploys best practices, technology expertise, and a global delivery model to deliver clients unparalleled services and solutions in tune with their diverse and unique needs.



### Key highlights of 2013

- A USA based IT product and Service Company having specialized offerings for life sciences and healthcare industry has engaged R Systems in developing new commercialized life sciences IT products. R Systems will also assist them in marketing these products
- We provide end to end Revenue Cycle Management (RCM) services to a USA based health care company for its end-customers for anesthesia billing. This basically entails acting as an interface with insurance carriers for creating and filing claims on behalf of hospitals and physician clinics, reconciling all received payments and follow up activity for outstanding receivables
- Our client is a UK based healthcare company which operates highly regarded private hospitals, cancer centre and ambulatory day surgery centres providing a wide range of medical services including outpatient clinics, diagnostic screening, complex surgeries, and specialised cancer treatments. R Systems is working to revamp its hospital administration system with new architecture, user interface and work flows to address the current and future requirements of its expanding hospital operations



## Healthcare Services Offerings

### Healthcare Providers

- Practice Management System
- EMR/ EHR/ PACS Systems
- Rx, LIS, RIS, CRM Systems
- Decision Support System
- Clinical Predictive Analytical System
- Interface Engine
- Interoperability - HIE
- Clinical Terminology Service
- HL7, IHE, HITSP Standards

### Healthcare Payers

- RCM, BPO
- AR Systems
- Payer Analytics
- Electronic Billing (EDI) – Claims, Adjudication, and Denials
- Eligibility Checking
- Payment Processing/Collections
- ICD-10 Translation



### Regulatory Compliance

- HITECH Act, Obama Care
- Meaningful Use Implementation
- EHR/CLIA Certification
- HIPAA 2013
- Federal/State Regulations and Mandates
- NHS, ATOS, and other UK/EU Compliances

### Core Services

- Consulting
- Application Development and Maintenance
- Testing and QA
- Mobility – Apps Development
- BPO, RCM
- BI and Data Warehousing
- Analytics Services
- Hospital and HIE Integration
- Clinical Data Migration/ Integration and Support

## Manufacturing and Logistics

Our solutions for manufacturing and logistics vertical are offered through our subsidiary ECnet. ECnet has a presence across Singapore, Malaysia, Thailand, China and other countries in the Asia-Pacific region. We help enterprises enhance their operations by implementing robust and efficient manufacturing and Logistics solutions. In March 2013, we acquired the ERP business of Nikko Computer Systems (NCS) to boost our ERP expertise and client base in South East Asia.

Our offerings for Manufacturing and Logistics vertical include Supply Chain Solutions, Enterprise Solutions, and Custom-built Solutions and Services. These offerings enable our customers from various industries to streamline their business processes and achieve greater efficiency and competitive value.

### Manufacturing and Logistics Competencies



### Manufacturing and Logistics Offerings

#### Supply Chain Management Solutions

- Supply Chain Optimization
- Enterprise Procurement Optimization
- Logistics Optimization
- Inventory Optimization
- Sourcing Optimization

#### Enterprise Solutions

- Enterprise Resource Planning
- Warehouse Management
- Advance Planning and Scheduling
- Demand Planning
- Corporate Performance Management
- Business Intelligence

### Key highlights of 2013

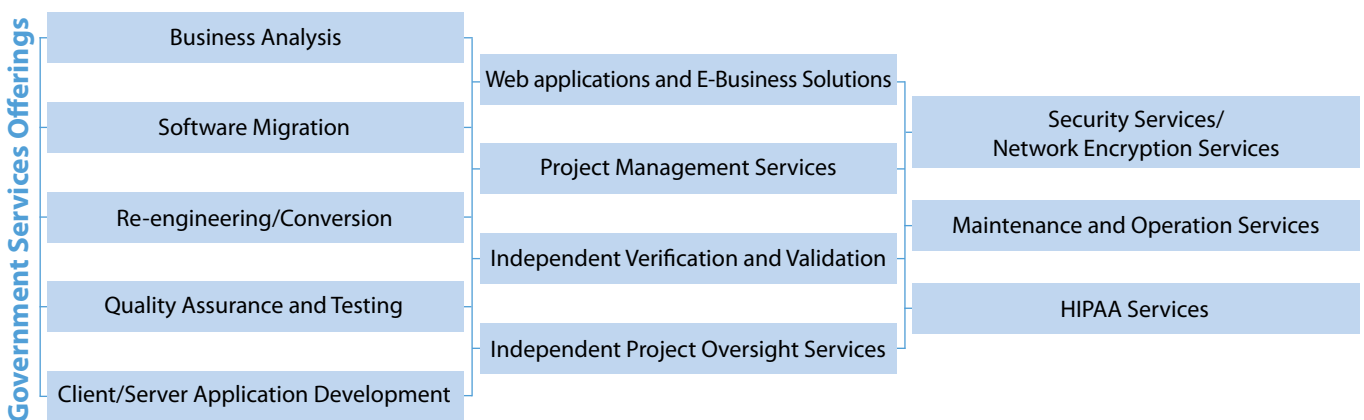
- A Singapore based leading foam and rubber components manufacturer has engaged our Singapore subsidiary ECnet Limited to implement a globally renowned and comprehensive ERP System that helps manufacturers worldwide to improve performance and reduce costs along with a business intelligence solution delivering meaningful information and actionable insight for improved and timely decision making
- A Singapore based leader in engineering technology, transport engineering and material handling solutions has engaged our Singapore subsidiary, ECnet Limited, to implement an ERP system

- A leading Japanese manufacturer of consumer audio and video products has awarded our subsidiary, ECnet Limited, to roll out our e-Procurement solution to its China unit after successful implementation of the same solution at its Malaysian unit. This solution will allow the client and its suppliers to interact in real-time through a secure browser
- One of Malaysia’s largest business conglomerates engaged in various businesses including automotive, hotels and resorts and health care. Across the Asia Pacific region has selected R Systems’ subsidiary ECnet Limited to implement a renowned financial consolidation and reporting solution along with a corporate performance management solution

## Government Services

We offer comprehensive services for USA Federal and State governments that enable them to transform into e-government entities. We provide information technology and consulting services and support governments across a broad range of sectors, including healthcare, social services, education, environment, security and systems, justice, transportation, corrections and rehabilitations.

Over the years, we have empowered many government agencies and departments in the US and helped them realize critical missions. Our experience ranges from strategic consulting to hands-on business analysis, systems integration, software development, testing, information and data management, project management, and maintenance and support. We help governments overcome their limited product development budget and realize superior product development, enhancement and customization, and maintenance and support services at the optimal cost.



### Key highlights of 2013

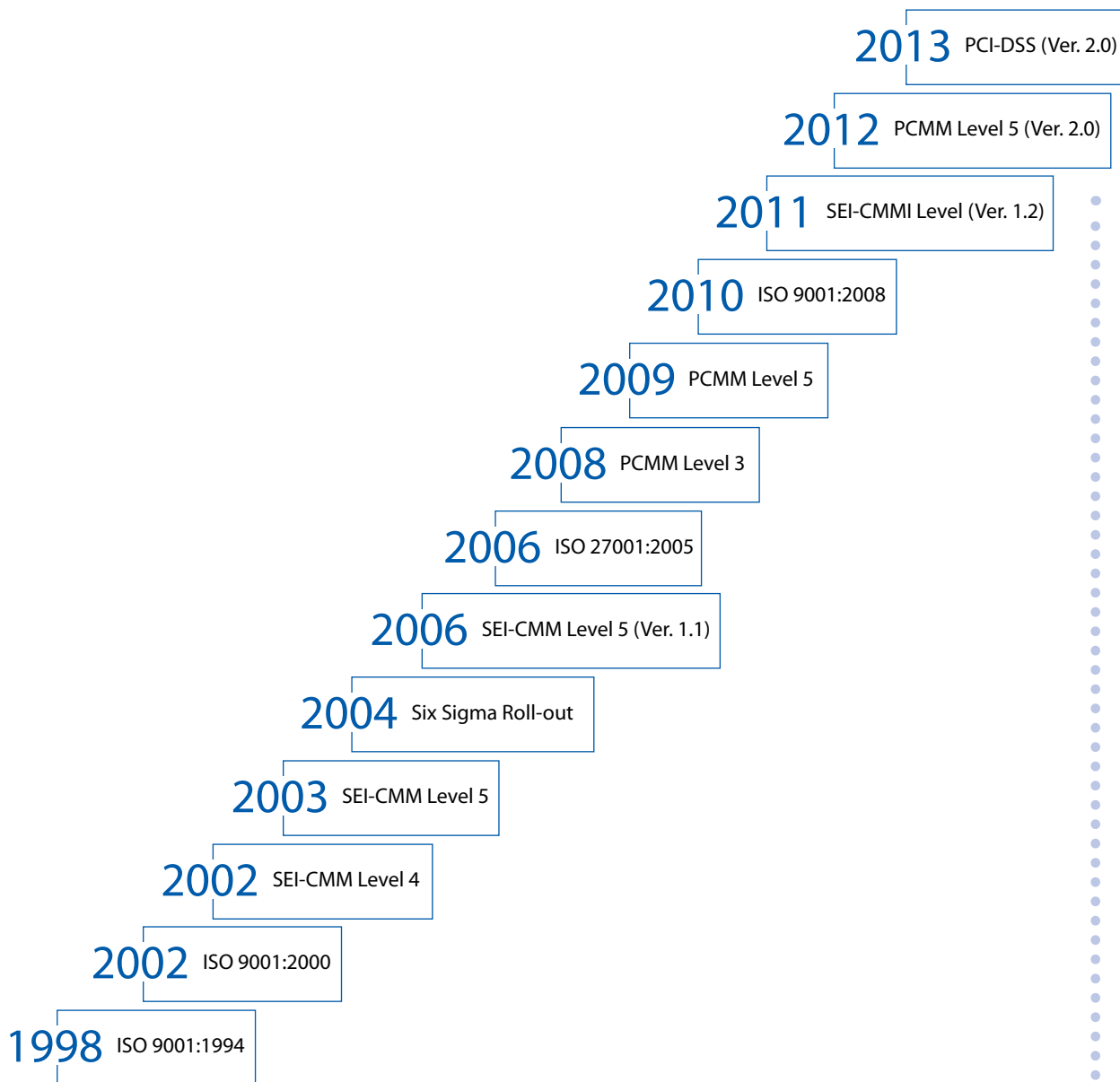
- R Systems is engaged to maintain and support a secured, public domain system in USA that serves the California Children Services and provides online access to health care professionals, case managers, and administrators in regional and county offices. R Systems services includes project management, help desk support, software maintenance, performance monitoring and tuning, HIPAA Gap Analysis, county conversions and system documentation support
- Our Client is a non-profit organization based out of California, USA created to house activities of the federal receiver to create a collaborative environment where custody and health care staff improve upon the quality of medical services in prisons in order to meet constitutional standards while reducing avoidable morbidity and mortality. R Systems is entrusted with an information security project to assist with the development, implementation, and management of information security technical controls architecture in compliance with all applicable regulatory, legal, and statutory requirements including the Health Insurance Portability and Accountability Act of 1996 (HIPAA)

# Our Quality Journey

We take pride in our ability to deliver world class services and products to our global customers. A combination of Six-Sigma practices and world class quality standards ensure that we deliver impeccable quality to our clients.

Our quality commitment is endorsed by the certifications we have earned: SEI CMMI Level 5, PCMM Level 5 ISO 27001:2005, and ISO 9001:2008. Our continuing compliance with these standards demonstrates the strength of our processes and gives us a competitive edge in service and product offerings.

## R Systems' Quality Journey



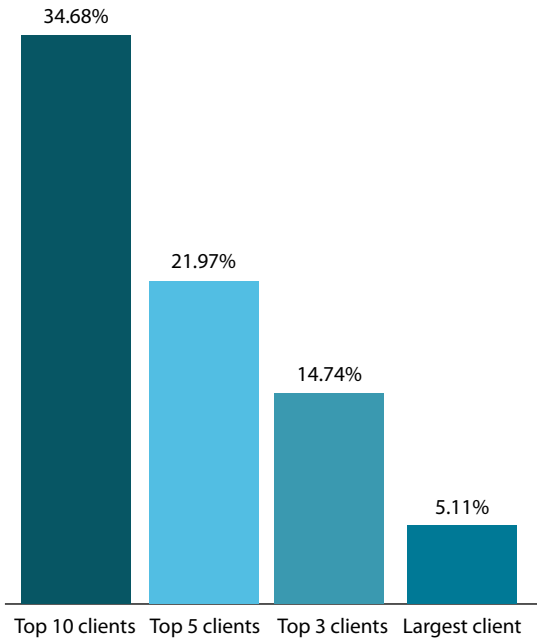
# Our Client Mix

R Systems’ fast increasing customer list includes a variety of Fortune 1000, government and mid-sized organizations across a wide range of industry verticals, including Telecom and Digital Media, Banking and Finance, Healthcare, Manufacturing and Logistics, and Government Services. Ever since our establishment, we have kept our customers as our top priority. We listen carefully to our customers, understand their needs, and organize ourselves around their needs to serve them best. We are committed to deliver high performance to meet our customers’ expectations.

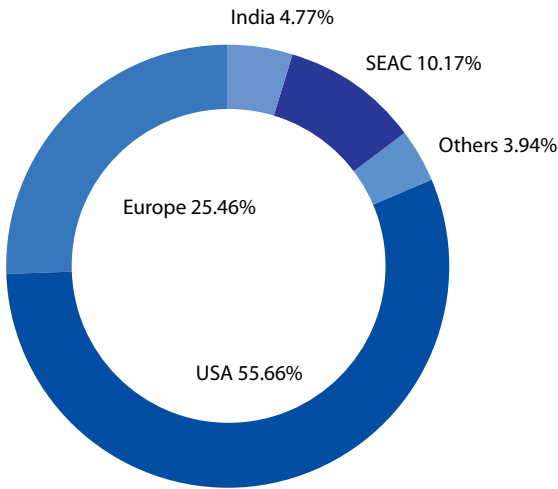
We understand that over a period of time, technologies, products and services get commoditized, making it difficult to retain the relationship with customers. To cope with this challenge, we have continuously endeavored to generate innovation and constant improvements in our relationships with our customers. We capitalize our accumulated knowledge and experience to innovate with new solutions and services for our global customers. Through our consistent endeavors over the years, we have deepened our relationship with customers, expanding our customer base and generating new revenue streams.

## Client Matrix

Revenue concentration by clients, 2013



Revenue by geography



140+

Active customers in 2013 (including 25 million US Dollar plus customers)

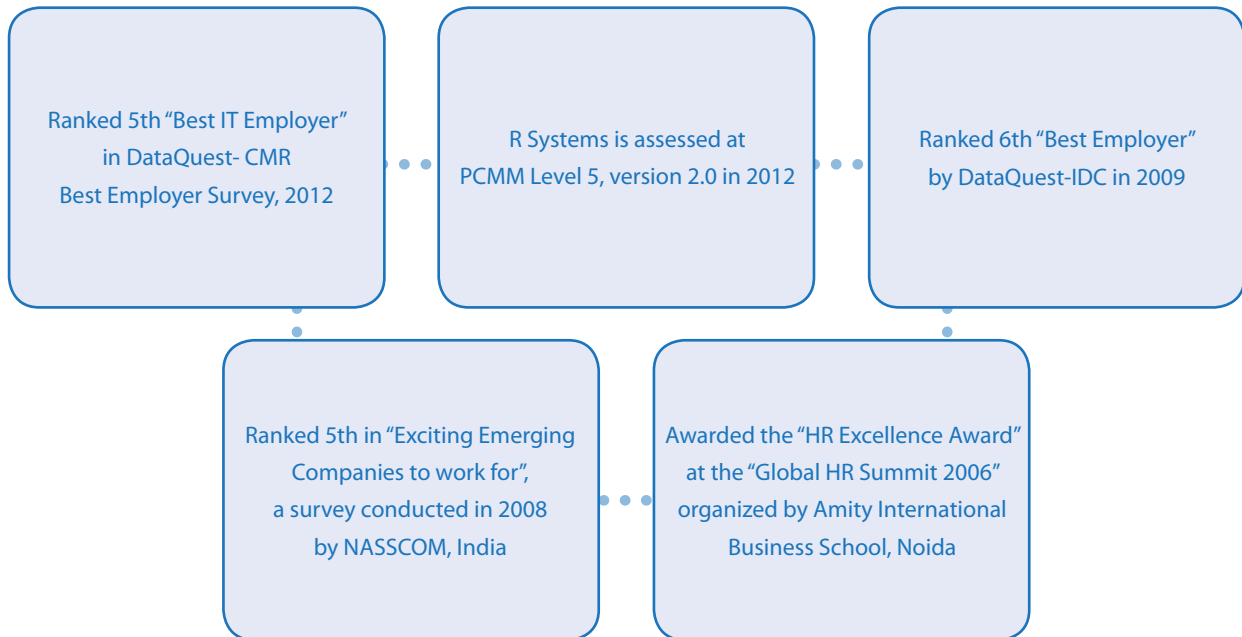


# Intellectual Capital

At R Systems, people, like our technology, are a source of competitive advantage. They enable us to deliver innovative solutions and services and meet the expectations of our customers. To make the most of this advantage, we emphasize on our commitment towards good people practices. This provides employees a culture that encourages ethical behaviour, respect for fellow employees and performance with responsibility, honesty and integrity. The ethos promotes professionalism in the interactions of employees with colleagues, customers and other stakeholders.

Our 2500+ employees combine a unique blend of entrepreneurial spirit, technical competence and the passion to innovate. We have been recognized as the 5th Best IT employer by DataQuest in 2012. Similarly in 2008, R Systems was ranked 5th in a survey conducted by NASSCOM for "Exciting Emerging Companies to work for". In addition, we have won several other similar awards for our employee friendly policies and practices. We are steadfast to remain among the top employers in the IT and ITeS sector, globally.

## Recognitions in HR



Over the years, we have undertaken several short and long-term initiatives to promote a favorable work culture across the Company. The following are some of the key initiatives that we have taken:

- Long-term employees' career development program
- Structured training programs to develop individual skills and potential
- Effective mentorship programs for individuals to share, learn and evolve
- Leadership opportunities for employees to scale-up the organizational ladder
- Performance-driven work culture and team-based growth
- Opportunities to innovate and participate in R&D activities

- Open door policy for handling grievances
- Industry standard compensation practices
- Global exposure

We have been continuously improving the capability of our people through best people practices as per the PCMM model. Our mature people practices have helped us in assisting and directing employees in maximizing their individual contribution and satisfaction in employment. Our people practices have also helped employees develop their full potential and capabilities to the maximum accomplishment of the organizational aspirations and goals.



**2,500+**  
Total number of associates



# Beyond Business

**A company's real contribution is measured by the sum of the total changes achieved by it within the areas of its influence. Value creation that does not go beyond business cannot have a lasting impact.**

At R Systems, it has been our constant endeavor to bring about a positive difference to communities where we exist. Corporate Social Responsibility (CSR) is deeply rooted in our core values. Our CSR activities are planned and well-organized to educate, support and empower less privileged communities and preserve the environment. CSR for us is not merely the means to run our business successfully but the part of our individual responsibilities as global citizens.

## Corporate Social Responsibility @ R Systems

### Saksham

The core focus of our CSR initiatives through Saksham is to sponsor and support health, development and education for the underprivileged children. In addition, SAKSHAM thrives on the goal of promoting child development and providing children with the necessary resources so as to enable them to grow into healthy, educated, empowered and self-driven individuals. This program meets the basic needs of food, housing, sanitation and hygiene, education and clothing for children, as well as, college students in different regions of India. SAKSHAM, being an open source model, is sustained with the help of local NGOs, educational institutions, hospitals, orphanages and volunteer organizations. The following are some of the key initiatives that is undertaken by SAKSHAM:

- Providing clothes, books and meal facilities to children of "Eklavya", an NGO
- Supporting the Annapurna Pariwar in Pune through a monthly contribution of funds, in order to help needy children through their Child Development Program
- Providing Mid-Day meals at Hermann Gmeiner Social Centre, which provides education and food to abandoned children who resort to begging or selling on the streets
- Supporting 10 brilliant students coming from financially challenged families every year by the SAKSHAM fund. These students are selected and adopted for the program from the Friends of Children (FOC) NGO in Pune.





## Education

We have established two Centres of Excellence (CoE) in order to mentor and help engineering students to better position them in the constantly changing business environment. These centres provide tools, skills and techniques to students that are vital for them to become successful in their respective fields. In addition to this, our partnerships with engineering colleges are helping students better connect their academic education with the actual use of technology in the industry. We have partnered with the following colleges for providing education:

- RD Engineering College in Ghaziabad, Uttar Pradesh (Mobility Domain)
- Hi Tech Engineering College in Ghaziabad, Uttar Pradesh (Telecom Domain)

Engineering students in these colleges are given exposure to real-time software development projects under the able guidance of our project managers. Such practical exposure enables engineering students to increase their employability index and adaptability to IT organizations. It also prepares students for the emerging challenges of the industry. We are in the process of expanding our association with some more educational institutions in the future.



## Contribution by Employees

Our employees also contribute to our CSR initiatives by participating in activities like blood donation, tree plantation, recycling waste materials, spending quality time with orphanages and underprivileged children. Further, our largest development centre at Noida has been constantly organizing blood donation camps in association with premier medical institutions like, All India Institute of Medical Sciences (AIIMS).

Computaris, our subsidiary based out of Europe, also undertakes various CSR initiatives. During 2013, the Computaris team undertook several environment support activities by partnering with an ecological NGO. As part of the environment conservation initiative, the Computaris team planted trees in the Computaris Romania Galati office. Further, the team also participates in various other CSR activities which include recycling of waste materials, helping the needy and orphan children.

We are committed to bring about a positive change in this world and make it a better place for individuals as well as communities to live and grow. As we look forward, we endeavor to sustain our CSR efforts and with purpose to expand our collaboration with charitable organizations, NGOs, partners and employees. We are also planning to extend our CSR program in other regions of the world especially in the field of education and livelihood generation.

## DIRECTORS' REPORT

### Dear Shareholders,

Your directors take great pleasure in presenting the Twentieth Annual Report on the business and operations of R Systems International Limited ("R Systems" or the "Company") together with the audited statements of accounts for the year ended December 31, 2013.

### 1. Financial Results

#### a. Standalone financial results of R Systems

(Rs. in Millions)

Particulars	Financial Year ended	
	31.12.2013	31.12.2012
<b>Total income</b>	<b>2,739.72</b>	2,331.49
Profit before depreciation, exceptional items and tax	<b>589.30</b>	369.66
Less : Depreciation and amortisation	<b>47.81</b>	62.40
<b>Profit before tax</b>	<b>541.49</b>	307.26
Less : Current tax (net of MAT credit)	<b>188.29</b>	95.40
Less : Deferred tax charge / (credit)	<b>(12.32)</b>	6.58
<b>Profit after tax</b>	<b>365.52</b>	205.28
<b>Surplus in the statement of profit and loss</b>		
<b>Balance as per last financial statements</b>	<b>609.70</b>	805.01
Add: Profit for the current year	<b>365.52</b>	205.28
Less: Appropriations		
Proposed dividend (refer note below)	<b>120.70</b>	94.26
Tax on proposed dividend (refer note below)	<b>21.24</b>	15.29
Interim dividend	<b>139.24</b>	199.19
Tax on interim dividend	<b>23.66</b>	32.31
Transfer to general reserve	<b>36.55</b>	59.53
<b>Total appropriations</b>	<b>341.39</b>	400.58
<b>Net surplus in the statement of profit and loss</b>	<b>633.83</b>	609.70

The Company has issued 50,100 shares pursuant to exercise of ESOP up to book closure date for distribution of dividend for the year 2012 and accordingly increased the appropriation in the current year by Rs. 0.38 million and Rs. 0.06 million as dividend and tax on dividend respectively. Further, due to increase in surcharge rate under Finance Act, 2013 the Company has additionally appropriated Rs. 0.73 million towards tax on dividend proposed for the year 2012.

#### b. Consolidated financial results of R Systems and its subsidiaries

(Rs. in Millions)

Particulars	Financial Year ended	
	31.12.2013	31.12.2012
<b>Total income</b>	<b>6,007.69</b>	4,700.13
Profit before depreciation, exceptional items and tax	<b>819.97</b>	389.43
Less : Depreciation and amortisation	<b>101.71</b>	100.89
<b>Profit before tax</b>	<b>718.26</b>	288.54
Less : Current tax (net of MAT credit)	<b>192.50</b>	94.99
Less : Deferred tax charge / (credit)	<b>(1.23)</b>	9.93
<b>Profit after tax</b>	<b>526.99</b>	183.62
<b>Surplus in the statement of profit and loss</b>		
<b>Balance as per last financial statements</b>	<b>582.14</b>	799.11
Add: Profit for the current year	<b>526.99</b>	183.62
Less: Appropriations		
Proposed dividend	<b>120.70</b>	94.26
Tax on proposed dividend	<b>21.24</b>	15.29
Interim dividend	<b>139.24</b>	199.19
Tax on interim dividend	<b>23.66</b>	32.31
Transfer to general reserve	<b>36.55</b>	59.53
<b>Total appropriations</b>	<b>341.39</b>	400.58
<b>Net surplus in the statement of profit and loss</b>	<b>767.74</b>	582.14

Previous Year figures have been regrouped / recasted, wherever necessary.

### 2. Results of Operations

#### Standalone Accounts

- Total income during the year 2013 increased to Rs. 2,739.72 million as against Rs. 2,331.49 million during the year 2012, a growth of 17.51%.
- Profit after tax was Rs. 365.52 million during the year 2013 as compared to Rs. 205.28 million during 2012, a growth of 78.06%.
- Basic earnings per share (of face value of Re. 1/- each) was Rs. 2.90 for the year 2013 as compared to Rs. 1.65 for the year 2012, a growth of 75.76%.

### Consolidated Accounts

- Consolidated total income during the year 2013 increased to Rs. 6,007.69 million as against Rs. 4,700.13 during the year 2012, a growth of 27.82%.
- Profit after taxes was Rs. 526.99 million during the year 2013 as compared to Rs. 183.62 million during 2012, a growth of 187%.
- Basic earnings per share (of face value of Re. 1/- each) were Rs. 4.18 for the year 2013 as compared to Rs. 1.48 for the year 2012, a growth of 182.43%.

### 3. Appropriations and Reserves

#### Dividend

During the year 2013, the Board declared two interim dividends namely, first interim dividend of Rs. 2.50 per equity share of Rs. 10/- each at its meeting held on July 27, 2013 and second interim dividend of Rs. 8.50 per equity share of Rs. 10/- each at its meeting held on October 25, 2013.

Taking into consideration the operating profits for the year 2013 and a positive outlook for the future, the Board of Directors (the "Board") is pleased to recommend a final dividend of Rs. 0.95 per equity share of Re. 1/- each (Rs. 9.50 per equity share of Rs. 10/- each before sub-division of equity shares), being 95% on the par value, to be appropriated from the profits of the Company for the financial year 2013 subject to the approval of the shareholders at the ensuing Annual General Meeting. Total dividend including two interim dividends already paid for the year 2013 comes to Rs. 2.05 per equity share of Re. 1/- each (Rs. 20.50 per equity share of Rs. 10/- each) i.e. 205%, as compared to total dividend including interim dividend in the form of special dividend paid for the year 2012 at Rs. 23.50 per equity shares of Rs. 10/- each i.e. 235%.

The aforesaid final dividend for the year 2013 as recommended by the Board, if approved at the ensuing Annual General Meeting, will be paid to all the equity shareholders whose names appear in the Register of Members of the Company as of the opening business hours on May 02, 2014 after giving effect to all valid share transfers in physical form which would be received by the Company's registrar and share transfer agent M/s Link Intime India Private Limited up to the end of business hours on, May 01, 2014 and to those whose names appear as beneficial owners in the records of National Securities Depository Limited ("NSDL") and Central Depository Services (India) Limited ("CDSL") as of the said date.

The register of members and share transfer books shall remain closed from May 02, 2014 to May 10, 2014, both days inclusive.

### Transfer to Reserves

It is proposed to transfer a sum of Rs. 36,552,200/- (Rupees Thirty Six Million Five Hundred Fifty Two Thousand and Two Hundred only) from the current year profit in compliance with the Companies (Transfer of Profits to Reserves) Rules, 1975.

### 4. Business

R Systems is a leading provider of outsourced product development services, business process outsource services and also offers own product suite in BFSI, Manufacturing & Logistic verticals. R Systems diversified offering includes:

#### iPLM Services Group

Under IPLM Services, R Systems delivers solutions and services in the area of Information Technology and Information Technology enabled services. The IT services cover application development, systems integration and support and maintenance of applications. Under the ITES we cover managed services, BPO services covering both technical support for IT and Hi-Tech electronic gadgets, high-end Quality Process Management and Revenue and Claims Management using our global delivery model in 20 languages.

#### Products Group

R Systems products group consists of two units. Indus® which address the retail lending, telecom and insurance industry and ECnet® which addresses supply chain, warehousing and inventory management.

Indus offerings include an integrated enterprise multi-portfolio lending suite for banking and financial services in the Retail, Corporate and SME sectors, credit management and revenue collection for telecom companies, iPerSyst for insurance companies which helps in timely policy renewal and customer retention along with other IT services to banking and financial clients.

ECnet Supply Chain products provide solutions for holistic management of the complex interaction between an organisation and its trading partners. The integrated solution aims to reduce all supply chain costs through improved collaboration and optimisation. The solutions are robust and scalable and give measurable ROI to clients within one year. Further, ECnet also operates as a channel partners for reselling and implementing several ERP products of one of the largest business software company to serve customers in a key customer segment: Small- to medium-sized businesses. These products present an opportunity to cross and up sell these solutions since these are adjunct to ECnet's own product offerings.

R Systems is focused on key business verticals – Telecom and Digital Media, Banking and Finance, Healthcare Services, Manufacturing and Logistics, and Government Services and invested in building capabilities and domain knowledge around these focused verticals. This has helped in providing innovative and cost efficient solutions and services under chosen verticals.

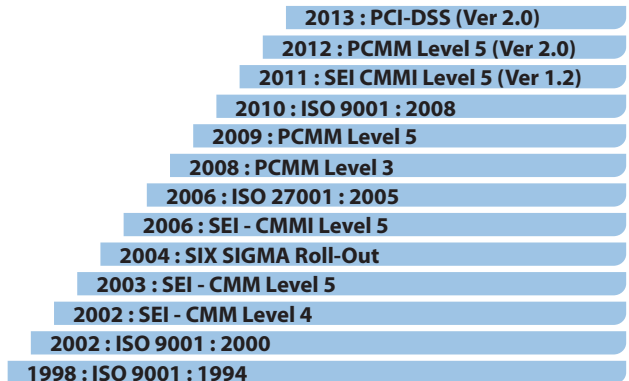
### Customers and Delivery Centres

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 the US, Europe, South America, the Far East, the Middle East, India and Africa.

There were no changes in the nature of the Company’s business and generally in the classes of business in which the Company has an interest and in the business carried on by the subsidiaries during the year under review. For details of Company’s subsidiaries please refer note number 14 relating to subsidiaries.


## 5. Quality

R Systems has continuously invested in processes, people, training, information systems, quality standards, frameworks, tools and methodologies to mitigate the risks associated with execution of projects. Adoption of quality models and practices such as the Software Engineering Institute’s – Capability Maturity Model Integrated (SEI-CMMi) and Six Sigma practices for processes have ensured that risks are identified and mitigated at various levels in the planning and execution process. R Systems journey for various quality certifications / standards for the development and service centres in India is provided below:



In the year 2013, Noida BPO center was certified as PCI-DSS ver 2.0 compliant for the Call Analytic Services provided to one of the major client.

As of the date of this report, Noida IT centre is SEI-CMMi level 5, PCMM Level 5, ISO 9001 : 2008 and ISO 27001 : 2005 certified; Noida BPO centre is PCMM Level 5, ISO 9001 : 2008 and ISO 27001 : 2005 certified. Pune and Chennai development centres are SEI-CMM Level 5, ISO 9001 : 2008 and ISO 27001 : 2005 certified. The continuing compliance with these standards demonstrates the rigor of R Systems processes and differentiates us to keep our competitive edge in service and product offerings.

To maintain and strengthen competitive strengths, R Systems continues to make investments in its unique and proprietary  with best practices, tools and methodologies for flawless execution and consistent delivery of high quality software. The pSuite framework offers services along the entire software lifecycle that includes technology consulting, architecture, design and development, professional services, testing, maintenance, customer care and technical support. R Systems expects that its technology focus, investment in processes, talent and methodologies will enable it to distinguish itself from competition as it seeks to provide services to technology / product companies.

## 6. Acquisition

During the year under review, ECnet Limited, Singapore, a subsidiary of the Company completed the acquisition of ERP business from Nikko Computers System(s) PTE Ltd. (NCS). NCS provides ERP implementation and support services primarily to Japanese companies located in Singapore and Malaysia. This business acquisition will strengthen our ERP business and customer base in South East Asia under our subsidiary ECnet Limited, Singapore. The acquisition will provide a good Japanese client base and help to grow our business in the South East Asia region.

## 7. Directors

During the year under review, the following changes took place in the office of directors of the Company.

Mr. Raj Kumar Gogia and Mr. Gurbax Singh Bhasin were reappointed as directors liable to retire by rotation and Mr. Raj Swaminathan was further re-appointed as Director and Chief Operating Officer of the Company for a period of three years w.e.f. September 29, 2012 at the previous Annual General Meeting held on May 11, 2013.

Pursuant to the approval of the Board at its meeting held on November 29, 2013 and approval accorded by the shareholders by passing necessary resolution through postal ballot on January 14, 2014, Mr. Satinder Singh Rekhi has been re-appointed as Chairman & Managing Director of the Company for a period of five years i.e. w.e.f. January 01, 2014 to December 31, 2018 subject to the approval of the Central Government, if applicable.

Further, Mr. Anuj Kanish, who was appointed by the Board of Directors at its meeting held on May 11, 2013 as an Additional Director to hold office till the ensuing Annual General Meeting of the Company, has expressed his unwillingness to be re-appointed and hence the Board has not proposed his appointment at the ensuing Annual General Meeting. At the ensuing Annual General Meeting, Mr. Suresh Paruthi and Lt. Gen. Baldev Singh (Retd.) directors of the Company are liable to retire by rotation in accordance with the provisions of Section 255 and 256 of the Companies Act, 1956 read with the Articles of Association of the Company and being eligible, offer themselves for reappointment as directors of the Company.

None of the directors of the Company are disqualified as per the provisions of Section 274(1)(g) of the Companies Act, 1956. The directors of R Systems have made necessary disclosures, as required under various provisions of the Act and Clause 49 of the Listing Agreement.

#### 8. Employees Stock Option Plans / Schemes

The industry in which R Systems operates is people intensive and R Systems believes that human resources play a pivotal role in the sustainability and growth of the Company. R Systems has always believed in rewarding its employees with competitive compensation packages for their dedication, hard work, loyalty

and contribution towards better performance of the Company. To enable more and more employees to be a part of the financial success of the Company, retain them for future growth and attract new employees to pursue growth, R Systems has set up employees stock option plans / schemes from time to time for its employees and for the employees of its subsidiaries. As on the date of this report, the prevailing stock option plans of R Systems are as follows:

- (a) R Systems International Ltd. - Year 2004 Employee Stock Option Plan : For the employees of R Systems and its subsidiaries other than ECnet Limited.
- (b) R Systems International Ltd. - Year 2004 Employee Stock Option Plan – Ecnet : For the employees of ECnet Limited, a subsidiary of R Systems.
- (c) Indus Software Employees Stock Option Plan - Year 2001 : Initially formulated for the employees of Indus Software Private Limited which got amalgamated with R Systems and the plan continues as per the scheme of amalgamation approved by the Hon'ble High Courts of Delhi and Mumbai. As on the date of this report, no stock options are in force under this plan.
- (d) R Systems International Limited Employee Stock Option Scheme 2007 : For the employees of R Systems and its subsidiaries.

As required under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme), Guidelines, 1999 as amended, details relating to options approved, granted, vested, exercised, lapsed, in force etc. under the prevailing employees stock option plans / schemes during the year ended December 31, 2013 are as follows:

S. No.	Particulars	R Systems International Ltd. Year - 2004 Employee Stock Option Plan	R Systems International Ltd. - Year 2004 Employee Stock Option Plan - ECnet	Indus Software Employees Stock Option Plan Year 2001	R Systems International Limited Employee Stock Option Scheme 2007
		(a) #	(b) #	(c) #	(d) #
a.	Total number of shares covered under the plan	199,500	200,000	73,898	650,000
b.	Pricing Formula	Prevailing Price once the Company's shares are listed and at the Fair Market Value as per the terms of R Systems International Ltd. - Year 2004 Employees Stock Option Plan on the date such option is granted when the Company's shares are not listed.	Prevailing Price once the Company's shares are listed and at the Fair Market Value as per the terms of R Systems International Ltd. - Year 2004 Employees Stock Option Plan - ECnet on the date such option is granted when the Company's shares are not listed.	As approved under the "Scheme of Amalgamation" of Indus Software Private Limited with the Company by the Hon'ble High Courts of Delhi and Mumbai.	" <b>Exercise Price</b> " means the market price which is payable for exercising the options and " <b>Market Price</b> " means the latest available closing price, prior to the date of the meeting of the Board of Directors / Compensation Committee, in which options are granted, on the stock exchange on which the shares of the Company are listed. If the shares are listed on more than one stock exchange, then the stock exchange where there is highest trading volume on the said date shall be considered.

S. No.	Particulars	R Systems International Ltd. Year - 2004 Employee Stock Option Plan	R Systems International Ltd. - Year 2004 Employee Stock Option Plan - ECnet	Indus Software Employees Stock Option Plan Year 2001	R Systems International Limited Employee Stock Option Scheme 2007
		(a) #	(b) #	(c) #	(d) #
c.	Options granted during the year	Nil	Nil	Nil	Nil
d.	Options vested during the year	Nil	Nil	Nil	Nil
e.	Options exercised during the year	Nil	Nil	Nil	144,750
f.	The total number of shares arising as a result of exercise of options during the year	Nil	Nil	Nil	144,750
g.	Options lapsed during the year	4,495	Nil	Nil	6,000
h.	Variation of terms of options during the year	Nil	Nil	Nil	Nil
i.	Money realised by exercise of options during the year (Rs.)	Nil	Nil	Nil	17,471,325
j.	Total number of options in force at the end of the year	51,540	6,200	Nil	104,928
k.	Employee wise details of options granted to (during the year)				
(i)	Senior managerial personnel	Nil	Nil	Nil	Nil
(ii)	Any other employee who receives a grant in any one year of options amounting to 5% or more of options granted during that year	Nil	Nil	Nil	Nil
(iii)	Identified employees who were granted options, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	Nil	Nil	Nil	Nil
l.	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of options	N.A.	N.A.	N.A.	2.90*

# Please note that the details given above for plan (a), (b) and (c) are after making the required adjustments in relation to consolidation of each of the 5 equity shares of Rs. 2 each into 1 equity share of Rs. 10 each as approved by the shareholders in the year 2006 and before sub-division of each of the equity shares of Rs. 10 each into 10 equity shares of Re. 1 each as per record date of February 28, 2014.

\* EPS is per equity share of Re. 1 each i.e. after giving into effect sub-division of equity shares of Rs. 10 each into equity shares of Re. 1 each as per record date of February 28, 2014.

During the year ended December 31, 2013, R Systems had not granted any options under any of the aforementioned plans.

All options granted under Indus Software Employees Stock Option Plan - Year 2001 have already been vested and exercised or lapsed and no options were in force as on December 31, 2013.

For options granted during the earlier years under plan (a), (b) and (c), R Systems used the fair value of the stock options for calculating the employees compensation cost.

For the purpose of valuation of the options granted during earlier years, the management obtained fair value of the options at the date of grant under respective schemes from a firm of Chartered Accountants, to determine accounting impact, if any, of options granted over the periods. In the considered opinion of the valuer, the fair value of option determined using 'Black Scholes Valuation Model' under each of above schemes is "Nil" and thus no accounting thereof is required.

The assumptions used for the purpose of determination of fair value are stated below:

Assumptions	Unit	Scheme (a) *	Scheme (b) **	Scheme (c)***	Comments by the valuer
Strike price	Rs.	42	154	26	
Current share price	Rs.	16	140	16	Taken on the basis of NAV and PECV method of valuation.
Expected option life	No. of Years	5	2.5	5	Being half of the maximum option life.
Volatility	%	1	0.5	1	In case of unlisted shares, the volatility may be taken as zero. Verma committee also recommends this.
Risk free return	%	7	11.3	7	Zero coupon rate estimated from trading government securities for a maturity corresponding to expected life of option - taken from sites of NSE and / or BSE.
Expected dividend Yield	%	-	15	-	Company has no set policy so dividend taken as zero. In case of Indus plan, as the dividend had been paid by the erstwhile company, it has been assumed at 15%.

\* R Systems International Ltd. - Year 2004 Employee Stock Option Plan under which the price was based on Rs. 2 per share.

\*\* Indus Software Employees Stock Option Plan - Year 2001 under which originally the price was based on Rs. 10 per share for 21,967 shares. As a result of amalgamation of Indus Software Private Limited into R Systems, R Systems had issued 206,822 equity shares of Rs. 2 each pursuant to the swap ratio approved by Hon'ble High Courts of Delhi and Mumbai.

\*\*\* R Systems International Ltd. - Year 2004 Employee Stock Option Plan - ECnet under which the price was based on Rs. 2 per share.

Please note that the details given above for plan (a), (b) and (c) are after making the required adjustments in relation to consolidation of each of the 5 equity shares of Rs. 2 each into 1 equity share of Rs. 10 each as approved by the shareholders in the year 2006 and before sub-division of each of the equity shares of Rs. 10 each into 10 equity shares of Re. 1 each as per record date of February 28, 2014.

Further, for the purpose of valuation of the options granted during the year 2005 under R Systems International Ltd. - Year 2004 Employee Stock Option Plan, the management obtained fair value of the options at the date of grant from a firm of Chartered Accountants, to determine accounting impact, if any, of options granted. In the considered opinion of the valuer, the fair value of these options determined using 'Black Scholes Valuation Model' is "Nil" and thus no accounting thereof is required.

The assumptions used by the valuer for the purpose of determination of fair value are stated below:

Assumptions	Unit	Scheme	Comments by the valuer
Strike price	Rs.	42	
Current share price	Rs.	13.58	Taken on the basis of NAV and PECV method of valuation.
Expected option life	No. of Years	5	Being half of the maximum option life.
Volatility	%	1	In case of unlisted shares, the volatility may be taken as zero. Verma committee also recommends this.
Risk free return	%	7.42	Zero coupon rate estimated from trading government securities for a maturity corresponding to expected life of option - taken from site of NSE.
Expected dividend Yield	%	-	Company has no set policy so dividend taken as zero.

The above information is based on Rs. 2 per share prior to consolidation of 5 equity shares of Rs. 2 each into one equity share of Rs. 10 and subsequent allotment of bonus shares in the ratio of 1 : 1.

For the purpose of valuation of the options granted during the year ended December 31, 2007 under R Systems International Limited Employee Stock Option Scheme 2007, the compensation cost relating to Employee Stock Options, calculated as per the intrinsic value method is nil.

The management obtained fair value of the options at the date of grant from a firm of Chartered Accountants. In the considered opinion of the valuer, the fair value of these options determined using 'Black Scholes Valuation Model' is "Rs. 50.73" per option.

The assumptions used by the valuer for the purpose of determination of fair value are stated below:

Assumptions	Unit	Scheme	Comments by the valuer
Strike price	Rs.	120.70	
Current share price	Rs.	118.50	Price on the date of grant by Board of Directors i.e. closing price on July 11, 2007.
Expected option life	No. of Years	4	Being the vesting period.
Volatility	%	44	On the basis of industry average.
Risk free return	%	7	Zero coupon rate estimated from trading government securities for a maturity corresponding to expected life of option - taken from site of NSE.
Expected dividend Yield	%	0.86	Company has declared Dividends of 12% in the past. Assuming that it will continue declaring similar dividends in future.

The stock based compensation cost calculated as per the intrinsic value method for the financial year 2012 and 2013 was nil. If the stock based compensation cost was calculated as per fair value method prescribed by SEBI, the total cost to be recognised in the financial statements for the year 2013 would be nil (Previous year nil). The effect of adopting the fair value method on the net income and earnings per share is presented below:

#### Pro Forma adjusted Net Income and Earnings Per Share

Particulars	(Amount in Rs.)	
	Year ended December 31, 2013	Year ended December 31, 2012
Net Income as reported	365,521,996	205,277,009
<b>Add :</b> Intrinsic Value Compensation Cost	-	-
<b>Less :</b> Fair Value Compensation Cost*	-	-
<b>Adjusted Pro-forma Net Income</b>	<b>365,826,370</b>	206,063,305
<b>Earnings Per Share (Face Value of Re. 1/-)</b>		
<b>Basic (Face Value of Re. 1/-)</b>		
- As reported	2.90	1.65
- Proforma	2.90	1.65
<b>Diluted (Face Value of Re. 1/-)</b>		
- As reported	2.90	1.65
- Proforma	2.90	1.65

\* all granted options have been vested during earlier years.

#### Weighted average exercise price of options granted during the year

S. No.	Particulars	Scheme (a)	Scheme (b)	Scheme (c)	Scheme (d)
1.	Exercise price equals market price	N.A.	N.A.	N.A.	N.A.
2.	Exercise price is greater than market price	N.A.	N.A.	N.A.	N.A.
3.	Exercise price is less than market price	N.A.	N.A.	N.A.	N.A.



**Weighted average fair value of the options granted during the year**

S. No.	Particulars	Scheme (a)	Scheme (b)	Scheme (c)	Scheme (d)
1.	Exercise price equals market price	N.A.	N.A.	N.A.	N.A.
2.	Exercise price is greater than market price	N.A.	N.A.	N.A.	N.A.
3.	Exercise price is less than market price	N.A.	N.A.	N.A.	N.A.

Scheme (a): R Systems International Ltd. - Year 2004 Employee Stock Option Plan.

Scheme (b): Indus Software Employees Stock Option Plan -Year 2001.

Scheme (c): R Systems International Ltd. - Year 2004 Employee Stock Option Plan -ECnet.

Scheme (d): R Systems International Limited Employee Stock Option Scheme 2007.

As no options are granted during the year under Scheme (a), Scheme (b), Scheme (c) and Scheme (d), hence the required information is not applicable.

**9. Liquidity and Borrowings - Consolidated Financial Statement**

Cash and bank balance, including bank deposits, debt mutual funds as of December 31, 2013 was Rs. 1,115.20 mn against Rs. 889.39 mn as of December 31, 2012. Increase was mainly on cash generated from operations and mainly offset by cash used for purchase of fixed assets and payment of dividends.

The consolidated cash and cash equivalent as at December 31, 2013 were Rs. 795.19 mn as against Rs. 524.14 mn as on December 31, 2012.

Net cash generated from operating activities is Rs. 481.02 mn for the year ended December 31, 2013 compared to Rs. 345.18 mn for the year ended December 31, 2012.

Cash flow generated from operating activities is the significant source of funding for investing and financing activities.

Cash used in investing activities during the year 2013 includes purchase of fixed assets of Rs. 168.66 mn, investment in SBI debt fund Rs. 10.00 mn as offset by increase in proceeds from maturity of long term fixed deposits Rs. 71.07 mn, interest income on fixed deposits of Rs. 45.40 mn and receipt on sale of fixed assets of Rs. 2.82 mn.

Cash used in financing activities during the year 2013 includes Rs. 233.15 mn for payment of dividend, Rs. 39.69 mn for dividend distribution tax and Rs. 1.22 mn as payment of interest on loans as offset by proceeds from other non-current assets (margin money) Rs. 35.85 mn, proceeds from issuance of share capital pursuant to exercise of employee stock options amounting to Rs. 17.47 mn and net increase in long term loan of Rs. 8.25 mn.

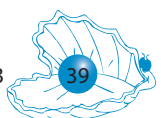
R Systems' policy is to maintain sufficient liquidity to fund the anticipated capital expenditures, operational expenses and investments for strategic initiatives.

R Systems has a credit facility from the Axis Bank Limited amounting to Rs. 200 mn (including non-fund based credit limit of Rs. 185 mn). As at December 31, 2013, the total credit balance was Rs. Nil under fund based line of credit. The total liability of R Systems against the loan for motor vehicles purchased was Rs. 6.78 mn and for equipment purchased was Rs. 7.76 mn as at December 31, 2013. R Systems primary bankers in India are Axis Bank Limited, State Bank of India, ICICI Bank Limited and HDFC Bank Limited. In U.S.A., U.K., Singapore, Netherland and Japan, the primary bankers are California Bank & Trust, Natwest Bank, Citibank N.A., ABN Amro Bank N.V. and Sumitomo Mitsui Banking Corporation respectively.

**10. Changes in the Capital Structure**

As of December 31, 2013, the authorised share capital of the Company was Rs. 200,000,000 divided into 20,000,000 equity shares of Rs. 10 each and the issued, subscribed and paid up share capital was Rs. 126,654,580/- divided into 12,665,458 equity shares of Rs. 10 each. During the year under review, the Company has allotted 144,750 equity shares of Rs. 10 each pursuant to exercise of Stock Options under R Systems International Limited Employee Stock Options Scheme 2007, at an exercise price of Rs. 120.70 per share.

Subsequent to the closing of the year 2013, shareholders of the company by passing necessary resolution through postal ballot on January 14, 2014 approved the sub-division of equity shares of the company of face value of Rs. 10 each into equity shares of



Re. 1 each. The Board of directors had fixed February 28, 2014 as record date to give effect to the said sub-division to the existing shareholders. Hence after the said sub-division, the authorised share capital of the Company was Rs. 200,000,000 divided into 200,000,000 equity shares of Re. 1 each and the issued, subscribed and paid up share capital was Rs. 126,654,580/- divided into 126,654,580 equity shares of Re. 1 each.

Further subsequent to the year end, the Company has allotted 712,600 equity shares of Re. 1 each on March 10, 2014 at a price of Rs. 12.07 per equity share pursuant to exercise of options by employees of the Company in terms of R Systems International Limited Employee Stock Option Scheme 2007. With the said allotment, the paid-up capital of the Company stands increased to Rs. 127,367,180/- divided into 127,367,180 fully paid up equity shares of Re. 1 each.

### 11. Corporate Restructuring

During the year ended December 31, 2013, the Board of directors further reassessed the synergies arising out of proposed amalgamation of its two subsidiaries based in Singapore for their revival and growth namely, ECnet Limited and R Systems (Singapore) Pte Limited, as was earlier approved by the Board in the year 2011, and also permitted modification of the scheme of corporate restructuring so as to convert the loan given by R Systems (Singapore) Pte Limited to ECnet Limited into equity instead of merging these two companies. Further, the company has also made additional equity investment amounting to Rs. 30,807,962/- (SGD 661,800) for long term purpose in ECnet Limited, Singapore and Rs. 13,413,875 (USD 250,000) for long term purpose in R Systmes Solutions Inc, U.S.A.

Pursuant to the earlier approvals of the Board, the liquidation of R Systems NV, Belgium (wholly owned subsidiary) and closure of Branch Office of the Company in London, United Kingdom have been completed successfully during the year 2013. Further during the year 2013, the company also successfully closed its branch office in The Netherlands and liquidated one of the step down subsidiaries namely, Computaris Limited, U.K. (WOS of Computaris International Limited, U.K. which is 100% subsidiary of R Systems International Limited).

### 12. Material Changes Affecting the Financial Position of the Company

Subsequent to the year end 2013, the Company has allotted 712,600 equity shares of Re. 1/- each on March 10, 2014 at a price of Rs. 12.07 per equity share pursuant to exercise of options by employees of the Company in terms of R Systems International Limited Employee Stock Option Scheme 2007. With the said

allotment, the paid-up capital of the Company stands increased to Rs. 127,367,180/- divided into 127,367,180 fully paid up equity shares of Re. 1/- each.

Except as detailed above, there were no other significant events subsequent to the balance sheet date till the date of this report which would materially affect the financial position of the Company.

### 13. Particulars of Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 for the year ended December 31, 2013 are as follows:

#### A. Conservation of Energy

During the year ended December 31, 2013 R Systems continued its action plans to curtail the energy bills by adopting various energy conservation options / technologies as identified by Federation of Indian Chambers of Commerce & Industry ("FICCI") through a detailed Energy Audit carried out by FICCI for R Systems Noida operations. Significant measures were taken to reduce energy consumption by using energy efficient equipment and devices. R Systems constantly evaluates new technologies and makes appropriate investments to be energy efficient. Currently, the Company uses CFL fittings and electronic ballasts to reduce power consumption of fluorescent tubes. The air is conditioned with energy efficient compressors for central air conditioning and with split air conditioning for localized areas. R Systems is always in search of innovative and efficient energy conservation technologies and applies them prudently. However, R Systems being in the software industry, its operations are not energy intensive and energy costs constitute a very small portion of the total cost, therefore, the financial impact of these measures is not material.

Form A of the said Rules is not applicable to the software industry.

#### B. Technology Absorption

The particulars with respect to technology absorption are given below:

##### (a) Research and Development (R&D)

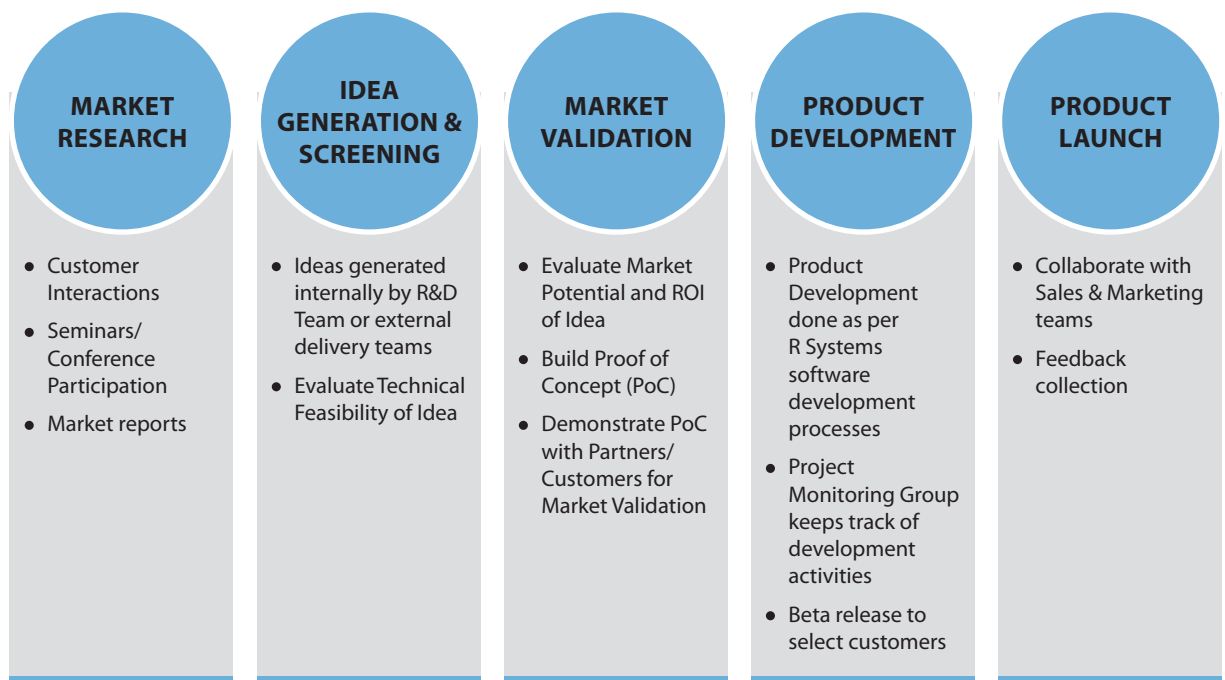
##### Research and Development (R&D) Activities Carried out by the Company

The Company's R&D programme covers technology for the secure, high performance and high availability

products across web and mobility modes. The Company creates and owns the intellectual property in these products that cater to Retail, SME & Corporate Sector Lending, Insurance, Telecom, and Mobility businesses. The Company builds on a continuous basis new products, upgrades existing products with new releases. The rapidly evolving technology and competitive environment necessitates that we re-vamp the technology stack, provide new functionality and modules.

The Company develops a medium term and long term product road map and strategy which is reviewed constantly for relevance. We incorporate market and technology inputs on a continuous basis based on Market Research, RFI/RFP analysis, and feedback from customers and prospects. The Company follows an AGILE product development methodology under inspirational leadership of its management and its R & D Heads.

### R&D Process at R systems



All R&D initiatives are governed by a Research & Development Committee constituted by the board of directors of the Company which includes technology and domain experts and R&D heads who approve all R&D initiatives.

These R&D initiatives are carried out of our R&D centres at Pune and Noida. The R&D team consists of 100 plus associates including high quality technical experts, engineers and domain experts who create a knowledge culture.

The technology stack has been reviewed and appreciated by peers and intellectuals who are represented in our

customers and business alliances who have endorsed the products by their selection.

The product and technologies built by the R&D centres are delivered to the customers through a separate delivery team.

The products created out of the R&D initiatives of the Company compete with international products besides bringing in valuable foreign exchange into the country, also provides a degree of import substitution as it fulfils domestic needs for robust, scalable, high performance and high availability technology solutions.

### Specific areas of R&D

The Company has been engaged in developing its own intellectual property in form of product for many years and owns high quality intellectual properties. The key areas of R & D in technology covers.

- High performance on web
- Highly Secure applications relevant to today's requirement for anytime/anywhere access
- Build products that are world class and international (multi-tenant, multi-lingual, multi-currency)
- Optimise and Upgrade existing products
- Ergonomic and aesthetic usability standards
- High availability
- Open Source and other low cost technology stack
- Cloud Technology
- Mobile computing
- Digitisation and workflow
- Business Functionality
- Interfacing with other IT solutions used by client in adjacent areas
- Incorporate and innovate best industry practices
- Promote a culture of knowledge workers by sharing within the company and with technology and business groups

### Benefits derived as a result of the above R&D

The Company has over the years become a key product vendor to banks, NBFCs, Telecom and Insurance Companies competing globally and winning customers in India and abroad. The solutions are receiving recognition for its contemporary technology, robustness, low "total cost of ownership". This is amply proven by the award that R Systems has received during 2013 as WINNER of the Financial Express "IT Solution of the Year" award for the Product solution that we delivered for India's one of the most respected Insurance companies.

The Company has also won many global engagements and is recognised as global, internationalised solution suitable in a multi country, multi-currency, multi-tenant environment.

Over the years the company has expanded its stability of products:

### For Banking and Non-banking Finance Companies

- Indus Loan Originations System
- Indus Loan Management Systems (or Receivables Management System)
- Indus Collections
- Indus Corporate Loan Originations
- Indus Collateral Management System
- Indus Commercial Vehicle and Leasing System
- Indus Exposure Monitoring System
- Indus Dealer Funding (Auto Loan Business)
- Indus Stock Audit (Auto Loan Business)
- BFSI Apps

### For Telecom Companies

- Indus Customer Acquisition System
- Indus Credit Management and Receivables System

### For Insurance Companies

- Ipersyst – solution for persistency
- Iprotect- web based solutions for Insurance Originations

### Generic Modules

- Platform for managing workflows that can be integrated into business solutions

### Common Reporting System

- Commissions & Incentives (a performance management solution)

### Mobile Apps

The Company also builds mobile applications across most of the mobility platforms such as Android and iOS. These mobile applications are developed at our R&D centre in Noida. These are generic applications that are used by public at large for convenience.

Future plan of action

The key R&D areas for future shall include:

- The Company is evaluating its platform for its 6th generation product suite. The key deliverables for the 6th generation product suite will be:
  - Low TCO bringing a great deal of efficiency into the Financial Services Business
  - High configurability allowing customers to improvise financial products, workflow and control systems
  - Flexibility in use of bandwidth availability – web & mobility enabled
  - Ergonomic and multi-language capabilities
  - Architecture that allows customers to mix and match solutions and use invest in technology in an incremental manner improving the ROI for the investment
  - Build strong interfaces with technology partners that allows for bundling the solution in manner that provides customers a seamless ERP like business environment
  - Build strong set of analytics in the suite that provides customers business tools
- The Company shall continue to focus on applications for mobile devices such as:
  - Generic office automation for business on the move
  - Extending web-based software by B2B and B2C enablement on mobile devices
  - Personal tools for convenience of mobile users
  - Applications for banking and finance industry
  - Cloud and Crowd computing

Expenditure on R&D

The Company carries out its Research and Development activities at its Pune and Noida centres. The details of expenditure are as follows:

Particulars	(Rs. in Millions)	
	31.12.2013	31.12.2012
Recurring expenditure charged to statement of profit & loss	<b>93.04</b>	67.45
Capital expenditure		
(i) Intangible assets (including under development)	<b>15.89</b>	9.83
(ii) Tangible assets	<b>1.99</b>	1.76
<b>Total</b>	<b>110.92</b>	79.04
<b>Total R&amp;D expenses as % of total revenue</b>	<b>4.11%</b>	3.45%

**(b) Technology absorption, adaptation and innovation**

1. Efforts made towards technology absorption, adaptation and innovation

The Company has established practice streams in specific technologies to analyze their implications and the benefits they can provide to the Company's customers. These steps enable the Company to find and execute the most appropriate solutions for its clients.

2. Benefits derived as a result of the above efforts

The benefits derived from the above mentioned efforts are fulfilling customer needs, efficiency in operations, improvement in quality and growth in revenues.

3. Technology imported during the last 5 years

Not applicable, as no technology has been imported by the Company.

**C. Foreign Exchange Earnings and Outgo (Accrual Basis)**

A significant percentage of R Systems revenues are generated from exports. The development and service centres in Noida, Pune and Chennai are registered with the Software Technology Park of India in their respective areas as 100% Export Oriented Undertakings. All efforts of the Company are geared to increase the business of software exports in different products and markets. We have made investments in sales and marketing activities in various growing markets.

The total foreign exchange used and earned by R Systems during the year as compared with the previous year is as follows:

(Rs. in Millions)

Particulars	Financial Year ended	
	31.12.2013	31.12.2012
(a) Earnings (Accrual Basis)	<b>2,454.88</b>	2,082.21
(b) Expenditure (Accrual Basis)	<b>398.40</b>	377.68
(c) CIF value of imports	<b>49.49</b>	9.12

#### 14. Subsidiaries

As on December 31, 2013, R Systems has twenty subsidiaries. The names and country of incorporation of those subsidiaries are as follows:

S. No.	Name of the Subsidiaries	Country of Incorporation
1.	R Systems (Singapore) Pte Limited	Singapore
2.	R Systems, Inc.	U.S.A.
3.	Indus Software, Inc.	U.S.A.
4.	ECnet Limited	Singapore
5.	R Systems Solutions, Inc.	U.S.A.
6.	R Systems Europe B.V.	The Netherlands
7.	R Systems S.A.S.	France
8.	Computaris International Limited	U.K.
9.	Systèmes R. International Ltée	Canada
10.	ECnet (M) Sdn. Bhd. #	Malaysia
11.	ECnet, Inc. #	U.S.A.
12.	ECnet (Hong Kong) Limited #	Hong Kong
13.	ECnet Systems (Thailand) Company Limited #	Thailand
14.	ECnet Kabushiki Kaisha #	Japan
15.	ECnet (Shanghai) Co. Ltd. #	People's Republic of China
16.	ICS Computaris International Srl @	Moldova
17.	Computaris Malaysia Sdn.Bhd. @	Malaysia
18.	Computaris Polska sp z o.o. @	Poland
19.	Computaris Romania SRL @	Romania
20.	Computaris USA, Inc. @	U.S.A.

# wholly owned subsidiaries of ECnet Limited, Singapore. R Systems International Limited holds 69.37% directly in ECnet Limited, Singapore and 30.38% shares through its wholly owned subsidiary i.e. R Systems (Singapore) Pte Limited, Singapore and thus together it holds 99.75% (previous year 99.56%) of total capital of ECnet Limited, Singapore.

@ wholly owned subsidiaries of Computaris International Limited being 100% subsidiary of R Systems.

During the year 2013, R Systems NV, Belgium, a wholly owned direct subsidiary and Compautaris Limited, U.K. a step-down wholly owned subsidiary of R Systems International Limited, was liquidated and closed.

All the aforementioned twenty subsidiaries are incorporated and based outside India. In addition to providing services to various international clients these subsidiaries also help to generate revenues for R Systems. The Board of Directors of the Company regularly reviews the affairs of these subsidiaries.

As per Section 212 of the Companies Act, 1956, we are required to attach the Directors' Report, Balance Sheet and Profit and Loss Account (referred to as Financial Statements) of our subsidiaries. The Ministry of Corporate Affairs, Government of India vide its General Circular No. 2/2011 dated 8th February, 2011 has provided an exemption to companies from complying with Section 212, provided such companies publish the audited consolidated financial statement in the Annual Report. Accordingly, the Annual Report 2013 does not contain the Financial Statements of our subsidiaries. As directed under the said Circular, information in aggregate in respect of each subsidiaries including subsidiaries of subsidiaries i.e. (a) capital (b) reserves (c) total assets (d) total liabilities (e) details of investments (except in case of investment in subsidiaries) (f) turnover (g) profit before taxation (h) provisions for taxation (i) profit after taxation and (j) proposed dividend for each subsidiary has been disclosed in brief abstract forming part of the consolidated balance sheet.

Further, the audited annual accounts and related detailed information of our subsidiaries, where applicable, will be made available to shareholders seeking such information at any point of time. The annual accounts of the subsidiary companies will also be available for inspection by any shareholder at Registered Office of R Systems i.e. B-104 A, Greater Kailash-I, New Delhi – 110 048 and Corporate Office of R Systems i.e. C-40, Sector 59, Noida – 201307 and Registered Offices of the subsidiary companies concerned during business hours. The same will also be hosted on R Systems' website, [www.rsystems.com](http://www.rsystems.com).

#### 15. Particulars of Employees

As required under the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended by notification dated March 31, 2011, the names and other particulars of employees are set out in **Annexure A** to this report.

#### 16. Directors' Responsibility Statement

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to directors' responsibility statement, your directors hereby confirm that:

- In the preparation of the annual accounts for the financial year ended December 31, 2013, the applicable accounting standards had been followed along with proper explanation relating to material departures, wherever applicable;

- (ii) The directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;
- (iii) The directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) The directors had prepared the annual accounts for the financial year ended December 31, 2013 on a going concern basis.

#### **17. Auditors**

M/s S. R. Batliboi & Co. LLP, the statutory auditors of the Company will retire at the upcoming annual general meeting and are eligible for reappointment. However M/s S. R. Batliboi & Co. LLP have expressed their unwillingness to get reappointed as the statutory auditors of the Company.

The Board, based on the recommendation of the audit committee, recommends the appointment of M/s S. R. Batliboi & Associates LLP (Firm Registration No. 101049W) as the statutory auditors of the Company. M/s S. R. Batliboi & Associates LLP have confirmed their eligibility and willingness to act as the statutory auditors of the Company and have further confirmed that their appointment, if made, shall be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

Further, the auditors' report being self-explanatory, does not call for any further comments by the Board of Directors.

#### **18. Audit Committee**

R Systems has a qualified and independent Audit Committee. During the year under review there was no change in composition of the Audit Committee except that Mr. Anuj Kanish was appointed as a regular member of the Audit Committee upon his appointment as Additional Director on May 11, 2013.

The constitution of the Committee is in compliance with the provisions of the Companies Act, 1956 and the Listing Agreement entered into with the stock exchanges.

The terms of reference and role of the Committee are as per the guidelines set out in the Listing Agreement with the stock

exchanges read with Section 292A of the Companies Act, 1956 and includes such other functions as may be assigned to it by the Board from time to time. The Committee has adequate powers to play an effective role as required under the provisions of the statute and Listing Agreement.

#### **19. Prevention and Prohibition of Sexual Harassment of Women at Work Place**

At R Systems it is our desire to promote a healthy and congenial working environment irrespective of gender, caste, creed or social class of the employees. We value every individual and are committed to protect the dignity and respect of every individual. The company has always endeavored for providing a better and safe environment free of sexual harassment at all its work places. Consequent to the enactment of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and Rules made thereunder, the Management of R Systems International Limited has constituted an Internal Complaints Committee (ICC) to deal with any complaints or issues that may arise, in the nature of sexual harassment of women employees. The company has also prepared and implemented Policy for Prevention, Prohibition and Redressal of Sexual Harassment of Women at Workplace. Since the formation of the Committee, no cases of sexual harassment against women employees at any of its work place were reported to the ICC.

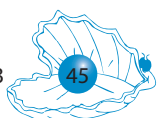
#### **20. Corporate Governance**

As required under Clause 49 of the Listing Agreement entered into with the stock exchanges, the detailed report on corporate governance is given as **Annexure B** to this report and the certificate obtained from a practicing company secretary regarding compliance of the conditions of corporate governance as stipulated in the said clause is annexed as **Annexure C** to this report.

Further, the disclosure as required pursuant to Section II Clause C of Part II of Schedule XIII to the Companies Act, 1956 and in terms of Clause 49 of the Listing Agreement entered into with the stock exchanges for all the directors is given in the detailed report on corporate governance which forms part of this report and annexed as **Annexure B** to this report.

#### **21. Deposits**

The Company has neither invited nor accepted any deposits from the public within the meaning of Section 58A of the Companies Act, 1956 and as such, no amount of principal or interest was outstanding on the date of the balance sheet.



## 22. Customer Relations

R Systems recognises that the customers have a choice of service providers and the directors would like to place on record their gratitude on behalf of the Company for the business provided by them. The Company's quality policy mandates that the Voice of the Customer is obtained on a regular basis. We constantly review the feedback and incorporate its impact into our delivery systems and communications.

## 23. Stakeholders Relations

R Systems is inspired by its customers and its employees transform that inspiration and customers' needs into value for all stakeholders. We thank all R Systems employees worldwide for their hard work, commitment, dedication and discipline that enables the Company to accomplish its customer commitments and commitments to all its stakeholders. R Systems conducts regular employee satisfaction surveys, and open house meetings to get employees feedback. R Systems is constantly validating key employee data with industry and peer group business. These practices have helped the Company achieve many of its business goals and have been recognised in many industry surveys over the last few years. The open door policy of our senior management team ensures that the feedback loop is completed promptly.

We thank our shareholders for their continuous support and confidence in R Systems. We are aware of our responsibilities to our shareholders to provide full visibility of operations, corporate

governance and creating superior shareholder value and we promise to fulfill the same.

## 24. Management Discussion and Analysis Report

In terms of Clause 49 of the Listing Agreement entered into with the stock exchanges, management discussion and analysis report is given as **Annexure D** to this report.

## 25. Acknowledgments

Your directors once again take this opportunity to thank the employees, investors, clients, vendors, banks, business associates, regulatory authorities including stock exchanges, Software Technology Park of India, the Central Government, State Government of Delhi, Uttar Pradesh, Maharashtra, Tamil Nadu for the business support, valuable assistance and co-operation continuously extended to R Systems. Your directors gratefully acknowledge the trust and confidence and look forward for their continued support in the future.

On behalf of the Board  
For R Systems International Limited

Sd/-

**Satinder Singh Rekhi**

(Chairman and Managing Director)

Place : CA, U.S.A.

Date : March 30, 2014



Annexure 'A' to the Directors' Report

**Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of employees) Rules, 1975 and forming part of the Directors' Report for the year ended December 31, 2013**

A. Employed throughout the year and in receipt of remuneration not less than Rs. 60,00,000 for the year.

S. No.	Name	Designation / nature of duties	Qualification	Age (Years)	Date of Joining	Experience (Years)	Gross Remuneration (Rs.)	Previous employment & designation
1	Ashok Bhatia	Vice President - Client Operations	B.Sc. PGDMM and Certified Project Manager (SAPM) from Stanford University, USA	47	January 1, 2006*	22	18,750,621	ACT Inc., Pittsburgh, PA Vice President - Marketing
2	Debraj Ganguly	Director - Sales @	MBA - IIM Calcutta, B Tech - IIT Kharagpur	41	February 3, 2005	18	8,686,550	i Healthcare Services India Ltd. Vice President - Business Development
3	Gurpreet Saini	Sales Account Manager	BS Computer Science, MBA - Nagpur University in Marketing and Finance	39	January 1, 2008*	16	6,590,016	FCS Software Sales Manager
4	Harsh Verma	Vice President (Global Innovative Research) & Head, Mobility Solutions	BE (Hons.) in Electrical & Electronics Engineering, MS PhD in Computer Science from BITS, Pilani, Executive Mgmt. Prog. from IIM, Ahmedabad, Post-Doctoral Res. Prog., UC Berkeley.	54	February 19, 2007	29	8,554,091	Glocol, Inc., California, USA Vice President, R&D
5	Mandeep Singh Sodhi	Vice President - Sales	Bachelors degree in Electronics Engineering from Marathwada University and MBA from University of California, Davis	46	January 1, 2008*	21	25,212,198	Sark Syntek; Noida Senior Marketing Engineer
6	Ravi Madugala	Director - Information Systems @	M.Sc. in Computer Science, University of Dayton, Ohio, Bachelors in Mechanical Engineering	48	July 1, 2007*	20	7,531,867	University of Dayton Student Assistant
7	Satinder Singh Rekhi	Chairman & Managing Director	Bachelor of Technology from IIT, Kharagpur; MBA California State University, Sacramento; Senior Management programs from University of Berkeley and Harvard Business School	63	January 1, 2006*	31	25,292,405	Digital Information Systems Corporation Senior Management Personnel
8	Stacey Gann	Engagement Manager	Bachelors of Science in Nursing	45	January 30, 2012	24	7,130,953	Harris Health Plan Training Manager
9	Raj Swaminathan	Director & Chief Operating Officer	MBA - XLRI	54	May 1, 2006	29	6,392,954	GE - Capital, Vice-President (Technology)

B. Employed for the part of the year and in receipt of remuneration not less than Rs. 500,000 per month.

S. No.	Name	Designation / nature of duties	Qualification	Age (Years)	Date of Joining	Experience (Years)	Gross Remuneration (Rs.)	Previous employment & designation
1	Hemant J Doshi	Director - Sales @	MBA from Mumbai University	50	July 29, 2013	18	3,062,641	HCG Net. Sr. Manager
2	Jeremy Dawson#	Director - Sales @	BS - Business Administration	41	January 1, 2008*	18	3,103,122	DSA Inc. Manager

# Resigned during the year

@ Not a member of the Board of Director of the Company.

\* Prior to joining R Systems International Limited "the Company" these employees were working with R Systems, Inc the USA subsidiary of the Company. The date of joining in the subsidiary, of these employees is given hereunder:

Name	Date of Joining
Ashok Bhatia	December 11, 2000
Gurpreet Saini	May 2, 2006
Mandeep Singh Sodhi	April 1, 1993
Ravi Madugula	February 16, 1996
Satinder Singh Rekhi	April 1, 1993
Jeremy Dawson	March 11, 2002

Notes:

- The gross remuneration includes basic salary, allowances and taxable value of perquisites other than the perquisites on exercise of Employee Stock Option Plan.
- Mr. Satinder Singh Rekhi, Chairman & Managing Director, Lt. Gen Baldev Singh (Retd.), President & Senior Executive Director and Mr. Mandeep Singh Sodhi, Vice President - Sales are related to each other. None of the other employee is related to any director of the Company.
- None of the employee owns more than 2% of the outstanding shares of the Company as on December 31, 2013.
- Nature of employment is contractual in all the above cases.

On behalf of the Board  
For R Systems International Limited  
**Sd/-**  
**Satinder Singh Rekhi**  
(Chairman and Managing Director)

Place : CA, U.S.A.  
Date : March 30, 2014

## Annexure 'B' to the Directors' Report

# CORPORATE GOVERNANCE

### Report on Corporate Governance

#### 1. Company's Philosophy on Corporate Governance

R Systems International Limited ("R Systems" or the "Company") is committed to conduct its business in compliance with the applicable laws, rules and regulations and with the highest standards of business ethics. We, at R Systems, believe that good Corporate Governance is a key contributor to sustainable corporate growth and creating superior value for our stakeholders. It is primarily concerned with transparency, accountability, fairness, professionalism, social responsiveness, complete disclosure of material facts and independence of Board. R Systems endeavours its best to constantly comply with these aspects in letter and spirit, in addition to the statutory compliances as required under Clause 49 of the Listing Agreements with the Stock Exchanges.

#### 2. Board of Directors

R Systems has an optimum combination of executive and non-executive directors on its Board. During the year under

review, the Board comprised of seven directors, i.e. the executive chairman, two executive directors and four non-executive independent directors. Mr. Anuj Kanish, Independent Director was appointed as Additional Director of the Company on May 11, 2013 to hold office upto the date of upcoming AGM. The total number of independent directors has been at least 50% of the total strength of the Board at all times during the year under review.

None of the directors of the Company is a director or a committee member or a chairperson of any committee in any other company in India except Mr. Anuj Kanish holds directorship in three Indian companies as on the date of this report. Necessary disclosures regarding directorship and committee positions in other companies as of December 31, 2013 have been made by the directors.

Except the Chairman & Managing Director, all other directors are liable to retire by rotation as per Articles of Association of the Company read with the provisions of the Companies Act, 1956.

The names and categories of the directors on the Board and their attendance at the Board meetings held during the year under review are as follows:

Name of Director	Category of Director	Designation	No. of Board Meetings attended out of 7 meetings held during the year	Attendance at the last AGM	No. of directorship in other bodies corporate #
Mr. Satinder Singh Rekhi	Promoter & Executive Director	Chairman & Managing Director	2+5*	Yes	10
Lt. Gen. Baldev Singh (Retd.)	Executive Director	President & Senior Executive Director	6+1*	Yes	Nil
Mr. Raj Swaminathan	Executive Director	Director & Chief Operating Officer	06	Yes	Nil
Mr. Raj Kumar Gogia	Non- Executive Independent Director	Director	07	Yes	Nil
Mr. Gurbax Singh Bhasin	Non-Executive Independent Director	Director	07*	No	09
Mr. Suresh Paruthi	Non-Executive Independent Director	Director	07	Yes	02
Mr. Anuj Kanish**	Non-Executive Independent Director	Additional Director	5+2*	Yes	04

# Includes the offices of CEO, President, Managing Member and Partner.

\* Attendance by teleconference.

\*\* Mr. Anuj Kanish, who ceased to be Alternate Director to Mr. Gurbax Singh Bhasin at Annual General Meeting of the Company on May 11, 2013, was appointed as Additional Director by the Board of Directors at its meeting held on May 11, 2013. Hence, for the period during January 01, 2013 to May 11, 2013, he attended the meetings as an Alternate Director to Mr. Gurbax Singh Bhasin and after his appointment as Additional Director on May 11, 2013, he attended the Board Meetings as Additional Director.

The expression 'independent director' has the meaning as defined under Clause 49 of the Listing Agreement.

Out of the seven Directors, two Directors namely, Mr. Satinder Singh Rekhi, Chairman & Managing Director and Lt. Gen. Baldev Singh (Retd.), President and Senior Executive Director are relatives of each other in the manner indicated in Schedule IA of the Companies Act, 1956, as latter is former's sister's husband.

**(i) Board Functioning & Procedures**

The Board meets at least once a quarter to review the quarterly performance and financial results. Board meetings are generally held at the Corporate Office of the Company in Noida and are governed by a structured agenda. The agenda, along with the explanatory notes are sent to all the directors well in advance of the date of Board meeting to enable the Board to take informed decisions. The Board is also free to recommend the inclusion of any matter for discussion in consultation with the Chairman. The Chief Financial Officer is normally invited to the Board meetings to provide financial insights, status of internal controls in the working of the Company and for discussing corporate strategies. All relevant information required to be placed before the Board, as required under Clause 49 of the Listing Agreement, are considered and taken on record / approved by the Board.

The minutes of the Board meetings are circulated to all directors and confirmed at the subsequent Board meeting. The minutes of the various committees of the Board are also circulated to the members of the Board and thereafter tabled at the subsequent Board meeting for the Board's view thereon. During the financial year 2013, the Board met seven times i.e. on February 09, 2013, April 15, 2013, April 27, 2013, May 11, 2013, July 27, 2013, October 25, 2013 and November 29, 2013.

The gap between any two consecutive Board meetings did not exceed four months.

The Board periodically reviews compliance reports in respect of laws and regulations applicable to the Company.

**Code of Conduct**

The Board has laid down a Code of Conduct for all Board members and senior management personnel of the Company, which is available on R Systems' website at <http://www.rsystems.com/investors/corporategovernance.aspx>

The Company has obtained confirmations for the compliance with the said code from all its Board members and senior management personnel for the year ended December 31, 2013.

A declaration to this effect given by the Chairman & Managing Director of the Company, Mr. Satinder Singh Rekhi, is reproduced below:

**CODE OF CONDUCT DECLARATION**

I, Satinder Singh Rekhi, Chairman and Managing Director of R Systems International Limited, to the best of my knowledge and belief, hereby declare that all the Board members and senior management personnel have affirmed compliance with the Company's Code of Conduct for the year ended December 31, 2013.

Sd/-

Place : Singapore

**Satinder Singh Rekhi**

Date : February 07, 2014 (Chairman and Managing Director)

**Appointment / Reappointment of Directors**

Details with respect to the directors whose appointment or reappointment is proposed at the ensuing Annual General Meeting are as follows:

**A. Mr. Suresh Paruthi (Non-Executive Independent Director)**

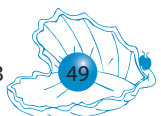
**Mr. Suresh Paruthi** aged about 63 years has completed his Bachelor of Technology (Hons.) from IIT, Kharagpur in 1972. He has also completed a certificate course in export marketing from the Indian Institute of Foreign Trade, New Delhi. He is having a wide experience of efficiently serving various multinationals; some of them are Siemens Limited, Bhartia Cutler Hammer Ltd. & Omron Asia Pacific Pte. Ltd.

As on the date of this report

- Mr. Suresh Paruthi holds the office of CEO in MEC Solutions, Inc. and Paruthi Consultants and Engineers.
- No stock options have been granted to him under the prevailing stock option plans of the Company.
- He doesn't hold any shares in R Systems.

**B. Lt. Gen. Baldev Singh (Retd.) (President and Senior Executive Director)**

**Lt. Gen. Baldev Singh (Retd.)** aged about 73 years has more than 47 years of experience, including handling top managerial, diplomatic and human resource development related assignments. Mr. Singh has a Masters in Military Sciences from the prestigious Madras University in India and attended two short courses at University of California at Berkeley, in Strategic Account Management and Marketing. He joined the Board of R Systems on September 01, 1997.



As on the date of this report

- Lt. Gen. Baldev Singh (Retd.) does not hold any office of director / member in other company's board / committee.
- Lt. Gen. Baldev Singh (Retd.) was awarded with 27,700 stock options of Rs. 2 per share on September 01, 2004 under R Systems International Ltd. - Year 2004 Employee Stock Option Plan, exercisable at a price at par with other employees covered under the plan. The granted options has vested over a period of 4 years in equal installments and vested options can be exercised over a period of 10 years from the date of grant. On January 30, 2006 R Systems had consolidated each of its 5 equity shares of Rs. 2 each into 1 equity share of Rs. 10 each. Consequently the balance options also stand revised from Rs. 2 each to Rs. 10 each. As on December 31, 2013, entire options granted (i.e. 5,540 stock options) were already vested. 50% of the total options granted (i.e. 2,770 stock options) was already exercised and balance 50% of the total options granted (i.e. 2,770 stock options) of Rs. 10 each is in force. Further, the equity shares of face value of Rs. 10 each have been sub-divided into equity shares of face value of Re. 1 and hence outstanding options also stands adjusted on account of sub-division of shares. As on the date of this report, he has stock options equivalent to 27,700 equity shares of Re. 1 each, valid till August 31, 2014.
- As on the date of this report, he holds 300,000 equity shares of Re. 1 each being 0.24% of the total paid up share capital in R Systems.
- Lt. Gen. Baldev Singh (Retd.) is related to Mr. Satinder Singh Rekhi, Chairman and Managing Director of the Company.

**R Systems has formulated the following committees of its directors:**

- Audit Committee
- Remuneration Committee
- Compensation Committee
- Shareholders / Investors Grievance Committee

Pursuant to the provisions of Securities & Exchange Board of India (Substantial Acquisition of Shares & Takeovers) Regulations, 2011, the Board of Directors of the Company

by passing necessary resolutions on January 10, 2012 constituted a Committee of Independent Director for Open Offer to provide reasoned recommendation on the open offer given by Mr. Bhavook Tripathi. The said open offer was completed by Mr. Bhavook Tripathi pursuant to Post Offer Public Announcement dated January 21, 2013, by acquisition of 590 equity shares under the open offer. Accordingly, the said Committee of Independent Director for Open Offer was dissolved by the Board of Directors at its meeting held on April 27, 2013. There was no meeting of Committee of Independent Director for Open Offer required to be held during the year 2013.

**3. Audit Committee**

R Systems has a qualified and independent Audit Committee. During the year under review there was no change in composition of the Audit Committee except that Mr. Anuj Kanish who was nominated as a regular member of the Audit Committee upon his appointment as Additional Director of the Company on May 11, 2013.

The Audit Committee met five times during the year i.e. on February 09, 2013, April 15, 2013, April 27, 2013, July 27, 2013 and October 25, 2013.

**Composition of the Audit Committee as on December 31, 2013, its meetings and attendance during the year ended December 31, 2013**

Composition of the Audit Committee	Category of Director	Chairman / Member	No. of meetings attended out of 5 meetings held during the year
Mr. Raj Kumar Gogia	Non-Executive Independent Director	Chairman	5
Mr. Gurbax Singh Bhasin	Non-Executive Independent Director	Member	5*
Mr. Suresh Paruthi	Non-Executive Independent Director	Member	5
Mr. Anuj Kanish#	Non-Executive Independent Director	Member	3+2*

\* Attendance by teleconference.

# Mr. Anuj Kanish was appointed as a member of Audit Committee as an Alternate Director to Mr. Gurbax Singh Bhasin on August 05, 2012. Later, he was appointed as Additional Director on the Board and was also nominated as regular member of the Audit Committee w.e.f. May 11, 2013.

The Audit Committee invites such executives as it considers appropriate to be present at its meetings. The Chief Financial Officer, representatives of the Statutory Auditors and Internal Auditors are invited to these meetings. The Company Secretary of the Company acts as the Secretary of the Audit Committee.

#### **Powers of the Audit Committee**

The Audit Committee has adequate powers to play an effective role as required under the provisions of the Companies Act, 1956 and Listing Agreement and to review the mandatory applicable information. The Audit Committee shall have powers which shall include the following:

1. To investigate any activity within its terms of reference.
2. To seek information from any employee.
3. To obtain outside legal or other professional advice.
4. To secure attendance of outsiders with relevant expertise, if it considers necessary.

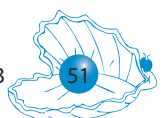
#### **Terms of reference of the Audit Committee**

The terms of reference and role of the Audit Committee are as per the provisions set out in the Listing Agreement entered into with the stock exchanges read with Section 292A of the Companies Act, 1956 and includes such other functions as may be assigned to it by the Board from time to time.

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements is correct, sufficient and credible.
2. Recommending to the Board, the appointment, reappointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
  - (a) Matters required to be included in the Directors' Responsibility Statement to be included in the Board's Report in terms of Clause (2AA) of Section 217 of the Companies Act, 1956
  - (b) Changes, if any, in accounting policies and practices and reasons for the same
  - (c) Major accounting entries involving estimates based on the exercise of judgment by the management

- (d) Significant adjustments made in the financial statements arising out of audit findings
- (e) Compliance with listing and other legal requirements relating to financial statements
- (f) Disclosure of any related party transactions
- (g) Qualifications in the draft audit report.

5. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
6. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
7. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
8. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
9. Discussion with internal auditors on any significant findings and follow-up thereon.
10. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
11. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
12. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
13. To review the functioning of the Whistle Blower mechanism.
14. Approval of appointment of CFO (i.e. the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate.



15. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

#### 4. Remuneration Committee

##### Brief description and terms of reference

The Remuneration Committee consists of only non-executive independent directors. During the year under review, there has been no change in the composition of the Remuneration Committee except that Mr. Anuj Kanish who was nominated as a regular member of the Remuneration Committee upon his appointment as Additional Director of the Company on May 11, 2013.

The Committee among other things evaluates and finalises compensation and benefits of the Company's executive directors. The Committee recommends / approves the remuneration package of the executive directors to the Board, after taking into consideration the financial position of the Company, the executive director's performance, qualifications and experience, comparable industry compensation packages, trend in the industry, past remuneration drawn and the proposed compensation package of the appointee, with a view to provide a package which is appropriate for the responsibilities involved.

During the year under review, Remuneration Committee met three times i.e. on February 09, 2013, October 25, 2013 and November 29, 2013.

##### Composition of the Remuneration Committee, its meetings and attendance during the year ended December 31, 2013

Composition of the Remuneration Committee	Category of Director	Chairman / Member	No. of meetings attended out of 3 meetings held during the year
Mr. Raj Kumar Gogia	Non-Executive Independent Director	Chairman	3
Mr. Gurbax Singh Bhasin	Non-Executive Independent Director	Member	3*
Mr. Suresh Paruthi	Non-Executive Independent Director	Member	3
Mr. Anuj Kanish#	Non-Executive Independent Director	Member	1+2*

\* Attendance by teleconference.

# Mr. Anuj Kanish was appointed as a member of Remuneration Committee as an Alternate Director to Mr. Gurbax Singh Bhasin

on August 05, 2012. Later, he was appointed as Additional Director on the Board and was also nominated as regular member of the Remuneration Committee w.e.f. May 11, 2013.

##### Remuneration policy

Remuneration policy of R Systems is based on the following objectives:

- To determine and recommend to the Board the remuneration package of the Managing Director and Whole Time Directors;
- To approve, in the event of loss or inadequate profits in any year, the minimum remuneration payable to the Managing Director and Whole Time Directors, considering the limits and subject to the parameters as prescribed under the provisions of the Companies Act, 1956;
- To create a performance-oriented culture in R Systems, which is beneficial to its employees and the business as well;
- To ensure that reward, benefit and increment system is performance-based and motivational to employees;
- To encourage and support learning and development by identifying the scope and need of the same;
- Such other functions as required or recommended by the Board or under the provisions of the Listing Agreement.

##### Brief terms of employment and details of remuneration paid to the executive directors during the year ended December 31, 2013

(Amount in Rs.)

1.	Name of the Director	Mr. Satinder Singh Rekhi
(a)	Salary, benefits and allowances (fixed)	19,092,405
(b)	Incentive (fixed)*	6,200,000
(c)	Stock options granted	Nil
(d)	Pension	As per the applicable policy for employees
(e)	Service contract	5 years
(f)	Notice period	36 months
(g)	Severance fees	Compensation in lieu of notice
(h)	Shareholding in R Systems as on December 31, 2013 <sup>^</sup>	130,920 equity shares of Rs. 10/- each in his own name & 1,834,718 equity shares of Rs. 10/- each as trustee of Satinder & Harpreet Rekhi Family Trust <sup>^</sup>

\* Incentive payable is based on the fixed percentage of Profit After Tax (PAT).

(Amount in Rs.)

2.	Name of the Director	Lt. Gen. Baldev Singh (Retd.)
(a)	Salary, benefits and allowances (fixed)	3,694,932
(b)	Incentive (fixed) <sup>§</sup>	1,956,117
(c)	Provident fund	270,840
(d)	Stock options granted	As detailed below <sup>#</sup>
(e)	Pension	As per the applicable policy for employees
(f)	Service contract	3 years
(g)	Notice period	6 months
(h)	Severance fees	Compensation in lieu of notice
(i)	Shareholding in R Systems as on December 31, 2013 <sup>^</sup>	30,000* equity shares of Rs. 10/- each <sup>^</sup>

§ Incentive payable is based on the fixed percentage of eligible revenue of Noida Unit.

# Lt. Gen. Baldev Singh (Retd.) was awarded with 27,700 stock options of Rs. 2 per share on September 01, 2004 under R Systems International Ltd. - Year 2004 Employee Stock Option Plan, exercisable at a price at par with other employees covered under the plan. The granted options has vested over a period of 4 years in equal installments and vested options can be exercised over a period of 10 years from the date of grant. On January 30, 2006 R Systems had consolidated each of its 5 equity shares of Rs. 2 each into 1 equity share of Rs. 10 each. Consequently the balance options also stand revised from Rs. 2 each to Rs. 10 each. As on December 31, 2013, entire options granted (i.e. 5,540 stock options) were already vested. 50% of the total options granted (i.e. 2,770 stock options) was already exercised and balance 50% of the total options granted (i.e. 2,770 stock options) of Rs. 10 each is in force. Further, the equity shares of face value of Rs. 10 each have been sub-divided into equity shares of face value of Re. 1 and hence outstanding options also stands adjusted on account of sub-division of shares. As on the date of this report, he has stock options equivalent to 27,700 equity shares of Re. 1 each, valid till August 31, 2014.

(Amount in Rs.)

3.	Name of the Director	Mr. Raj Swaminathan
(a)	Salary, benefits and allowances (fixed)	5,283,354
(b)	Incentive (fixed)	1,100,000
(c)	Provident fund	9,600
(d)	Stock options granted	As detailed below*
(e)	Pension	As per the applicable policy for employees
(f)	Service contract	3 years
(g)	Notice period	2 months
(h)	Severance fees	Compensation in lieu of notice
(i)	Shareholding in R Systems as on December 31, 2013 <sup>^</sup>	20,000 equity shares of Rs. 10/- each <sup>^</sup>

\* 60,000 stock options had been granted to him under R Systems International Limited Employees Stock Option Scheme 2007 on July 11, 2007. These options are exercisable

at a price at par with other employees covered under the plan. The granted options have vested over a period of 4 years in equal installments and vested options can be exercised over a period of 10 years from the date of grant. Upto December 31, 2012 Mr. Raj Swaminathan had already exercised 50,000 options and he also exercised the balance 10,000 options available on May 17, 2013 at an exercise price of Rs. 120.70 per share. Thus, he had no Options in force as on December 31, 2013.

<sup>^</sup> Pursuant to the necessary resolution passed by the shareholders through postal ballot on January 14, 2014, each of the equity shares of the company having face value of Rs. 10/- has been sub-divided into ten equity shares of face value Re. 1/- each.

The aforementioned directors' remuneration has been approved by the Remuneration Committee, the Board, the shareholders in the General Meeting and by the Central Government, wherever applicable, as required under the provisions of the Companies Act, 1956.

#### Details of remuneration paid to the non-executive directors during the year ended December 31, 2013

Non-executive directors are not entitled to any remuneration except the sitting fees for attending the directors' meetings. The sitting fees paid to the non-executive directors during the year ended December 31, 2013 is as follows:

S. No.	Name of the Director	Sitting fees paid (Rs.)
1.	Mr. Raj Kumar Gogia	165,000
2.	Mr. Suresh Paruthi	165,000
3.	Mr. Gurbax Singh Bhasin	NIL
4.	Mr. Anuj Kanish	105,000
	<b>Total</b>	<b>435,000</b>

As on December 31, 2013, none of the existing non-executive independent directors of the Company holds any shares, options or any other convertible instruments in R Systems.

#### 5. Compensation Committee

During the year under review, there has been no change in the composition of Compensation Committee and it comprised of three directors including two non-executive independent directors and one executive director.

The Compensation Committee is responsible for the formulation, implementation and administration of all the stock option plans, which, inter alia, includes determination of eligibility criteria, maximum number of options or shares to be offered to each employee, the aggregate number of options or shares to be offered

during the period covered under each scheme, identification of classes of employees entitled to participate in the scheme, framing a detailed pricing formula, mode or process of exercise of the option, conditions under which the options may lapse etc. for the employees, directors and senior management personnel of R Systems and its subsidiaries.

The Compensation Committee met once during the year i.e. on November 29, 2013.

**Composition of the Compensation Committee, its meetings and attendance during the year ended December 31, 2013**

Composition of the Compensation Committee	Category of Director	Chairman / Member	No. of meetings attended out of 1 meeting held during the year
Mr. Raj Kumar Gogia	Non-Executive Independent Director	Chairman	1
Mr. Suresh Paruthi	Non-Executive Independent Director	Member	1
Lt. Gen. Baldev Singh (Retd.)	Executive Director	Member	1

**6. Shareholders / Investors Grievance Committee**

The Shareholders / Investors Grievance Committee of R Systems is comprised of four directors, with non-executive independent director as its Chairman. The Shareholders / Investors Grievance Committee investigates and provides resolution of shareholders' grievances relating to transfer, transmission, dematerialisation and rematerialisation of shares, issue of duplicate share certificates, non-receipt of annual report, dividend and other matters relating to the shareholders / investors.

The Shareholders / Investors Grievance Committee met Eighteen times during the year i.e. on January 15, 2013, February 09, 2013, February 18, 2013, February 26, 2013, March 13, 2013, March 18, 2013, April 08, 2013, April 27, 2013, May 11, 2013, May 23, 2013, July 11, 2013, July 25, 2013, July 27, 2013, August 29, 2013, October 07, 2013, October 25, 2013, November 22, 2013 and December 06, 2013.

**Composition of the Shareholders / Investors Grievance Committee, its meetings and attendance during the year ended December 31, 2013**

Composition of the Shareholders / Investors Grievance Committee	Category of Director	Chairman / Member	No. of meetings attended out of 18 meetings held during the year
Mr. Raj Kumar Gogia	Non-Executive Independent Director	Chairman	18
Mr. Suresh Paruthi	Non-Executive Independent Director	Member	14
Mr. Satinder Singh Rekhi	Executive Director	Member	02 + 16*
Lt. Gen. Baldev Singh (Retd.)	Executive Director	Member	15 + 03*

\* Attendance by teleconference

**Name and designation of the Compliance Officer**

Mr. Vikash Kumar Tiwari  
 Company Secretary & Compliance Officer  
 C - 40, Sector - 59, Noida (U.P.) 201 307  
 Tel No.: 0120 - 430 3500  
 Email: investors@rsystems.com

**Shareholders grievances / complaints received and resolved during the year**

(i)	Number of shareholders' complaints received during the year ended December 31, 2013	20
(ii)	Number of complaints not resolved to the satisfaction of shareholders	Nil
(iii)	Number of pending complaints	Nil

**Share Transfers in Physical Mode**

In order to expedite the process of share transfers, the members of the Shareholders / Investors Grievance Committee conduct their meetings more frequently, to the extent of weekly meetings of the Committee.



## 7. Committee of Independent Directors for Open Offer

Pursuant to the provisions of Securities & Exchange Board of India (Substantial Acquisition of Shares & Takeovers) Regulations, 2011, the Board of Directors of the Company by passing necessary resolutions on January 10, 2012 constituted a Committee of Independent Director for Open Offer to provide reasoned recommendation on the open offer given by Mr. Bhavook Tripathi. The said open offer was completed by Mr. Bhavook Tripathi pursuant to Post Offer Public Announcement dated January 21, 2013, by acquisition of 590 equity shares under the open offer. Accordingly, the said Committee of Independent Director for Open Offer was dissolved by the Board of Directors at its meeting held on April 27, 2013. There was no meeting of Committee of Independent Director for Open Offer required to be held during the year 2013.

## 8. Subsidiary Companies

During the year under review, the liquidation of R Systems NV., Belgium wholly owned subsidiary of the Company pursuant to the approval of the Board of Directors granted on February 20, 2011 was completed on June 24, 2013 as per laws of Belgium. Also the Board of Directors of the Company at its meeting held on July 27, 2013 had approved the closure of its step-down subsidiary i.e. Computaris Limited, U.K. which is 100% subsidiary of Computaris International Limited (WOS of R Systems International Limited) and this closure has been completed on December 24, 2013 as per laws of United Kingdom. Hence now R Systems has in aggregate twenty subsidiaries all of which are incorporated and based outside India. R Systems does not have any material non-listed Indian subsidiary company. The Audit Committee reviewed the financial statement, in particular, the investments made by the unlisted subsidiary bodies corporate. The management periodically brings to the attention of the board of directors of R Systems, a statement of all significant transaction and arrangements entered into by the unlisted subsidiary bodies corporate.

## 9. General Body Meetings

### I. Details for the last three Annual General Meetings ("AGM")

AGM Date and Time	Venue	Special Resolutions passed
17th AGM May 25, 2011 09:30 A.M.	Air Force Auditorium, Subroto Park, New Delhi - 110 010	<ul style="list-style-type: none"> <li>Reappointment of and payment of remuneration to Mr. Satinder Singh Rekhi as Chairman and Managing Director of the Company</li> <li>Alteration of the Articles of Association of the Company</li> </ul>
18th AGM May 04, 2012 09:00 A.M.	Air Force Auditorium, Subroto Park, New Delhi - 110 010	<ul style="list-style-type: none"> <li>Reappointment of and payment of remuneration to Lt. Gen. Baldev Singh (Retd.) as President &amp; Senior Executive Director of the Company</li> <li>Appointment of and payment of remuneration to Mr. Ramneet Singh Rekhi, son of Mr. Satinder Singh Rekhi, Chairman and Managing Director of the Company, as an Assistant Manager - Strategy in R Systems International Limited's wholly owned subsidiary company, R Systems Inc. U.S.A.</li> </ul>
19th AGM May 11, 2013 09:00 A.M.	Air Force Auditorium, Subroto Park, New Delhi - 110 010	<ul style="list-style-type: none"> <li>Reappointment and payment of remuneration to Raj Swaminathan as Director &amp; Chief Operating Officer of the Company.</li> <li>Increase in the limit of Foreign Institutional Investors (FIIs) holding to 40%.</li> </ul>

- II. No Extra Ordinary General Meeting of the Company was held during the last three years.
- III. The special resolutions moved at the last AGM were passed on a show of hands by the shareholders present at the meeting.
- IV. The Company has passed necessary resolution through Postal Ballot on January 14, 2014 for the approval of following business as per the Postal Ballot Notice dated November 29, 2013:

**Resolution No. 1 :** Reappointment of Mr. Satinder Singh Rekhi as Chairman & Managing Director of the company for a period of five years i.e. w.e.f. January 01, 2014 to December 31, 2018 (by way of ordinary resolution).

**Resolution No. 2 :** Payment of remuneration to Mr. Satinder Singh Rekhi as Chairman & Managing Director of the company for a period of three years i.e. w.e.f. January 01, 2014 to December 31, 2016 (by way of special resolution).

**Resolution No. 3 :** Sub-division of equity shares and alteration of Memorandum of Association (by way of ordinary resolution).

**Details relating to the voting pattern are as follows:**

Resolution Number	Total Valid Votes (A)	Votes with Assent (B)	Percentage (B/A*100)
1.	1,12,94,663	1,12,94,663	100%
2.	1,12,94,663	1,12,94,616	99.9996%
3.	1,12,94,663	1,12,94,663	100%

The Company had appointed Mr. Sanjay Grover, Company Secretary in whole time practice as scrutinizer for the purpose of the Postal Ballot exercise.

- V. The Company has followed the procedure as prescribed under Section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2011 for conducting the postal ballot as referred hereinbefore.
- VI. No special resolution is proposed to be conducted through Postal Ballot at the forthcoming Annual General Meeting.

**10. Disclosures**

**Related Party Transactions**

Related Party Transactions are defined as transactions of the Company of material nature, with Company's subsidiaries, promoters, directors or the management or their relatives or companies controlled by them etc., which may have potential conflict with the interest of the Company at large.

Details on materially significant Related Party Transactions are shown in note number 23 in the standalone and in note number 24 in the consolidated financial results for the financial year ended December 31, 2013.

**Statutory Compliance, Penalties and Strictures**

There were no penalties imposed on R Systems for any non-compliance by Stock Exchanges, SEBI or any other statutory authority on matters related to capital markets during the last three years.

**Whistle Blower Policy**

R Systems has in place a mechanism for employees to report concerns about unethical behaviour, actual or suspected fraud, violation of Code of Conduct of the Company etc. The mechanism also provides for adequate safeguards against victimisation of employees who avail the mechanism and also provides for direct access to the Whistle Blower to the Chairman of the Audit Committee. We affirm that during the financial year ended December 31, 2013, no employee has been denied access to the Audit Committee.

**Risk Management Policy**

The Company has formulated a risk management policy to identify the present and potential risks involved in the business. The same is periodically reviewed and considered by the Audit Committee and the Board. The Risk Management Report forms part of this Annual Report and is provided elsewhere.

**Compliance with mandatory requirements and adoption of non-mandatory requirements of Clause 49 of the Listing Agreement**

The Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement. As required under Clause 49, a certificate signed by CEO and CFO of the Company has been placed before the Board and the same has been provided elsewhere in this report.

Further a certificate obtained from the Practicing Company Secretary, certifying compliance with the conditions of Corporate Governance under Clause 49 has been annexed with the Directors' Report.

Clause 49 also requires disclosures of adoption by the Company of non-mandatory requirements specified in the said Clause, the implementation of which is discretionary on the part of the Company. The details of compliance with non-mandatory requirements are as follows:

### Remuneration Committee

The Company has a Remuneration Committee consisting of only non-executive independent directors. The Chairman of the Remuneration Committee had attended the Annual General Meeting held on May 11, 2013 to answer the shareholders' queries. A detailed note on the Remuneration Committee is provided hereinbefore in this report.

### Audit Qualifications

During the period under review, there is no audit qualification in the financial statements. The Company continues to adopt best practices to ensure unqualified financial statements.

### Whistle Blower Policy

The Company has formulated a Whistle Blower Policy for establishing a mechanism for employees to report concerns about unethical behaviour, actual or suspected fraud, violation of Code of Conduct of the Company etc. and the same has been put on Company's website. A detailed note on the Whistle Blower Policy is provided elsewhere in this report.

## 11. Means of Communication

### Quarterly results

- The quarterly and year to date audited / unaudited financial results have been published in Business Standard (English and Hindi) for the first quarter ended March 31, 2013 and second quarter ended June 30, 2013 and in The Financial Express (English) and Jansatta (Hindi) for the third quarter ended on September 30, 2013 and fourth quarter and year ended December 31, 2013, as statutorily required.
- The financial results and other corporate information are available on R Systems' website [www.rsystems.com](http://www.rsystems.com). The website also displays official news releases from time to time announced by the Company.
- The presentations made to the institutional investors or to the industry analysts are also available on the Company's website [www.rsystems.com](http://www.rsystems.com).

- Financial results updates are also sent to all the shareholders whose email address is registered / made available to us.

## 12. General Shareholder Information

### i) Annual General Meeting

Date and Time : May 10, 2014, at 9.00 A.M.

Venue : Air Force Auditorium,  
Subroto Park, New Delhi - 110 010

### ii) Financial year

R Systems follows January 01 to December 31 as its financial year. The results for every quarter are declared in the month following each quarter, except for the last quarter in which case the results are declared along with the annual financial results within sixty days from the end of the financial year.

### iii) Date of Book Closure

May 02, 2014 to May 10, 2014 (both days inclusive)

### iv) Dividend Payment Date

The dividend, if declared, will be paid within 30 days from the date of Annual General Meeting.

### v) Listing on Stock Exchanges

The equity shares of R Systems are listed and traded on the following Stock Exchanges:

Name of Stock Exchanges	Stock / Scrip Code
<b>National Stock Exchange of India Limited ("NSE")</b> Exchange Plaza, Bandra Kurla Complex, Bandra - (E), Mumbai - 400 051	RSYSTEMS
<b>BSE Limited ("BSE")</b> Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001	532735

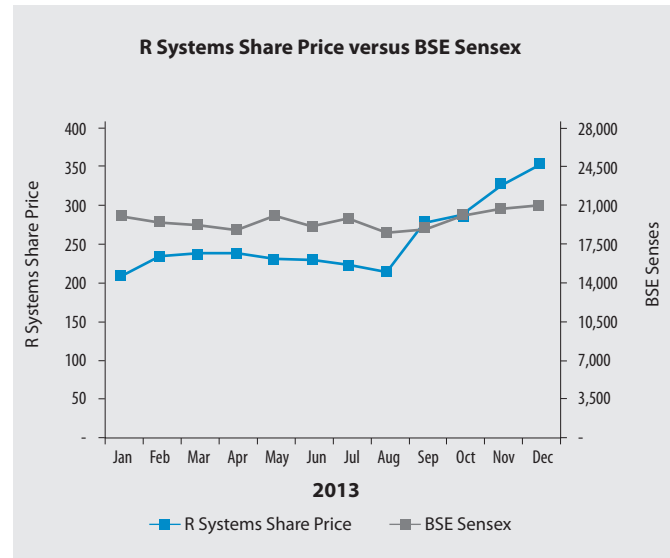
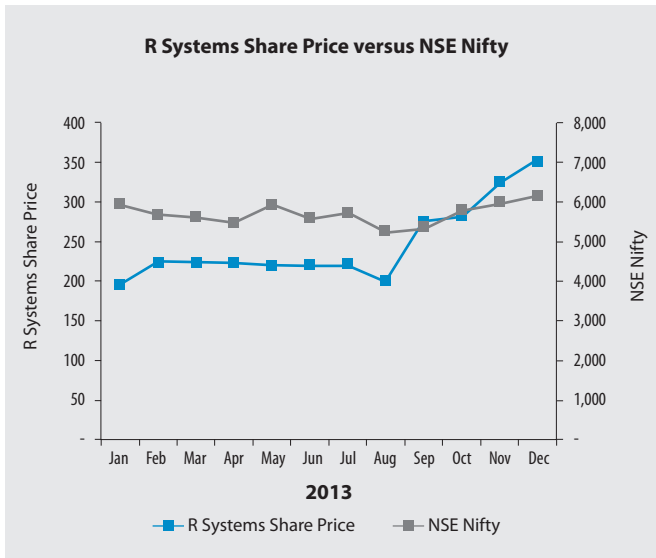
The annual listing fee for the year 2013-14 has been paid within the scheduled time to NSE and BSE. The annual listing fee for the year 2014-15 shall fall due on March 31, 2014 and will be paid within the scheduled time as prescribed under the provisions of the listing agreement.

**vi) Market Price Data: High, Low during each month in last financial year**

The monthly high and low quotations of R Systems' equity shares traded on NSE and BSE during each month in the previous financial year ended December 31, 2013, in comparison with NSE Nifty and BSE Sensex, are as follows:

Month 2013	NSE				BSE			
	Share Price		Nifty		Share Price		Sensex	
	High (Rs.)	Low (Rs.)	High	Low	High (Rs.)	Low (Rs.)	High	Low
January	227.40	195.25	6,082.30	5,950.85	227.05	195.90	20,103.53	19,580.81
February	230.00	225.50	5,998.90	5,693.05	231.00	225.65	19,781.19	18,861.54
March	230.55	225.45	5,945.70	5,633.85	230.90	228.40	19,683.23	18,681.42
April	234.90	224.70	5,930.20	5,495.10	236.85	226.30	19,504.18	18,226.48
May	225.95	221.00	6,187.30	5,944.00	225.95	221.00	20,286.12	19,575.64
June	222.70	220.40	5,939.30	5,588.70	224.50	216.80	19,610.48	18,540.89
July	224.80	221.00	6,077.80	5,742.00	234.80	210.10	20,302.13	19,177.76
August	275.90	200.00	5,742.30	5,285.00	280.00	200.00	19,367.59	17,905.91
September	299.00	273.20	6,115.55	5,341.45	295.60	270.00	20,646.64	18,234.66
October	330.00	282.50	6,299.15	5,780.05	334.00	279.85	21,164.52	19,517.15
November	365.00	325.00	6,317.35	5,989.60	365.00	322.10	21,239.36	20,194.40
December	370.00	350.00	6,363.90	6,139.05	375.00	350.00	21,326.42	20,612.14

The aforesaid table is based on the closing price of the shares of R Systems and closing of NSE Nifty and BSE Sensex at NSE and BSE website.



The aforesaid chart is based on the monthly low of closing price of the shares of R Systems at NSE and monthly low of closing NSE Nifty.

The aforesaid chart is based on the monthly low of closing price of the shares of R Systems at BSE and monthly low of closing BSE Sensex.

Pursuant to the necessary resolution passed by the shareholders through postal ballot on January 14, 2014, the equity shares of the company having face value of Rs. 10/- each has been sub-divided into equity shares of face value Re. 1/- each. The trading in the equity shares after sub-division on the aforesaid Stock Exchanges has become effective as per record date of February 28, 2014 fixed for the purpose.

**vii) Registrar and Share Transfer Agent**

M/s Link Intime India Private Limited  
44, Community Centre, 2nd Floor,  
Naraina Industrial Area, Phase- I  
Near PVR Naraina,  
New Delhi 110 028

**viii) Share Transfer System**

Applications for transfer of shares held in physical form are received at the office of the registrar and share transfer agent of the Company, M/s Link Intime India Private Limited. They

attend to share transfer formalities at least once a week and forward the same to the Company for the Shareholders / Investors Grievance Committee's approval. In order to expedite the process of share transfers in physical mode, the members of the Shareholders / Investors Grievance Committee conduct their meetings more frequently, to the extent of weekly meetings of the Committee.

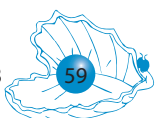
Shares held in dematerialized form are electronically traded in the depository and the registrar and share transfer agent of R Systems periodically receives from the depository the details of beneficiary holdings so as to update the records for sending all corporate communications and other matters.

Physical shares received for dematerialization are processed and completed within a period of 15 days from the date of receipt, provided they are duly completed. Bad deliveries are immediately returned to the depository participants under advice to the shareholders.

**ix) Transfer of unclaimed dividend to Investor Education and Protection Fund**

Pursuant to the provisions of Section 205A (5) of the Companies Act, 1956, dividend which remains unpaid or unclaimed for a period of seven years from the date of its transfer to unpaid dividend account, is required to be transferred by the Company to the Investor Education and Protection Fund ('IEPF'), established by the Central Government under the provisions of Section 205C of the Companies Act, 1956. Shareholders are advised to claim the unclaimed dividend lying in the unpaid dividend account of the Company before the due date. Given below are the dates of declaration of dividend and corresponding dates when unclaimed dividend is due for transfer to IEPF:

Date of declaration / payment of dividend	Dividend for the year	Due date for transfer to IEPF
May 01, 2007	2006	May 31, 2014
May 02, 2008	2007	June 01, 2015
April 27, 2009	2008	May 27, 2016
May 20, 2010	2009	June 19, 2017
May 25, 2011	2010	June 24, 2018
May 04, 2012	2011	June 03, 2019
May 18, 2012	Interim Dividend 2012	June 17, 2019
May 11, 2013	2012	June 10, 2020
July 27, 2013	1st Interim Dividend 2013	August 26, 2020
October 25, 2013	2nd Interim Dividend 2013	November 24, 2020



**x) Distribution of Shareholding as on December 31, 2013\***

Shareholding of nominal value of (Rs.)	Shareholders		Share Capital	
	Number	% to total	Amount in Rs.	% to total
1 - 2,500	10,105	94.83	5,439,720	4.29
2,501 - 5,000	317	2.97	1,243,760	0.98
5,001 - 10,000	109	1.02	841,120	0.66
10,001 - 20,000	47	0.44	706,950	0.56
20,001 - 30,000	17	0.16	427,990	0.34
30,001 - 40,000	9	0.08	325,540	0.26
40,001 - 50,000	10	0.09	454,800	0.36
50,001 - 1,00,000	14	0.13	942,090	0.74
Above 1,00,000	28	0.26	116,272,610	91.80
<b>TOTAL</b>	<b>10,656</b>	<b>100.00</b>	<b>126,654,580</b>	<b>100.00</b>

\* During the year under review, the Company has allotted 144,750 equity shares of Rs. 10/- pursuant to exercise of stock options under R Systems International Limited Employee Stock Options Scheme 2007.

**xi) Category wise Shareholding as on December 31, 2013**

Category	Category of Shareholder	No. of shares	Percentage
<b>(A)</b>	<b>Promoters &amp; Promoter Group</b>		
1	Indian	2,443,035	19.29
2	Foreign	3,998,661	31.57
	<b>Sub Total (A)</b>	<b>6,441,696</b>	<b>50.86</b>
<b>(B)</b>	<b>Public Shareholding</b>		
<b>1</b>	<b>Institutions</b>		
(a)	Mutual Funds / UTI	0.00	0.00
(b)	Financial Institutions / Banks	0.00	0.00
(c)	Foreign Institutional Investors	0.00	0.00
	<b>Sub Total (B)(1)</b>	<b>0.00</b>	<b>0.00</b>
<b>2</b>	<b>Non-institutions</b>		
(a)	Bodies Corporate	110,554	0.87
(b)	Individual shareholders holding nominal share capital up to Rs. 1 lakh	963,580	7.61
(c)	Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	5,073,851	40.06
(d)	Any Other <b>(Clearing Member)</b>	1,879	0.01
(e)	Any Other <b>(Trust)</b>	73,898	0.58
	<b>Sub Total (B)(2)</b>	<b>6,223,762</b>	<b>49.14</b>
	<b>Total Public Shareholding (B)(1) + (B)(2)</b>	<b>6,223,762</b>	<b>49.14</b>
	<b>Grand Total</b>	<b>12,665,458</b>	<b>100.00</b>

**xii) Dematerialisation of shares and liquidity**

**Procedure for dematerialisation of shares:**

Shareholders seeking dematerialisation of their shares need to approach their Depository Participants (DP) with whom they maintain a demat account. The DP will generate an electronic request and will send the physical share certificate and demat request form to the Registrar and Share Transfer

Agent (the "Registrar") of the Company. Upon receipt of the request and share certificate, the Registrar will verify the same and approval of the Company will be sought. Thereafter, the Registrar will confirm the demat request. On confirmation, the demat account of the respective shareholder will be credited with equivalent number of shares. In case of rejection of the request, the same shall be communicated to the shareholder through their respective DPs.

About 99.12% of the issued and paid up share capital of the Company has been dematerialised up to December 31, 2013. The International Securities Identification Number (ISIN) of the Company was INE411H01024 which has been changed to INE411H01032 upon sub-division of equity shares from the face of value of Rs. 10/- to Re. 1/- becoming effective as per record date of February 28, 2014.

The equity shares of the Company are traded on NSE and BSE.

**xiii) Outstanding GDRs / ADRs / Warrants or any Convertible instruments, conversion date and likely impact on equity**

R Systems has not issued any GDRs / ADRs. There were no outstanding convertible warrants as on December 31, 2013, except stock options granted under the prevailing employee stock option plans / schemes, as detailed elsewhere in the Directors' Report.

**xiv) Development Centres**

1.	<b>Noida Office</b> C - 40 & C - 1, Sector - 59, Noida (U.P.) - 201 307
2.	<b>Pune Offices</b>
(a)	S. No. 303/2/2, Bavdhan (BK) Mumbai Bangalore Highway (Bypass) Pune - 411 021, Maharashtra
(b)	Survey No. 127/1B/1, Plot A - 1, 5th Floor, Gopal House, Above Hotel Kimaya, Kothrud, Pune - 411 029, Maharashtra
3.	<b>Chennai Office</b> Rayala Techno Park, 3rd Floor, 144/7 Rajiv Gandhi Salai, Kottivakkam, Chennai - 600 041

**Development / Technical Support centres at the offices of R Systems' subsidiaries**

4.	R Systems, Inc. 5000, Windplay Drive, Suite # 5, El Dorado Hills, CA 95762, U.S.A.
5.	R Systems Solutions, Inc. Metro Annex Building 9, Suite B, 1193 West 2400 South, Suite # 9c, West Valley City, UT 84119, U.S.A.
6.	ECnet Limited 15, Changi Business Park, Central 1, #02-01, Singapore - 486 057
7.	R Systems Europe B.V. Brammelerstraat 8, 7511 JG Enschede, The Netherlands

8.	R Systems S.A.S. 9, rue Thomas Edison, 57070 Metz, France
9.	Computaris Romania SRL
(a)	Bucharest office Str. Gheorghe Manu, Nr. 5, Parter, Camera 2, Sector 1, Bucuresti, Cod. 010442, Romania
(b)	Galati office 19A Portului Str., 4th Floor, Room 403, 800025, Galati, Romania
10.	Computaris Polska sp z o.o.
(a)	Warsaw office Okopowa 47, 01-059 Warszawa, Poland
(b)	Białystok office Ul. Świętojanska 2 15-082 Białystok, Poland
11.	ICS Computaris International SRL Vlaicu Pircalab Street, No 63, Et. 8, Oficiu B,C, MD – 2012, Chisinau, Republica Moldova

**Other Offices of R Systems and its subsidiaries**

12.	U.S.A. Branch Office 5000, Windplay Drive, Suite 5, El Dorado Hills, CA 95762, U.S.A.
13.	Japan Branch Office Post Code 103-0015 Evergreen Matsumoto 3F, 5-15 Nihonbashi Hakozakicho, Chuou-ku, Tokyo, Japan
14.	Indus Software, Inc. 5000, Windplay Drive, Suite 5, El Dorado Hills, CA 95762, U.S.A.
15.	Systèmes R. International Ltée, 417, Rue Saint-Pierre, Porte 604 Montréal (Quebec) H2Y 2M4, Canada
16.	R Systems (Singapore) Pte Limited 15, Changi Business Park, Central 1, #02-01, Singapore - 486 057
17.	ECnet (M) Sdn. Bhd. Level 12, Suite 12.05 Menara Summit, Persiaran Kewajipan, USJ1, 47600 UEP Subang Jaya, Selangor Darul Ehsan, Malaysia
18.	ECnet, Inc. 5000, Windplay Drive, Suite # 5, El Dorado Hills, CA 95762, U.S.A.

19.	ECnet (Hong Kong) Limited Room 1903, 19/F, World-Wide House, 19 Des Voeux Road Central, Hong Kong
20.	ECnet Systems (Thailand) Company Limited 2/3 Moo 14, Bangna Tower - A, 2nd Floor, Room No. 205 Bangna - Trad Rd. K.M. 6.5, Bangkaew, Bangplee, Samutprakarn, Thailand - 10540
21.	ECnet Kabushiki Kaisha 1-6-17 Godo Build. 6 F, Kaji-cho, Chiyoda-ku, Tokyo, Japan 101-0044
22.	ECnet (Shanghai) Co. Ltd. Rm H, 20th Floor, Foresight Mansion, No. 768, Xie Tu Rd, Shanghai - 200 023, People's Republic of China
23.	Computaris International Limited 4th Floor, Rex House 4-12 Regent Street London, SW1Y4PE, United Kingdom
24.	Computaris Malaysia Sdn. Bhd. No. 52, 1st Floor, Jalan SS21/58 Damansara Utama, 47400 Petaling Jaya, Selangor, Malaysia.
25.	Computaris USA, Inc. 5000, Windplay Drive, Suite 5, El Dorado Hills, CA 95762, U.S.A.

**xv) Address for correspondence**

For any assistance regarding dematerialisation of shares, share transfers, transmissions, change of address, non-receipt of dividend or any other query relating to shares:

**Registrar and Share Transfer Agent**

**M/s Link Intime India Private Limited**

44, Community Centre, 2nd Floor,  
Naraina Industrial Area, Phase- I  
Near PVR Naraina,  
New Delhi 110 028

Phone : 011 - 414 10592, 93, 94 Fax : 011 - 414 10591  
Email: delhi@linkintime.co.in

**For general correspondence:**

**R Systems International Limited**

Corporate Office  
C - 40, Sector - 59,  
Noida (U.P.) - 201 307, India  
Phone : 0120 - 430 3500,  
Fax : 0120 - 258 7123  
Email : investors@rsystems.com



**CERTIFICATION BY THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER OF R SYSTEMS INTERNATIONAL LIMITED**

We, Satinder Singh Rekhi, Chairman and Managing Director and Nand Sardana, Chief Financial Officer, hereby certify that:

- a. We have reviewed the financial statements and the cash flow statement of the Company for the year ended December 31, 2013 and that to the best of our knowledge and belief:
  - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
- c. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d. We have indicated wherever applicable, to the auditors and the Audit Committee
  - i) significant changes in internal control over financial reporting during the year;
  - ii) significant changes in accounting policies during the year, if any, and that the same have been disclosed in the notes to the financial statements; and
  - iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Sd/-

**Satinder Singh Rekhi**

(Chairman and Managing Director)

Place : SINGAPORE

Date : February 07, 2014

Sd/-

**Nand Sardana**

(Chief Financial Officer)

Place : NOIDA

Date : February 07, 2014

Annexure 'C' to the Directors' Report

**CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE**

To,

The Members,

R Systems International Limited,

B - 104A, Greater Kailash - I,

New Delhi - 110 048

We have examined all relevant records of R Systems International Limited (the "Company") for the purpose of certifying compliance of the conditions of Corporate Governance under Clause 49 of the Listing Agreement with National Stock Exchange of India Limited and BSE Limited (the "Stock Exchanges") for the financial year ended on December 31, 2013. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of certification.

The compliance of the conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to the procedures and implementation thereof. This certificate is neither an assurance as to the future viability of the Company, nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in abovementioned Listing Agreement with the Stock Exchanges and that no investor complaints / grievances remain unattended for a period exceeding 21 days against the Company.

For **SKP & Co.,**

Company Secretaries

Sd/-

**(CS Sundeep Kumar Parashar)**

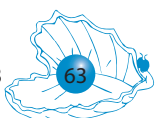
Prop.

Membership No. FCS 6136

Certificate of Practice No. 6575

Place : Vaishali

Date : March 28, 2014



## Annexure 'D' to the Directors' Report

# MANAGEMENT'S DISCUSSION AND ANALYSIS

### Overview

The financial statements of the Company have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) in India as notified under Accounting Standards by Companies (Accounting Standards) Rules, 2006, (as amended). The Company has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies Act, 1956 read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013 and the relevant provisions of the Companies Act, 1956. The management accepts responsibility for the integrity and objectivity of these financial statements, as well as for various estimates and judgments used therein. The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, so that the financial statements reflect in a true and fair manner the form and substance of transactions, and reasonably present the state of affairs, profits and cash flows for the year.

### A. Industry Structure and Developments

As per NASSCOM Strategic Review 2014, technology will fuel business transformation and determine how client engage with customers, the speed at which they deliver service, their innovation capabilities, their resiliency, and reliability of operations. Technology providers are increasingly being measured by their ability to help create digital enterprises for clients.

IT-BPM exports out of India are estimated to cross USD 86 billion in FY2014, growing at 13 percent. A gradual revival in consumer confidence leading to return of discretionary spending is increased demand from US and Europe is helping drive exports.

While US continues to be the largest geographic market for India. Accounting for ~ 62 percent, the highlight for the year was revival in demand from Europe, which grew at ~14 percent in FY2014. BFSI continues to be the largest vertical segment, accounting for over 41 percent of industry exports; however, emerging verticals such as retail, healthcare, utilities are estimated to grow faster.

### B. Company Overview

R Systems International Limited (the 'Company') and its subsidiaries (collectively referred to as 'R Systems') is a leading global provider of IT solutions and Business Process Outsourcing ("BPO") services. The parent Company, R Systems International Limited is registered under the Companies Act, 1956 with its Registered Office at New Delhi and has following subsidiaries:

Name of Subsidiary	Year of Incorporation	Location	Subsidiary Since	Holding
R Systems (Singapore) Pte Limited	1997	Singapore	September 19, 2000	100%
R Systems, Inc.	1993	USA	January 2, 2001	100%
Indus Software, Inc.	1996	USA	April 1, 2002	100%
ECnet Limited	1996	Singapore	January 8, 2004	99.75%*
R Systems Solutions, Inc.	2000	USA	August 24, 2006	100%
R Systems N.V. (Liquidated on June 24, 2013)	2007	Belgium	August 28, 2007	100%
R Systems Europe B.V.	1999	The Netherlands	January 23, 2008	100%
R Systems S.A.S.	2000	France	January 23, 2008	100%
Computaris International Limited	2006	UK	January 26, 2011	100%
Systèmes R. International Ltée	2012	Canada	October 29, 2012	100%

\* The shareholding by the Company and R Systems (Singapore) Pte Limited is 69.37% and 30.38% respectively.

ECnet Limited, Singapore has following wholly owned subsidiaries:

Name	Holding	Country of incorporation
ECnet (M) Sdn. Bhd.	100%	Malaysia
ECnet Systems (Thailand) Co. Ltd.	100%	Thailand
ECnet (Shanghai) Co. Ltd.	100%	China
ECnet (Hong Kong) Ltd.	100%	Hong Kong
ECnet, Inc.	100%	USA
ECnet Kabushiki Kaisha	100%	Japan

Computaris International Limited, UK has following wholly owned subsidiaries:

Name	Holding	Country of incorporation
ICS Computaris International Srl	100%	Moldova
Computaris Malaysia Sdn. Bhd.	100%	Malaysia
Computaris Polska sp z.o.o.	100%	Poland
Computaris Romania SRL	100%	Romania
Computaris USA Inc.	100%	USA
Computaris Limited (Liquidated on December 24, 2013)	100%	UK

As at December 31, 2013, R Systems is maintaining thirteen global development and service centres in India, USA, Europe and Singapore. R Systems diversified offering includes:

### **iPLM Service Group**

R Systems defines its OPD business as Integrated Product Life Cycle Management (iPLM) Services where R Systems help ISV and other companies to accelerate the speed to market for their products and services with a high degree of time and cost predictability by using our proprietary pSuite framework and global delivery model.

Under iPLM Services, R Systems delivers solutions and services in the area of Information Technology and Information Technology enabled services (ITES). The IT services cover application development, systems integration and support and maintenance of applications. Under the ITES we cover managed services, BPO services covering both technical support and customer care for IT and Hi-Tech electronic manufacturers, high-end Quality Process Management and Revenue and Claims Management using our global delivery model in 20 languages.

R Systems competitive advantage in iPLM Services is further enhanced by its industry specific domain expertise, global delivery capabilities, multi-language support capabilities, industry best quality and security certification and agile development methodologies supported by R Systems' proprietary pSuite Framework.

### **Products Group**

R Systems products group consists of two units. Indus<sup>®</sup> which address the retail lending, telecom and insurance industry and ECnet<sup>®</sup> which addresses supply chain, warehousing and inventory management.

**Indus<sup>®</sup>** offerings include an integrated enterprise multi-portfolio lending suite for banking and financial services in the Retail, Corporate and SME sectors, credit management and revenue collection for telecom companies, iPerSyst for insurance companies which helps in timely policy renewal and customer retention along with other IT services to banking and financial service clients. Indus Product Business offerings are:

- ▶ Indus Solutions for Banks and Non-Banking Finance companies
- ▶ Indus Credit Management and Revenue Collection for Telecom Sector
- ▶ Indus iPerSyst for Insurance Companies

Further, we will be releasing a comprehensive solution for origination and management of Commercial Vehicles and Equipment Leasing that can be used across Retail, Corporate Banking & SME sectors. Indus has over 40 clients worldwide for its Indus Products / Services. These clients are large banking, financial services, and telecom and insurance companies.

**ECnet<sup>®</sup> Supply Chain products** provide solutions for holistic management of the complex interaction between an organisation and its trading partners. The integrated solution aims to reduce all supply chain costs through improved collaboration and optimisation. The solutions are robust and scalable and give measurable ROI to clients within one year.

Further, ECnet also operates as a channel partners for reselling and implementing several ERP products of one of the largest business software company to serve customers in a key customer segment: Small- to medium-sized businesses. These products present an opportunity to cross and up sell these solutions since these are adjunct to ECnet's own product offerings. R Systems has over 30 global manufacturing and logistics companies as referable clients.

R Systems focused on key verticals i.e. Telecom & Digital Media, BFSI, Health Care, Manufacturing & Logistics and Government Services. During the year ended December 31, 2013, Telecom and Digital Media contributed 34.90% and BFSI contributed 14.40% of the total consolidated revenues.

R Systems rapidly growing customer list includes a variety of Fortune 1000, government and mid-sized organisations across a wide range of industry verticals including twenty five million \$

plus accounts including 6 accounts contributing \$ three million plus revenues as at December 31, 2013.

### C. Opportunities and Threats

As per NASSCOM Strategic Review 2014, The year 2013 was a year where the Indian IT-BPM industry wholeheartedly accept changing business paradigms, and transformed its business models thoroughly to embark on the growth path of the future. In FY2015, the industry exports are projected to grow between 13-15 Percent, while domestic market revenues are expected to revive post elections, and grow by 9-12 percent.

The market is competitive and R Systems has to reckon with threats from competitors including their disruptive tactics, intense demand for global talent, attrition of employees, technological obsolescence, adverse changes in foreign currency rates and changes in Government policies related to restrictions on outsource services from other countries. R Systems is cognizant of risks and uncertainties which are managed proactively through risk mitigation processes and strategies.

### D. Segment-wise and Product-wise Performance

Detailed information about segment-wise and product-wise performance has been given in the Consolidated Financial Statements and Standalone Financial Statements.

### E. Performance and Outlook

R Systems' reported record consolidated revenue of Rs. 5,960.54 mn during the year 2013 as against revenue of Rs. 4,650.09 mn for the year 2012 representing a year on year (YOY) increase of 28.18%.

Net consolidated profits during the year 2013 were Rs. 526.99 mn as against net profit of Rs. 183.62 mn in the year 2012.

The basic earnings per share (based on consolidated financial statement) during the year 2013 was Rs. 4.18 per share as against Rs. 1.48 per share in 2012 of face value of Re. 1 each.

Cash and bank balance, including bank deposits, debt mutual funds as of December 31, 2013 was Rs. 1,115.20 mn against Rs 889.39 mn as of December 31, 2012. Increase was mainly on cash generated from operations as offset by mainly cash used for purchase of fixed assets and payment of dividends.

The consolidated shareholder's funds as at December 31, 2013 amount to Rs. 2,317.61mn.

R Systems is well positioned to leverage the following factors which are key to its differentiated strategy for growth in the marketplace:

- ▶ Focused key verticals i.e. Telecom & Digital Media, BFSI, Health Care, Manufacturing & Logistics and Government Services;
- ▶ 2500+ associates including domain specialists;
- ▶ Customer centric approach to deliver innovative and cost effective services and solution;
- ▶ Long term relationship with world class clients including fortune 1000 companies;
- ▶ Global delivering capabilities through thirteen development and service centres in India, USA, Europe and Singapore;
- ▶ Multi-language support capabilities;
- ▶ Adherence to the highest quality certification for our development processes, delivery models and security infrastructure;
- ▶ Industry best human resource practices such as PCMM level 5 to attract, develop, deploy and retain talent;
- ▶ Strong financial position as at December 31, 2013 to invest in future growth.

### F. Risk and Concerns

At R Systems risk management is a dynamic process with an attempt to constantly identify all the emerging risks and propose solutions to manage these. This is further explained in detail in Risk Management Report.

### G. Internal Control Systems and Their Adequacy

R Systems has adequate internal control systems and procedures commensurate with its size and nature of business. All areas of the Company's operations are covered by such internal control systems including revenue from rendering services, sale of products, purchase of fixed assets and other equipments, treasury management, statutory compliances, expenditures such as payroll, travel, utility and insurance etc. An Independent firm of Chartered Accountants has been appointed as the Internal Auditors of the Company for all the business units in India and the Audit Committee has considered their reports and accepted their recommendations; wherever feasible the same have been implemented.

Further, R Systems has taken the initiative to have critical non financial areas such as security infrastructure, quality models, development processes and delivery models reviewed and certified by independent organisations. R Systems has continued its investment in organisation behavior and management processes to ensure that these certified industry standards are continually adhered to. As of the date of this report, Noida IT centre is SEI-CMMi level 5, PCMM Level 5, ISO 9001 : 2008 and ISO 27001 :

2005 certified; Noida BPO centre is PCMM Level 5, ISO 9001 : 2008 and ISO 27001 : 2005 certified. Pune and Chennai development centres are SEI-CMM Level 5, ISO 9001 : 2008 and ISO 27001 : 2005 certified.

In the year 2013, Noida BPO centre was certified as PCI-DSS ver 2.0 compliant for the Call Analytic Services provided to one of the major client.

The continuing compliance with these standards demonstrates the rigor of R Systems processes and differentiates us to keep our competitive edge in service and product offerings.

## H. Material Development in Human Resources / Industrial Relations Front, Including Number of People Employed

Our employees are most precious assets and we value their commitment in building R Systems. In the IT and ITES industry attracting, developing, deploying and retaining talent is critical and R Systems has defined and implemented a People Management Initiative which is in line with industry best practices and People CMM. It effectively manages the employee life cycle so that the individuals are committed, have pride and show pro-activeness on the job.

RSystems concluded the year 2013 with 2,582 associates including 376 sales and support staff.

## I. Discussion on Financial Position and Financial Performance with respect to Operational Performance

Analysis and Discussions of Financial Position as at December 31, 2013.

## 2. Reserve and Surplus

Particulars	(Rs. in millions)			
	Consolidated		Standalone	
	2013	2012	2013	2012
Capital redemption reserve	12.66	12.66	12.66	12.66
Securities premium account	950.65	934.63	950.65	934.63
General reserve	157.48	120.93	157.48	120.93
Surplus in the statement of profit and loss	767.74	582.14	633.83	609.70
Capital reserve	0.03	0.03	-	-
Foreign currency translation reserve	303.13	171.14	-	-
<b>Total</b>	<b>2,191.69</b>	<b>1,821.53</b>	<b>1,754.62</b>	<b>1,677.92</b>

The increase in securities premium account during the year ended December 31, 2013, is on account of issue of 144,750 equity shares of Rs. 10/- each @ a premium of Rs. 110.70 per share, pursuant to exercise of employee stock options under the R Systems International Limited Employee Stock Option Scheme 2007.

The increase in the general reserve is on account of statutory transfer from surplus in the statement of profit and loss on recommendation of final dividend and interim dividend in compliance with the Companies (Transfer of Profits to Reserve) Rules, 1975.

## 1. Share Capital

Particulars	(Rs. in millions)	
	As at December 31,	
	2013	2012
Authorised share capital	200.00	200.00
Issued, subscribed and paid up capital	126.66	125.21
Less: advance to Indus software employee welfare trust	0.74	0.74
<b>Total Share Capital</b>	<b>125.92</b>	<b>124.47</b>

The issued, subscribed and paid up capital was Rs. 125.92 mn as at December 31, 2013 and Rs. 124.47 mn as at December 31, 2012. This is after adjusting Rs. 0.74 mn advance to Indus Software Employee Welfare Trust in compliance with guidance note issued by the Institute of Chartered Accountant of India.

During the year ended December 31, 2013, the Company has issued 144,750 equity shares of Rs. 10 each pursuant to exercise of employee stock options under the R Systems International Limited Employee Stock Option Scheme 2007.

Detailed information about the movements in ESOP plan has been given in Note no. 29 of notes to the Consolidated Financial Statements.

Subsequent to the year end, on January 14, 2014, the shareholders of the Company, through postal ballot, approved the sub-division (stock split) of one equity share of face value of Rs. 10/- into ten equity shares of face value of Re. 1/- each fully paid up as recommended by the Board of Directors at their meeting held on November 29, 2013. The Board of Directors has fixed February 28, 2014 as the record date to give effect of the sub-division.

The foreign currency translation reserve is increased during the year 2013 by Rs. 131.99 mn mainly as a result of the depreciation of Rupee against USD, Euro, GBP and other foreign currencies on consolidation of non-integral overseas subsidiaries in line with the applicable accounting standards.

### 3. Minority Interest

During the year, there is no change in the minority interest in the consolidated financial statement.

### 4. Long-term borrowings (non-current portion)

Long-term borrowing consists of loans obtained for purchase of motor vehicle and equipment.

(Rs. in millions)

Particulars	Consolidated		Standalone	
	2013	2012	2013	2012
<b>Term loans against</b>				
- Motor vehicles	4.40	3.45	4.40	3.45
- Equipments	4.40	-	-	-
<b>Total</b>	<b>8.80</b>	3.45	<b>4.40</b>	3.45

### 5. Other long-term liabilities

The liabilities which are due for payment after 12 months from reporting date are considered under the other long-term liabilities.

(Rs. in millions)

Particulars	Consolidated		Standalone	
	2013	2012	2013	2012
Security deposits	3.86	3.25	3.83	3.22
Deferred payable others	0.52	4.04	-	3.35
<b>Total</b>	<b>4.38</b>	7.29	<b>3.83</b>	6.57

### 6. Long-term provisions

Long-term provisions under consolidate financial statement and standalone financial statement of Rs. 73.44 mn and Rs. 71.24 mn as at December 31, 2013 and December 31, 2012 respectively, represents the provision towards the gratuity due after 12 months from reporting date based on actuarial valuation.

### 7. Other current liabilities

The liabilities which are due for payment within next 12 months from reporting date are considered under other current liabilities.

(Rs. in millions)

Particulars	Consolidated		Standalone	
	2013	2012	2013	2012
Trade payables	514.62	396.12	152.85	118.80
Payable to subsidiary companies	-	-	15.38	17.33
Current maturities of long-term borrowing	5.74	2.19	2.38	2.19
Deferred payment compensation to the erstwhile shareholders of subsidiaries	13.15	32.83	13.15	32.83
Unearned revenues	89.69	108.11	56.36	58.91
Book overdraft	0.33	1.31	-	-
Investor education and protection fund (not due) - Unclaimed dividend	1.56	1.19	1.56	1.19
Payable for purchase of fixed assets	12.65	4.08	6.92	2.54
Tax deducted at source	10.31	9.64	10.31	9.64
Service tax / GST / VAT	9.12	7.93	2.76	1.18
Others	34.90	33.18	4.45	4.36
<b>Total</b>	<b>692.07</b>	596.58	<b>266.12</b>	248.97

## 8. Short-term provisions

Particulars	(Rs. in millions)			
	Consolidated		Standalone	
	2013	2012	2013	2012
Provision for employee benefits				
- Gratuity	3.44	6.90	3.44	6.90
- Compensated absences	116.33	100.29	71.33	66.32
- Performance bonus	12.50	26.83	12.50	26.83
Income tax	79.69	60.13	71.94	57.49
Provision for claim*	-	47.68	-	-
Proposed dividend	120.32	93.91	120.32	93.91
Tax on proposed dividend	20.45	15.23	20.45	15.23
Mark-to-market losses on derivative instruments	22.92	-	22.92	-
<b>Total</b>	<b>375.65</b>	<b>350.97</b>	<b>322.90</b>	<b>266.68</b>

\* During the year 2012, one of the subsidiaries of the Company had received a claim for penalty from one of its customer and recorded provision of Rs. 47.68 mn towards such claim. During the year 2013, the subsidiary has settled the claim with the customer.

Since the subsidiary had subcontracted certain part of its scope of services to one of its vendors and basis the contractual terms claimed an equivalent amount from such vendor. However, the subsidiary is still in negotiation with the vendor, therefore recoverable from the vendor has not been recorded in the consolidated financial statement.

## 9. Fixed Assets

Fixed assets includes tangible fixed assets such as land, building, computer hardware, furniture & fixture, vehicle, office and electrical equipment etc, intangible assets covering computer software, product development cost (internally generated software) customer contracts, non-compete fee and goodwill on business acquisition and intangible assets under development.

Particulars	(Rs. in millions)			
	Consolidated		Standalone	
	2013	2012	2013	2012
Net tangible assets	378.03	336.51	308.53	278.23
Net intangible assets	70.84	38.24	23.41	14.09
Intangible assets under development	14.13	12.32	14.13	12.32
<b>Total</b>	<b>463.00</b>	<b>387.07</b>	<b>346.07</b>	<b>304.64</b>

Details of Addition during the year:

Particulars	(Rs. in millions)			
	Consolidated		Standalone	
	2013	2012	2013	2012
Total addition to gross block-tangible assets	105.75	55.70	70.57	20.69
Total addition to gross block-intangible assets	64.28	20.97	22.40	9.31

The additions in gross block-tangible assets were mainly on account of purchases of computer hardware including networking equipments and office and electrical equipments.

The additions in gross block - intangible assets under consolidated financials includes customer contracts Rs. 7.41 mn , non-compete fee Rs. 7.49 mn and goodwill Rs. 17.93 mn related to ERP business acquisition by Singapore subsidiary.

Intangible assets under development as at December 31, 2013 includes salary cost capitalized of Rs. 13.62 mn as internally generated software for the development of Commercial Vehicles and Equipment Leasing product under the Indus business division of the Company.

## 10. Goodwill on consolidation

Goodwill on consolidation in consolidated financial statement is Rs. 291.11 mn in December 31, 2013 as against Rs. 274.00 mn in December 31, 2012. This relates to acquisition of Computaris International Limited, UK in the year 2011.

## 11. Non-current investments

(Rs. in millions)

Particulars	Consolidated		Standalone	
	2013	2012	2013	2012
Investment in subsidiaries	-	-	793.58	766.99
Other investment	0.03	0.03	0.03	0.03
<b>Total</b>	<b>0.03</b>	<b>0.03</b>	<b>793.61</b>	<b>767.02</b>

Detailed information about the movements in Non-current investment has been given in Note no. 11.1 of notes to the Standalone Financial Statements

## 12. Deferred Tax Assets (net)

Deferred tax reflects the timing differences between financials and tax books arising mainly from provision for gratuity, compensated absence, doubtful debts and advances (deferred tax assets) and differences in books base and tax base of fixed assets (deferred tax liability).

(Rs. in millions)

Particulars	Consolidated		Standalone	
	2013	2012	2013	2012
Deferred tax assets	93.11	88.54	85.26	80.49
Deferred tax liability	37.76	33.71	33.88	31.70
<b>Deferred Tax Assets (net)</b>	<b>55.35</b>	<b>54.83</b>	<b>51.38</b>	<b>48.79</b>

## 13. Long-term loans and advances

(Rs. in millions)

Particulars	Consolidated		Standalone	
	2013	2012	2013	2012
Capital advances	0.22	1.52	0.22	1.52
Advances recoverable in cash or in kind or for value to be received	16.69	2.80	14.69	1.37
Security deposit	26.58	25.58	16.44	16.78
MAT credit entitlement	4.48	37.70	4.48	37.70
Advance fringe benefit tax	0.17	0.17	0.17	0.17
Advance income taxes	36.24	37.02	32.61	31.94
<b>Total</b>	<b>84.38</b>	<b>104.79</b>	<b>68.61</b>	<b>89.48</b>

Decrease in long-term loans and advance was mainly on account of adjustment of MAT credit against income tax liability.

## 14. Other non-current assets

Other non-current assets includes the long term fixed deposits with banks due for maturity after twelve months from reporting date, margin money deposits and accrued interest there on.

(Rs. in millions)

Particulars	Consolidated		Standalone	
	2013	2012	2013	2012
Non-current bank balances	90.66	74.83	74.14	65.86
Interest accrued on deposits	5.57	5.47	5.57	5.47
<b>Total</b>	<b>96.23</b>	<b>80.30</b>	<b>79.71</b>	<b>71.33</b>

## 15. Current investment

Current investment under consolidated financial statement and standalone financial statement of Rs. 10.00 mn as at December 31, 2013 represents the amount invested in SBI debt fund.



## 16. Trade receivables

Particulars	(Rs. in millions)			
	Consolidated		Standalone	
	2013	2012	2013	2012
Trade receivables Gross	1,204.85	1,153.38	648.15	533.87
Less : Provision for doubtful debts	163.92	172.75	68.63	71.00
<b>Trade receivables (net)</b>	<b>1,040.93</b>	<b>980.63</b>	<b>579.52</b>	<b>462.87</b>
Days Sales Outstanding (DSO)	56	71	64	70

## 17. Cash and Bank Balance

Particulars	(Rs. in millions)			
	Consolidated		Standalone	
	2013	2012	2013	2012
Cash on Hand	0.96	0.81	0.36	0.16
Cheques on hand	1.10	-	1.10	-
<b>Balances with scheduled banks</b>				
On current accounts	21.56	12.88	21.56	12.88
On cash credit / overdraft accounts	-	0.10	-	0.10
On EEFC accounts	84.52	46.40	84.52	46.40
On deposit accounts	362.88	479.58	362.88	479.58
On unclaimed dividend accounts	1.56	1.19	1.56	1.19
<b>Balances with other banks</b>				
On current accounts	516.25	310.48	43.72	73.71
On deposit accounts	116.37	37.95	-	-
	1,105.20	889.39	515.70	614.02
Less Non-current bank balances	90.66	74.83	74.14	65.86
<b>Total Cash and Bank Balance</b>	<b>1,014.54</b>	<b>814.56</b>	<b>441.56</b>	<b>548.16</b>

For details regarding the increase / decrease in cash and bank balance. Please refer consolidated and standalone cash flow statement.

## 18. Short-term loans and advances

Short-term loans and advances includes the amount recoverable in cash and kind or for value to be received within twelve months from reporting date.

Particulars	(Rs. in millions)			
	Consolidated		Standalone	
	2013	2012	2013	2012
Advances recoverable in cash or in kind or for value to be received	130.03	98.92	44.41	31.72
Advances to related parties	-	-	3.33	3.31
Security deposit	1.74	1.14	1.74	1.14
Mark-to-market gains on derivative instruments	-	5.81	-	5.81
Balances with customs, excise, etc.	18.38	1.47	18.38	1.47
<b>Total</b>	<b>150.15</b>	<b>107.34</b>	<b>67.86</b>	<b>43.45</b>

Increase in Advances recoverable is mainly on account of increase in prepaid expense.

## 19. Other Current Assets

Particulars	(Rs. in millions)			
	Consolidated		Standalone	
	2013	2012	2013	2012
Interest accrued	2.12	7.28	2.12	7.28
Unbilled revenue	264.11	164.70	110.79	56.29
<b>Total</b>	<b>266.23</b>	<b>171.98</b>	<b>112.91</b>	<b>63.57</b>

Interest accrued represents interest income recognised but not due on fixed deposits which will be realized with in twelve months from the reporting date.

Unbilled revenue constitutes amounts not billed to customers at year end which are expected to be billed in due course in accordance with the contracts with the customers.

## 20. Liquidity

The consolidated cash and cash equivalent as at December 31, 2013 were Rs. 795.19 mn as against Rs. 524.14 mn as on December 31, 2012.

Net cash generated from operating activities is Rs. 481.02 mn for the year ended December 31, 2013 compared to Rs. 345.18 mn for the year ended December 31, 2012.

Cash flow generated from operating activities is the significant source of funding for investing and financing activities.

Cash used in investing activities during the year 2013 includes purchase of fixed assets of Rs. 168.66 mn, investment in SBI debt fund Rs. 10.00 mn as offset by increase in proceeds from maturity of long term fixed deposits Rs. 71.07 mn, interest income on fixed deposits of Rs. 45.40 mn and receipt on sale of fixed assets of Rs. 2.82 mn.

Cash used in financing activities during the year 2013 includes Rs. 233.15 mn as payment of dividend, Rs. 39.69 mn for dividend distribution tax and Rs. 1.22 mn as payment of interest on loans as offset by proceeds from other non-current assets (margin money) Rs. 35.85 mn, proceeds from issuance of share capital pursuant to exercise of employee stock options amounting to Rs. 17.47 mn and net increase in long term loan of Rs. 8.25 mn.

R Systems' policy is to maintain sufficient liquidity to fund the anticipated capital expenditures, operational expenses and investments for strategic initiatives.

## Analysis and Discussions of Operating Performance for the Year Ended December 31, 2013

The following section discusses in detail the composition of different items in the consolidated and standalone statement of Profit and Loss Account.

### Consolidated Statement of Profit and Loss Statement for the year:

Particulars	(Rs. in millions)				
	2013	% of Total income	2012	% of Total income	Change %
<b>Income</b>					
Revenue from operations	5,960.54	99.22	4,650.09	98.94	28.18
Other income	47.15	0.78	50.04	1.06	(5.79)
<b>Total income</b>	<b>6,007.69</b>	<b>100.00</b>	4,700.13	100.00	<b>27.82</b>
<b>Expenses</b>					
Employee benefits expense	3,573.87	59.49	3,126.28	66.51	14.32
Operational and other expense	1,606.37	26.74	1,177.67	25.06	36.40
Depreciation and amortisation expense	101.71	1.69	100.89	2.15	0.81
Finance cost	7.48	0.12	6.75	0.14	10.92
<b>Total expenses</b>	<b>5,289.43</b>	<b>88.04</b>	4,411.59	93.86	<b>19.90</b>
<b>Net profit before tax</b>	<b>718.26</b>	<b>11.96</b>	288.54	6.14	<b>148.93</b>
Tax expense	191.27	3.18	104.92	2.23	82.30
<b>Net profit after tax</b>	<b>526.99</b>	<b>8.77</b>	183.62	3.91	<b>187.00</b>

**Standalone Profit and Loss Statement for the year:**

Particulars	(Rs. in millions)				
	2013	% of Total income	2012	% of Total income	Change %
<b>Income</b>					
Revenue from operations	2,698.03	98.48	2,289.27	98.19	17.86
Other income	41.69	1.52	42.22	1.81	(1.25)
<b>Total income</b>	<b>2,739.72</b>	<b>100.00</b>	2,331.49	100.00	17.51
<b>Expenses</b>					
Employee benefits expense	1,602.04	58.48	1,496.15	64.17	7.08
Operational and other expense	545.59	19.92	462.94	19.86	17.85
Depreciation and amortisation expense	47.81	1.74	62.40	2.68	(23.39)
Finance cost	2.79	0.10	2.74	0.12	2.29
<b>Total expenses</b>	<b>2,198.23</b>	<b>80.24</b>	2,024.23	86.83	8.60
<b>Net profit before tax</b>	<b>541.49</b>	<b>19.76</b>	307.26	13.17	76.23
Tax expense	175.97	6.42	101.98	4.37	72.54
<b>Net profit after tax</b>	<b>365.52</b>	<b>13.34</b>	205.28	8.80	78.06

**1. Income**

**1.1 Operating Income**

R Systems derives operating income principally from Information technology services and products and business process outsourcing services. Income is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

**1.1.1 Based on Consolidated Financial Statement**

During the year ended December 31, 2013, consolidated operating income increased by 28.18 % to Rs. 5,960.54 mn compared to Rs. 4,650.09 mn during 2012.

Particulars	(Rs. in millions)				
	Year ended December 31, 2013	%	Year ended December 31, 2012	%	change %
Information technology services and products	4,832.85	81.08	3,760.32	80.87	28.52
Business process outsourcing services	1,127.69	18.92	889.77	19.13	26.74
<b>Total</b>	<b>5,960.54</b>	<b>100.00</b>	4,650.09	100.00	28.18

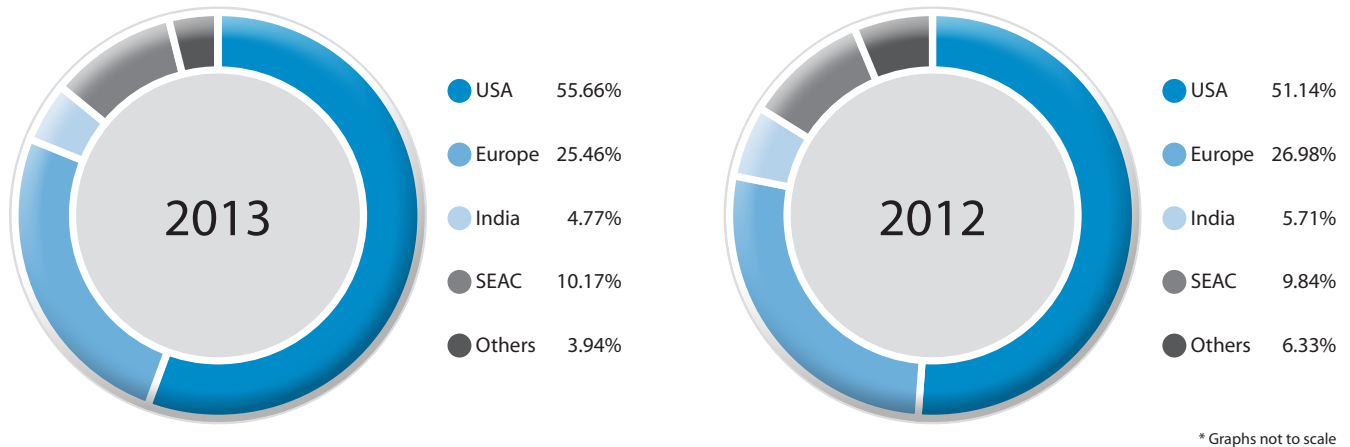
**1.1.2 Based on Standalone Financial Statement**

During the year ended December 31, 2013, standalone operating income increased by 17.86 % to Rs. 2,698.03 mn compared to Rs. 2,289.27 mn during 2012.

Particulars	(Rs. in millions)				
	Year ended December 31, 2013	%	Year ended December 31, 2012	%	change %
Information technology services and products	2,356.40	87.34	1,990.45	86.95	18.39
Business process outsourcing services	341.63	12.66	298.82	13.05	14.33
<b>Total</b>	<b>2,698.03</b>	<b>100.00</b>	2,289.27	100.00	17.86

### 1.1.3 Consolidated Operating Income by Geography

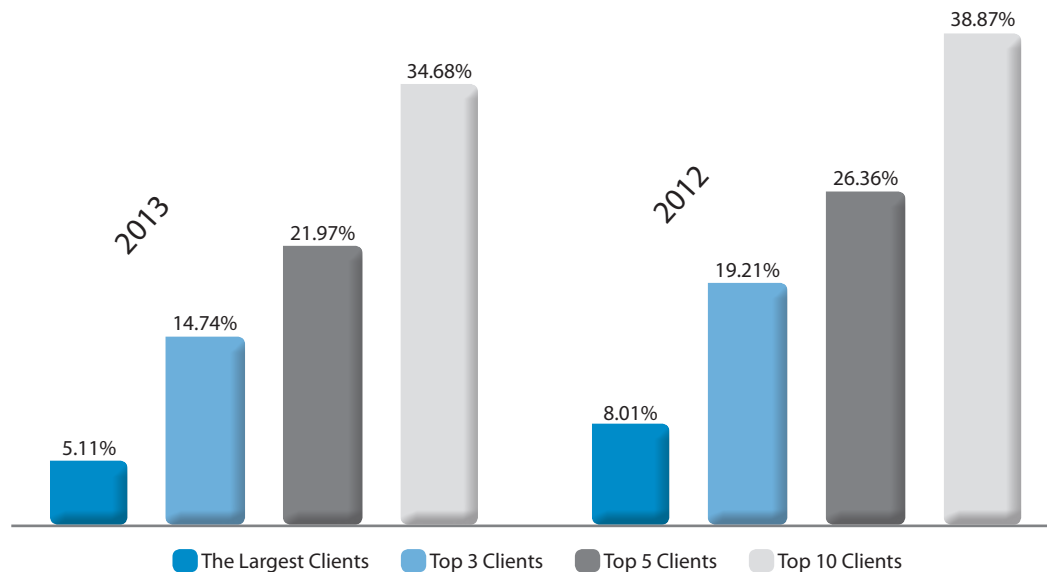
R Systems earns income from five principal geographic territories, namely the United States of America, Europe, South East Asian countries ("SEAC"), India and others. A significant proportion of the revenues were derived from clients located in the United States of America and Europe. The geographic break-down of the operating income is given below:



\* Graphs not to scale

### 1.1.4 Consolidated Operating Income by Client Concentration

The breakdown of R Systems consolidated operating income on the basis of client concentration for the year ended December 31, 2013 and 2012 is as follows:



\* Graphs not to scale

## 1.2 Other Income

Other income consists of interest income; excess provision written back and other miscellaneous income.

### 1.2.1 Based on Consolidated Financial Statement

Other income amounted to Rs. 47.15 mn during the year ended December 31, 2013 as compared to Rs. 50.04 mn for the year ended 2012.

### 1.2.2 Based on Standalone Financial Statement

Other income amounted to Rs. 41.69 mn during the year ended December 31, 2013 as compared to Rs. 42.22 mn for the year ended 2012.

## 2. Expenditures

### 2.1 Personnel Expenses

Personnel expenses consist primarily of salaries, wages, bonus, commissions, perquisites, provision for long term compensated absences, gratuity benefits, contribution towards provident and other funds and staff welfare expenses.

#### 2.1.1 Based on Consolidated Financial Statement:

(Rs. in millions)					
Particulars	2013	% of Total income	2012	% of Total income	change %
Salaries, wages and bonus	3,253.47	54.16	2,824.59	60.10	15.18
Gratuity	10.65	0.18	22.70	0.48	(53.09)
Contribution to provident fund and other payments	275.15	4.58	248.46	5.29	10.74
Staff welfare expenses	34.60	0.57	30.53	0.64	13.34
<b>Total</b>	<b>3,573.87</b>	<b>59.49</b>	<b>3,126.28</b>	<b>66.51</b>	<b>14.32</b>

#### 2.1.2 Based on Standalone Financial Statement:

(Rs. in millions)					
Particulars	2013	% of Total income	2012	% of Total income	change %
Salaries, wages and bonus	1,515.26	55.31	1,401.27	60.10	8.13
Gratuity	10.65	0.39	22.70	0.97	(53.09)
Contribution to provident fund and other payments	49.38	1.80	47.98	2.06	2.90
Staff welfare expenses	26.75	0.98	24.20	1.04	10.60
<b>Total</b>	<b>1,602.04</b>	<b>58.48</b>	<b>1,496.15</b>	<b>64.17</b>	<b>7.08</b>

### 2.2 Operational and other expenses

Operational and other expenses includes expenses on traveling and conveyance, legal and professional expenses including sub-contractors costs, cost of third party hardware and software, recruitment and training, communication, provision for doubtful debts and advances, provision for claim, foreign exchange fluctuation movement, rent of premises and equipment, audit fees, repairs and maintenance, commission, insurance premium and other miscellaneous items.

#### 2.2.1 Based on Consolidated Financial Statement:

(Rs. in millions)					
Particulars	2013	% of Total income	2012	% of Total income	
Travelling and conveyance	345.94	5.76	300.53	6.39	
Legal and professional expenses including audit fees and subcontracting expenses	600.79	10.00	343.62	7.31	
Communication costs	86.67	1.44	75.32	1.60	
Repair and maintenance	109.17	1.82	89.30	1.90	
Recruitment and training expenses	28.30	0.47	23.74	0.51	
Power and fuel	55.10	0.92	46.62	0.99	
Rent - premises and equipments	133.58	2.22	128.31	2.73	
Advertising and sales promotion	21.22	0.35	24.22	0.52	
Provision for doubtful debts and advances (net)	33.45	0.56	20.94	0.45	
Bad debts and advances written off (net)	0.65	0.01	0.75	0.02	
Provision for claim	-	-	44.31	0.94	
Contract cost	106.58	1.77	14.87	0.32	
Cost of third party hardware and software	1.62	0.03	17.96	0.38	
Foreign exchange fluctuation (net)	11.84	0.20	(21.33)	(0.45)	
Others	71.46	1.19	68.51	1.45	
<b>Total</b>	<b>1,606.37</b>	<b>26.74</b>	<b>1,177.67</b>	<b>25.06</b>	

## 2.2.2 Based on Standalone Financial Statement:

Particulars	(Rs. in millions)			
	2013	% of Total income	2012	% of Total income
Travelling and conveyance	217.07	7.92	190.61	8.18
Legal and professional expenses including audit fees and subcontracting expenses	61.44	2.24	53.56	2.30
Communication costs	50.65	1.85	46.62	2.00
Repair and maintenance	58.78	2.15	49.05	2.10
Recruitment and training expenses	4.57	0.17	7.39	0.32
Power and fuel	47.56	1.74	40.55	1.74
Rent - premises and equipments	35.42	1.29	35.03	1.50
Advertising and sales promotion	8.56	0.31	9.36	0.40
Provision for doubtful debts and advances (net)	14.96	0.55	10.68	0.46
Loss on liquidation of subsidiary	0.21	0.01	-	-
Provision for diminution in value of long term investments	-	-	6.71	0.29
Cost of third party hardware and software	1.62	0.06	17.96	0.77
Foreign exchange fluctuation (net)	6.77	0.25	(39.98)	(1.71)
Others	37.98	1.38	35.40	1.51
<b>Total</b>	<b>545.59</b>	<b>19.92</b>	<b>462.94</b>	<b>19.86</b>

## 2.3 Depreciation and Amortisation Expense

Particulars	(Rs. in millions)			
	Consolidated		Standalone	
	2013	2012	2013	2012
Depreciation and amortisation	101.71	100.89	47.81	62.40
% of gross block (tangible and intangible fixed assets)	6.70	7.64	5.98	8.36
% of total income	1.69	2.15	1.74	2.68

In standalone financials statement, the decrease in the depreciation and amortisation is mainly on account of decline in the amortisation expenses of computer software. In consolidated financial statement, the same has been offset by increase in amortisation of intangible assets acquired through ERP business acquisition in Singapore.

## 2.4 Finance costs

Particulars	(Rs. in millions)			
	Consolidated		Standalone	
	2013	2012	2013	2012
Interest on loans	1.23	0.86	0.68	0.68
Bank charges	6.25	5.89	2.11	2.06
<b>Total</b>	<b>7.48</b>	<b>6.75</b>	<b>2.79</b>	<b>2.74</b>
% of total income	0.12	0.14	0.10	0.12

## 2.5 Tax expense

Tax expense comprises of current tax and deferred tax.

Particulars	(Rs. in millions)			
	Consolidated		Standalone	
	2013	2012	2013	2012
<b>Profit Before Tax</b>	<b>718.26</b>	288.54	<b>541.49</b>	307.26
Current tax net of MAT credit	192.50	94.99	178.56	95.40
Deferred tax charge / (credit)	(1.23)	9.93	(2.59)	6.58
<b>Total Tax Expense</b>	<b>191.27</b>	104.92	<b>175.97</b>	101.98
<b>Effective Tax %</b>	<b>26.63</b>	36.36	<b>32.50</b>	33.19

Effective tax percentage is reduced in year 2013 mainly on account of increase in profits from subsidiaries either having lower corporate tax rate or carry over past tax losses.

## **2.6 Dividend**

For the year ended December 31, 2013, the Board of Directors of the Company has recommended a final dividend of Re. 0.95 per equity share of face value of Re. 1/- each, equivalent to Rs. 9.50 per equity share of Rs. 10/- per share before the sub-division of equity shares (being 95% on the par value), subject to the approval of the shareholders in forthcoming Annual General Meeting. This is in addition to first and second interim dividend of Rs. 2.50 and Rs. 8.50 per equity share of face value of 10/- each paid in August 2013 and November 2013.

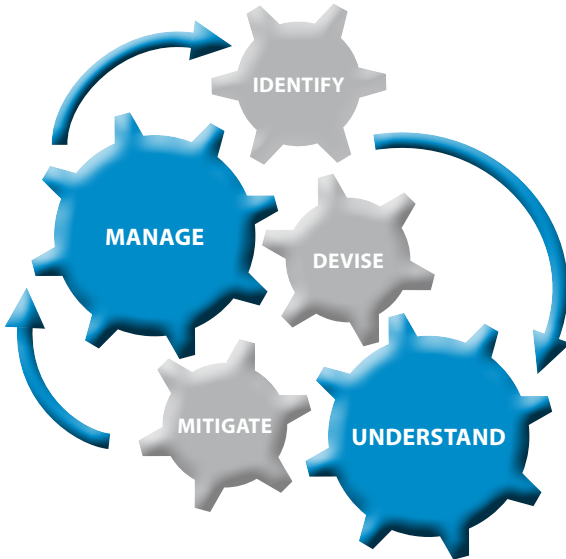


## RISK MANAGEMENT REPORT

The Management cautions readers that the risks outlined in this report are not exhaustive, are for information purposes only and may contain forward looking statements, the results of which may differ materially from those reflected. Investors and readers are requested to exercise their own judgment in assessing various risks associated with the Company.

### OVERVIEW

Risk Management is a dynamic process which should constantly be able to identify all the emerging risks and propose solutions to manage them. The risk perception also constantly varies depending on the size of the business, business segment, location, scale of business. The essence of risk management strategy at R Systems lies in maximising areas of control over outcome and minimising areas where the Company has no control over outcome. R Systems recognizes that business conditions are constantly changing, evolving, and entering into cycles. Following is the model adopted by the Company for managing risk:



### ENTERPRISE RISK MANAGEMENT STRUCTURE

Risk management is an integral part of the charter of the Board of Directors at R Systems. The Board is responsible for monitoring risk levels on various parameters and to suggest measures to address the same. The day to day management of the risk is entrusted to the management team of R Systems. Based on the philosophy of “No risks, no rewards”, our management continuously keeps monitoring the level of our existence on the path of growth and within R Systems management structure, certain personnel are designated

with responsibility of managing risks including ensuring compliance with laws, rules and regulations with the assistance of both internal and external resources. Further, formal reporting, escalation of risk events and control mechanisms ensure timely communication, response and proactive management of the risks.

### RISK MANAGEMENT AT R SYSTEMS

#### 1. Customer Concentration

R Systems revenues are dependent to a considerable extent upon relationships with a limited number of customers and retaining those customers. The percentage of total consolidated revenues during fiscal year 2013 and 2012 that R Systems derived from contracts with its top line customers is as follows:

Customer	Year Ended	
	December 31, 2013 (%)	December 31, 2012 (%)
Top 10	34.68	38.87
Top 5	21.97	26.36
Top 3	14.74	19.21
The Largest Customer	5.11	8.01

Concentration of revenues from a limited number of customers deepens our relationship with those customers but at the same time imposes a risk of dependence. Customer’s vendor management strategies and business risks radiate on to R Systems through fluctuations in utilization, pricing for services and service level demands. All these factors could potentially impact revenues and profitability of R Systems.

**INITIATIVES:** The business model and strategy followed by R Systems involves serving the customers in a manner that they get measurable tangible benefits. When customers see value in the services / solutions that R Systems provides, we believe that customer’s relationship can be nurtured into the long term. Further, with our proactive strategy of adding new customers, we attempt to reduce our dependency on a smaller number of customer relationships. During the year ended 2013, we have increased revenues from other customers and reduced dependence on revenues from top line customers.

#### 2. Geographical Concentration

R Systems has traditionally derived most of its revenues from the US, given the technology focus and specialized outsourced product development services offered by it. The geographic



break-up of the revenue is given below:

Revenues by Geographies	Year Ended	
	December 31, 2013 (%)	December 31, 2012 (%)
U.S.A.	55.66	51.14
Europe	25.46	26.98
SEAC	10.17	9.84
India	4.77	5.71
Others	3.94	6.33
<b>Total</b>	<b>100.00</b>	100.00

**INITIATIVES:** In order to mitigate the risk of geographical concentration, R Systems has stepped up its business activities in other geographic areas like Europe, South East Asia etc.

Further during the year 2013, ECnet Limited, Singapore a subsidiary of R Systems International Limited, acquired ERP business of Nikko Computer Systems (S) PTE Ltd. (NCS), which will help to grow our business in the South East Asia region.

### 3. Risks Associated with Fixed Price Contracts


Under our IPLM services most of our assignments are on the basis of time and material task orders, some proportion of the services provided by us is in the nature of fixed bid assignments. Under fixed bid assignments, in the event of cost overruns, our profitability will be adversely affected.

**INITIATIVES:** We have our internal processes to ensure accuracy in the estimation of the time required to execute fixed price projects, and processes to implement and monitor the progress of such projects. Further the experience gained from such projects is also used for new projects. However given the very nature of the fixed price projects, cost overruns and delayed deliveries cannot be ruled out.

### 4. Competition

The IT & ITES sector is a highly competitive sector. Our competitors include IT outsourcing firms in India as well as in other countries, national and multinational consulting and technology firms, Indian IT services firms, software firms and in-house IT departments of large companies. The competition in the IT industry is very intense and our competitors are aggressive in winning new business and customers that may drive a harder bargain.

**INITIATIVES:** We believe that R Systems is well positioned and enjoys following competitive advantages:

- Experience in providing end-to-end solutions and services to customers;
- Unique and proprietary  with best practices, tools and methodologies for flawless execution;

- Investment in processes, talent and methodologies;
- Strong customer franchise consisting of large and mid-sized corporations;
- Strong financial position;
- Proven global delivery model;
- Our vertical focus for services and solutions;
- Industry best human resource practices to attract, develop, deploy and retain talent.

### 5. Disaster Prevention and Recovery

The IT industry is very sensitive to security risk and a real or perceived threat of a risk to the security and integrity of information available to us may adversely affect customer perception, give rise to litigation and reduce our customer base, thereby negatively affecting R Systems revenues and profit margins. The contracts entered into by R Systems typically hold us solely responsible for maintaining satisfactory standards of personnel competency, conduct and integrity and for taking required disciplinary action.

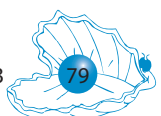
**INITIATIVES:** R Systems has adopted industry-standard security precautions such as ensuring that our employees and strategic partners enter into non-disclosure and confidentiality agreements with us, verifying that there is no information leakage through test procedures, carrying out background checks and verifications, creating and maintaining data back-ups, and maintaining an adequate disaster recovery plan.

R Systems makes continual investments in organisation behavior and management processes to ensure that these certified industry standards are continually adhered to.

In the year 2013, Noida BPO center was certified as PCI-DSS ver 2.0 compliant for the Call Analytic Services provided to one of the major client.

In addition to above, as of the date of this report, Noida IT centre is SEI-CMMi level 5, PCMM Level 5, ISO 9001 : 2008 and ISO 27001 : 2005 certified; Noida BPO centre is PCMM Level 5, ISO 9001 : 2008 and ISO 27001 : 2005 certified. Pune and Chennai development centres are SEI-CMM Level 5, ISO 9001 : 2008 and ISO 27001 : 2005 certified. The continuing compliance with these standards demonstrates the rigor of R Systems processes and differentiates us to keep our competitive edge in service and product offerings.

Further, our distributed offshore and near shore infrastructure is seamlessly connected through a strong infrastructure design and appropriate bandwidth that provides us the capability to initiate and maintain uninterrupted support across the world.



## 6. Talent Acquisition & Retention

The IT and BPO sector is highly competitive in terms of hiring strategy and incentives. R Systems is highly dependent on its employees at various levels of the organisation to provide leadership, manage the business, to provide services and execute complex projects for the clients. These skilled professionals are in high demand by other organisations and if R Systems is unable to attract and retain the skilled people, it will affect R Systems ability to grow and provide services to its customers.

**INITIATIVES:** At R Systems we follow industry best human resource practices such as PCMM level 5 to attract, develop, deploy and retain talent.

## 7. Key Managerial Role & Succession Planning

Succession planning is one of the most critical functions of an organization. This is the process that identifies the critical and core roles of an organization and identifies and assesses the suitable candidates for the same. The process ramps up potential candidates with appropriate skills and experiences in an effort to train them to handle future responsibilities in their respective roles. Succession planning is applicable for all critical roles in any organization. The upper management of each practice or department is responsible for coming up with a suitable succession plan for each core position under his or her department.

**INITIATIVES:** R Systems being a CMMI Level 5 and PCMM Level 5 company has put in practice a well-documented and defined policy on Succession Planning. This applies to all key roles in the organization as agreed upon by the Senior Management. Mission critical and key roles include Chief Executive Officer, Senior Management Team comprising of VPs and other roles critical to business operations continuity. Succession planning at R Systems occurs at least on an annual basis during annual performance appraisal cycle.

Further R Systems has extensive recruitment teams in the markets that operate to continuously recruit skilled personnel at various levels in the organisation. In addition, R Systems conducts a rigorous training program at the entry level to train new professionals and develop next generation of managers and leaders. R Systems deploys modern HR practices by offering competitive compensation and benefit packages and exciting work environment to attract and retain talent. Further, R Systems tries to mitigate the impact of attrition in the continuity of services to the clients by using its proprietary **pSuite Framework** that allows the project teams to seamlessly share knowledge and collaborate on projects.

## 8. Technological Obsolescence

The IT and ITES sector is characterised by technological changes at a rapid rate, evolution of existing products and introduction of new products. R Systems makes investments in R&D, with a view to keep pace with the latest developments in the technology space. Further, R Systems regularly hires, trains and nurtures domain and market specialists and continuously evaluates increasing the portfolio of technology alliances and partnerships to enrich our product and service mix. However, this risk cannot be fully mitigated despite the proactive investments made by R Systems.

**INITIATIVES:** While we continuously upgrade our product suite to deliver effectively by keeping our technology up-to-date, in our iPLM business, our technologies are influenced by our client's choice of technology.

## 9. Acquisitions

R Systems growth strategy involves future strategic acquisitions, partnerships and exploration of mutual interests with other parties. These future acquisitions may not contribute to our profitability, and we may be required to incur or assume debt, or assume contingent liabilities, as part of any acquisition. We could have difficulty in assimilating the personnel, operations, software assets and technology of the acquired company. These difficulties could disrupt our ongoing business, distract our management and employees and increase our expenses.

**INITIATIVES:** R Systems will remain sharply focused on those acquisitions and partnerships that add to the competitive strengths of our business. Specific transactions are evaluated in detail with experienced internal personnel and external advisors, wherever relevant, before consummating any transaction. Deal teams conduct technical, operational, marketing due diligence and build detailed financial model to evaluate the risks and benefits of any transaction. Further, contractual agreements are negotiated with the advice of legal counsel to protect Company's interests.

## 10. Credit Risk

As a matter of business practice, the payment collection process may extend over a period of time. Customers budgeting constraints can impact their ability to make the required payments. In addition, the creditworthiness of our clients may deteriorate and we can be adversely affected by bankruptcies or other business failures of our customers.

**INITIATIVES:** R Systems' credit terms are standard and there is rigorous process in following up with customers for payments

as and when the invoices fall due for payment. The Company has suitably streamlined its processes to develop a more focused and aggressive receivables management systems to ensure timely collections as a result of the global liquidity crunch.

### 11. Foreign Currency Rate Fluctuations

Managing an equilibrium state in the light of the unfavourable movements in exchange rates involved in earnings and expenditure in foreign currency continues to be one of the challenges when exposed to global markets. A significantly large percentage of R Systems consolidated revenues are either foreign currency denominated or derived from export earnings. Whereas a major portion of the R Systems expenses in India are incurred in Indian rupees. As a result, operating profits will be highly impacted by foreign currency rate fluctuations. While depreciation of the Indian rupee would have a favorable bottom-line impact, an appreciation would affect R Systems profitability adversely.

**INITIATIVES:** R Systems cannot directly influence exchange rates, it is incumbent upon management to follow a well thought out policy to hedge the risk associated with foreign currency without taking speculative positions. R Systems attempts to minimize currency fluctuation risks on export earnings by taking forward covers on Rupee - USD/EURO exchange rate based on anticipated revenues and debtors at periodic intervals. R Systems has laid down appropriate policies and processes for the use of financial derivative instruments consistent with its risk management strategy. The Company does not use the foreign exchange forward contracts for trading or speculation purposes.

### 12. Inflation and Cost Structure

R Systems' cost structure consists of salary and other compensation expenses, overseas travel, and other general selling and administrative costs. Rapid economic development in India and increasing demand for global delivery may have a significant impact on these costs and the rate of inflation as relevant to the IT & ITES services industry. This is compounded by the fact that overseas competitors may treat their India strategy as a cost centre and develop the same regardless of the cost incurred and its impact on their profitability.

**INITIATIVES:** R Systems' major costs are salary and benefit cost that it incurs on employees. These costs may have a tendency to escalate faster than the rate of inflation because of the demand for skilled and experienced professionals. R Systems attempts to mitigate the risks associated with wage inflation by obtaining increased price from clients, increasing bench mark prices for new business, enhancing productivity, increasing utilisation and inducting fresh graduates and training them. Further, R Systems

has implemented robust processes and information systems to enable personnel to make the right decisions for revenue realisation and cost optimisation to minimise the risks of changes in salary cost structure.

### 13. Intellectual Property Rights

As a part of R Systems' business, there are risks associated with intellectual property of the Company, intellectual property of R Systems' customers who may be end users or even the intellectual property of the end user.

**INITIATIVES:** R Systems' information security arrangements are managed under international standard ISO 27001 : 2005 series and are being audited by both internal and experts from third parties assessors who periodically audit and certify R Systems compliance.

R Systems has not registered some of its intellectual property under the relevant intellectual property laws and is in the process of applying for the same. We have applied for the registration of the following marks and their corresponding words as R Systems' trade marks




PSuite Framework



PRODUCTS FOREMOST



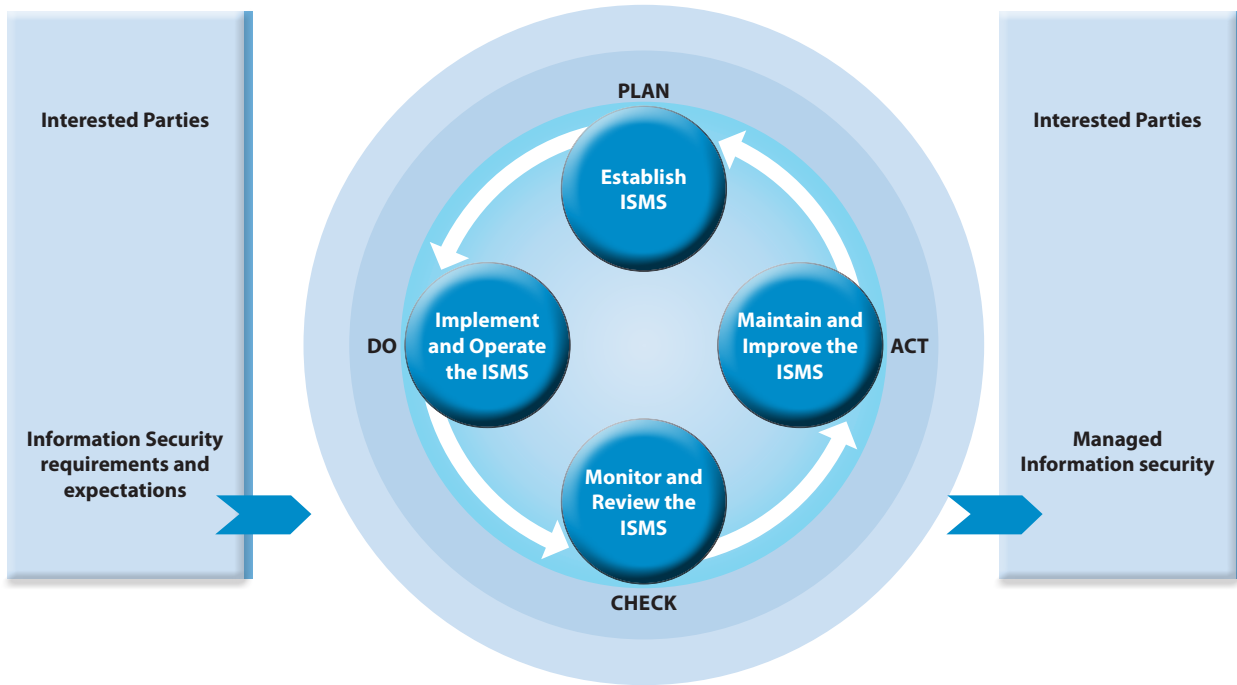
IPLM

Out of the aforesaid trademarks three logo and two words are already registered w.e.f. January 30, 2006 and the word "IPLM" is awaiting approval. Further the Company has also applied for registration of the word "R SYSTEMS" and logo  as trademark during the year 2012 under certain additional classes. During the year 2014, the company has also filed application for  registration as its new corporate logo under relevant classes. All these new applications filed in the year 2012 and 2014 are awaited for the approval.

### 14. Information Security Management

R Systems being an IT and Software service provider company focusses on maintaining the confidentiality, integration and availability of business data and information to the exclusive but optimum use for the accomplishment of organizational objective. The task of maintaining the confidentiality of business data and information not only faces threat from outside the organization but also within the organization where the business data and information are put to use.

**INITIATIVES:** For ensuring the effectiveness of Information security, it is important that information security can be effective only if it is addressed at people, process and technology levels and is integrated in the way an organization operates. R Systems has established, documented and implemented Information Security Management Systems (ISMS) and shall continually improve its effectiveness in accordance with requirements of ISO IEC 27001:2005. The approach applied to the ISMS is given in Figure below.



R Systems security policy provides a framework for protecting confidentiality, integrity and ensuring availability of organization's Information assets. This is to safeguard the interest of customer, business continuity and continual improvement of ISMS at R Systems. The security policy of R Systems has been designed to safeguard the risk associated with information security management.

### 15. Contractual Risk

The primary contractual risks that R Systems faces pertain to obligations of R Systems to provide services with full adherence to contracted terms of quality, time deadlines, output per hour, protection of confidential information, protection of intellectual property rights, patents and copyrights. R Systems has a rigorous process to evaluate the legal risks involved in a contract, ascertains its legal responsibilities under the applicable law of the contract and tries to restrict its liabilities to the maximum extent possible.

**INITIATIVES:** R Systems attempts to protect itself with "no consequential losses" and "maximum liability" clauses. R Systems also ensures that risks are protected through various

insurances like professional liability, workers compensation, directors' and officers' liability insurance. The Company's past record in this regard has been good and there has been no significant damages awarded against the Company that has resulted in material adverse impact on our financial position. R Systems also has an escalation process to immediately involve senior management personnel in case R Systems customers or contractors make any assertion of breach of contract.

R Systems has employed professionals with adequate legal expertise who plays handy role in finalizing the various terms under written contracts on behalf of the Company. The experience gained from past contracts and transaction entered into by the Company are also analyzed and implemented for the new contracts envisaged by the Company. As a matter of practice depending upon the criticality of the transactions, contractual agreements are well discussed within the organization in coordination with technical team as well legal professionals and are also negotiated with the advice of legal counsel to protect Company's interests.

## 16. Execution Risk

A significant number of R Systems clients are software product, large banking and manufacturing companies. These clients need high quality and timely delivery of services with very stringent services level agreements. Any failure in delivery, quality, meeting service level bench agreements, product features and functionalities could adversely affect R Systems relationship with its clients, which could potentially impact R Systems revenues and profitability.

**INITIATIVES:** R Systems has continuously invested in processes, people, training, information systems, quality standards, frameworks, tools and methodologies to mitigate the risks associated with execution of projects. Adoption of quality models and practices such as ISO, Software Engineering Institute's - Capability Maturity Model (SEI-CMM) and Six Sigma have ensured that risks are identified and mitigated at various levels in the planning and execution process. Further, senior management personnel, project managers and process leaders are entrusted with the responsibility to meet the project and service level expectations on various engagements. Planned intervention and escalation systems are further deployed to minimise risks.

## 17. Directors' and Officers' Liability Risks

The directors and officers of R Systems are required to take material decisions in the best interest of the Company. Such decisions might result in errors and omission and R Systems might be sued by the other counterpart.

**INITIATIVES:** To mitigate this risk, the directors and officers take legal and expert advice when required and have taken various insurance policies outlined earlier including professional liability and directors' and officers' liability insurance. The Company attempts to limit its contractual liability for damages arising from negligent acts, errors, mistakes or omissions by directors and officers in rendering services, there can be no assurance that the limitations of liability set forth in its service contracts will be enforceable in all instances or will otherwise protect the Company from liability for damages. Though the Company maintains general liability insurance coverage, including coverage for errors or omissions, going forward, there can be no assurance that such coverage will be available on reasonable terms and in sufficient amount to cover one or more large claims, or that the insurer will not disclaim coverage as to any future claim. The successful assertion of one or more large claims against the Company could adversely affect the Company's results of operations and financial condition.

## 18. Statutory Compliance

R Systems has trans-national operations. R Systems operates in various geographies and it has to ensure compliance of various applicable rules and regulations in those countries. R Systems is exposed to penalties and other liabilities related to non-compliance or inadequate compliance in those countries.

**INITIATIVES:** R Systems uses independent legal counsel to advise the Company on compliance issues with respect to the laws of various countries in which the Company has its business activities and to ensure that R Systems is not in violation of the laws applicable. R Systems has a compliance management system with qualified managers entrusted with compliance of various laws including the listing laws and regulations applicable to public companies in India.

## 19. Visa Regulations / Restrictions

The majority of employees of R Systems are Indian nationals. The ability of R Systems to render its services in the US, Europe and other countries depends on the ability to obtain visas and work permits. Immigration to US, Europe and other countries are subject to legislative changes as well as variations in standards of application and enforcement due to political forces and economic conditions. It is difficult to predict the political and economic events that could affect immigrations laws or the restrictive impact they could have on obtaining or monitoring work visas. The reliance on visas makes R Systems vulnerable to such changes and variations as it affects the ability of the Company to staff projects with employees who are not citizens of the country where the work is to be performed. As a result, R Systems may not be able to get a sufficient number of visas for employees or may encounter delays or additional costs all of which may affect profitability.

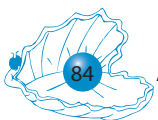
**INITIATIVES:** R Systems monitors the status of visa availability and requirements on a regular basis in consultation with external legal counsel. In house legal personnel are entrusted with the responsibility for compliance with the immigrations laws which is validated by periodic independent audit.

## 20. Political Risk

The Government of India has been favorably disposed towards the IT and BPO industry in India. Further, we operate in multiple countries of which the US is a major market. While most governments in the countries where we operate are in favor of free trade, we cannot be immune to changes in policies that may discourage off-shoring to protect local employment.



# FINANCIAL STATEMENTS



## INDEPENDENT AUDITOR'S REPORT

### To the Members of R Systems International Limited

#### Report on the Financial Statements

We have audited the accompanying financial statements of R Systems International Limited ("the Company"), which comprise the Balance Sheet as at December 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards notified under the Companies Act, 1956 read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India (ICAI). Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;
- (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date and.
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

#### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 (as amended) ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
  - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - (b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) The Balance Sheet, Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet, Statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956 read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013;
  - (e) On the basis of written representations received from the directors as on December 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on December 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

**For S.R. Batliboi & Co. LLP**

ICAI Firm Registration Number: 301003E  
Chartered Accountants

**Sd/-**

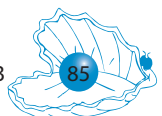
**per Yogender Seth**

Partner

Membership Number: 94524

Place : NOIDA

Date : February 07, 2014



## ANNEXURE TO THE AUDITOR'S REPORT

### Annexure referred to in paragraph 1 under the heading "Report on Other Legal and Regulatory Requirements" of our report of even date

Re: R Systems International Limited ('the Company')

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets were physically verified by the management in the previous year in accordance with a planned programme of verifying them once in two years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) There was no substantial disposal of fixed assets during the year.
- (ii) The Company has no inventory and therefore, the provisions of clause 4(ii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (iii) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii)(a) to (d) are not applicable to the Company and hence not commented upon.
- (b) According to the information and explanations given to us, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii)(e) to (g) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- (v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 that need to be entered into the register maintained under section 301 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the products of the Company.
- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employee's state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, there are no dues of income tax, wealth tax, service tax, sales tax, cess, excise duty and custom duty, which have not been deposited on account of any dispute except for income tax as below:

Name of the statute	Nature of dues	Amount (Rs)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax Demand	Nil*	A/Y 2008-09	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax Demand	1,725,570	A/Y 2009-10	Income Tax Appellate Tribunal

\* Net of Rs. 1,000,000 deposited and Rs. 8,399,040 adjusted by Department against refund for A/Y 2011-12 under protest.



- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to any bank. The Company did not have any dues to any financial institution or any outstanding debentures during the year.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) Based on the information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money through a public issue during the year.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

**For S.R. Batliboi & Co. LLP**

ICAI Firm Registration Number: 301003E

Chartered Accountants

**Sd/-**

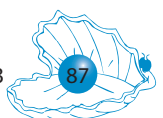
**per Yogender Seth**

Partner

Membership Number: 94524

Place : NOIDA

Date : February 07, 2014



## BALANCE SHEET as at December 31, 2013

	Notes	As at December 31, 2013 (Rs.)	As at December 31, 2012 (Rs.)
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital	3	125,915,600	124,468,100
Reserves and surplus	4	1,754,623,508	1,677,916,157
		<b>1,880,539,108</b>	<b>1,802,384,257</b>
<b>Non-current liabilities</b>			
Long-term borrowings	5	4,403,189	3,446,849
Other long-term liabilities	6	3,827,371	6,570,081
Long-term provisions	7	73,437,567	71,241,150
		<b>81,668,127</b>	<b>81,258,080</b>
<b>Current liabilities</b>			
Trade payables	8	152,854,034	118,801,532
Other current liabilities	8	113,269,715	130,171,030
Short-term provisions	7	322,896,941	266,685,249
		<b>589,020,690</b>	<b>515,657,811</b>
<b>TOTAL</b>		<b>2,551,227,925</b>	<b>2,399,300,148</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets			
Tangible assets	9	308,526,462	278,224,678
Intangible assets	10	23,412,716	14,088,876
Intangible assets under development		14,129,170	12,317,456
Non-current investments	11.1	793,608,140	767,019,223
Deferred tax assets (net)	12	51,379,267	48,791,291
Long-term loans and advances	13	68,608,651	89,483,644
Other non-current assets	14.2	79,709,836	71,331,409
		<b>1,339,374,242</b>	<b>1,281,256,577</b>
<b>Current assets</b>			
Current investments	11.2	10,000,000	-
Trade receivables	14.1	579,525,737	462,866,154
Cash and bank balances	15	441,558,017	548,161,768
Short-term loans and advances	13	67,864,029	43,448,759
Other current assets	14.2	112,905,900	63,566,890
		<b>1,211,853,683</b>	<b>1,118,043,571</b>
<b>TOTAL</b>		<b>2,551,227,925</b>	<b>2,399,300,148</b>
Summary of significant accounting policies	2.1		

The accompanying notes are an integral part of the financial statements.

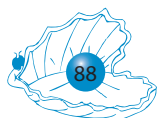
As per our report of even date.

For S.R. Batliboi & Co. LLP For and on behalf of the Board of Directors of R Systems International Limited

ICAI Firm registration  
number: 301003E

Chartered Accountants

<b>Sd/-</b> <b>per Yogender Seth</b> Partner Membership No. 94524 Place : NOIDA Date : February 07, 2014	<b>Sd/-</b> <b>Satinder Singh Rekhi</b> [Chairman & Managing Director] Place : Singapore Date : February 07, 2014	<b>Sd/-</b> <b>Lt. Gen. Baldev Singh (Retd.)</b> [President & Senior Executive Director] Place : NOIDA Date : February 07, 2014	<b>Sd/-</b> <b>Raj Swaminathan</b> [Director & Chief Operating Officer] Place : Pune Date : February 07, 2014	<b>Sd/-</b> <b>Nand Sardana</b> [Chief Financial Officer] Place : NOIDA Date : February 07, 2014	<b>Sd/-</b> <b>Vikash Kumar Tiwari</b> [Company Secretary & Compliance Officer] Place : NOIDA Date : February 07, 2014
---	--	--	--	--	---



## STATEMENT OF PROFIT AND LOSS for the year ended December 31, 2013

	Notes	For the year ended December 31, 2013 (Rs.)	For the year ended December 31, 2012 (Rs.)
<b>Income</b>			
Revenue from operations	16	2,698,033,791	2,289,273,096
Other income	17	41,686,882	42,215,310
<b>Total revenue</b>		<b>2,739,720,673</b>	2,331,488,406
<b>Expenses</b>			
Employee benefits expense	18	1,602,043,706	1,496,151,141
Operational and other expenses	19	545,585,053	462,941,422
Depreciation and amortisation expense	20	47,807,690	62,400,827
Finance costs	21	2,796,754	2,734,250
<b>Total expenses</b>		<b>2,198,233,203</b>	2,024,227,640
<b>Profit before tax</b>		<b>541,487,470</b>	307,260,766
<b>Tax expense</b>			
Current tax		190,874,584	95,401,780
MAT credit entitlement (related to earlier years)		(12,321,134)	-
Deferred tax charge / (credit)		(2,587,976)	6,581,977
<b>Total tax expense</b>		<b>175,965,474</b>	101,983,757
<b>Profit for the year</b>		<b>365,521,996</b>	205,277,009
<b>Earnings per equity share:</b>			
	32		
Basic [Nominal value of shares Re. 1 (Previous year: Re. 1)]		2.90	1.65
Diluted [Nominal value of shares Re. 1 (Previous year: Re. 1)]		2.90	1.65
Summary of significant accounting policies	2.1		

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

**For S.R. Batliboi & Co. LLP** For and on behalf of the Board of Directors of R Systems International Limited  
ICAI Firm registration  
number: 301003E  
Chartered Accountants

**Sd/-**  
**per Yogender Seth**  
Partner  
Membership No. 94524  
Place : NOIDA  
Date : February 07, 2014

**Sd/-**  
**Satinder Singh Rekhi**  
[Chairman & Managing  
Director]  
Place : Singapore  
Date : February 07, 2014

**Sd/-**  
**Lt. Gen. Baldev Singh (Retd.)**  
[President & Senior  
Executive Director]  
Place : NOIDA  
Date : February 07, 2014

**Sd/-**  
**Raj Swaminathan**  
[Director & Chief  
Operating Officer]  
Place : Pune  
Date : February 07, 2014

**Sd/-**  
**Nand Sardana**  
[Chief Financial Officer]  
Place : NOIDA  
Date : February 07, 2014

**Sd/-**  
**Vikash Kumar Tiwari**  
[Company Secretary &  
Compliance Officer]  
Place : NOIDA  
Date : February 07, 2014

## CASH FLOW STATEMENT for the year ended December 31, 2013

	For the year ended December 31, 2013 (Rs.)	For the year ended December 31, 2012 (Rs.)
<b>A. Cash flow from operating activities</b>		
<b>Net profit before taxation</b>	<b>541,487,470</b>	307,260,766
Adjustments for:		
Depreciation and amortisation expense	<b>47,807,690</b>	62,400,827
Provision for doubtful debts (net)	<b>7,425,323</b>	23,810,629
Provision for doubtful advances (net)	<b>7,533,620</b>	(13,133,412)
Bad debts and advances written off	<b>2,146</b>	18,783
Provision for diminution in value of long-term investments	-	6,711,440
Loss on sale / discard of fixed assets (net)	<b>3,018,743</b>	1,363,574
Loss on liquidation of subsidiary	<b>211,233</b>	-
Unrealised foreign exchange loss	<b>60,479</b>	3,471,587
Unrealised loss / (gain) on derivative instruments	<b>28,732,878</b>	(62,190,361)
Interest income	<b>(38,504,734)</b>	(40,126,671)
Excess provisions written back	<b>(878,517)</b>	(159,590)
Interest on loans	<b>680,810</b>	680,937
<b>Operating profit before working capital changes</b>	<b>597,577,141</b>	290,108,509
Movements in working capital:		
(Increase) / Decrease in trade receivables	<b>(122,684,419)</b>	22,126,804
(Increase) / Decrease in other current assets	<b>(62,029,765)</b>	24,043,943
(Increase) / Decrease in loans and advances	<b>(43,271,491)</b>	3,020,377
(Increase) / Decrease in other non-current assets	<b>(44,121,757)</b>	16,203,235
Increase / (Decrease) in short-term and long-term provision	<b>(10,592,646)</b>	50,711,415
Increase / (Decrease) in trade payables, other current liabilities and other long-term liabilities	<b>27,008,657</b>	17,079,878
Cash generated from operations	<b>341,885,720</b>	423,294,161
Direct taxes paid, net of refunds	<b>(131,549,220)</b>	(48,759,325)
<b>Net cash from operating activities (A)</b>	<b>210,336,500</b>	374,534,836
<b>B. Cash flows used in investing activities</b>		
Purchase of fixed assets	<b>(92,451,115)</b>	(39,771,873)
Proceeds from sale of fixed assets	<b>2,513,288</b>	1,535,165
Increase in non-current investments	<b>(44,233,473)</b>	(5,525,000)
Increase in current investments	<b>(10,000,000)</b>	-
Proceeds from liquidation of subsidiaries (refer note 30 (e))	<b>223,662</b>	-
Payment of deferred consideration to erstwhile shareholders of subsidiaries	-	(112,146,923)
Interest received	<b>43,555,199</b>	42,386,235
Investment in long term fixed deposits with scheduled banks	<b>(393,860,267)</b>	(532,294,996)
Proceeds from long term fixed deposits with scheduled banks	<b>464,932,016</b>	523,391,000
<b>Net cash used in investing activities (B)</b>	<b>(29,320,690)</b>	(122,426,392)

	For the year ended December 31, 2013 (Rs.)	For the year ended December 31, 2012 (Rs.)
<b>C. Cash flows used in financing activities</b>		
Proceeds from long-term borrowings	3,620,857	2,037,675
Repayment of long-term borrowings-current maturities	(2,473,929)	(2,316,881)
Proceeds from other non-current assets	35,850,000	-
Proceeds from issuance of share capital	17,471,325	24,601,315
Interest paid	(670,967)	(636,858)
Dividends paid	(233,154,614)	(243,289,813)
Tax on dividend paid	(39,686,768)	(39,564,369)
<b>Net cash used in financing activities (C)</b>	<b>(219,044,096)</b>	<b>(259,168,931)</b>
<b>Net increase in cash and cash equivalents (A + B + C)</b>	<b>(38,028,286)</b>	<b>(7,060,487)</b>
Cash and cash equivalents at the beginning of the year	257,748,168	260,026,083
Add: Effect of exchange differences on cash and cash equivalents held in foreign currency	2,496,284	4,782,572
<b>Cash and cash equivalents at the end of the year (refer note 15)</b>	<b>222,216,166</b>	<b>257,748,168</b>

**Notes:**

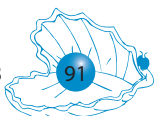
- Figures in brackets indicate cash out flow.
- The cash flow statement has been prepared under the indirect method as set out in the Accounting Standard 3 "Cash Flow Statement" notified under the Companies (Accounting Standard) Rules, 2006 (as amended).
- Cash and cash equivalents includes Rs. 1,559,375 (previous year Rs. 1,193,738) which are not available for use by the Company as they represent corresponding unpaid dividend liabilities.

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

**For S.R. Batliboi & Co. LLP** For and on behalf of the Board of Directors of R Systems International Limited  
**ICAI Firm registration number: 301003E**  
Chartered Accountants

<b>Sd/-</b> <b>per Yogender Seth</b> Partner Membership No. 94524 Place : NOIDA Date : February 07, 2014	<b>Sd/-</b> <b>Satinder Singh Rekhi</b> [Chairman & Managing Director] Place : Singapore Date : February 07, 2014	<b>Sd/-</b> <b>Lt. Gen. Baldev Singh (Retd.)</b> [President & Senior Executive Director] Place : NOIDA Date : February 07, 2014	<b>Sd/-</b> <b>Raj Swaminathan</b> [Director & Chief Operating Officer] Place : Pune Date : February 07, 2014	<b>Sd/-</b> <b>Nand Sardana</b> [Chief Financial Officer] Place : NOIDA Date : February 07, 2014	<b>Sd/-</b> <b>Vikash Kumar Tiwari</b> [Company Secretary & Compliance Officer] Place : NOIDA Date : February 07, 2014
---	---	---	---	--	--



## NOTES to the Financial Statements for the year ended December 31, 2013

### 1. Corporate information

R Systems International Limited (the 'Company') is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956. Its shares are listed on National Stock Exchange of India Limited and BSE Limited. The Company is a leading global provider of IT solutions and Business Process Outsourcing (BPO) services. The Company's primary focus is to provide full service IT solutions, software engineering services, technical support, customer care and other IT enabled services to the high technology sector, independent software vendors (ISV's), banks, financial services companies, telecom and digital media technology companies and services providers, insurance and health care sector. The Company also develops and markets a suite of applications under the brand name "Indus" for the retail lending to banks and non-banking finance companies, insurance and telecom segment.

### 2. Basis of preparation

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies Act, 1956 read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention except for certain financial instruments which are measured at fair value. The accounting policies have been consistently applied by the Company and are consistent with those used in previous year.

All figures are in Rupees except where expressly stated.

#### 2.1. Summary of significant accounting policies

##### (a) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting year end. These estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

##### (b) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

##### (c) Depreciation on tangible fixed assets

Depreciation is provided on Straight Line method over the estimated useful lives of the tangible fixed assets which result in depreciation rates being greater than or equal to the corresponding rates prescribed in Schedule XIV of the Companies Act, 1956.

The estimated useful lives of the tangible fixed assets followed by the Company in preparing the financial statements are described as below:

Category of tangible fixed assets	Estimated useful life
Land – leasehold	Lease period
Buildings – freehold	61 years
Buildings – leasehold	Lower of lease period or 61 years
Leasehold improvements	Lower of lease period or useful life
Plant and machinery - office equipments other than (i) UPS systems, (ii) standalone air conditioners and (iii) telephone instruments	20 years
UPS systems	12 years
Standalone air conditioners and telephone instruments	6 years
Computer hardware and network installations	6 years
Furniture and fittings	15 years
Vehicles	10 years

In the following cases, the estimated useful lives of the assets followed by the Company result in depreciation rates to be higher than that provided under Schedule XIV.

	Rates (SLM)	Schedule XIV Rates (SLM)
UPS systems	8.33%	4.75%
Standalone air conditioners and telephone instruments	16.66%	4.75%

Individual assets costing up to Rs. 5,000 are fully depreciated in the year of purchase.

##### (d) Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal / external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are

discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

After impairment, tangible assets / intangibles are depreciated / amortised on the revised carrying amount over its remaining useful life.

**(e) Intangibles assets**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the statement of profit and loss in the year in which the expenditure is incurred.

Intangible assets are amortised on a straight line basis over the estimated useful economic life and are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method are reviewed at least at each financial year end. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly. If there has been a significant change in the expected pattern of economic benefits from the asset, the amortisation method is changed to reflect the changed pattern. Such changes are accounted for in accordance with AS 5 Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies.

*Research and development costs*

Research costs are expensed as incurred. Development expenditure incurred on an individual project is recognised as an intangible asset when the company can demonstrate all the following:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete the asset
- Its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of adequate resources to complete the development and to use or sell the asset
- The ability to measure reliably the expenditure attributable to the intangible asset during development.

Following the initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised on a straight line basis over the period of expected future

benefit from the related project. Amortisation is recognised in the statement of profit and loss. During the period of development, the asset is tested for impairment annually.

A summary of amortisation policies applied to the company's intangible assets are as below:

Category of intangible fixed assets	Estimated useful life
Computer software	Lower of license period or 3 years
Internally generated	4 years

**(f) Leases**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognised as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term.

**(g) Investments**

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Non-current investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the Non-current investments.

**(h) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

*Rendering of services*

Revenue from software development and maintenance services projects comprise income from time-and-material and fixed-price contracts.

Revenue associated with software development and maintenance services / customisation of products and business process outsourcing services rendered on time and materials basis is recognised when services are rendered. The same is calculated based on man-hours incurred for rendering services.

Fixed-price contracts vary in duration depending on the terms of the work being performed. Revenue from fixed price contracts (including maintenance and support contracts) is recognised using the percentage of completion method, when reasonable progress has been made on the milestones achieved as specified in the contracts. The stage of completion of project is determined by the proportion that contract efforts incurred for work performed up to the balance sheet date bear to the estimated total contract effort. Changes in contract performance, estimated profitability and final contract settlements may result in



revision to costs and revenue and are recognised in the period in which the revisions are determined. If a loss is projected on any contract in process, the entire projected loss is recognised immediately.

In terms of contracts, excess / shortfall of revenue over the billed as at the year-end is carried in financial statement as unbilled revenue / unearned revenue separately.

Management fees from the customers for managing projects are being recognised on time basis over the estimated life of the project.

#### *Sale of products*

Revenue from the sale of product (software and hardware) is recognised when the sale has been completed with the transfer of title.

#### *Interest*

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

### **(i) Foreign currency translation**

#### *Foreign currency transactions*

#### (i) Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

#### (ii) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

#### (iii) Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expense in the year in which they arise.

#### (iv) Forward exchange contracts not intended for trading or speculation purposes

The premium or discount arising at the inception of forward exchange contracts (except outstanding against firm commitments and highly probable forecast transaction) is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

#### (v) Translation of Integral foreign operation

The financial statements of an integral foreign operation are translated as if the transactions of the foreign operation have been those of the Company itself.

### **(j) Retirement benefits**

(i) Retirement benefits mainly in the form of Provident Fund are a defined contribution scheme and the contributions are charged to the Statement of Profit and Loss of the year when an employee renders related services. There are no other obligations other than the contribution payable to the respective funds.

(ii) Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation made at the end of each financial year on projected unit credit method. The gratuity plan is funded.

(iii) Long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method. The Company presents the entire leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for 12 months after the reporting date.

(iv) Actuarial gains / losses are immediately taken to Statement of Profit and Loss and are not deferred.

### **(k) Income taxes**

Tax expense comprises of current and deferred tax.

Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the relevant tax regulations applicable to the Company.

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises the unrecognised deferred tax assets to the extent that it has become reasonably certain that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain, that sufficient future taxable income will be available against which deferred tax



asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain, that sufficient future taxable income will be available.

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified year. In the year in which the Minimum Alternative Tax (MAT) credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the Statement of Profit and Loss and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal income tax during the specified period.

**(l) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs incurred in connection with the borrowing of funds.

**(m) Earnings per share**

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The weighted average numbers of equity shares outstanding during the year are adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders, share split and reverse share split (consolidation of shares).

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

**(n) Provision**

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on the best estimate required to settle the obligation at each Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the management's current estimates.

**(o) Segment reporting**

*Identification of segments:*

The Company's operating businesses are organised and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which the major customers of the Company operate and / or the area in which the assets are located.

*Inter segment transfers:*

The Company generally accounts for inter segment sales and transfers as if the sales or transfers were to third parties at current market prices.

*Allocation of common costs:*

Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

*Unallocated items:*

The corporate and other segment includes general corporate income and expense items which are not allocated to any business segment.

*Segment Policies:*

The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company as a whole.

**(p) Accounting for derivatives**

The Company uses foreign exchange forward contracts (derivative financial instrument) to hedge its exposure to movements in foreign exchange rates against firm commitment or highly probable forecast transactions. The use of these foreign exchange forward contracts reduces the risk or cost to the Company and the Company does not use the foreign exchange forward contracts or options for trading or speculation purposes.

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value on a mark-to-market basis at each balance sheet date. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting and the ineffective portion of an effective hedge, are taken directly to the Statement of Profit and Loss.

The mark-to-market is the difference between the forward exchange rate and the contract rate. The forward exchange rate is referenced to current forward exchange rates for contracts with similar maturity profiles.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

*Fair value hedges*

The change in the fair value of a hedging derivative is recognised in the Statement of Profit and Loss. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognised in the Statement of Profit and Loss.

*Cash flow hedges*

The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while any ineffective portion is recognised immediately in the Statement of Profit and Loss. Amounts taken to equity are transferred to the Statement of Profit and Loss when the

hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in equity are transferred to the Statement of Profit and Loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

**(q) Cash and cash equivalents**

Cash and cash equivalents for the purpose of cash flow statement on balance sheet date comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

**(r) Employee stock compensation cost**

Measurement and disclosure of the employee share-based payment plans is done in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India. The Company measures compensation cost relating to employee stock options using the intrinsic value method. Compensation expense is amortised over the vesting period of the option on a straight line basis.

**(s) Contingent liabilities**

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

**3. Share capital**

Particulars	As at December 31, 2013 (Rs.)	As at December 31, 2012 (Rs.)
<b>Authorised shares [also refer note 32 (b)]</b>		
20,000,000 (Previous year 20,000,000) equity shares of Rs. 10 each	<b>200,000,000</b>	200,000,000
<b>Issued, subscribed and fully paid up- shares [also refer note 32 (b)]</b>		
12,665,458 (Previous year 12,520,708) equity shares of Rs. 10 each fully paid-up	<b>126,654,580</b>	125,207,080
Less: Advance to Indus Software Employees Welfare Trust [also refer note 31 (b)]	<b>738,980</b>	738,980
<b>Total</b>	<b>125,915,600</b>	124,468,100

**A. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period [also refer note 32 (b)]**

Particulars	As at December 31, 2013		As at December 31, 2012	
	No.	(Rs.)	No.	(Rs.)
Shares outstanding at the beginning of the year	12,520,708	125,207,080	12,316,886	123,168,860
Add: Shares issued during the year <sup>#</sup>	144,750	1,447,500	203,822	2,038,220
<b>Shares outstanding at the end of the year</b>	<b>12,665,458</b>	<b>126,654,580</b>	12,520,708	125,207,080

# The Company has issued 144,750 equity shares of Rs. 10 each at an exercise price of Rs. 120.70 per share pursuant to exercise of employee stock options under the R Systems International Limited Employee Stock Option Scheme 2007.

**B. Terms / rights attached to the equity share [also refer note 32 (b)]**

The Company has only one class of equity shares having a par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in forthcoming Annual General Meeting, except in case of interim dividend.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

**C. Shares held by holding / ultimate holding company and / or their subsidiaries / associates**

The Company does not have any holding / ultimate holding company.

**D. Aggregate number of bonus shares issued, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date:**

The Board of Directors of the Company at its meeting held on September 07, 2008, had approved the Buy-back of the equity shares of Rs. 10 each. Under the Buy-Back program, the Company had bought back 1,265,820 equity shares up to August 27, 2009 (including 146,346 equity shares up to December 31, 2008) at an average price of Rs. 63.20 per share for an aggregate amount of Rs. 80,000,000 by utilising the Securities Premium Account to the extent of Rs. 67,341,773 and General Reserve to the extent of Rs. 12,658,200. The Capital Redemption Reserve has been created out of General Reserve for Rs. 12,658,200 being the nominal value of equity shares bought back in terms of Section 77AA of the Companies Act, 1956. The Offer for Buy-back was successfully completed on August 27, 2009.

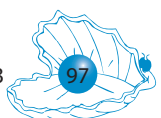
**E. Details of shareholders holding more than 5% shares in the Company [also refer note 32 (b)]**

Particulars	As at December 31, 2013		As at December 31, 2012	
	No.	% holding in the class	No.	% holding in the class
GMU Infosoft Private Limited	786,260	6.21	730,465	5.83
U Infosoft Private Limited	808,766	6.39	779,766	6.23
GM Solutions Private Limited	839,763	6.63	810,763	6.48
Rightmatch Holdings Limited	927,200	7.32	927,200	7.41
Satinder & Harpreet Rekhi Family Trust (Trustee: Satinder Singh Rekhi & Harpreet Rekhi)	1,834,718	14.49	1,921,718	15.35
Bhavook Tripathi	4,629,110	36.55	3,993,227	31.89

As per secretarial records of the Company, including its register of shareholders / members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

**F. Shares reserved for issue under options [also refer note 32 (b)]**

For details of shares reserved for issue under the employee stock option plans (ESOP) of the Company, please refer note 31.



#### 4. Reserves and surplus

Particulars	As at December 31, 2013 (Rs.)	As at December 31, 2012 (Rs.)
<b>Capital redemption reserve</b>	<b>12,658,200</b>	12,658,200
<b>Securities premium account</b>	<b>936,908,890</b>	914,345,795
Add: Addition on exercise of vested options as per ESOP plan [also refer note 31 (d)]	<b>16,023,825</b>	22,563,095
	<b>952,932,715</b>	936,908,890
Less: Advance to Indus Software Employees Welfare Trust [also refer note 31 (b)]	<b>2,282,728</b>	2,282,728
<b>Closing balance</b>	<b>950,649,987</b>	934,626,162
<b>General reserve</b>		
Balance as per last financial statements	<b>120,929,823</b>	61,400,531
Add: Amount transferred from surplus balance in the statement of profit and loss (refer note 1 below)	<b>36,552,200</b>	59,529,292
<b>Closing balance</b>	<b>157,482,023</b>	120,929,823
<b>Surplus in the statement of profit and loss</b>		
Balance as per last financial statements	<b>609,701,972</b>	805,009,506
Add: Profit for the current year	<b>365,521,996</b>	205,277,009
Less: Appropriations		
Proposed dividend (refer note 1 and 2 below)	<b>120,697,601</b>	94,255,302
Tax on proposed dividend (refer note 2 below)	<b>21,237,977</b>	15,290,566
Interim dividend (refer note 1 below)	<b>139,239,191</b>	199,194,976
Tax on interim dividend	<b>23,663,701</b>	32,314,407
Transfer to general reserve (refer note 1 below)	<b>36,552,200</b>	59,529,292
<b>Total appropriations</b>	<b>341,390,670</b>	400,584,543
<b>Net surplus in the statement of profit and loss</b>	<b>633,833,298</b>	609,701,972
<b>Total</b>	<b>1,754,623,508</b>	1,677,916,157

#### Notes:

- For the year ended December 31, 2013, the Board of Directors of the Company has recommended a final dividend of Re. 0.95 per equity share of face value of Re. 1/- each, equivalent to Rs. 9.50 per equity share of Rs. 10/- per share before the sub-division of equity shares (being 95% on the par value), subject to the approval of the shareholders in forthcoming Annual General Meeting. This is in addition to first and second interim dividend of Rs. 2.50 and Rs. 8.50 per equity share of face value of 10/- each paid in August 2013 and November 2013, shareholder's confirmation for which will be taken in forthcoming Annual General Meeting. The Company has transferred Rs. 36,552,200 from current year profits to General Reserve in compliance with the Companies (Transfer of Profits to Reserves) Rules, 1975. Further for the year ended December 2012, the Board of Directors had recommended a final dividend of Rs. 7.50 per share in addition to a special interim dividend of Rs. 16.00 per equity share of face value of 10/- each paid in June 2012, which had been approved and confirmed respectively by the shareholders at the Annual General Meeting held on May 11, 2013. Also refer note 32 (b).
- The Company has issued 50,100 shares pursuant to exercise of employee stock options under the R Systems International Limited Employee Stock Option Scheme 2007 up to book closure date for distribution of dividend for the year ended December 31, 2012 and accordingly increased the appropriation in the current year by Rs. 375,750 and Rs. 63,859 as dividend and tax on dividend respectively. Further, due to increase in surcharge rate under Finance Act, 2013 the Company has additionally appropriated Rs. 725,419 towards tax on dividend proposed for the year ended December 31, 2012. For the year ended December 31, 2011 the Company has issued 97,220 shares pursuant to exercise of employee stock options under the R Systems International Limited Employee Stock Option Scheme 2007 up to book closure date for distribution of dividend and accordingly increased the appropriation by Rs. 349,992 and Rs. 56,777 as dividend and tax on dividend respectively.

**5. Long-term borrowings**

Particulars	Non-current portion		Current maturities	
	As at December 31, 2013 (Rs.)	As at December 31, 2012 (Rs.)	As at December 31, 2013 (Rs.)	As at December 31, 2012 (Rs.)
<b>Term loans</b>				
<b>For motor vehicles</b>				
From non banking financial corporation (refer note below)	<b>4,403,189</b>	3,446,849	<b>2,375,945</b>	2,185,357
<b>Total</b>	<b>4,403,189</b>	3,446,849	<b>2,375,945</b>	2,185,357
<b>The above amount includes</b>				
Secured borrowings	<b>4,403,189</b>	3,446,849	<b>2,375,945</b>	2,185,357
Amount shown under other current liabilities (also refer note 8)	-	-	<b>(2,375,945)</b>	(2,185,357)
<b>Total</b>	<b>4,403,189</b>	3,446,849	-	-

**Note:**

Term loans are secured by hypothecation of underlying motor vehicles and carries interest rate ranging from 10.10% to 13.30% per annum. The term loans are repayable in equated monthly installments ranging from 35 to 60 months from the date of loan.

**6. Other long-term liabilities**

Particulars	As at December 31, 2013 (Rs.)	As at December 31, 2012 (Rs.)
Security deposits	<b>3,827,371</b>	3,218,326
Deferred payable to capital creditors	-	3,351,755
<b>Total</b>	<b>3,827,371</b>	6,570,081

**7. Provisions**

Particulars	Long-term		Short-term	
	As at December 31, 2013 (Rs.)	As at December 31, 2012 (Rs.)	As at December 31, 2013 (Rs.)	As at December 31, 2012 (Rs.)
<b>Provision for employee benefits</b>				
Gratuity	<b>73,437,567</b>	71,241,150	<b>3,436,901</b>	6,902,472
Compensated absences			<b>71,333,813</b>	66,323,969
Performance bonus			<b>12,500,000</b>	26,833,336
<b>Sub total (A)</b>	<b>73,437,567</b>	71,241,150	<b>87,270,714</b>	100,059,777
<b>Other provisions</b>				
Income tax [net of advance tax amounting to Rs. 101,927,830 (Previous Year Rs. 28,813,627)]			<b>71,937,060</b>	57,486,373
Proposed dividend			<b>120,321,851</b>	93,905,310
Tax on proposed dividend			<b>20,448,699</b>	15,233,789
Mark-to-market losses on derivative instruments (also refer note 34)			<b>22,918,617</b>	-
<b>Sub total (B)</b>	-	-	<b>235,626,227</b>	166,625,472
<b>Total (A+B)</b>	<b>73,437,567</b>	71,241,150	<b>322,896,941</b>	266,685,249

## 8. Other current liabilities

Particulars	As at December 31, 2013 (Rs.)	As at December 31, 2012 (Rs.)
<b>Trade payables</b>		
Trade payable (also refer note 29 for details of dues to micro and small enterprises)	<b>152,854,034</b>	118,801,532
<b>Sub total (A)</b>	<b>152,854,034</b>	118,801,532
<b>Other liabilities</b>		
Payable to subsidiary companies	<b>15,376,979</b>	17,334,418
Current maturities of long-term borrowing (also refer note 5)	<b>2,375,945</b>	2,185,357
Deferred payment compensation to the erstwhile shareholders of subsidiaries [also refer note 30 (a) and 30 (c)]	<b>13,153,262</b>	32,824,569
Unearned revenues	<b>56,364,461</b>	58,912,999
Investor education and protection fund (not due) - Unclaimed dividend	<b>1,559,375</b>	1,193,738
Payable for purchase of fixed assets	<b>6,922,880</b>	2,542,588
Tax deducted at source	<b>10,306,198</b>	9,639,838
Service tax	<b>2,764,502</b>	1,180,279
Others	<b>4,446,113</b>	4,357,244
<b>Sub total (B)</b>	<b>113,269,715</b>	130,171,030
<b>Total (A+B)</b>	<b>266,123,749</b>	248,972,562

**9. Tangible assets**

Particulars	(Amount in Rs.)									
	Land - freehold	Land - leasehold	Building - freehold	Building - leasehold <sup>(1)</sup>	Leasehold improvements	Computers	Office equipments	Furniture and fittings	Vehicles <sup>(2)</sup>	Total
<b>Gross block</b>										
As at January 1, 2012	4,765,674	10,005,968	31,198,298	89,013,201	1,783,516	248,538,762	91,313,244	84,205,010	24,345,386	585,169,059
Additions	-	-	-	-	-	12,824,011	2,998,984	764,971	4,103,692	20,691,658
Deletions	-	-	-	-	-	21,269,235	4,027,752	1,615,347	2,173,184	29,085,518
At December 31, 2012	4,765,674	10,005,968	31,198,298	89,013,201	1,783,516	240,093,538	90,284,476	83,354,634	26,275,894	576,775,199
Additions	-	-	-	152,500	487,650	51,944,560	10,516,957	112,761	7,353,315	70,567,743
Deletions	-	-	-	-	-	24,903,456	3,304,518	1,742,057	4,640,181	34,590,212
<b>At December 31, 2013</b>	<b>4,765,674</b>	<b>10,005,968</b>	<b>31,198,298</b>	<b>89,165,701</b>	<b>2,271,166</b>	<b>267,134,642</b>	<b>97,496,915</b>	<b>81,725,338</b>	<b>28,989,028</b>	<b>612,752,730</b>
<b>Depreciation</b>										
As at January 1, 2012	-	1,252,123	5,220,760	10,152,463	1,385,145	186,568,731	33,356,044	37,936,426	6,532,436	282,404,128
Charge for the year	-	158,251	514,911	1,454,890	398,371	26,895,619	5,172,925	5,262,073	2,476,149	42,333,189
Deletions	-	-	-	-	-	20,766,490	2,944,493	1,385,275	1,090,538	26,186,796
At December 31, 2012	-	1,410,374	5,735,671	11,607,353	1,783,516	192,697,860	35,584,476	41,813,224	7,918,047	298,550,521
Charge for the year	-	159,142	513,504	1,451,874	103,591	19,707,306	5,430,129	4,706,075	2,667,119	34,738,740
Deletions	-	-	-	-	-	24,716,121	1,634,463	817,805	1,894,604	29,062,993
<b>At December 31, 2013</b>	<b>-</b>	<b>1,569,516</b>	<b>6,249,175</b>	<b>13,059,227</b>	<b>1,887,107</b>	<b>187,689,045</b>	<b>39,380,142</b>	<b>45,701,494</b>	<b>8,690,562</b>	<b>304,226,268</b>
<b>Net block</b>										
At December 31, 2012	4,765,674	8,595,594	25,462,627	77,405,848	-	47,395,678	54,700,000	41,541,410	18,357,847	278,224,678
<b>At December 31, 2013</b>	<b>4,765,674</b>	<b>8,436,452</b>	<b>24,949,123</b>	<b>76,106,474</b>	<b>384,059</b>	<b>79,445,597</b>	<b>58,116,773</b>	<b>36,023,844</b>	<b>20,298,466</b>	<b>308,526,462</b>

**Notes:**

- (1) Includes Rs. 21,155,390 (Previous year Rs. 21,155,390) paid towards land and building under a composite lease taken for which no separate values are assignable.  
(2) Vehicles amounting to Rs. 15,323,824 (Previous year Rs. 17,398,129) are hypothecated against terms loans for vehicle finance from non banking financial corporation.

## 10. Intangible assets

(Amount in Rs.)

Particulars	Softwares	Product development costs (Internally generated software)	Total
<b>Gross block</b>			
As at January 1, 2012	132,240,150	34,580,899	<b>166,821,049</b>
Additions	9,305,483	-	<b>9,305,483</b>
Deletions	6,175,762	-	<b>6,175,762</b>
At December 31, 2012	135,369,871	34,580,899	<b>169,950,770</b>
Additions	10,293,751	12,103,851	<b>22,397,602</b>
Deletions	5,849,771	-	<b>5,849,771</b>
<b>At December 31, 2013</b>	<b>139,813,851</b>	<b>46,684,750</b>	<b>186,498,601</b>
<b>Amortisation</b>			
As at January 1, 2012	115,833,895	26,136,106	<b>141,970,001</b>
Charge for the year	16,314,401	3,753,237	<b>20,067,638</b>
Deletions	6,175,745	-	<b>6,175,745</b>
At December 31, 2012	125,972,551	29,889,343	<b>155,861,894</b>
Charge for the year	7,046,241	6,022,709	<b>13,068,950</b>
Deletions	5,844,959	-	<b>5,844,959</b>
<b>At December 31, 2013</b>	<b>127,173,833</b>	<b>35,912,052</b>	<b>163,085,885</b>
<b>Net block</b>			
At December 31, 2012	9,397,320	4,691,556	<b>14,088,876</b>
<b>At December 31, 2013</b>	<b>12,640,018</b>	<b>10,772,698</b>	<b>23,412,716</b>

### 11.1 Non-current investments

Particulars	As at December 31, 2013 (Rs.)	As at December 31, 2012 (Rs.)
<b>Non-trade, unquoted (valued at cost unless stated otherwise)</b>		
2,500 (Previous year 2,500) equity shares of Rs. 10 each fully paid up in The Saraswat Co-operative Bank Limited	<b>25,000</b>	25,000
<b>Sub total (A)</b>	<b>25,000</b>	25,000
<b>In subsidiary companies:</b>		
<b>Trade, unquoted, fully paid up (valued at cost unless stated otherwise)</b>		
(i) Investment in R Systems (Singapore) Pte. Ltd. 4,070,000 (Previous year 4,070,000) ordinary shares of "no par" value	<b>104,173,570</b>	104,173,570
(ii) Investment in R Systems, Inc, USA 2,000 (Previous year 2,000) shares of "no par" value	<b>223,358,532</b>	223,358,532
(iii) Investment in Indus Software Inc., USA 243,750 (Previous year 243,750) common stock of US\$1 each fully paid up Less: Provision for diminution in the value of investment	<b>10,785,738</b> <b>(10,784,738)</b>	10,785,738 1,000
(iv) Investment in ECnet Limited, Singapore [also refer note 30 (a)] 17,651,502 (Previous year 17,651,502) ordinary shares of "no par" value 38,306,451 (Previous year 38,306,451) ordinary shares of "no par" value	<b>34,938,958</b> -	34,938,958 -



Particulars	As at December 31, 2013 (Rs.)	As at December 31, 2012 (Rs.)	
7,933,307 (Previous year 1,260,081) ordinary shares of "no par" value	<b>36,332,962</b>	5,525,000	
Less: Adjustment with securities premium as per order of High Court	<b>(24,495,721)</b>	(24,495,721)	
	<b>46,776,199</b>	15,968,237	
Less: Amounts adjusted on settlement of liabilities towards certain erstwhile shareholders	<b>(10,442,237)</b>	(10,442,237)	
Less: Provision for diminution in the value of investment	<b>(5,525,000)</b>	(5,525,000)	1,000
(v) Investment in R Systems Solutions, Inc, USA			
8,666,884 (Previous year 8,666,884) Series A convertible preferred stock of "no par" value	<b>128,825,090</b>	128,825,090	
10,335,833 (Previous year 10,335,833) common stock of "no par" value			
6,000,000 (Previous year 1,000,000) common stock of "no par" value	<b>57,266,375</b>	43,852,500	
	<b>186,091,465</b>	172,677,590	
Less: Provision for diminution in the value of investment	<b>(172,676,590)</b>	(172,676,590)	1,000
(vi) Investment in R Systems NV, Belgium [also refer note 30 (e)]			
Nil (Previous year 200) shares of Euro 310 each fully paid up	-	3,471,640	
Less: Provision for diminution in the value of investment	-	(3,036,745)	434,895
(vii) Investment in R Systems Europe B.V., Netherlands			
3,170 (Previous year 3,170) ordinary shares of Euro 100 each fully paid up	<b>42,053,275</b>	42,053,275	
Less: Provision for diminution in the value of investment	<b>(42,052,275)</b>	(42,052,275)	1,000
(viii) Investment in R Systems S.A.S., France			
10,000 (Previous year 10,000) ordinary shares of Euro 15.24 each fully paid up	<b>32,593,766</b>	32,593,766	
Less: Provision for diminution in the value of investment	<b>(32,592,766)</b>	(32,592,766)	1,000
(ix) Investment in Computaris International Limited, UK [also refer note 30 (c)]			
80,000 (Previous year 80,000) ordinary shares of GBP 0.01 each fully paid up			439,022,226
(x) Investment in Systemes R. International Ltee, Canada			
200 (Previous year Nil) ordinary shares of CAD 1 each fully paid up	<b>11,636</b>		-
<b>Sub total (B)</b>	<b>793,583,140</b>	766,994,223	
<b>Total (A+B)</b>	<b>793,608,140</b>	767,019,223	
Aggregate amount of unquoted investments (net of provision)	<b>793,608,140</b>	767,019,223	
Aggregate provision for diminution in value of investments	<b>263,631,369</b>	266,668,114	

## 11.2 Current investments

Particulars	As at December 31, 2013 (Rs.)	As at December 31, 2012 (Rs.)
<b>Non-trade, quoted (valued at cost or fair value, which ever is lower)</b>		
Investment in SBI Debt Fund [1,000,000 units (Previous year Nil) of Rs. 10 each ]	<b>10,000,000</b>	-
<b>Total</b>	<b>10,000,000</b>	-

Aggregate amount of quoted investments [Market value of Rs. 10,711,500 (Previous year Rs. Nil)]

## 12. Deferred tax assets (net)

Particulars	As at December 31, 2013 (Rs.)	As at December 31, 2012 (Rs.)
<b>Deferred tax assets</b>		
Provision for gratuity	<b>27,676,089</b>	25,353,698
Provision for compensated absences	<b>24,246,363</b>	21,518,812
Provision for doubtful debts and advances	<b>25,819,791</b>	24,881,246
Other timing differences	<b>7,519,438</b>	8,737,840
<b>Gross deferred tax assets</b>	<b>85,261,681</b>	80,491,596
<b>Deferred tax liability</b>		
Differences in depreciation / amortisation and other differences in block of fixed assets as per tax books and financial books	<b>33,882,414</b>	31,700,305
<b>Gross deferred tax liability</b>	<b>33,882,414</b>	31,700,305
<b>Deferred tax assets (net)</b>	<b>51,379,267</b>	48,791,291

**13. Loans and advances**

Particulars	Non-current		Current	
	As at December 31, 2013 (Rs.)	As at December 31, 2012 (Rs.)	As at December 31, 2013 (Rs.)	As at December 31, 2012 (Rs.)
<b>Capital advances</b>				
Unsecured, considered good	218,400	1,515,815		
<b>Sub total (A)</b>	<b>218,400</b>	<b>1,515,815</b>		
<b>Advances recoverable in cash or in kind or for value to be received</b>				
Unsecured, considered good	14,686,651	1,373,732	44,407,292	31,722,357
Unsecured, considered doubtful	-	-	-	48,661
	<b>14,686,651</b>	<b>1,373,732</b>	<b>44,407,292</b>	<b>31,771,018</b>
Provision for doubtful advances	-	-	-	(48,661)
<b>Sub total (B)</b>	<b>14,686,651</b>	<b>1,373,732</b>	<b>44,407,292</b>	<b>31,722,357</b>
<b>Loans and advances to related parties</b>				
Unsecured, considered good				
Advance recoverable from subsidiaries:				
R Systems, Inc., USA			3,196,530	3,119,202
R Systems Solutions, Inc., USA			133,993	58,059
R Systems (Singapore) Pte Ltd, Singapore			-	108,743
R Systems Europe B.V., Netherlands			3,582	-
Computaris International Limited, U.K.			-	23,628
<b>Sub total (C)</b>			<b>3,334,105</b>	<b>3,309,632</b>
<b>Security deposits</b>				
Unsecured, considered good	16,441,395	16,778,349	1,736,554	1,136,660
Unsecured, considered doubtful	-	-	3,000,000	3,000,000
	<b>16,441,395</b>	<b>16,778,349</b>	<b>4,736,554</b>	<b>4,136,660</b>
Provision for doubtful advances	-	-	(3,000,000)	(3,000,000)
<b>Sub total (D)</b>	<b>16,441,395</b>	<b>16,778,349</b>	<b>1,736,554</b>	<b>1,136,660</b>
<b>Other loans and advances</b>				
Unsecured, considered good				
MAT credit entitlement	4,486,620	37,705,072		
Mark-to-market losses on derivative instruments (also refer note 34)	-	-	-	5,814,261
Balances with customs, excise, etc.	-	-	18,386,078	1,465,849
Advance fringe benefit tax [net of provisions amounting to Rs. 7,082,336 (Previous year Rs. 7,082,336)]	167,664	167,664	-	-
Advance income taxes [net of provisions amounting to Rs. 248,851,867 (Previous year Rs. 190,739,986)]	32,607,921	31,943,012	-	-
<b>Sub total (E)</b>	<b>37,262,205</b>	<b>69,815,748</b>	<b>18,386,078</b>	<b>7,280,110</b>
<b>Total (A+B+C+D+E)</b>	<b>68,608,651</b>	<b>89,483,644</b>	<b>67,864,029</b>	<b>43,448,759</b>

## 14. Trade receivables and other assets

### 14.1 Trade receivables

Particulars	Current	
	As at December 31, 2013 (Rs.)	As at December 31, 2012 (Rs.)
<b>Outstanding for a period exceeding six months from the date they are due for payment</b>		
Unsecured, considered good	11,399,437	9,689,149
Unsecured, considered doubtful	67,026,041	67,003,763
	<b>78,425,478</b>	76,692,912
Provision for doubtful receivables	(67,026,041)	(67,003,763)
<b>Sub total (A)</b>	<b>11,399,437</b>	9,689,149
<b>Other receivables</b>		
Unsecured, considered good	568,126,300	453,177,005
Unsecured, considered doubtful	1,598,854	4,000,909
	<b>569,725,154</b>	457,177,914
Provision for doubtful receivables	(1,598,854)	(4,000,909)
<b>Sub total (B)</b>	<b>568,126,300</b>	453,177,005
<b>Total (A+B)</b>	<b>579,525,737</b>	462,866,154

#### Trade receivables include:

Particulars	As at December 31, 2013 (Rs.)	As at December 31, 2012 (Rs.)
From subsidiary companies		
R Systems, Inc., USA	6,696,223	4,176,280
ECnet Limited, Singapore	12,929,108	16,993,095
Computaris International Limited, U.K.	5,380,822	3,692,895
R Systems (Singapore) Pte. Ltd., Singapore	-	342,306
R Systems Europe B.V., Netherlands	667,884	461,847

### 14.2 Other assets

Particulars	Non-current		Current	
	As at December 31, 2013 (Rs.)	As at December 31, 2012 (Rs.)	As at December 31, 2013 (Rs.)	As at December 31, 2012 (Rs.)
Non-current bank balances (also refer note 15)	74,140,771	65,869,014		
Interest accrued on deposits	5,569,065	5,462,395	2,094,922	7,215,668
Interest accrued on staff advances	-	-	22,615	59,004
Unbilled revenues	-	-	110,788,363	56,292,218
<b>Total</b>	<b>79,709,836</b>	71,331,409	<b>112,905,900</b>	63,566,890

**15. Cash and bank balances**

Particulars	Non-current		Current	
	As at December 31, 2013 (Rs.)	As at December 31, 2012 (Rs.)	As at December 31, 2013 (Rs.)	As at December 31, 2012 (Rs.)
<b>Cash and cash equivalents</b>				
Cash on hand			357,431	162,599
Cheques on hand			1,100,000	-
Balances with scheduled banks:				
On current accounts			21,559,285	12,881,205
On cash credit / overdraft accounts			-	97,958
On EEFC accounts			84,518,551	46,393,575
On deposit accounts with original maturity of less than 3 months			69,400,000	123,300,000
On unclaimed dividend			1,559,375	1,193,738
Balance with other banks:				
On current account with California Bank & Trust			42,488,096	72,128,880
On current account with ABN Amro Bank N.V., Netherlands			-	1,026,181
On current account with Sumitomo Mitusi Banking Corporation			1,233,428	564,032
			<b>222,216,166</b>	<b>257,748,168</b>
<b>Other bank balances</b>				
Deposits with original maturity for more than 12 months			99,800,000	185,709,600
Deposits with original maturity for more than 3 months but less than 12 months			119,541,851	104,704,000
Margin money deposits (refer detail below)	74,140,771	65,869,014		
	<b>74,140,771</b>	<b>65,869,014</b>	<b>219,341,851</b>	<b>290,413,600</b>
Amount disclosed under non-current assets (also refer note 14.2)	(74,140,771)	(65,869,014)		
<b>Total</b>	<b>-</b>	<b>-</b>	<b>441,558,017</b>	<b>548,161,768</b>

**Detail of margin money deposits**

Particulars	As at December 31, 2013 (Rs.)	As at December 31, 2012 (Rs.)
Margin money deposits against performance guarantees	33,283,359	28,284,350
Margin money deposits against credit / derivative facilities	40,857,412	37,584,664
<b>Total</b>	<b>74,140,771</b>	<b>65,869,014</b>

**16. Revenue from operations**

Particulars	For the year ended December 31, 2013 (Rs.)	For the year ended December 31, 2012 (Rs.)
Sales of services *	2,695,221,595	2,265,972,254
Sale of third party hardware and software	2,812,196	23,300,842
<b>Total</b>	<b>2,698,033,791</b>	<b>2,289,273,096</b>

\* includes revenue from Information technology services Rs. 2,353,588,462 (Previous year Rs. 1,967,149,769) and Business process outsourcing services Rs. 341,633,133 (Previous year Rs. 298,822,485)

## 17. Other income

Particulars	For the year ended December 31, 2013 (Rs.)	For the year ended December 31, 2012 (Rs.)
Interest income on bank deposits	38,504,734	40,126,671
Excess provisions written back	878,517	159,590
Miscellaneous income	2,303,631	1,929,049
<b>Total</b>	<b>41,686,882</b>	<b>42,215,310</b>

## 18. Employee benefits expense

Particulars	For the year ended December 31, 2013 (Rs.)	For the year ended December 31, 2012 (Rs.)
Salaries, wages and bonus	1,515,260,317	1,401,271,990
Gratuity (also refer note 33)	10,648,701	22,700,216
Contribution to provident fund and ESI	49,375,004	47,982,995
Staff welfare expenses	26,759,684	24,195,940
<b>Total</b>	<b>1,602,043,706</b>	<b>1,496,151,141</b>

## 19. Operational and other expenses

Particulars	For the year ended December 31, 2013 (Rs.)	For the year ended December 31, 2012 (Rs.)
Power and fuel	47,560,254	40,551,024
Rent - premises	33,308,882	32,980,238
Rent - equipments	2,106,895	2,050,117
Rates and taxes	1,760,361	1,793,141
Insurance	5,798,488	5,553,298
Repair and maintenance		
- Buildings	2,062,882	1,809,025
- Others	56,717,652	47,245,075
Advertising and sales promotion	8,555,609	9,360,406
Commission - others	5,632,997	9,542,907
Traveling and conveyance	217,073,061	190,608,313
Communication costs	50,654,260	46,621,906
Printing and stationery	3,373,701	1,913,071
Legal and professional fees	55,852,276	48,386,108
Cost of third party hardware and software	1,620,874	17,961,512
Directors' sitting fee	435,000	570,000
Auditors' remuneration (refer detail below)	5,592,200	5,177,555
Foreign exchange fluctuation (net)	6,765,948	(39,977,733)
Provision for doubtful debts (net)	7,425,323	23,810,629
Provision for doubtful advances (net)	7,533,620	(13,133,412)
Bad debts and advances written off [net of Rs. 12,942,600 (previous year Rs. 73,255,191) utilisation from provision for doubtful debts and advances ]	2,146	18,783
Loss on sale / discard of fixed assets (net)	3,018,743	1,363,574
Recruitment and training expenses	4,573,138	7,384,751
Security expenses	7,245,196	6,164,569
Membership and subscription	8,544,163	5,354,503
Loss on liquidation of subsidiary [also refer note 30 (e)]	211,233	-
Provision for diminution in value of long term investments	-	6,711,440
Miscellaneous expenses	2,160,151	3,120,622
<b>Total</b>	<b>545,585,053</b>	<b>462,941,422</b>

### Note:

Figures in brackets represent gain / write back.

**Detail of auditors remuneration**

Particulars	For the year ended December 31, 2013 (Rs.)	For the year ended December 31, 2012 (Rs.)
As auditor:		
- Audit fee		
- Statutory audit fee	1,507,500	1,350,000
- Quarterly audit fee	2,070,000	1,950,000
- Limited Review	555,000	525,000
- Out-of-pocket expenses	304,700	302,555
In other capacity:		
- Certification	880,000	800,000
- Other services	275,000	250,000
<b>Total</b>	<b>5,592,200</b>	<b>5,177,555</b>

**20. Depreciation and amortisation expense**

Particulars	For the year ended December 31, 2013 (Rs.)	For the year ended December 31, 2012 (Rs.)
Depreciation on tangible assets	34,738,740	42,333,189
Amortisation on intangible assets	13,068,950	20,067,638
<b>Total</b>	<b>47,807,690</b>	<b>62,400,827</b>

**21. Finance costs**

Particulars	For the year ended December 31, 2013 (Rs.)	For the year ended December 31, 2012 (Rs.)
Interest on loans	680,810	680,937
Bank charges	2,115,944	2,053,313
<b>Total</b>	<b>2,796,754</b>	<b>2,734,250</b>

**22. Segment information**

*Business segments:*

The Company considers business segment as the basis for primary segmental reporting. The Company is organised into two business segments – Information technology services and products and Business process outsourcing services. Costs and expenses which cannot be allocated to any business segment are reflected in the column ‘corporate and others’. Segments have been identified and reported based on the nature of the services, the risks and returns, the organisation structure and the internal financial reporting system.

*Geographical segments:*

The Company reports secondary segment information on the basis of the geographical location of the customers / assets. Although the Company’s major operating divisions are managed on a worldwide basis, they operate in five principal geographical areas of the world which are: India, United States of America, South East Asian countries, Europe and Other areas.

The following table provides required information for the primary segments for the year ended December 31, 2013 and December 31, 2012:

Particulars	Information technology services and products		Business process outsourcing services		Corporate and others		Total	
	Year ended December 31,		Year ended December 31,		Year ended December 31,		Year ended December 31,	
	2013	2012	2013	2012	2013	2012	2013	2012
<b>REVENUE</b>								
External sales	2,356,400,658	1,990,450,611	341,633,133	298,822,485	-	-	2,698,033,791	2,289,273,096
<b>Total revenue</b>	<b>2,356,400,658</b>	<b>1,990,450,611</b>	<b>341,633,133</b>	<b>298,822,485</b>	<b>-</b>	<b>-</b>	<b>2,698,033,791</b>	<b>2,289,273,096</b>
<b>RESULT</b>								
Segment result	490,389,126	267,509,209	62,994,112	40,220,024	(49,719,692)	(39,914,201)	553,383,238	307,729,233
Unallocated corporate expenses							(49,719,692)	(39,914,201)
<b>Operating profit</b>							<b>503,663,546</b>	<b>267,815,032</b>
Interest expenses					(680,810)	(680,937)	(680,810)	(680,937)
Interest income					38,504,734	40,126,671	38,504,734	40,126,671
Income taxes expense					(175,965,474)	(101,983,757)	(175,965,474)	(101,983,757)
<b>Net profit</b>							<b>365,521,996</b>	<b>205,277,009</b>

The following table provides required information for the primary segments as at December 31, 2013 and December 31, 2012:

Particulars	Information technology services and products		Business process outsourcing services		Eliminations		Corporate and others		Total	
	December 31,		December 31,		December 31,		December 31,		December 31,	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
<b>OTHER INFORMATION</b>										
Segment assets	1,993,178,086	1,775,617,639	116,396,794	60,977,268	183,961,550	196,090,105			1,925,613,330	1,640,504,802
Unallocated corporate assets							536,973,123	640,188,307	536,973,123	640,188,307
Income tax assets							88,641,472	118,607,039	88,641,472	118,607,039
<b>Total assets</b>	<b>1,993,178,086</b>	<b>1,775,617,639</b>	<b>116,396,794</b>	<b>60,977,268</b>	<b>183,961,550</b>	<b>196,090,105</b>	<b>625,614,595</b>	<b>758,795,346</b>	<b>2,551,227,925</b>	<b>2,399,300,148</b>
Segment liabilities	432,150,919	410,371,285	208,232,463	214,815,501	183,961,550	196,090,105			456,421,832	429,096,681
Unallocated corporate liabilities							121,881,226	95,099,048	121,881,226	95,099,048
Income tax liabilities							92,385,759	72,720,162	92,385,759	72,720,162
<b>Total liabilities</b>	<b>432,150,919</b>	<b>410,371,285</b>	<b>208,232,463</b>	<b>214,815,501</b>	<b>183,961,550</b>	<b>196,090,105</b>	<b>214,266,985</b>	<b>167,819,210</b>	<b>670,688,817</b>	<b>596,915,891</b>
Capital expenditures	85,696,556	39,936,983	7,783,088	2,601,077					93,479,644	42,538,060
Depreciation and amortisation	44,185,028	54,662,523	3,622,662	7,738,304					47,807,690	62,400,827
Provision for diminution in the value of long-term investments	-	6,711,440	-	-					-	6,711,440
Other non-cash expenses	17,902,550	9,143,914	288,515	2,915,660					18,191,065	12,059,574



*Geographical segments:*

The Company reports secondary segment information on the basis of the geographical location of the customers / assets. The management views the domestic and export markets as distinct geographical segments.

The following is the distribution of the Company's revenue by geographical area in which customers are located:

	For the year ended December 31,	
	2013 (Rs.)	2012 (Rs.)
India	281,240,499	260,552,837
USA	1,615,899,967	1,355,007,908
South East Asia	122,413,253	143,688,771
Europe	521,364,731	330,925,649
Others	157,115,341	199,097,931
<b>Total</b>	<b>2,698,033,791</b>	<b>2,289,273,096</b>

Assets and additions to fixed assets by geographical area:

The following table shows the carrying amount of assets and additions to fixed assets (including capital advances) by geographical area in which assets are located:

	Carrying amount of assets as at December 31,		Additions to fixed assets for the year ended December 31,	
	2013 (Rs.)	2012 (Rs.)	2013 (Rs.)	2012 (Rs.)
India	1,146,836,625	1,105,188,009	92,944,119	42,237,985
USA	624,553,654	567,382,278	535,525	300,075
South East Asia	177,050,654	137,010,025	-	-
Europe	553,270,101	545,747,492	-	-
Others	49,516,891	43,972,344	-	-
<b>Total</b>	<b>2,551,227,925</b>	<b>2,399,300,148</b>	<b>93,479,644</b>	<b>42,538,060</b>

### 23. Related Party Disclosures:

(i) Names of related parties:

Names of related parties where control exists:

<b>Subsidiaries</b>	<p>R Systems (Singapore) Pte Ltd, Singapore  R Systems, Inc., USA  Indus Software, Inc., USA  R Systems Solutions, Inc., USA  R Systems N.V., Belgium (liquidated on June 24, 2013)  R Systems Europe B.V., Netherlands  R Systems S.A.S., France  ECnet Ltd, Singapore  Computaris International Limited, U.K.  Systèmes R. International Ltée, Canada (date of incorporation October 29, 2012)</p>
	<p><b>Following are the subsidiaries of ECnet Ltd, Singapore</b></p> <ul style="list-style-type: none"> <li>• ECnet (M) Sdn Bhd, Malaysia</li> <li>• ECnet Systems (Thailand) Co. Ltd., Thailand</li> <li>• ECnet (Shanghai) Co. Ltd., People's Republic of China</li> <li>• ECnet (Hong Kong) Ltd., Hong Kong</li> <li>• ECnet, Inc., USA</li> <li>• ECnet Kabushiki Kaisha, Japan</li> </ul>
	<p><b>Following are the subsidiaries of Computaris International Limited, U.K.</b></p> <ul style="list-style-type: none"> <li>• Computaris Romania Srl, Romania</li> <li>• Computaris Polska sp z o.o., Poland</li> <li>• ICS Computaris International Srl, Moldova</li> <li>• Computaris Malaysia Sdn. Bhd., Malaysia</li> <li>• Computaris USA, Inc., USA</li> <li>• Computaris Limited, U.K. (liquidated on December 24, 2013)</li> </ul>
Names of other related parties with whom transactions have taken place during the year / period:	
Key management personnel (directors) and their relatives	<p>Satinder Singh Rekhi, Chairman and Managing Director  Lt. Gen. Baldev Singh (Retd.), President and Senior Executive Director  Raj Swaminathan, Director and Chief Operating Officer  Mandeep Singh Sodhi [related to Lt. Gen. Baldev Singh (Retd.)], Vice President – Sales</p>

(ii) Details of transactions with related parties for the year ended December 31, 2013 and December 31, 2012:

(Amount in Rs.)

	Year ended December 31,	
	2013	2012
<b>Information technology and BPO services rendered to</b>		
ECnet Ltd, Singapore	30,848,949	21,066,897
R Systems, Inc., USA	18,367,823	19,577,810
R Systems (Singapore) Pte Ltd, Singapore	-	287,434
R Systems Europe B.V., Netherlands	3,392,181	3,668,350
Systèmes R. International Ltée, Canada	5,701,830	-
Computaris International Limited, U.K.	9,653,699	4,769,281
<b>Total</b>	<b>67,964,482</b>	<b>49,369,772</b>
<b>Information technology received from</b>		
ECnet Ltd, Singapore	-	305,584
ECnet Systems (Thailand) Co. Ltd., Thailand	-	648,069
<b>Total</b>	<b>-</b>	<b>953,653</b>
<b>Telecommunication and other expenses paid to</b>		
R Systems Solutions, Inc., USA	-	1,949,892
<b>Travel and other expenses reimbursed to</b>		
ECnet Ltd, Singapore	1,493,340	1,906,655
R Systems, Inc., USA	57,101,659	51,449,190
R Systems (Singapore) Pte Ltd, Singapore	7,294,074	6,239,013
R Systems Europe B.V., Netherlands	-	324,610
ECnet Systems (Thailand) Co. Ltd., Thailand	-	26,038
<b>Total</b>	<b>65,889,073</b>	<b>59,945,506</b>
<b>Travel and other expenses paid by the Company on behalf of</b>		
ECnet Ltd, Singapore	2,780,280	1,120,246
ECnet (Shanghai) Co., Ltd	91,870	-
R Systems, Inc., USA	10,985,513	10,515,596
R Systems (Singapore) Pte Ltd, Singapore	730,089	53,665
R Systems Solutions, Inc., USA	1,215,176	353,416
R Systems Europe B.V., Netherlands	148,714	206,808
Computaris International Limited, U.K.	714,104	1,048,374
<b>Total</b>	<b>16,665,746</b>	<b>13,298,105</b>
<b>Reimbursement for purchase of assets from</b>		
R Systems, Inc., USA	168,070	792,425
ECnet Ltd, Singapore	-	22,238
<b>Total</b>	<b>168,070</b>	<b>814,663</b>
<b>Reimbursement for purchase of assets to</b>		
R Systems, Inc., USA	-	62,918
<b>Total</b>	<b>-</b>	<b>62,918</b>
<b>Assets returned, earlier obtained free of cost on returnable basis</b>		
R Systems, Inc., USA	-	663,463
<b>Total</b>	<b>-</b>	<b>663,463</b>
<b>Remuneration to key management personnel and their relatives</b>		
Satinder Singh Rekhi	25,292,405	17,844,292
Lt. Gen. Baldev Singh (Retd.)	5,921,889	5,149,445
Raj Swaminathan	6,392,954	5,679,795
Mandeep Singh Sodhi	25,212,198	19,503,471
<b>Total</b>	<b>62,819,446</b>	<b>48,177,003</b>
<b>Rent</b>		
Satinder Singh Rekhi	6,144,684	5,605,709

(Amount in Rs.)

Balance outstanding	As at December 31,	
	2013	2012
<b>Trade Receivables</b>		
ECnet Ltd, Singapore	12,929,108	16,993,095
R Systems, Inc., USA	6,696,223	4,176,280
R Systems (Singapore) Pte. Ltd, Singapore	-	342,306
R Systems Europe B.V., Netherlands	667,884	461,847
Computaris International Limited, UK	5,380,822	3,692,895
<b>Total</b>	<b>25,674,037</b>	<b>25,666,423</b>
<b>Short-term loans and advances</b>		
R Systems, Inc., USA	3,196,530	3,119,202
R Systems (Singapore) Pte Ltd, Singapore	-	108,743
R Systems Solutions, Inc., USA	133,993	58,059
R Systems Europe B.V., Netherlands	3,582	-
Computaris International Ltd., UK	-	23,628
<b>Total</b>	<b>3,334,105</b>	<b>3,309,632</b>
<b>Other current liabilities</b>		
ECnet Ltd, Singapore	263,376	953,321
R Systems, Inc., USA	14,663,309	16,344,292
R Systems (Singapore) Pte Ltd, Singapore	450,294	-
R Systems Europe B.V., Netherlands	-	36,805
<b>Total</b>	<b>15,376,979</b>	<b>17,334,418</b>
<b>Assets obtained free of cost on returnable basis</b>		
R Systems, Inc., USA	18,367,267	18,367,267
R Systems (Singapore) Pte Ltd, Singapore	137,241	137,241
<b>Total</b>	<b>18,504,508</b>	<b>18,504,508</b>
<b>Balance payable to key management personnel</b>		
Satinder Singh Rekhi	7,880,500	500,000
Lt. Gen. Baldev Singh (Retd.)	1,090,927	780,044
Raj Swaminathan	1,833,333	1,833,333
<b>Total</b>	<b>10,804,760</b>	<b>3,113,377</b>

**Note:**

Also refer note 25 (ii)

**24. Research & Development Expenditure**

The Company carries out its Research and Development activities at its Pune and Noida development centres. The details of expenditure are given below:

(Amount in Rs.)

Particulars	Year ended December 31,	
	2013	2012
(a) Net amount charged to Statement of Profit and Loss	93,039,843	67,451,261
(b) Amount capitalised as		
(i) Intangible assets (including under development)	15,892,023	9,834,492
(ii) Tangible assets	1,989,606	1,756,870

**25. Capital and other commitments**

	As at December 31, 2013 (Rs.)	As at December 31, 2012 (Rs.)
<b>(i) Capital commitments:</b>		
Estimated amount of unexecuted capital contracts (net of advances)	<b>5,658,248</b>	4,510,563

**(ii) Other commitments:**

The Company has undertaken to provide continual financial support to its following subsidiaries to enable such subsidiaries to meet its working capital and other financial requirements:

- (a) R Systems (Singapore) Pte Ltd, Singapore
- (b) R Systems, Inc., USA
- (c) Indus Software, Inc., USA
- (d) R Systems Solutions, Inc., USA
- (e) ECnet Ltd, Singapore
- (f) Computaris International Limited, U.K.

**26. Contingent liabilities:**

	As at December 31, 2013 (Rs.)	As at December 31, 2012 (Rs.)
Performance guarantees given to Department of Telecommunication for Domestic and International 'Other Service Provider' licenses	<b>20,000,000</b>	20,000,000
Performance bank guarantee issued to a customer	<b>6,138,000</b>	4,408,736
<b>Total</b>	<b>26,138,000</b>	24,408,736

**27. Operating Lease - Company as lessee**

The Company has operating lease for office premises. The future minimum payments required under non-cancelable operating lease at year-end are as follows:

	Year ended December 31, 2013 (Rs.)	Year ended December 31, 2012 (Rs.)
Lease payments for the year	<b>33,308,882</b>	32,902,422
Non-cancellable operating lease obligation:		
Not later than one year	<b>22,534,439</b>	31,336,529
Later than one year but not later than five years	<b>51,264,956</b>	73,165,410
Later than five years	<b>6,688,176</b>	6,688,176

The operating lease arrangements extend for a maximum of 9 years from their respective dates of inception. Some of the operating lease arrangements have price escalation clause at various periodic levels ranging from 0 to 5% includes option of renewal from 1 to 6 years and there are no restrictions imposed on lease arrangements.

## 28. Supplementary statutory information

### 28.1 (a) Directors' remuneration

Particulars	Year ended December 31, 2013 (Rs.)	Year ended December 31, 2012 (Rs.)
Salaries, wages and bonus	37,326,808	28,471,212
Contribution to provident fund	280,440	202,320
<b>Total</b>	<b>37,607,248</b>	<b>28,673,532</b>

**Note:**

As the future liability for gratuity and long term compensated absences is provided on an actuarial basis for the Company as a whole, the amount pertaining to the directors is not ascertainable and, therefore, not included above.

### 28.1 (b) Computation of net profit under Section 349 of the Companies Act, 1956 for calculation of managerial remuneration under Section 198 of the Companies Act, 1956.

(Amount in Rs.)			
Sl. No.	Particulars	Year ended December 31, 2013	Year ended December 31, 2012
	<b>Profit after tax and before appropriation</b>	<b>365,521,996</b>	205,277,009
	<b>Add:</b>		
(i)	Loss on fixed assets sold / discarded	3,018,743	1,363,574
(ii)	Provision for doubtful debts / advances	14,958,943	10,677,217
(iii)	Tax for the year	175,965,474	101,983,757
(iv)	Depreciation and amortisation as per books of accounts	47,807,690	62,400,827
(v)	Provision for diminution in value of long-term investments	-	6,711,440
(vi)	Loss on liquidation of subsidiary	211,233	-
	<b>Less:</b>		
(i)	Depreciation and amortisation as envisaged under Section 350 of the Companies Act*	47,807,690	62,400,827
	Net Profit as per Section 349 of the Companies Act, 1956	559,676,389	326,012,997
	<b>Add:</b>		
	Remuneration paid to the whole time directors	37,607,248	28,673,532
	<b>Net Profit for the purpose of managerial remuneration as per Section 198 of the Companies Act, 1956</b>	<b>597,283,637</b>	354,686,529
	Overall maximum remuneration to all managerial personnel at 10% of the net profits as calculated above	59,728,364	35,468,653
	Overall maximum remuneration to individual managerial personnel at 5% of the net profits as calculated above	29,864,182	17,734,326

\* The Company depreciates fixed assets based on estimated useful lives that are lower than those implicit in Schedule XIV of the Companies Act, 1956. Accordingly, the rates of depreciation used by the Company are higher or equal than the minimum prescribed under Schedule XIV.

### 28.1 (c) The remuneration paid during the year ended December 31, 2012, in excess of the limits specified in 28.1 (b) above has been approved by the Central Government.

**28.2 Earnings in foreign currency (on accrual basis)**

	Year ended December 31, 2013 (Rs.)	Year ended December 31, 2012 (Rs.)
Exports at F.O.B. Value (sale of product and services)	2,416,793,292	2,028,720,259
Reimbursement of travel, communication and other costs*	38,084,223	53,486,019
<b>Total</b>	<b>2,454,877,515</b>	<b>2,082,206,278</b>

\* Out of this Rs. 35,991,300 (previous year Rs. 42,892,076) is reimbursement for expenses which have been netted off from the respective expenses in the Statement of Profit and Loss and balance Rs. 2,092,923 (previous year Rs. 10,593,943) is reimbursement for purchase of fixed assets.

**28.3 Expenditure in foreign currency (on accrual basis)**

	Year ended December 31, 2013 (Rs.)	Year ended December 31, 2012 (Rs.)
Traveling and conveyance	164,496,225	144,499,175
Commission-others	5,964,635	9,527,464
Salaries, wages and bonus	148,961,444	144,753,550
Communication expenses	18,819,935	19,116,003
Income tax	17,936,096	-
Cost of third party hardware and software	246,144	16,725,656
Other miscellaneous expenses	41,971,404	43,063,396
<b>Total</b>	<b>398,395,883</b>	<b>377,685,244</b>

**28.4 Value of imports calculated on CIF basis**

	Year ended December 31, 2013 (Rs.)	Year ended December 31, 2012 (Rs.)
Capital goods	42,340,963	7,886,711
Equipments received free of cost on returnable basis	7,145,483	1,229,587
<b>Total</b>	<b>49,486,446</b>	<b>9,116,298</b>

**28.5 Remittance in foreign currency on account of dividend**

Sl. No.	Particulars	Number of non-resident shareholders	Number of equity shares	Amount remitted (Rs.)		Amount remitted (USD)	
				2013	2012	2013	2012
(a)	Final dividend for the year ended December 31, 2011	17	4,223,370	-	-	15,204,132	279,664
(b)	Interim dividend for the year ended December 31, 2012	17	4,223,370	-	-	67,573,920	1,186,757
(c)	Final Dividend for year ended December 31, 2012	14	4,179,987	31,349,903	566,906	-	-
(d)	First Interim dividend for the year ended December 31, 2013	14	4,179,987	10,449,968	169,780	-	-
(e)	Second Interim dividend for the year ended December 31, 2013	14	3,234,547	27,493,650	430,935	-	-

29. During the year ended December 31, 2006, Government of India has promulgated an Act namely The Micro, Small and Medium Enterprises Development Act, 2006 which comes into force with effect from October 2, 2006. As per the Act, the Company is required to identify the Micro, Small and Medium suppliers and pay interest to micro and small enterprises on overdue beyond the specified period irrespective of the terms agreed with the suppliers. For the purpose of identification of such suppliers, the Company has sent confirmations to all its suppliers. Based upon the confirmations received so far and the supplier profile available with the Company, the management believes that there are no dues to such suppliers.

Details of dues to Micro, Small and Medium Enterprises as per MSMED Act, 2006	As at December 31, 2013 (Rs.)	As at December 31, 2012 (Rs.)
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year	Nil	Nil
The amount of interest paid by the buyer in terms of Section 16 of the Micro Small and Medium Enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	Nil	Nil
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro Small and Medium Enterprise Development Act, 2006.	Nil	Nil
The amount of interest accrued and remaining unpaid at the end of each accounting year; and	Nil	Nil
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under Section 23 of the Micro Small and Medium Enterprise Development Act, 2006	Nil	Nil

30. (a) During earlier years, the Company had acquired 98.59% shares in ECnet Limited, a company incorporated in Singapore at a total consideration of Rs. 34,938,958. During the year ended December 31, 2005, the Company had based upon an order of High Court of Delhi written down the investment value to Rs. 10,443,237 and adjusted the write off of Rs. 24,495,721 against the Securities Premium Account as this had not been represented by available assets.

During the year ended December 31, 2007, the Company had settled the liabilities towards certain erstwhile shareholders. As a result thereof, the deferred payment compensation of Rs. 14,452,222 was released, as considered appropriate by the management. Out of above, Rs. 10,442,237 had been adjusted against the value of the investment. The reassessed amount payable Rs. 13,153,262 (reinstated as at December 31, 2013) [Previous year Rs. 12,117,859 (reinstated as at December 31, 2012)] is shown under 'Other current liabilities'.

- (b) As at December 31, 2013, the net worth of R Systems Singapore Pte. Limited and ECnet Limited is partially eroded. However the Company, based on future business plans of these subsidiaries does not consider the diminution in its investment value to be permanent.
- (c) During the year ended December 31, 2011, the Company had acquired 100% shares of Computaris International Limited, UK (Computaris) on January 26, 2011 for a maximum consideration of GBP 9 million out of which GBP 4.25 million was the initial payout and balance was based on earn outs as well as fulfillment of certain condition by the erstwhile shareholders of Computaris over the next two years.

During the year ended December 31, 2013, the management basis the settlement entered into with erstwhile shareholders of Computaris, has agreed the final consideration at Rs. 421,812,565 and accordingly adjusted the investments value by Rs. 17,209,661.

- (d) One of the step down subsidiaries i.e. Computaris Limited (a wholly owned dormant subsidiary of Computaris International Limited) has been liquidated as per applicable laws in United Kingdom and India on December 24, 2013.
- (e) During the year ended December 31, 2010, the Board of Directors of the Company and R Systems NV, Belgium (wholly owned subsidiary of the Company) had approved the liquidation of R Systems NV, Belgium subject to the required statutory and corporate approvals in India and Belgium. The above said liquidation has been completed on June 24, 2013, in compliance with the applicable laws of India and Belgium. Out of the investments value of Rs. 3,471,640, Rs. 223,662 has been received in the current year and balance Rs. 3,247,978 has been written off as loss on liquidation of a subsidiary by utilising Rs. 3,036,745 provision created in earlier years towards long term diminution, thus the net loss on liquidation of Rs. 211,233 is disclosed under operating expenses.



**31. (a) R Systems International Limited - Year 2004 Employee Stock Option Plan ('the plan')**

During the year 2004, the Company had instituted the plan for all eligible employees as specified in the rules in pursuance of the special resolution duly approved by the shareholders. The plan provides for the issuance of 997,500 options to eligible employees as recommended by the Compensation Committee constituted for this purpose.

The plan is administered by a Compensation Committee and exercise price is "1.60 times the book value of the share as per the audited balance sheet as on December 31, 2003 i.e. Rs. 42 per Share or 1.60 times of the book value as per immediate previous accounting year audited balance sheet rounded off to nearest rupee as on the date of exercise whichever is higher", till the time equity shares of the Company are not listed. Once the equity shares are listed, the exercise price is prevailing price or stock price i.e. the latest available closing price, prior to the date of the meeting of the Board of Directors in which options are granted / shares are issued, on the stock exchange on which the shares of the Company are listed.

During the year ended December 31, 2006, the Company had consolidated each of its five equity shares of Rs. 2 each into one equity share of Rs. 10 each and then issued 1:1 bonus share to each of the then existing shareholder (excluding the option holders) by utilisation of Securities Premium Account in terms of the provisions of Section 78 of the Companies Act, 1956. Considering these changes in the capital structure, the management had adjusted the number of options vesting to its employees and exercise price to preserve the benefits intended to be made available under the plan i.e. instead of five options of Rs. 2 per share, the employees entitlement had been adjusted to one option of Rs. 10 per share and instead of earlier exercise price of Rs. 42 per share for each Rs. 2 share, the exercise price had been accordingly adjusted to Rs. 105 per equity share. During the year ended December 31, 2008, the Company had obtained a legal opinion confirming that the adjustments undertaken to the number of options vesting to its employees and exercise price, pursuant to the consolidation and subsequent bonus issue during the year ended December 31, 2006, does not tantamount to modification and no additional benefit was offered to the existing option holders.

The vesting period is 4 years (25% in each year) commencing from the date of grant under the plan. The eligible employees have an option to exercise it over a period of 10 years from the date of grant under the plan. The movement in the options during the year ended December 31, 2013 and year ended December 31, 2012 is set out below:

	Year ended December 31, 2013 (Nos.)	Year ended December 31, 2012 (Nos.)
<u>At the beginning</u>		
- Grants outstanding under the plan (Rs. 10 per share)	<b>56,035</b>	61,925
- Grants pending determination by the Compensation Committee (Rs. 10 per share)	<b>88,630</b>	82,740
<u>During the year</u>		
- Options granted (Rs. 10 per share)	-	-
- Options exercised (Rs. 10 per share)	-	-
- Options lapsed or surrendered (Rs. 10 per share)	<b>4,495</b>	5,890
<u>At the end</u>		
- Grants outstanding under the plan (Rs. 10 per share)	<b>51,540</b>	56,035
- Grants pending determination by the Compensation Committee (Rs. 10 per share)	<b>93,125</b>	88,630

The weighted average remaining contractual life for the stock options as at December 31, 2013 is 9.10 months (Previous year 21.14 months).

**(b) Indus Software Employees Stock Option Plan – Year 2001 ('the plan'):**

Indus Software Private Limited ('Indus') had outstanding options aggregating 21,967 equity shares as on March 31, 2002, to be issued to the eligible employees under the Indus Software Employees Stock Option Plan – Year 2001 under various vesting periods as specified in the said Plan, duly approved by the erstwhile shareholders. Indus had established "Indus Software Employees Welfare Trust" ('the Indus Trust') to administer the plan, as approved by the members, for the benefits of the Company's employees and had provided an interest free loan of Rs. 3,382,792. Consequently, Indus had allotted 21,967 equity shares of Rs. 10 each at a premium of Rs. 144 per equity share to the Indus Trust to be further issued to the Indus' eligible employees on the exercise of the underlying options granted to them.

As a result of the merger of Indus with the Company, all employees had surrendered their options in favour of the Indus Trust to enable them to obtain options for shares in R Systems International Limited after the merger. Also, the Company had issued 206,822 equity

shares of Rs. 2 each at a premium of Rs. 113.42 per share to the Indus Trust in exchange of 21,967 equity shares of Indus, apropos to the agreed swap ratio. During the earlier years out of the said 206,822 shares 22,079 shares were issued to the employees on exercise of options.

The Company had consolidated each of its five equity shares of Rs. 2 each into one equity share of Rs. 10 each on January 30, 2006 and then issued 1:1 bonus share to each of the then existing shareholder by utilisation of Securities Premium Account in terms of the provisions of Section 78 of the Companies Act, 1956, consequently total number of shares issued are now 73,898 equity shares of Rs. 10 each. Accordingly an amount of Rs. 738,980 and Rs. 2,282,728 is shown as deduction from Issued, subscribed and paid-up capital and Securities Premium Account respectively as suggested by the "Guidance Note on Accounting for Employee Share-based Payments" issued by The Institute of Chartered Accountants of India.

The movement in the options (in equivalent number of shares of the Company) held by the Trust during the year ended December 31, 2013 and the year ended December 31, 2012 is set out below:

	Year ended December 31, 2013	Year ended December 31, 2012
	(Nos.)	(Nos.)
<u>At the beginning</u>		
- Grants outstanding under the plan (Rs. 10 per share)	-	-
- Grants pending determination by the Compensation Committee (Rs. 10 per share)	<b>73,898</b>	73,898
<u>During the year</u>		
- Options granted (Rs. 10 per share)	-	-
- Options exercised (Rs. 10 per share)	-	-
- Options lapsed or surrendered (Rs. 10 per share)	-	-
<u>At the end</u>		
- Grants outstanding under the plan (Rs. 10 per share)	-	-
- Grants pending determination by the Compensation Committee (Rs. 10 per share)	<b>73,898</b>	73,898

(c) R Systems International Limited – Year 2004 Employees Stock Option Plan ECnet ('the plan')

The Company had instituted the plan for all eligible employees in pursuance of the special resolution duly approved by the shareholders. The plan provides for the issuance of 1,000,000 options to eligible employees as recommended by the Compensation Committee constituted for this purpose.

The plan is administered by a Compensation Committee and exercise price is "book value of the share as per the audited balance sheet as on December 31, 2003 i.e. Rs. 26 or as on the date of exercise, the book value as per immediate previous accounting year audited balance sheet rounded off to nearest rupee whichever is higher" till the time equity shares of the Company are not listed. Once the equity shares are listed, the exercise price is prevailing price or stock price i.e. the latest available closing price, prior to the date of the meeting of the Board of Directors in which options are granted / shares are issued, on the stock exchange on which the shares of the Company are listed.

During the year ended December 31, 2006, the Company had consolidated each of its five equity shares of Rs. 2 each into one equity share of Rs. 10 each and then issued 1:1 bonus share to each of the then existing shareholder (excluding the option holders) by utilisation of Securities Premium Account in terms of the provisions of Section 78 of the Companies Act, 1956. Considering these changes in the capital structure, the management had adjusted the number of options vesting to its employees and exercise price to preserve the benefits intended to be made available under the plan i.e. instead of five options of Rs. 2 per share, the employees' entitlement had been adjusted to one option of Rs. 10 per share and instead of earlier exercise price of Rs. 26 per share for each Rs. 2 share, the exercise price had been accordingly adjusted to Rs. 65 per equity share. During the year ended December 31, 2008, the Company had obtained a legal opinion confirming that the adjustments undertaken to the number of options vesting to its employees and exercise price, pursuant to the consolidation and subsequent bonus issue during the year ended December 31, 2006, does not tantamount to modification and no additional benefit was offered to the existing option holders.

The vesting period is 4 years (40% in 1st year & 20% in 2nd, 3rd & 4th year) commencing from the date of grant under the plan. The eligible employees have an option to exercise it over a period of 10 years from the date of grant under the plan. The movement in the options during the year ended December 31, 2013 and year ended December 31, 2012 is set out below:

	Year ended December 31, 2013	Year ended December 31, 2012
	(Nos.)	(Nos.)
<u>At the beginning</u>		
- Grants outstanding under the plan (Rs. 10 per share)	<b>6,200</b>	6,800
- Grants pending determination by the Compensation Committee (Rs. 10 per share)	<b>123,841</b>	123,241
<u>During the year</u>		
- Options granted (Rs. 10 per share)	-	-
- Options exercised (Rs. 10 per share)	-	-
- Options lapsed or surrendered (Rs. 10 per share)	-	600
<u>At the end</u>		
- Grants outstanding under the plan (Rs. 10 per share)	<b>6,200</b>	6,200
- Grants pending determination by the Compensation Committee (Rs. 10 per share)	<b>123,841</b>	123,841

The weighted average remaining contractual life for the stock options as at December 31, 2013 is 8 months (Previous year 20 months).

**(d) R Systems International Limited Employee Stock Option Scheme 2007 ('the plan')**

During the year 2007, the Company had instituted the plan for all eligible employees as specified in the rules in pursuance of the special resolution duly approved by the shareholders. The plan provides for the issuance of 650,000 options to eligible employees as recommended by the Compensation Committee constituted for this purpose.

The plan is administered by a Compensation Committee and exercise price is Rs. 120.70 being the latest available closing price, prior to the date of the meeting of the Board of Directors / Compensation Committee held on July 11, 2007 in which options were granted, on the stock exchange on which the shares of the Company are listed. Accordingly, the intrinsic value of Employee Stock Option is taken as Rs. Nil.

The vesting period is 4 years (25% in each year) commencing from the date of grant under the plan. The eligible employees have an option to exercise it over a period of 10 years from the date of grant under the plan. The movement in the options during the year ended December 31, 2013 and year ended December 31, 2012 is set out below:

	Year ended December 31, 2013	Year ended December 31, 2012
	(Nos.)	(Nos.)
<u>At the beginning</u>		
- Grants outstanding under the plan (Rs. 10 per share)	<b>255,678</b>	475,000
- Grants pending determination by the Compensation Committee (Rs. 10 per share)	<b>190,500</b>	175,000
<u>During the year</u>		
- Options granted (Rs. 10 per share)	-	-
- Options exercised (Rs. 10 per share)	<b>144,750</b>	203,822
- Options lapsed or surrendered (Rs. 10 per share)	<b>6,000</b>	15,500
<u>At the end</u>		
- Grants outstanding under the plan (Rs. 10 per share)	<b>104,928</b>	255,678
- Grants pending determination by the Compensation Committee (Rs. 10 per share)	<b>196,500</b>	190,500

For options exercised during the period, the weighted average share price at the exercise date was Rs. 234.17 per share (Previous year Rs. 164.49)

The weighted average remaining contractual life for the stock options as at December 31, 2013 is 43 months (Previous year 55 months).

- (e)** For the purpose of valuation of the options granted before year ended December 31, 2004, the management obtained fair value of the options at the date of grant under respective schemes from a firm of Chartered Accountants to determine accounting impact, if any, of options granted over the periods. In the considered opinion of the valuer, the fair value of option determined using 'Black Scholes Valuation Model' under each of above schemes (except R Systems International Limited Employee Stock Option Scheme 2007 refer 31 (d) above) is "Nil" and thus no accounting thereof is required.

The assumptions used for the purpose of determination of fair value are stated below:

Assumptions	Unit	Scheme (a) *	Scheme (b) **	Scheme (c) ***	Comments by the valuer
Strike price	Rs.	42	154	26	
Current share price	Rs.	16	140	16	Taken on the basis of NAV and PECV method of valuation.
Expected option life	No. of Years	5	2.5	5	Being half of the maximum option life.
Volatility	%	1	0.5	1	In case of unlisted shares, the volatility may be taken as zero. Verma committee also recommends this.
Risk free return	%	7	11.3	7	Zero coupon rate estimated from trading government securities for a maturity corresponding to expected life of option - taken from sites of NSE and / or BSE.
Expected dividend Yield	%	-	15	-	Company has no set policy so dividend taken as zero. In case of Indus plan, as the dividend had been paid by the erstwhile company, it has been assumed at 15%.

\*: R Systems International Ltd. - Year 2004 Employee Stock Option Plan under which the price was based on Rs. 2 per share.

\*\* : Indus Software Employees Stock Option Plan - Year 2001 under which originally the price was based on Rs. 10 per share for 21,967 shares. As a result of amalgamation of Indus Software Private Limited into R Systems, R Systems had issued 206,822 equity shares of Rs. 2 each pursuant to the swap ratio approved by Hon'ble High Courts of Delhi and Mumbai.

\*\*\*: R Systems International Ltd. - Year 2004 Employee Stock Option Plan - ECnet under which the price was based on Rs. 2 per share.

The above information is based on Rs. 2 per share prior to consolidation of 5 equity shares of Rs. 2 each into one equity share of Rs. 10 each and subsequent allotment of bonus shares in the ratio of 1 : 1.

Further, for the purpose of valuation of the options granted during the year 2005 under R Systems International Limited- Year 2004 Employee Stock Option Plan, the management obtained fair value of the options at the date of grant from a firm of Chartered Accountants, to determine accounting impact, if any, of options granted. In the considered opinion of the valuer, the fair value of these option determined using 'Black Scholes Valuation Model' is "Nil" and thus no accounting thereof is required.

The assumptions used by the valuer for the purpose of determination of fair value are stated below:

Assumptions	Unit	Scheme	Comments by the valuer
Strike price	Rs.	42	
Current share price	Rs.	13.58	Taken on the basis of NAV and PECV method of valuation.
Expected option life	No. of Years	5	Being half of the maximum option life.
Volatility	%	1	In case of unlisted shares, the volatility may be taken as zero. Verma committee also recommends this.
Risk free return	%	7.42	Zero coupon rate estimated from trading government securities for a maturity corresponding to expected life of option - taken from sites of NSE.
Expected dividend Yield	%	-	Company has no set policy so dividend taken as zero.

The above information is based on Rs. 2 per share prior to consolidation of 5 equity shares of Rs. 2 each into one equity share of Rs. 10 each and subsequent allotment of bonus shares in the ratio of 1 : 1.

- (f) For the purpose of valuation of the options granted during the year ended December 31, 2007 under R Systems International Limited Employee Stock Option Scheme – 2007, the compensation cost relating to Employee Stock Options, calculated as per the intrinsic value method is Nil.

The management obtained fair value of the options at the date of grant from a firm of Chartered Accountants. In the considered opinion of the valuer, the fair value of these options determined using 'Black Scholes Valuation Model' is "Rs. 50.73" per option.

The assumptions used by the valuer for the purpose of determination of fair value are stated below:

Assumptions	Unit	Scheme	Comments by the valuer
Strike price	Rs.	120.70	
Current share price	Rs.	118.50	Price on the date of grant by Board of Directors i.e. closing price on July 11, 2007
Expected option life	No. of Years	4	Being the vesting period.
Volatility	%	44	On the basis of industry average.
Risk free return	%	7	Zero coupon rate estimated from trading government securities for a maturity corresponding to expected life of option – taken from sites of NSE.
Expected dividend Yield	%	0.86	Company has declared Dividends of 12% in the past. Assuming that it will continue declaring similar dividends in future.

In March 2005 the ICAI has issued a guidance note on "Accounting for Employees Share Based Payments" applicable to 'employee share based plan' the grant date in respect of which falls on or after April 1, 2005. The said guidance note requires the Proforma disclosures of the impact of the fair value method of accounting of employee stock compensation in the financial statements. Since the Company used the intrinsic value method the impact on the reported net profit and earnings per share by applying the fair value based method is as follows:

Particulars	(Amount in Rs.)	
	Year ended December 31, 2013	Year ended December 31, 2012
Profit after tax	<b>365,521,996</b>	205,277,009
Add: Intrinsic Value Compensation Cost	-	-
Less: Fair Value Compensation Cost*	-	-
<b>Adjusted Pro-forma Profit after tax</b>	<b>365,521,996</b>	205,277,009
<b>Earnings Per Share [also refer note 32 (b)]</b>		
<b>Basic [Nominal value of shares Re. 1 (Previous year: Re. 1)]</b>		
- As reported	<b>2.90</b>	1.65
- Pro-forma	<b>2.90</b>	1.65
<b>Diluted [Nominal value of shares Re. 1 (Previous year: Re. 1)]</b>		
- As reported	<b>2.90</b>	1.65
- Pro-forma	<b>2.90</b>	1.65

\*All granted options have been vested during earlier years.

**32. (a) Earnings per share (EPS)**

Particulars	Year ended December 31, 2013	Year ended December 31, 2012
Net profit after tax (Rs.)	<b>365,521,996</b>	205,277,009
Weighted average number of equity shares for calculating Basic and Diluted EPS [also refer note 32 (b)]	<b>126,141,050</b>	124,380,640
Basic [Nominal value of shares Re. 1 (Previous year: Re. 1)] (Rs.)	<b>2.90</b>	1.65
Diluted [Nominal value of shares Re. 1 (Previous year: Re. 1)] (Rs.)	<b>2.90</b>	1.65

(b) Subsequent to the year end, on January 14, 2014, the shareholders of the Company, through postal ballot, approved the sub-division (stock split) of one equity share of face value of Rs. 10/- into ten equity shares of face value of Re. 1/- each fully paid up as recommended by the Board of Directors at their meeting held on November 29, 2013. The Board of Directors has fixed February 28, 2014 as the record date to give effect of the sub-division.

As at December 31, 2013, the sub-division has not been given effect in the disclosure pertaining to change in capital structure, terms / rights of shareholder and shareholding under note 3 "Share capital" and outstanding Employees stock options plans / scheme under note 31. However, for the purpose of computing Earnings Per Share for the current year and previous year, the effect of sub-division has been considered in accordance with the requirements of Accounting Standard - 20 "Earnings Per Share".

### 33. Post-employment benefits

The Company has funded defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on separation equal to 15 days salary (last drawn salary) for each completed year of continuous service or part thereof in excess of six months subject to a maximum of Rs. 1,000,000.

The following table summarises the components of net employee benefits expense recognised in the Statement of Profit and Loss.

Particulars	(Amount in Rs.)	
	Year ended December 31, 2013	Year ended December 31, 2012
Current service cost	14,079,885	12,078,032
Interest cost on benefit obligation	7,295,836	6,235,987
Expected return on plan assets	(195,282)	-
Net actuarial (gain) / loss recognised in the year	(10,531,738)	4,386,197
Net employee benefits expense (also refer note 18)	10,648,701	22,700,216
Actual return on plan assets	210,141	-

Details of defined benefit gratuity plan

Particulars	(Amount in Rs.)	
	As at December 31, 2013	As at December 31, 2012
Defined benefit obligation	81,424,215	78,143,622
Fair value of plan assets	4,549,747	-
Plan liability / (asset)	76,874,468	78,143,622

Changes in the present value of the defined benefit gratuity plan are as follows:

Particulars	(Amount in Rs.)	
	Year ended December 31, 2013	Year ended December 31, 2012
Opening defined benefit obligation	78,143,622	62,937,379
Interest cost	7,295,86	6,235,987
Current service cost	14,079,886	12,078,032
Benefits paid	(7,578,249)	(7,493,973)
Actuarial (gains) / losses on obligation	(10,516,880)	4,386,197
Closing defined benefit obligation	81,424,215	78,143,622

Changes in the fair value of plan assets are as follows:

Particulars	(Amount in Rs.)	
	Year ended December 31, 2013	Year ended December 31, 2012
Opening fair value of plan assets	-	-
Expected return	195,282	-
Contributions by the employer	5,000,000	-
Benefits paid	(660,394)	-
Actuarial gains / (losses) on obligation	14,859	-
Closing fair value of plan assets	4,549,747	-

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

Particulars	Year ended December 31, 2013	Year ended December 31, 2012
Investments with insurer	100%	-

The principal assumptions used in determining defined benefit gratuity plan obligations is shown below:

Particulars	Year ended December 31, 2013	Year ended December 31, 2012
Discount rate	9.25% p.a.	8.25% p.a.
Expected rate of return on plan assets	9.00% p.a.	Not applicable
Salary Escalation Rate	10% for 1st year & 7% thereafter	10% for 1st year & 7% thereafter
Attrition rate:	As per table below	As per table below

Attrition rate used for the year ended December 31, 2013 and year ended December 31, 2012 are as per the table below:

Age (Years)	Rates
Below Age 30	15%
Age 30 to 34	10%
Age 35 to 44	5%
Age 45 to 50	3%
Age 51 to 54	2%
Age above 54	1%

The estimates of future salary increases takes into account the inflation, seniority, promotion and other relevant factors.

Amounts for the current and previous four years are as follows:

	(Amount in Rs.)				
	Gratuity				
	December 31, 2013	December 31, 2012	December 31, 2011	December 31, 2010	December 31, 2009
Defined benefit obligation	81,424,215	78,143,622	62,937,379	57,825,653	42,199,151
Plan assets	4,549,747	-	-	-	-
Surplus / (deficit)	(76,874,468)	(78,143,622)	(62,937,379)	(57,825,653)	(42,199,151)
Experience (Gains)/ Losses adjustments on plan liabilities	(3,130,879)	2,63,983	1,934,614	(2,914,547)	(6,981,759)
Experience adjustments on plan assets	14,859	-	-	-	-

### 34. Particulars of Derivative Instruments and Unhedged Foreign Currency Exposure as at December 31, 2013 and December 31, 2012:

As of December 31, 2013, the Company had derivative financial instruments to sell USD 11,450,000 (Previous year USD 11,600,000), EURO 750,000 (Previous year EURO 400,000). The Company has not applied hedge accounting as these instruments do not qualify for hedge accounting. The Company has recognised mark-to-market loss of Rs. 22,918,617 (Previous year gain of Rs. 5,814,261) relating to such derivative financial instruments in the Statement of Profit and Loss for the year ended December 31, 2013.

The particulars of Unhedged Foreign Currency Exposure as at December 31, 2013 and December 31, 2012 are as below:

	Currency	Foreign Currency amount		Closing foreign exchange rate		Amount (Rs.)	
		December 31,		December 31,		December 31,	
		2013	2012	2013	2012	2013	2012
<b>Liabilities</b>							
Deferred compensation to erstwhile shareholders of subsidiaries	SGD	<b>269,285</b>	269,285	<b>48.85</b>	45.00	<b>13,153,262</b>	12,117,859
	GBP	-	233,000	-	88.87	-	20,706,710
Trade payables	USD	<b>845,758</b>	481,701	<b>61.81</b>	54.98	<b>52,272,064</b>	26,483,922
	EURO	-	15,719	-	72.46	-	1,138,922
	SGD	<b>14,611</b>	21,185	<b>48.85</b>	45.00	<b>713,671</b>	953,321
<b>Assets</b>							
Trade receivables (Gross)	USD	<b>6,910,926</b>	7,287,134	<b>61.81</b>	54.98	<b>427,129,807</b>	400,646,638
	EURO	<b>1,794,370</b>	653,607	<b>85.10</b>	72.46	<b>152,706,271</b>	47,357,123
	GBP	<b>111,344</b>	41,184	<b>102.14</b>	88.87	<b>11,372,676</b>	3,660,022
	JPY	-	882,000	-	0.64	-	562,716
	AUD	<b>4,000</b>	18,836	<b>55.09</b>	56.99	<b>220,350</b>	1,073,443
	CHF	<b>226,516</b>	178,944	<b>69.38</b>	59.99	<b>15,716,374</b>	10,734,851
	THB	-	1,761,706	-	1.80	-	3,162,262
	CAD	<b>14,877</b>	-	<b>58.05</b>	-	<b>863,647</b>	-
Bank balances	USD	<b>1,508,153</b>	2,113,245	<b>61.81</b>	54.98	<b>93,211,416</b>	116,186,232
	EURO	<b>266,125</b>	28,401	<b>85.10</b>	72.46	<b>22,648,033</b>	2,057,780
	GBP	-	798	-	88.87	-	70,924
	JPY	<b>2,094,105</b>	884,063	<b>0.59</b>	0.64	<b>1,233,428</b>	564,032
	CHF	<b>160,662</b>	21,747	<b>69.38</b>	59.99	<b>11,147,199</b>	1,304,625
Loans and advances	USD	<b>54,685</b>	57,789	<b>61.81</b>	54.98	<b>3,379,797</b>	3,177,261
	SGD	<b>24,000</b>	2,417	<b>48.85</b>	45.00	<b>1,172,280</b>	108,743
	GBP	-	266	-	88.87	-	23,628
	EURO	<b>42</b>	-	<b>85.10</b>	-	<b>3,582</b>	-

The below table shows the detail of different currencies:

Sl. No.	Currency Abbreviation	Name of Currency	Country
1	GBP	Great Britain Pound	United Kingdom
2	EURO	Euro	European Union
3	CHF	Swiss Franc	Switzerland
4	USD	US Dollar	United States
5	AUD	Australian dollar	Australia
6	SGD	Singapore Dollar	Singapore
7	THB	Thai Baht	Thailand
8	JPY	Japanese Yen	Japan
9	CAD	Canadian Dollar	Canada



**35. Cash and bank balances:**

Details of balances as on balance sheet dates:

			(Amount in Rs.)	
Sl. No.	Particulars	As at December 31, 2013	As at December 31, 2012	
	<b>Cash on hand (A)</b>	<b>357,431</b>	162,599	
	<b>Cheques on hand (B)</b>	<b>1,100,000</b>	-	
	<b>Balance with scheduled banks</b>			
	<b>On current accounts</b>			
1	ICICI Bank Limited	<b>3,180,957</b>	2,008,629	
2	HDFC Bank Limited	<b>495,419</b>	507,728	
3	Oriental Bank of Commerce	<b>48,979</b>	57,114	
4	Vijaya Bank	-	24,308	
5	State Bank of India	<b>4,994,389</b>	5,269,068	
6	Axis Bank Limited	<b>12,305,527</b>	4,704,981	
7	State Bank of Bikaner & Jaipur	<b>99,653</b>	30,591	
8	Kotak Mahindra Bank Limited	<b>116,117</b>	70,831	
9	The Ratnakar Bank Limited (formerly known as ABN Amro Bank N.V.)	<b>318,244</b>	207,955	
	<b>Total (C)</b>	<b>21,559,285</b>	12,881,205	
	<b>On cash credit / overdraft accounts*</b>			
1	State Bank of Bikaner & Jaipur	-	1,386	
2	Axis Bank Limited	-	96,572	
	<b>Total (D)</b>	-	97,958	
	<b>On EEFC accounts</b>			
1	ICICI Bank Limited- USD	<b>1,443,510</b>	1,264,468	
2	State Bank of India - USD	<b>1,061,243</b>	827,140	
3	Axis Bank Limited-USD	<b>48,218,566</b>	41,965,743	
4	Axis Bank Limited-EURO	<b>22,648,033</b>	1,031,599	
5	Axis Bank Limited-CHF	<b>11,147,199</b>	1,304,625	
	<b>Total (E)</b>	<b>84,518,551</b>	46,393,575	
	<b>On deposit accounts</b>			
1	Oriental Bank of Commerce	<b>15,006,473</b>	-	
2	Vijaya Bank	-	4,114,074	
3	State Bank of India	<b>12,976,807</b>	101,196,120	
4	ICICI Bank Limited	<b>2,201,324</b>	108,922,350	
5	State Bank of Bikaner & Jaipur	<b>88,850,000</b>	55,850,000	
6	Axis Bank Limited	<b>220,909,163</b>	159,823,511	
7	Kotak Mahindra Bank Limited	<b>22,938,855</b>	49,600,000	
8	Canara Bank	-	76,559	
	<b>Total (F)</b>	<b>362,882,622</b>	479,582,614	
	<b>On unclaimed dividend accounts</b>			
1	HDFC Bank Limited	<b>1,404,250</b>	1,193,738	
2	Kotak Mahindra Bank Limited	<b>155,125</b>	-	
	<b>Total (G)</b>	<b>1,559,375</b>	1,193,738	

(Amount in Rs.)

Sl. No.	Particulars	As at December 31, 2013	As at December 31, 2012
<b>Balance with other banks</b>			
<b>On current accounts</b>			
1	ABN Amro Bank N.V., Netherlands	-	1,026,181
2	California Bank & Trust, USA	<b>42,488,096</b>	72,128,880
3	Sumitomo Mitsui Banking Corporation, Japan	<b>1,233,428</b>	564,032
<b>Total (H)</b>		<b>43,721,524</b>	73,719,093
<b>Less: Amount disclosed under other non- current assets (also refer note 14.2)</b>		<b>(74,140,771)</b>	(65,869,014)
<b>Total cash and bank balances (also refer note 15)</b>		<b>441,558,017</b>	548,161,768

\* Cash credit limit / Bank guarantee / Loan equivalent risk / Letter of credit is secured by first charge by way of hypothecation of entire current assets and collateral over an immovable property situated in Noida.

36. Previous year figures have been regrouped / reclassified where necessary to make them comparable to the current year classification.

As per our report of even date.

**For S.R. Batliboi & Co. LLP** For and on behalf of the Board of Directors of R Systems International Limited

**ICAI Firm registration**

**number: 301003E**

Chartered Accountants

<b>Sd/-</b> <b>per Yogender Seth</b> Partner Membership No. 94524 Place : NOIDA Date : February 07, 2014	<b>Sd/-</b> <b>Satinder Singh Rekhi</b> [Chairman & Managing Director] Place : Singapore Date : February 07, 2014	<b>Sd/-</b> <b>Lt. Gen. Baldev Singh (Retd.)</b> [President & Senior Executive Director] Place : NOIDA Date : February 07, 2014	<b>Sd/-</b> <b>Raj Swaminathan</b> [Director & Chief Operating Officer] Place : Pune Date : February 07, 2014	<b>Sd/-</b> <b>Nand Sardana</b> [Chief Financial Officer] Place : NOIDA Date : February 07, 2014	<b>Sd/-</b> <b>Vikash Kumar Tiwari</b> [Company Secretary & Compliance Officer] Place : NOIDA Date : February 07, 2014
---	--	--	--	--	---

**Statement Pursuant to Section 212 of the Companies Act, 1956, relating to Subsidiary Companies**

S. No.	Name of the Subsidiary	The financial year of the subsidiary ended on	Date from which it became Subsidiary Company	Shares held by the holding company in the subsidiary (including its nominees in the subsidiary)	Extent of interest of holding company at the end of the financial year of the Subsidiary Company	The net aggregate amount of the Subsidiary Company Profit/(Loss) so far as it concerns the members of the Holding Company		
						Not dealt with in the Holding Company's accounts	For the financial year ended December 31, 2013	For the previous financial year of the Subsidiary Company since it became the Holding Company's Subsidiary
1	R Systems (Singapore) Pte Limited, Singapore	December 31, 2013	September 19, 2000	4,070,000 ordinary shares of no par value	100.00%	Profit Rs. 4.17 mn	Loss Rs. 1453 mn	NIL
2	R Systems, Inc. USA	December 31, 2013	January 2, 2001	2,000 common shares of no par value	100.00%	Profit Rs. 44.31 mn	Loss Rs. 9252 mn	NIL
3	Indus Software, Inc. USA	December 31, 2013	April 1, 2002	243,750 common shares of no par value	100.00%	Profit Rs. 1.14 mn	Loss Rs. 12.26 mn	NIL
4	R Systems Solutions, Inc. USA	December 31, 2013	August 24, 2006	16,335,883 common shares of no par value and 8,666,884 series A preferred stock of no par value	100.00%	Profit Rs. 18.71 mn	Loss Rs. 13,781 mn	NIL
5	R Systems NV, Belgium	Refer note 4	August 28, 2007	200 common shares of Euro 310 each	100.00%	Loss Rs. 0.35 mn	Loss Rs. 3.43 mn	NIL
6	R Systems Europe BV, Netherlands	December 31, 2013	January 23, 2008	3,170 ordinary shares of Euro 100 each	100.00%	Profit Rs. 46.25 mn	Profit Rs. 53.60 mn	NIL
7	R Systems S.A.S, France	December 31, 2013	January 23, 2008	10,000 ordinary shares of Euro 15.24 each	100.00%	Loss Rs. 4.96 mn	Profit Rs. 12.55 mn	NIL
8	ECnet Limited, Singapore <sup>(1)</sup>	December 31, 2013	January 8, 2004	99.75% of 92,103,530 ordinary shares of no par value	99.75%	Profit Rs. 2.14 mn	Loss Rs. 24530 mn	NIL
9	ECnet (M) Sdn. Bhd., Malaysia <sup>(2)</sup>	December 31, 2013	January 8, 2004	99.75% of 500,000 ordinary shares of RM 1 each	99.75%	Profit Rs. 0.44 mn	Profit Rs. 17.26 mn	NIL
10	ECnet, Inc., USA <sup>(2)</sup>	December 31, 2013	January 8, 2004	99.75% of 1,000 shares of US\$ 2 each	99.75%	Loss Rs. 0.02 mn	Profit Rs. 0.15 mn	NIL
11	ECnet (Hong Kong) Limited, Hong Kong <sup>(2)</sup>	December 31, 2013	January 8, 2004	99.75% of 2 ordinary shares of HK \$1 each	99.75%	Profit Rs. 1.83 mn	Profit Rs. 12.75 mn	NIL
12	ECnet Systems (Thailand) Co. Limited, Thailand <sup>(2)</sup>	December 31, 2013	January 8, 2004	99.75% of 400,000 ordinary shares of 5 THB each	99.75%	Loss Rs. 4.96 mn	Profit Rs. 3.53 mn	NIL
13	ECnet Kabushiki Kaisha, Japan <sup>(2)</sup>	December 31, 2013	January 8, 2004	99.75% of 200 shares of 50,000 Yen each	99.75%	Loss Rs. 7.80 mn	Profit Rs. 13.78 mn	NIL
14	ECnet (Shanghai) Co. Limited, China <sup>(2)</sup>	December 31, 2013	January 8, 2004	99.75% of shares of no par value	99.75%	Loss Rs. 2.54 mn	Loss Rs. 16.23 mn	NIL
15	Computaris International limited, UK <sup>(3)</sup>	December 31, 2013	January 26, 2011	80,000 shares of GBP 0.01 each	100.00%	Profit Rs. 3.50 mn	Loss Rs. 6.94 mn	NIL
16	Computaris limited, UK <sup>(3)</sup>	Refer note 5	January 26, 2011	80,000 shares of GBP 0.01 each	100.00%	NIL	NIL	NIL
17	Computaris Romania Srl, Romania <sup>(3)</sup>	December 31, 2013	January 26, 2011	100 shares of RON 16 each	100.00%	Profit Rs. 17.15 mn	Profit Rs. 24.02 mn	NIL
18	Computaris Polska sp. z o.o., Poland <sup>(3)</sup>	December 31, 2013	January 26, 2011	100 shares of PLN 500 each	100.00%	Profit Rs. 27.20 mn	Loss Rs. 9.35 mn	NIL
19	ICS Computaris International Srl, Moldova <sup>(3)</sup>	December 31, 2013	January 26, 2011	Shares of no par value	100.00%	Profit Rs. 10.31 mn	Profit Rs. 15.40 mn	NIL
20	Computaris Malaysia Sdn. Bhd., Malaysia <sup>(3)</sup>	December 31, 2013	January 26, 2011	1,000 ordinary shares of RM 1 each	100.00%	Loss Rs. 0.27 mn	Profit Rs. 0.49 mn	NIL
21	Computaris USA, Inc., USA <sup>(3)</sup>	December 31, 2013	January 26, 2011	100 shares of USD 1 each	100.00%	Loss Rs. 3.02 mn	Profit Rs. 2.65 mn	NIL
22	Systèmes R. International Ltée, Canada	December 31, 2013	October 29, 2012	200 common shares of CAD 1 each	100.00%	Loss Rs. 0.95 mn	Loss Rs. 0.30 mn	NIL

**Notes:**

- R Systems International Limited holds 69.37% directly in ECnet Limited, Singapore and 30.38% shares through its wholly owned subsidiary i.e. R Systems (Singapore) Pte Limited, Singapore and thus together it holds 99.75% of total capital of ECnet Limited, Singapore.
- Wholly owned subsidiary of ECnet Limited, Singapore which is the subsidiary of R Systems International Limited as explained in note no. 1.
- Wholly owned subsidiary of Computaris International Limited, United Kingdom, which is the wholly owned subsidiary of R Systems International Limited.
- R Systems NV, Belgium has been liquidated on June 24, 2013, in compliance with the applicable laws of India and Belgium and Rs. 0.22 mn has been received by R Systems International Limited on liquidation.
- Computaris Limited, UK has been liquidated on December 24, 2013, in compliance with the applicable laws of India and United Kingdom.

For and on behalf of the Board of Directors of R Systems International Limited

<b>Sd/-</b>	<b>Sd/-</b>	<b>Sd/-</b>	<b>Sd/-</b>
<b>Satinder Singh Rekhi</b>	<b>Lt. Gen. Baldev Singh (Retd.)</b>	<b>Raj Swaminathan</b>	<b>Vikash Kumar Tiwari</b>
[Chairman & Managing Director]	[President & Senior Executive Director]	[Director & Chief Operating Officer]	[Company Secretary & Compliance Officer]
Place : Singapore	Place : NOIDA	Place : Pune	Place : NOIDA
Date : February 07, 2014	Date : February 07, 2014	Date : February 07, 2014	Date : February 07, 2014



## INDEPENDENT AUDITOR'S REPORT

### To the Board of Directors of R Systems International Limited

We have audited the accompanying consolidated financial statements of R Systems International Limited ("the Company") and its subsidiaries, which comprise the consolidated Balance Sheet as at December 31, 2013, and the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Company as at December 31, 2013;
- (b) in the case of the consolidated Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

### Other Matter

We did not audit total assets, total revenue and cash flows included in the accompanying consolidated financial statements in respect of certain subsidiaries, whose financial statements and other financial information have been audited by other auditors and whose reports have been furnished to us.

- i. R Systems, Inc., USA, total assets of Rs. 303,426,604 as at December 31, 2013, the total revenues of Rs. 995,112,707 and cash inflows amounting to Rs. 61,471,066 for the year then ended.
- ii. Indus Software, Inc., USA, total assets of Rs. 3,776,717 as at December 31, 2013, the total revenue of NIL and cash outflows amounting to Rs. 6,236,624 for the year then ended.
- iii. R Systems Solutions, Inc., USA, total assets of Rs. 90,955,599 as at December 31, 2013, the total revenues of Rs. 307,751,157 and cash inflows amounting to Rs. 41,024,890 for the year then ended.
- iv. ECnet Limited and its subsidiaries, total assets of Rs. 145,022,768 as at December 31, 2013, the total revenues of Rs. 340,607,742 and cash inflows amounting to Rs. 9,659,589 for the year then ended.
- v. R System (Singapore) Pte Ltd., total assets of Rs. 50,767,122 as at December 31, 2013, the total revenues of Rs. 162,301,957 and cash outflows amounting to Rs. 135,381 for the year then ended.
- vi. R Systems S.A.S, total assets of Rs. 12,362,121 as at December 31, 2013 the total revenues of Rs. 5,010,287 and cash inflows amounting to Rs. 1,964,439 for the year then ended.

- vii. R Systems Europe B.V, total assets of Rs. 237,520,530 as at December 31, 2013 the total revenues of Rs. 493,304,096 and cash inflows amounting to Rs. 44,459,064 for the year then ended.
- viii. Computaris International Limited and its subsidiaries, total assets of Rs. 607,102,650 as at December 31, 2013 the total revenues of Rs. 1,019,023,599 and cash inflows amounting to Rs. 163,773,871 for the year then ended.
- ix. Systemes R. International Ltee, total assets of Rs. 2,128,116 as at December 31, 2013 the total revenues of Rs. 7,361,031 and cash inflows/outflows amounting to NIL for the year then ended.
- x. R Systems NV, (liquidated on June 24, 2013) total assets of Rs. Nil as at December 31, 2013 the total revenues of Rs. Nil and cash outflows amounting to Rs. 860,169 for the year then ended.

The financial statements of these Subsidiaries have been prepared in accordance with accounting policies generally accepted in their respective countries and have been audited by other auditors who

have submitted their audit opinions, prepared under generally accepted auditing standards of their respective countries, to the shareholders of the respective companies, copies of which have been provided to us by the Company. The management has converted these audited financial statements of the Company's subsidiaries to accounting principles generally accepted in India. Our opinion thus, in so far it relates to amounts included in respect of these subsidiaries, is based solely on the reports of the other auditors under the accounting policies generally accepted in respective countries and our audit of the conversion process followed by management. Our opinion is not qualified in respect of this matter.

**For S.R. Batliboi & Co. LLP**

ICAI Firm Registration Number: 301003E  
Chartered Accountants

**Sd/-**

**per Yogender Seth**

Partner

Membership Number: 94524

Place : NOIDA

Date : February 07, 2014

## CONSOLIDATED BALANCE SHEET as at December 31, 2013

	Notes	As at December 31, 2013 (Rs.)	As at December 31, 2012 (Rs.)
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital	3	125,915,600	124,468,100
Reserves and surplus	4	2,191,691,647	1,821,529,552
		<b>2,317,607,247</b>	1,945,997,652
<b>Minority Interest</b>	5	-	-
<b>Non-current liabilities</b>			
Long-term borrowings	6	8,806,690	3,446,849
Other long-term liabilities	7	4,378,566	7,285,213
Long-term provisions	8	73,437,567	71,241,150
		<b>86,622,823</b>	81,973,212
<b>Current liabilities</b>			
Trade payables	9	514,618,337	396,118,729
Other current liabilities	9	177,455,395	200,456,542
Short-term provisions	8	375,650,353	350,967,455
		<b>1,067,724,085</b>	947,542,726
<b>TOTAL</b>		<b>3,471,954,155</b>	2,975,513,590
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets			
Tangible assets	10	378,026,457	336,506,196
Intangible assets	11	70,842,330	38,245,597
Intangible assets under development		14,129,170	12,317,456
Goodwill on consolidation	28 (b)	291,111,050	273,996,695
Non-current investments	12.1	25,000	25,000
Deferred tax assets (net)	13	55,349,313	54,828,555
Long-term loans and advances	14	84,380,732	104,787,836
Other non-current assets	15.2	96,232,816	80,297,184
		<b>990,096,868</b>	901,004,519
<b>Current assets</b>			
Current investments	12.2	10,000,000	-
Trade receivables	15.1	1,040,933,738	980,632,592
Cash and bank balances	16	1,014,535,543	814,555,819
Short-term loans and advances	14	150,153,308	107,344,799
Other current assets	15.2	266,234,698	171,975,861
		<b>2,481,857,287</b>	2,074,509,071
<b>TOTAL</b>		<b>3,471,954,155</b>	2,975,513,590
Summary of significant accounting policies	1.1		

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date.

For **S.R. Batliboi & Co. LLP** For and on behalf of the Board of Directors of R Systems International Limited

**ICAI Firm registration  
number: 301003E**

Chartered Accountants

<b>Sd/-</b> <b>per Yogender Seth</b> Partner Membership No. 94524 Place: NOIDA Date : February 07, 2014	<b>Sd/-</b> <b>Satinder Singh Rekhi</b> [Chairman & Managing Director] Place : Singapore Date : February 07, 2014	<b>Sd/-</b> <b>Lt. Gen. Baldev Singh (Retd.)</b> [President & Senior Executive Director] Place: NOIDA Date : February 07, 2014	<b>Sd/-</b> <b>Raj Swaminathan</b> [Director & Chief Operating Officer] Place : Pune Date : February 07, 2014	<b>Sd/-</b> <b>Nand Sardana</b> [Chief Financial Officer] Place: NOIDA Date : February 07, 2014	<b>Sd/-</b> <b>Vikash Kumar Tiwari</b> [Company Secretary & Compliance Officer] Place: NOIDA Date : February 07, 2014
--	--	---	--	---	--

## CONSOLIDATED STATEMENT OF PROFIT AND LOSS for the year ended December 31, 2013

	Notes	For the year ended December 31, 2013 (Rs.)	For the year ended December 31, 2012 (Rs.)
<b>Income</b>			
Revenue from operations	17	5,960,541,885	4,650,088,224
Other income	18	47,148,578	50,044,482
<b>Total revenue</b>		<b>6,007,690,463</b>	<b>4,700,132,706</b>
<b>Expenses</b>			
Employee benefits expense	19	3,573,867,307	3,126,284,252
Operational and other expenses	20	1,606,377,710	1,177,669,920
Depreciation and amortisation expense	21	101,706,617	100,894,373
Finance costs	22	7,484,005	6,747,379
<b>Total expenses</b>		<b>5,289,435,639</b>	<b>4,411,595,924</b>
<b>Profit before tax</b>		<b>718,254,824</b>	<b>288,536,782</b>
<b>Tax expense</b>			
Current tax [Including tax Rs. Nil (Previous year Rs. 432,091) related to earlier years]		204,819,843	94,986,966
MAT credit entitlement (related to earlier years)		(12,321,134)	-
Deferred tax charge / (credit) [Including Rs. Nil (Previous year Rs. 4,278,188) related to earlier years]		(1,230,517)	9,929,972
<b>Total tax expense</b>		<b>191,268,192</b>	<b>104,916,938</b>
<b>Profit for the year</b>		<b>526,986,632</b>	<b>183,619,844</b>
<b>Earnings per equity share:</b>			
	30		
Basic [Nominal value of shares Re. 1 (Previous year: Re. 1)]		4.18	1.48
Diluted [Nominal value of shares Re. 1 (Previous year: Re. 1)]		4.18	1.48
Summary of significant accounting policies	1.1		

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date.

**For S.R. Batliboi & Co. LLP** For and on behalf of the Board of Directors of R Systems International Limited  
ICAI Firm registration number: 301003E  
Chartered Accountants

**Sd/-**  
**per Yogender Seth**  
Partner  
Membership No. 94524  
Place : NOIDA  
Date : February 07, 2014

**Sd/-**  
**Satinder Singh Rekhi**  
[Chairman & Managing Director]  
Place : Singapore  
Date : February 07, 2014

**Sd/-**  
**Lt. Gen. Baldev Singh (Retd.)**  
[President & Senior Executive Director]  
Place : NOIDA  
Date : February 07, 2014

**Sd/-**  
**Raj Swaminathan**  
[Director & Chief Operating Officer]  
Place : Pune  
Date : February 07, 2014

**Sd/-**  
**Nand Sardana**  
[Chief Financial Officer]  
Place : NOIDA  
Date : February 07, 2014

**Sd/-**  
**Vikash Kumar Tiwari**  
[Company Secretary & Compliance Officer]  
Place : NOIDA  
Date : February 07, 2014

## CONSOLIDATED CASH FLOW STATEMENT for the year ended December 31, 2013

	For the year ended December 31, 2013 (Rs.)	For the year ended December 31, 2012 (Rs.)
<b>A. Cash flow from operating activities</b>		
<b>Net profit before taxation</b>	<b>718,254,824</b>	288,536,782
Adjustments for:		
Depreciation and amortisation expense	<b>101,706,617</b>	100,894,376
Debts and advances provided / written off (net)	<b>34,104,433</b>	21,688,816
Loss on sale / discard of fixed assets (net)	<b>3,006,410</b>	1,363,574
Unrealised foreign exchange loss / (gain)	<b>(5,753,089)</b>	1,462,858
Unrealised loss / (gain) on derivative instruments	<b>28,732,878</b>	(61,757,808)
Interest income	<b>(40,346,189)</b>	(42,331,266)
Excess provisions written back	<b>(1,037,085)</b>	(2,044,562)
Interest on loans	<b>1,233,749</b>	860,332
<b>Operating profit before working capital changes</b>	<b>839,902,548</b>	308,673,102
Movements in working capital :		
(Increase) / Decrease in trade receivables	<b>(35,124,331)</b>	17,131,646
(Increase) / Decrease in other current assets	<b>(88,794,102)</b>	16,262,901
(Increase) / Decrease in loans and advances	<b>(50,013,228)</b>	(8,800,797)
(Increase) / Decrease in other non-current assets	<b>(46,959,717)</b>	18,758,354
Increase / (Decrease) in short-term and long-term provision	<b>(4,410,917)</b>	97,488,534
Increase / (Decrease) in trade payables, other current liabilities and other long-term liabilities	<b>2,624,009</b>	(7,514,802)
Cash generated from operations	<b>617,224,262</b>	441,998,938
Direct taxes paid, net of refunds	<b>(136,205,692)</b>	(96,815,123)
<b>Net cash flow from operating activities (A)</b>	<b>481,018,570</b>	345,183,815
<b>B. Cash flows used in investing activities</b>		
Purchase of fixed assets	<b>(168,660,534)</b>	(85,873,231)
Proceeds from sale of fixed assets	<b>2,815,300</b>	2,928,544
Increase in current investments	<b>(10,000,000)</b>	-
Payment of deferred consideration to erstwhile shareholders of subsidiary	-	(112,146,923)
Interest received	<b>45,396,654</b>	44,590,830
Investment in long term fixed deposits with banks	<b>(393,860,267)</b>	(532,294,996)
Proceeds from long term fixed deposits with banks	<b>464,932,016</b>	526,587,617
<b>Net cash used in investing activities (B)</b>	<b>(59,376,831)</b>	(156,208,159)



	For the year ended December 31, 2013 (Rs.)	For the year ended December 31, 2012 (Rs.)
<b>C. Cash flows used in financing activities</b>		
Proceeds from long-term borrowings	12,964,297	2,037,675
Repayment of long-term borrowings - current maturities	(4,715,265)	(3,286,528)
Proceeds from other non-current assets	35,850,000	-
Proceeds from issuance of share capital	17,471,325	24,601,315
Interest paid	(1,223,906)	(816,253)
Dividends paid	(233,154,614)	(243,289,813)
Tax on dividend paid	(39,686,767)	(39,564,369)
<b>Net cash used in financing activities (C)</b>	<b>(212,494,930)</b>	<b>(260,317,973)</b>
<b>Net increase / (decrease) in cash and cash equivalents during the year (A + B + C)</b>	<b>209,146,809</b>	<b>(71,342,317)</b>
Add : Cash and cash equivalents at the beginning of the year	524,142,219	571,981,684
Add : Effect of exchange rate changes on cash and cash equivalents	61,904,664	23,502,852
<b>Cash and cash equivalents at the end of the year (also refer note 16)</b>	<b>795,193,692</b>	<b>524,142,219</b>

**Notes:**

- Figures in brackets indicate cash out flow.
- The cash flow statement has been prepared under the indirect method as set out in the Accounting Standard 3 "Cash Flow Statement" notified under the Companies (Accounting Standard) Rules, 2006 (as amended).
- Cash and cash equivalents includes Rs. 1,559,375 (previous year Rs. 1,193,738) which are not available for use by the Company as they represent corresponding unpaid dividend liabilities.

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date.

**For S.R. Batliboi & Co. LLP** For and on behalf of the Board of Directors of R Systems International Limited  
**ICAI Firm registration number: 301003E**  
Chartered Accountants

<b>Sd/-</b> <b>per Yogender Seth</b> Partner Membership No. 94524 Place : NOIDA Date : February 07, 2014	<b>Sd/-</b> <b>Satinder Singh Rekhi</b> [Chairman & Managing Director] Place : Singapore Date : February 07, 2014	<b>Sd/-</b> <b>Lt. Gen. Baldev Singh (Retd.)</b> [President & Senior Executive Director] Place : NOIDA Date : February 07, 2014	<b>Sd/-</b> <b>Raj Swaminathan</b> [Director & Chief Operating Officer] Place : Pune Date : February 07, 2014	<b>Sd/-</b> <b>Nand Sardana</b> [Chief Financial Officer] Place : NOIDA Date : February 07, 2014	<b>Sd/-</b> <b>Vikash Kumar Tiwari</b> [Company Secretary & Compliance Officer] Place : NOIDA Date : February 07, 2014
---	---	---	---	--	--

## NOTES to the Consolidated Financial Statements for the year ended December 31, 2013

### 1 Basis of preparation

The consolidated financial statements of R Systems International Limited (the 'Company') and its subsidiaries (collectively referred to as 'R Systems Group' or the 'Group') have been prepared to comply in all material respects with the accounting standards notified under the Companies Act, 1956 read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention except for certain financial instruments which are measured at fair value. The accounting policies have been consistently applied by the Company and are consistent with those used in previous year.

All figures are in Rupees except where expressly stated.

#### 1.1 Summary of significant accounting policies

##### (a) Principles of consolidation

The consolidated financial statements are prepared in accordance with the principles and procedures for the preparation and presentation of consolidated financial statements as laid down under Accounting Standard 21 notified by Companies (Accounting Standards) Rules, 2006, (as amended).

The consolidated financial statements include the financial statements of R Systems International Limited and its subsidiaries (as explained in note 2 below). These accounts do not include enterprises, which are set-up for the benefit of employees like ESOP trusts (explained in note 29 (b) below) as not required to be consolidated as per Accounting Standard 21 notified under the Companies (Accounting Standards) Rules, 2006, (as amended).

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented, to the extent possible, in the same manner as the Company's standalone financial statements. The Group follows uniform accounting year i.e. January to December.

The financial statements of the Company and its subsidiaries have been consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances / transactions.

Minority Interest's share in the net income of consolidated subsidiaries for the year is identified and adjusted against the income of the group in order to arrive at the net income attributable to shareholders of the Company. In case the losses applicable to consolidated minority are in excess of minority interest in the equity of the subsidiary, the excess, and any further losses applicable to the minority

are adjusted against majority interest except to the extent minority has a binding obligation to, and is able to, make good losses. If the subsidiary subsequently reports profit, all such profits are allocated to the majority interest until the minority's share of losses previously absorbed by the majority has been recovered.

##### (b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting year end. These estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

##### (c) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

##### (d) Depreciation on tangible fixed assets

Depreciation is provided on Straight Line method over the estimated useful lives of the tangible fixed assets which result in depreciation rates being greater than or equal to the corresponding rates prescribed in Schedule XIV of the Companies Act, 1956.

The useful lives of the tangible fixed assets have been estimated giving due consideration to environment in respective countries by the Group management as below:

Category of tangible fixed assets	Estimated useful life
Land leasehold	Lease period
Building- freehold	61 years
Building - leasehold	Lower of lease period or 61 years
Leasehold improvements	Lower of lease period or useful life
Plant and machinery - office equipments other than (i) UPS systems, (ii) standalone air conditioners and (iii) telephone instruments	3-20 years
UPS systems	3-12 years
Standalone air conditioners and telephone instruments	3-6 years
Computer hardware and network installations	3-6 years
Furniture and fittings	5-15 years
Vehicles	7 -10 years

Individual assets costing up to Rs. 5,000 in the Company are considered fully depreciated in the year of purchase.

**(e) Intangibles assets**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the statement of profit and loss in the year in which the expenditure is incurred.

Intangible assets are amortised on a straight line basis over the estimated useful economic life and are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method are reviewed at least at each financial year end. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly. If there has been a significant change in the expected pattern of economic benefits from the asset, the amortisation method is changed to reflect the changed pattern. Such changes are accounted for in accordance with AS 5 Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies.

*Research and development costs*

Research costs are expensed as incurred. Development expenditure incurred on an individual project is recognised as an intangible asset when the company can demonstrate all the following:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete the asset
- Its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of adequate resources to complete the development and to use or sell the asset
- The ability to measure reliably the expenditure attributable to the intangible asset during development.

Following the initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised on a straight line basis over the period of expected future benefit from the related project. Amortisation is recognised in the statement of profit and loss. During the period of development, the asset is tested for impairment annually.

A summary of amortisation policies applied to intangible assets are as below:

Category of intangible	Estimated useful life
<b>fixed assets</b>	
Computer software	Lower of license period or 3 to 5 Years
Internally generated	4 years

**(f) Goodwill / capital reserve**

Goodwill / capital reserve represents the cost to the parent of its investment in subsidiaries over / under the parent's portion of equity of the subsidiary, at the date on which the investment in the subsidiaries is made.

**(g) Impairment**

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal / external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

After impairment, tangible assets / intangibles are depreciated / amortised on the revised carrying amount over its remaining useful life.

The Group evaluates the carrying value of its goodwill whenever events or changes in circumstances indicate that its carrying value may be impaired. Impairment is recognised in the year / period of such determination. Management also ascertains the future revenue and earnings of the acquired entities and analyses sustainability thereof to determine impairment. For ascertaining impairment, consideration is given to fair value of the acquired entities.

**(h) Leases**

*Where the Group is the lessee*

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the lower of the fair value of lease property and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised.

If there is no reasonable certainty that the Group will obtain the ownership by the end of the lease term, capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.



Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognised as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term.

**(i) Investments**

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Non-current investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the Non-current investments.

**(j) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

*Rendering of services*

Revenue from software development and maintenance services projects comprise income from time-and-material and fixed-price contracts.

Revenue associated with software development and maintenance services/customisation of products and business process outsourcing services rendered on time and materials basis is recognised when services are rendered. The same is calculated based on man-hours incurred for rendering services.

Fixed-price contracts vary in duration depending on the terms of the work being performed. Revenue from fixed price contracts (including maintenance and support contracts) is recognised using the percentage of completion method, when reasonable progress has been made on the milestones achieved as specified in the contracts. The stage of completion of project is determined by the proportion that contract efforts incurred for work performed up to the balance sheet date bear to the estimated total contract effort. Changes in contract performance, estimated profitability and final contract settlements may result in revision to costs and revenue and are recognised in the period in which the revisions are determined. If a loss is projected on any contract in process, the entire projected loss is recognised immediately.

In terms of contracts excess / shortfall of revenue over the billed as at the year-end is carried in financial statement as unbilled revenue / unearned revenue separately.

Management fees from the customers for managing projects are being recognised on time basis over the estimated life of the project.

*Sale of products*

Revenue from the sale of product (software and hardware) is recognised when the sale has been completed with the transfer of title.

Revenue from subscription services is recognised over the term of subscription period.

*Interest*

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

**(k) Foreign currency translation**

*Foreign currency transactions*

(i) Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

(iii) Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Group monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expense in the year in which they arise except those arising from investments in non-integral operations.

(iv) Forward exchange contracts not intended for trading or speculation purposes

The premium or discount arising at the inception of forward exchange contracts (except outstanding against firm commitments and highly probable forecast transaction) is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

(v) Translation of non-integral foreign operations

In translating the financial statements of a non-integral foreign operation for incorporation in consolidated financial statements, the assets and liabilities, both monetary and non-monetary, of the non-integral

foreign operation are translated at the closing rate; income and expense items of the non-integral foreign operations are translated at yearly average exchange rates; and all resulting exchange differences are accumulated in a foreign currency translation reserve until the disposal of net investment. On the disposal of a non-integral foreign operation, the cumulative amount of the exchange differences which have been deferred and which relate to that operation are recognised as income or as expenses in the same period in which the gain or loss on disposal is recognised.

For translating income, expense and cash flows items, during the year ended December 31, 2013, the rates used were US \$ 1= Rs. 58.58, Euro 1= Rs. 77.86, GBP 1= Rs 91.74, Singapore \$ 1 = Rs. 46.80 and Canadian \$ 1 = Rs. 56.83. For translating assets and liabilities at the year-end, the rates used were US \$ 1= Rs. 61.81, Euro 1= Rs. 85.10, GBP 1= Rs 102.14, Singapore \$ 1 = Rs. 48.85 and Canadian \$ 1 = Rs. 58.05.

For translating income, expense and cash flows items, during the year ended December 31, 2012, the rates used were US \$ 1= Rs. 53.42, Euro 1= Rs. 68.63, GBP 1= Rs 84.67, Singapore \$ 1 = Rs. 42.78 and Canadian \$ 1 = Rs. 55.02. For translating assets and liabilities at the year-end, the rates used were US \$ 1= Rs. 54.98, Euro 1= Rs. 72.46, GBP 1= Rs 88.87, Singapore \$ 1 = Rs. 45.00 and Canadian \$ 1 = Rs. 54.66.

(vi) Translation of Integral foreign operation

The financial statements of an integral foreign operation are translated as if the transactions of the foreign operation have been those of the Company itself.

**(l) Retirement benefits**

- (i) Retirement benefits in the form of defined contribution schemes are charged to the Statement of Profit and Loss of the year when an employee renders related services. There are no other obligations other than the contribution payable to the respective funds.
- (ii) Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation made at the end of each financial year for the employees of the Company on projected unit credit method. The gratuity plan of the Company is funded.
- (iii) Long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method. The Group presents the entire leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for 12 months after the reporting date.

- (iv) Actuarial gains / losses are immediately taken to Statement of Profit and Loss and are not deferred.

**(m) Income taxes**

Tax expense comprises of current and deferred tax.

Current income tax expense comprises of taxes on income from operations in India and in foreign jurisdictions. Income tax payable in India is determined in accordance with the provisions of the Income Tax Act, 1961. Tax expense relating to overseas operations is determined in accordance with tax laws applicable in countries where such operations are domiciled.

Deferred income tax reflects the impact of current year timing differences between taxable income and accounting income and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities across various countries of operation are not set off against each other as the Group does not have a legal right to do so. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

If the Group has unabsorbed depreciation or carry forward tax losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future taxable profits.

At each balance sheet date the Group re-assesses unrecognised deferred tax assets. It recognises the unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Group writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain, that sufficient future taxable income will be available.

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified year. In the year in which the Minimum Alternative Tax (MAT) credit

becomes eligible to be recognised as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the Statement of Profit and Loss and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal income tax during the specified period.

The companies in the Group are subject to tax legislation as applicable in the respective country of incorporation. Accordingly, the calculations do not represent tax liability/income attributable to Group results, if these were to be analysed under the local legislation of the Company.

**(n) Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs incurred in connection with the borrowing of funds.

**(o) Cash and cash equivalents**

Cash and cash equivalents for the purpose of cash flow statement on balance sheet date comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

**(p) Government grants and subsidies**

Grants and subsidies from the government are recognised when there is reasonable assurance that the grant / subsidy will be received and all attaching conditions will be complied with.

When the grant or subsidy relates to an expense item, it is deducted in reporting the related expenses over the periods necessary to match them on a systematic basis to the costs, which it is intended to compensate.

**(q) Provisions**

A provision is recognised when the Group has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on the best estimate required to settle the obligation at each Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the management's current estimates.

**(r) Earnings per share**

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity

shares outstanding during the year. The weighted average numbers of equity shares outstanding during the year are adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders, share split and reverse share split (consolidation of shares).

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

**(s) Segment reporting**

*Identification of segments :*

The Group's operating businesses are organised and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which the major customers of the Group operate and / or the area in which the assets are located.

*Inter segment transfers :*

The Group generally accounts for inter segment sales and transfers as if the sales or transfers were to third parties at current market prices.

*Allocation of common costs :*

Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

*Unallocated items :*

The corporate and other segment includes general corporate income and expense items which are not allocated to any business segment.

*Segment Policies :*

The Group prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group as a whole.

**(t) Employee stock compensation cost**

Measurement and disclosure of the employee share-based payment plans is done in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India. The Company measures compensation cost relating to employee stock options using the intrinsic value method. Compensation expense is amortised over the vesting period of the option on a straight line basis.

**(u) Accounting for derivatives**

The Group uses foreign exchange forward contracts (derivative financial instrument) to hedge its exposure

to movements in foreign exchange rates against firm commitment or highly probable forecast transactions. The use of these foreign exchange forward contracts reduces the risk or cost to the Group and the Group does not use the foreign exchange forward contracts or options for trading or speculation purposes.

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value on a mark-to-market basis at each balance sheet date. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting and the ineffective portion of an effective hedge, are taken directly to the Statement of Profit and Loss.

The mark-to-market is the difference between the forward exchange rate and the contract rate. The forward exchange rate is referenced to current forward exchange rates for contracts with similar maturity profiles.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

*Fair value hedges*

The change in the fair value of a hedging derivative is recognised in the Statement of Profit and Loss. The change in the fair value of the hedged item attributable to the risk

hedged is recorded as a part of the carrying value of the hedged item and is also recognised in the Statement of Profit and Loss.

*Cash flow hedges*

The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while any ineffective portion is recognised immediately in the Statement of Profit and Loss. Amounts taken to equity are transferred to the Statement of Profit and Loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs.

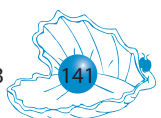
If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in equity are transferred to the Statement of Profit and Loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

**(v) Contingent liabilities**

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Group does not recognize a contingent liability but discloses its existence in the financial statements.

**2. Description of the Group**

The Company is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956. Its shares are listed on National Stock Exchange of India Limited and BSE Limited. R Systems Group is a leading global provider of IT solutions and Business Process Outsourcing ("BPO") services. R Systems Group's primary focus is to provide full service IT solutions, software engineering, technical support, customer care and other IT enabled services to the high technology sector, independent software vendors (ISV's), banks, financial services companies, telecom and digital media technology companies and services providers, insurance and the health care sector. R Systems Group also develops and markets a suite of applications under the brand name "Indus" for the retail lending to banks and non-banking finance companies, insurance and telecom segment. R Systems Group through its subsidiary ECnet Ltd develops and markets its proprietary supply chain solution under the brand name "ECnet", primarily to the high technology sector. R Systems Group's services are provided out of its thirteen global development and service centres in India, USA, Europe and Singapore.



The Company, R Systems International Limited is registered under the Companies Act, 1956 with its Registered Office at New Delhi and during the year ended December 31, 2013 had following subsidiaries:

Subsidiary	Holding	Country of incorporation and other particulars
R Systems (Singapore) Pte Limited, Singapore*	100% (Previous year 100%)	A company registered under the laws of Singapore in 1997 and subsidiary of the Company since September 19, 2000.
R Systems, Inc., USA*	100% (Previous year 100%)	A company registered under the laws of California, USA in 1993 and subsidiary of the Company since January 2, 2001.
Indus Software, Inc., USA*	100% (Previous year 100%)	A company registered under the laws of Delaware, USA in 1996 and subsidiary of the Company since April 1, 2002.
R Systems Solution, Inc., USA*	100% (Previous year 100%)	A company registered under the laws of California, USA in 2000 and subsidiary of the Company since August 24, 2006.
R Systems N.V., Belgium	100% (Previous year 100%)	A company registered under the laws of Belgium in 2007 and subsidiary of the Company since August 28, 2007. (Liquidated on June 24, 2013)
R Systems Europe B.V., Netherlands*	100% (Previous year 100%)	A company registered under the laws of Netherlands in 1999 and subsidiary of the Company since January 23, 2008.
R Systems S.A.S., France	100% (Previous year 100%)	A company registered under the laws of France in 2000 and subsidiary of the Company since January 23, 2008.
ECnet Limited, Singapore*	99.75%# (Previous year 99.56%)	A company registered under the laws of Singapore in 1996. The Company has acquired majority share on January 8, 2004. ECnet Limited, Singapore has subsidiaries in Malaysia, Thailand, China, Hong Kong, USA and Japan.
Computaris International Limited [also refer note 28 (b)]	100% (Previous year 100%)	A company registered under the laws of England and Wales in 2006 and subsidiary of the Company since January 26, 2011. Computaris International Limited, UK has subsidiaries in Romania, Poland, Moldova, Malaysia and USA.
Systèmes R. International Ltée, Canada*	100% (Previous year 100%)	A company registered under the laws of Canada in 2012 and subsidiary of the Company since October 29, 2012.

\* These Subsidiaries have accumulated losses as at the year-end. The Company continues to extend its financial support to enable these subsidiaries to meet its working capital and other financing requirements, if any, and considers it appropriate to prepare these accounts on going concern basis.

# The shareholding by the Company and R Systems (Singapore) Pte Limited is 69.37% and 30.38% respectively.

ECnet Limited, Singapore has following wholly owned subsidiaries:

Name	Holding	Country of incorporation
ECnet (M) Sdn. Bhd.	100% (Previous year 100%)	Malaysia
ECnet Systems (Thailand) Co. Ltd.	100% (Previous year 100%)	Thailand
ECnet (Shanghai) Co. Ltd.	100% (Previous year 100%)	People's Republic of China
ECnet (Hong Kong) Ltd.	100% (Previous year 100%)	Hong Kong
ECnet, Inc.	100% (Previous year 100%)	United States of America
ECnet Kabushiki Kaisha	100% (Previous year 100%)	Japan

Computaris International Limited, UK has following wholly owned subsidiaries:

Name	Holding	Country of incorporation
ICS Computaris International Srl	100% (Previous year 100%)	Moldova
Computaris Malaysia Sdn. Bhd.	100% (Previous year 100%)	Malaysia
Computaris Polska sp. z o.o.	100% (Previous year 100%)	Poland
Computaris Romania SRL	100% (Previous year 100%)	Romania
Computaris USA, Inc.	100% (Previous year 100%)	United States of America
Computaris Limited	100% (Previous year 100%)	United Kingdom (Liquidated on December 24, 2013)



**3. Share capital**

Particulars	As at December 31, 2013 (Rs.)	As at December 31, 2012 (Rs.)
<b>Authorised shares [also refer note 30 (b)]</b>		
20,000,000 (Previous year 20,000,000) equity shares of Rs. 10 each	<b>200,000,000</b>	200,000,000
<b>Issued, subscribed and fully paid up- shares [also refer note 30 (b)]</b>		
12,665,458 (Previous year 12,520,708) equity shares of Rs. 10 each fully paid-up	<b>126,654,580</b>	125,207,080
Less: Advance to Indus Software Employees Welfare Trust [also refer note 29 (b)]	<b>738,980</b>	738,980
<b>Total</b>	<b>125,915,600</b>	124,468,100

**A. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period [also refer note 30 (b)]**

Particulars	As at December 31, 2013		As at December 31, 2012	
	No.	(Rs.)	No.	(Rs.)
Shares outstanding at the beginning of the year	<b>12,520,708</b>	<b>125,207,080</b>	12,316,886	123,168,860
Add: Shares issued during the year <sup>#</sup>	<b>144,750</b>	<b>1,447,500</b>	203,822	2,038,220
<b>Shares outstanding at the end of the year</b>	<b>12,665,458</b>	<b>126,654,580</b>	12,520,708	125,207,080

<sup>#</sup> The Company has issued 144,750 equity shares of Rs. 10 each at an exercise price of Rs. 120.70 per share pursuant to exercise of employee stock options under the R Systems International Limited Employee Stock Option Scheme 2007.

**B. Terms / rights attached to the equity share [also refer note 30 (b)]**

The Company has only one class of equity shares having a par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in forthcoming Annual General Meeting, except in case of interim dividend.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

**C. Shares held by holding / ultimate holding company and / or their subsidiaries / associates**

The Company does not have any holding / ultimate holding company.

**D. Aggregate number of bonus shares issued, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date:**

The Board of Directors of the Company at its meeting held on September 07, 2008, had approved the Buy-back of the equity shares of Rs. 10 each. Under the Buy-Back program, the Company had bought back 1,265,820 equity shares up to August 27, 2009 (including 146,346 equity shares up to December 31, 2008) at an average price of Rs. 63.20 per share for an aggregate amount of Rs. 80,000,000 by utilising the Securities Premium Account to the extent of Rs. 67,341,773 and General Reserve to the extent of Rs. 12,658,200. The Capital Redemption Reserve has been created out of General Reserve for Rs. 12,658,200 being the nominal value of equity shares bought back in terms of Section 77AA of the Companies Act, 1956. The Offer for Buy-back was successfully completed on August 27, 2009.

**E. Details of shareholders holding more than 5% shares in the Company [also refer note 30 (b)]**

Particulars	As at December 31, 2013		As at December 31, 2012	
	No.	% holding in the class	No.	% holding in the class
GMU Infosoft Private Ltd.	786,260	6.21	730,465	5.83
U Infosoft Private Ltd.	808,766	6.39	779,766	6.23
GM Solutions Private Ltd.	839,763	6.63	810,763	6.48
Rightmatch Holdings Ltd.	927,200	7.32	927,200	7.41
Satinder & Harpreet Rekhi Family Trust (Trustee: Satinder Singh Rekhi & Harpreet Rekhi)	1,834,718	14.49	1,921,718	15.35
Bhavook Tripathi	4,629,110	36.55	3,993,227	31.89

As per secretarial records of the Company, including its register of shareholders / members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

**F. Shares reserved for issue under options [also refer note 30 (b)]**

For details of shares reserved for issue under the employee stock option (ESOP) plan of the company, please refer note 29.

**4. Reserves and surplus**

Particulars	As at December 31, 2013 (Rs.)	As at December 31, 2012 (Rs.)
<b>Capital redemption reserve</b>	<b>12,658,200</b>	12,658,200
<b>Securities premium account</b>	<b>936,908,890</b>	914,345,795
Add: Addition on exercise of vested options as per ESOP plan [also refer note 29 (d)]	<b>16,023,825</b>	22,563,095
	<b>952,932,715</b>	936,908,890
Less: Advance to Indus Software Employees Welfare Trust [also refer note 29 (b)]	<b>2,282,728</b>	2,282,728
<b>Closing balance</b>	<b>950,649,987</b>	934,626,162
<b>Capital reserve</b>	<b>31,726</b>	31,726
<b>General reserve</b>		
Balance as per last financial statements	<b>120,929,823</b>	61,400,531
Add: Amount transferred from surplus balance in the statement of profit and loss (refer note 1 below)	<b>36,552,200</b>	59,529,292
<b>Closing balance</b>	<b>157,482,023</b>	120,929,823
<b>Surplus in the statement of profit and loss</b>		
Balance as per last financial statements	<b>582,140,805</b>	799,105,504
Add: Profit for the current year	<b>526,986,632</b>	183,619,844
Less: Appropriations		
Proposed dividend (refer note 1 and 2 below)	<b>120,697,601</b>	94,255,302
Tax on proposed dividend	<b>21,237,977</b>	15,290,566
Interim dividend (refer note 1 below)	<b>139,239,191</b>	199,194,976
Tax on interim dividend	<b>23,663,701</b>	32,314,407
Transfer to general reserve (refer note 1 below)	<b>36,552,200</b>	59,529,292
<b>Total appropriations</b>	<b>341,390,670</b>	400,584,543
<b>Net surplus in the statement of profit and loss</b>	<b>767,736,767</b>	582,140,805
<b>Foreign currency translation reserve</b>		
Balance as per last account	<b>171,142,836</b>	78,141,659
Add: Current year translation differences	<b>131,990,108</b>	93,001,177
<b>Closing balance</b>	<b>303,132,944</b>	171,142,836
<b>Total</b>	<b>2,191,691,647</b>	1,821,529,552

**Notes:**

- (1) For the year ended December 31, 2013, the Board of Directors of the Company has recommended a final dividend of Re. 0.95 per equity share of face value of Re. 1/- each, equivalent to Rs. 9.50 per equity share of Rs. 10/- per share before the sub-division of equity shares (being 95% on the par value), subject to the approval of the shareholders in forthcoming Annual General Meeting. This is in addition to first and second interim dividend of Rs. 2.50 and Rs. 8.50 per equity share of face value of 10/- each paid in August 2013 and November 2013, shareholder's confirmation for which will be taken in forthcoming Annual General Meeting. The Company has transferred Rs. 36,552,200 from current year profits to General Reserve in compliance with the Companies (Transfer of Profits to Reserves) Rules, 1975. Further for the year ended December 2012, the Board of Directors of the Company had recommended a final dividend of Rs. 7.50 per share in addition to a special interim dividend of Rs. 16.00 per equity share of face value of 10/- each paid in June 2012, which had been approved and confirmed respectively by the shareholders at the Annual General Meeting held on May 11, 2013. Also refer note 30 (b).
- (2) The Company has issued 50,100 shares pursuant to exercise of employee stock options under the R Systems International Limited Employee Stock Option Scheme 2007 up to book closure date for distribution of dividend for the year ended December 31, 2012 and accordingly increased the appropriation in the current year by Rs. 375,750 and Rs. 63,859 as dividend and tax on dividend respectively. Further, due to increase in surcharge rate under Finance Act, 2013 the Company has additionally appropriated Rs. 725,419 towards tax on dividend proposed for the year ended December 31, 2012. For the year ended December 31, 2011 the Company has issued 97,220 shares pursuant to exercise of employee stock options under the R Systems International Limited Employee Stock Option Scheme 2007 up to book closure date for distribution of dividend and accordingly increased the appropriation by Rs. 349,992 and Rs. 56,777 as dividend and tax on dividend respectively.

**5. Minority interest**

Particulars	As at December 31, 2013 (Rs.)	As at December 31, 2012 (Rs.)
Minority interest in ECnet Limited at the time of acquisition	149,585	149,585
Less: Minority interest in post acquisition losses to the extent allocable	149,585	149,585
<b>Total</b>	-	-

**6. Long-term borrowings**

Particulars	Non-current portion		Current maturities	
	As at December 31, 2013 (Rs.)	As at December 31, 2012 (Rs.)	As at December 31, 2013 (Rs.)	As at December 31, 2012 (Rs.)
<b>Term loans</b>				
<b>For motor vehicles</b>				
- From non banking financial corporation (refer note 1 below)	4,403,189	3,446,849	2,375,945	2,185,357
<b>For equipment</b>				
- From bank (refer note 2 below)	4,403,501	-	3,359,101	-
<b>Total</b>	8,806,690	3,446,849	5,735,046	2,185,357
<b>The above amount includes</b>				
Secured borrowings	8,806,690	3,446,849	5,735,046	2,185,357
Amount shown under other current liabilities (also refer note 9)			(5,735,046)	(2,185,357)
<b>Total</b>	8,806,690	3,446,849	-	-

**Notes:**

- (1) Term loans for motor vehicles from non banking financial corporation are secured by hypothecation of underlying motor vehicles and carries interest rate ranging from 10.10% to 13.30% per annum. The said term loans are repayable in equated monthly installments ranging from 35 to 60 months from the date of loan.
- (2) Term loans for equipment from bank are secured by hypothecation of underlying assets and carries interest rate of 4.97 % per annum. The said term loan is repayable in 36 months equated monthly installments from the date of loan.

**7. Other long-term liabilities**

Particulars	As at	As at
	December 31, 2013 (Rs.)	December 31, 2012 (Rs.)
Security deposits	3,862,220	3,249,327
Deferred payable others	516,346	4,035,886
<b>Total</b>	<b>4,378,566</b>	<b>7,285,213</b>

**8. Provisions**

Particulars	Long-term		Short-term	
	As at December 31, 2013 (Rs.)	As at December 31, 2012 (Rs.)	As at December 31, 2013 (Rs.)	As at December 31, 2012 (Rs.)
<b>Provision for employee benefits</b>				
Gratuity	73,437,567	71,241,150	3,436,901	6,902,472
Compensated absences			116,334,115	100,287,537
Performance bonus			12,500,000	26,833,336
<b>Sub total (A)</b>	<b>73,437,567</b>	<b>71,241,150</b>	<b>132,271,016</b>	<b>134,023,345</b>
<b>Other provisions</b>				
Income tax [net of advance tax amounting to Rs. 111,873,150 (Previous year Rs. 32,389,416)]			79,690,170	60,122,080
Provision for claim (refer note below)			-	47,682,931
Proposed dividend			120,321,851	93,905,310
Tax on proposed dividend			20,448,699	15,233,789
Mark-to-market losses on derivative instruments (also refer note 32)			22,918,617	-
<b>Sub total (B)</b>	<b>-</b>	<b>-</b>	<b>243,379,337</b>	<b>216,944,110</b>
<b>Total (A+B)</b>	<b>73,437,567</b>	<b>71,241,150</b>	<b>375,650,353</b>	<b>350,967,455</b>

**Note:**

During the year ended December 31, 2012, one of the subsidiaries of the Company had received a claim for penalty from one of its customer and recorded provision of Rs. 47,682,931 towards such claim. The subsidiary had subcontracted certain part of its scope of services to one of its vendors and basis the contractual terms claimed an equivalent amount from such vendor. However, pending acceptance of the claim by the vendor, the recoverable from the vendor was not recorded in the consolidated financial statement.

During the year ended December 31, 2013, the subsidiary has settled the claim with the customer and adjusted against the provision of claims recorded during year ended December 31, 2012. However, the subsidiary is still in negotiation with the vendor, therefore recoverable from the vendor has not been recorded in the consolidated financial statement.

**9. Other current liabilities**

Particulars	As at	As at
	December 31, 2013 (Rs.)	December 31, 2012 (Rs.)
Trade payables	514,618,337	396,118,729
<b>Sub total (A)</b>	<b>514,618,337</b>	<b>396,118,729</b>
<b>Other liabilities</b>		
Current maturities of long-term borrowing (also refer note 6)	5,735,046	2,185,357
Deferred payment compensation to the erstwhile shareholders of subsidiaries [also refer note 28 (a) and 28 (b)]	13,153,262	32,824,569
Unearned revenues	89,691,476	108,108,223
Book overdraft	333,326	1,313,482
Investor education and protection fund (not due) - Unclaimed dividend	1,559,375	1,193,738
Payable for purchase of fixed assets	12,654,540	4,078,685
Tax deducted at source	10,306,198	9,639,838
Service tax / GST / VAT	9,120,844	7,933,382
Others	34,901,328	33,179,268
<b>Sub total (B)</b>	<b>177,455,395</b>	<b>200,456,542</b>
<b>Total (A+B)</b>	<b>692,073,732</b>	<b>596,575,271</b>

**10. Tangible assets**

Particulars	(Amount in Rs.)									
	Land - freehold	Land - leasehold	Building - freehold	Building - leasehold <sup>(1)</sup>	Leasehold improvements	Computers <sup>(3)</sup>	Office equipments	Furniture and fittings	Vehicles <sup>(2)</sup>	Total
<b>Gross block</b>										
As at January 1, 2012	4,765,674	10,005,968	31,198,298	89,013,201	52,907,448	460,253,499	153,511,907	146,770,198	41,922,729	<b>990,348,922</b>
Additions	-	-	-	-	1,910,631	30,085,853	16,604,155	2,990,606	4,103,692	<b>55,694,937</b>
Deletions	-	-	-	-	-	31,204,461	4,087,387	1,615,347	2,173,184	<b>39,080,379</b>
Foreign currency translation	-	-	-	-	2,868,548	9,476,827	3,342,278	3,211,757	620,610	<b>19,520,020</b>
At December 31, 2012	4,765,674	10,005,968	31,198,298	89,013,201	57,686,627	468,611,718	169,370,953	151,357,214	44,473,847	<b>1,026,483,500</b>
Additions	-	-	-	152,500	1,485,522	77,448,024	12,972,584	5,118,489	8,570,262	<b>105,747,381</b>
Deletions	-	-	-	-	1,080,808	38,246,009	3,961,641	1,782,554	5,807,306	<b>50,878,318</b>
Foreign currency translation	-	-	-	-	8,967,778	30,200,422	12,299,831	10,740,862	2,259,023	<b>64,467,916</b>
<b>At December 31, 2013</b>	<b>4,765,674</b>	<b>10,005,968</b>	<b>31,198,298</b>	<b>89,165,701</b>	<b>67,059,119</b>	<b>538,014,155</b>	<b>190,681,727</b>	<b>165,434,011</b>	<b>49,495,826</b>	<b>1,145,820,479</b>
<b>Depreciation</b>										
As at January 1, 2012	-	1,252,123	5,220,760	10,152,463	48,370,708	366,126,015	90,613,188	96,334,015	18,911,957	<b>636,981,229</b>
Charge for the year	-	158,251	514,911	1,454,890	2,471,031	46,506,303	8,320,695	6,899,669	4,331,260	<b>70,657,010</b>
Deletions	-	-	-	-	-	30,642,659	3,003,735	1,385,276	1,090,538	<b>36,122,208</b>
Foreign currency translation	-	-	-	-	2,599,098	9,033,537	3,220,258	3,117,051	491,329	<b>18,461,273</b>
At December 31, 2012	-	1,410,374	5,735,671	11,607,353	53,440,837	391,023,196	99,150,406	104,965,459	22,644,008	<b>689,977,304</b>
Charge for the year	-	159,142	513,504	1,451,874	1,937,513	34,721,218	13,739,406	6,548,328	4,866,029	<b>63,937,014</b>
Deletions	-	-	-	-	1,080,808	38,074,657	1,953,620	858,157	3,061,729	<b>45,028,971</b>
Foreign currency translation	-	-	-	-	8,588,382	27,522,605	10,592,141	10,256,224	1,949,323	<b>58,908,675</b>
<b>At December 31, 2013</b>	<b>-</b>	<b>1,569,516</b>	<b>6,249,175</b>	<b>13,059,227</b>	<b>62,885,924</b>	<b>415,192,362</b>	<b>121,528,333</b>	<b>120,911,854</b>	<b>26,397,631</b>	<b>767,794,022</b>
<b>Net block</b>										
At December 31, 2012	4,765,674	8,595,594	25,462,627	77,405,848	4,245,790	77,588,522	70,220,547	46,391,755	21,829,839	<b>336,506,196</b>
<b>At December 31, 2013</b>	<b>4,765,674</b>	<b>8,436,452</b>	<b>24,949,123</b>	<b>76,106,474</b>	<b>4,173,195</b>	<b>122,821,793</b>	<b>69,153,394</b>	<b>44,522,157</b>	<b>23,098,195</b>	<b>378,026,457</b>

**Notes:**

- (1) Includes Rs. 21,155,390 (Previous year Rs. 21,155,390) paid towards land and building under a composite lease taken for which no separate values are assignable.
- (2) Vehicles amounting to Rs. 15,323,824 (Previous year Rs. 17,398,129) are hypothecated against terms loans for vehicle finance from non banking financial corporation.
- (3) Computers amounting to Rs. 10,522,986 are hypothecated against term loan from bank.

## 11. Intangible assets

(Amount in Rs.)

Particulars	Softwares	Product development costs (Internally generated software)	Customer contract*	Non compete fee*	Goodwill on business acquisition*	Total
<b>Gross block</b>						
As at January 1, 2012	238,113,223	34,580,899				272,694,122
Additions	20,973,159	-				20,973,159
Deletions	6,175,762	-				6,175,762
Foreign currency translation	5,987,126	-				5,987,126
At December 31, 2012	258,897,746	34,580,899	-	-	-	293,478,645
Additions	19,341,847	12,103,851				31,445,698
Addition through business acquisition			7,405,408	7,492,381	17,935,280	32,833,069
Deletions	7,662,439	-	-	-	-	7,662,439
Foreign currency translation	18,341,343	-	900,001	910,571	2,179,726	22,331,641
<b>At December 31, 2013</b>	<b>288,918,497</b>	<b>46,684,750</b>	<b>8,305,409</b>	<b>8,402,952</b>	<b>20,115,006</b>	<b>372,426,614</b>
<b>Amortisation</b>						
As at January 1, 2012	199,825,069	26,136,106	-	-	-	225,961,175
Charge for the year	26,484,126	3,753,237	-	-	-	30,237,363
Deletions	6,175,762	-	-	-	-	6,175,762
Foreign currency translation	5,210,272	-	-	-	-	5,210,272
At December 31, 2012	225,343,705	29,889,343	-	-	-	255,233,048
Charge for the year	19,515,921	6,022,709	7,829,105	1,297,043	3,104,825	37,769,603
Deletions	7,657,628	-	-	-	-	7,657,628
Foreign currency translation	15,705,082	-	341,931	56,647	135,601	16,239,261
<b>At December 31, 2013</b>	<b>252,907,080</b>	<b>35,912,052</b>	<b>8,171,036</b>	<b>1,353,690</b>	<b>3,240,426</b>	<b>301,584,284</b>
<b>Net block</b>						
At December 31, 2012	33,554,041	4,691,556	-	-	-	38,245,597
<b>At December 31, 2013</b>	<b>36,011,417</b>	<b>10,772,698</b>	<b>134,373</b>	<b>7,049,262</b>	<b>16,874,580</b>	<b>70,842,330</b>

\* refer note 28 (e)

### 12.1 Non-current investments

Particulars	As at December 31, 2013 (Rs.)	As at December 31, 2012 (Rs.)
<b>Non-trade, unquoted (valued at cost unless stated otherwise)</b>		
2,500 (Previous year 2,500) equity shares of Rs. 10 each fully paid up in The Saraswat Co-operative Bank Limited	25,000	25,000
<b>Total</b>	<b>25,000</b>	<b>25,000</b>
Aggregate amount of unquoted investments	25,000	25,000

**12.2 Current investments**

Particulars	As at December 31, 2013 (Rs.)	As at December 31, 2012 (Rs.)
<b>Non-trade, quoted (valued at cost or fair value, which ever is lower)</b>		
Investment in SBI Debt Fund [1,000,000 units (Previous year Nil) of Rs. 10 each]	<b>10,000,000</b>	-
<b>Total</b>	<b>10,000,000</b>	-

Aggregate amount of quoted investments [Market value of Rs. 10,711,500 (Previous year Rs. Nil)]

**13. Deferred tax assets (net)**

Particulars	As at December 31, 2013 (Rs.)	As at December 31, 2012 (Rs.)
<b>Deferred tax assets</b>		
Provision for gratuity	<b>27,676,089</b>	25,353,698
Provision for compensated absences	<b>24,246,363</b>	21,518,812
Provision for doubtful debts and advances	<b>25,819,791</b>	24,881,246
Other timing differences	<b>15,363,427</b>	16,781,494
<b>Gross deferred tax assets</b>	<b>93,105,670</b>	88,535,250
<b>Deferred tax liability</b>		
Differences in depreciation / amortisation and other differences in block of fixed assets as per tax books and financial books	<b>33,882,414</b>	31,700,305
Other timing differences	<b>3,873,943</b>	2,006,390
<b>Gross deferred tax liability</b>	<b>37,756,357</b>	33,706,695
<b>Deferred tax assets (net)</b>	<b>55,349,313</b>	54,828,555

**14. Loans and advances**

Particulars	Non-current		Current	
	As at December 31, 2013 (Rs.)	As at December 31, 2012 (Rs.)	As at December 31, 2013 (Rs.)	As at December 31, 2012 (Rs.)
<b>Capital advances</b>				
Unsecured, considered good	<b>218,400</b>	1,515,815		
<b>Sub total (A)</b>	<b>218,400</b>	1,515,815		
<b>Advances recoverable in cash or in kind or for value to be received</b>				
Unsecured, considered good	<b>16,688,222</b>	2,801,240	<b>130,030,676</b>	98,915,439
Unsecured, considered doubtful	-	-	<b>3,027,895</b>	2,752,244
	<b>16,688,222</b>	2,801,240	<b>133,058,571</b>	101,667,683
Provision for doubtful advances	-	-	<b>(3,027,895)</b>	(2,752,244)
<b>Sub total (B)</b>	<b>16,688,222</b>	2,801,240	<b>130,030,676</b>	98,915,439
<b>Security deposit</b>				
Unsecured, considered good	<b>26,579,231</b>	25,578,454	<b>1,736,554</b>	1,149,250
Unsecured, considered doubtful	-	-	<b>3,000,000</b>	3,000,000
	<b>26,579,231</b>	25,578,454	<b>4,736,554</b>	4,149,250
Provision for doubtful advances	-	-	<b>(3,000,000)</b>	(3,000,000)
<b>Sub total (C)</b>	<b>26,579,231</b>	25,578,454	<b>1,736,554</b>	1,149,250

Particulars	Non-current		Current	
	As at December 31, 2013 (Rs.)	As at December 31, 2012 (Rs.)	As at December 31, 2013 (Rs.)	As at December 31, 2012 (Rs.)
<b>Other loans and advances</b>				
Unsecured, considered good				
MAT credit entitlement	4,486,620	37,705,072		
Mark-to-market gains on derivative instruments (also refer note 32)	-	-	-	5,814,261
Balances with customs, excise, etc.	-	-	18,386,078	1,465,849
Advance fringe benefit tax [net of provisions amounting to Rs. 7,082,336 (Previous year Rs. 7,082,336)]	167,664	167,664	-	-
Advance income taxes [net of provisions amounting to Rs. 250,380,114 (Previous year Rs. 198,724,629)]	36,240,595	37,019,591	-	-
<b>Sub total (D)</b>	<b>40,894,879</b>	<b>74,892,327</b>	<b>18,386,078</b>	<b>7,280,110</b>
<b>Total (A+B+C+D)</b>	<b>84,380,732</b>	<b>104,787,836</b>	<b>150,153,308</b>	<b>107,344,799</b>

## 15. Trade receivables and other assets

### 15.1 Trade receivables

Particulars	Current	
	As at December 31, 2013 (Rs.)	As at December 31, 2012 (Rs.)
<b>Outstanding for a period exceeding six months from the date they are due for payment</b>		
Unsecured, considered good	14,608,253	7,005,788
Unsecured, considered doubtful	148,889,673	152,193,688
	163,497,926	159,199,476
Provision for doubtful receivables	(148,889,673)	(152,193,688)
<b>Sub total (A)</b>	<b>14,608,253</b>	<b>7,005,788</b>
<b>Other receivables</b>		
Unsecured, considered good	1,026,325,485	973,626,804
Unsecured, considered doubtful	15,033,325	20,557,512
	1,041,358,810	994,184,316
Provision for doubtful receivables	(15,033,325)	(20,557,512)
<b>Sub total (B)</b>	<b>1,026,325,485</b>	<b>973,626,804</b>
<b>Total (A+B)</b>	<b>1,040,933,738</b>	<b>980,632,592</b>

### 15.2 Other assets

Particulars	Non-current		Current	
	As at December 31, 2013 (Rs.)	As at December 31, 2012 (Rs.)	As at December 31, 2013 (Rs.)	As at December 31, 2012 (Rs.)
Non-current bank balances (also refer note 16)	90,663,751	74,834,789		
Interest accrued on deposits	5,569,065	5,462,395	2,094,922	7,215,668
Interest accrued on staff advances	-	-	22,615	59,004
Unbilled revenues	-	-	264,117,161	164,701,189
<b>Total</b>	<b>96,232,816</b>	<b>80,297,184</b>	<b>266,234,698</b>	<b>171,975,861</b>



**16. Cash and bank balances**

Particulars	Non-current		Current	
	As at December 31, 2013 (Rs.)	As at December 31, 2012 (Rs.)	As at December 31, 2013 (Rs.)	As at December 31, 2012 (Rs.)
<b>Cash and cash equivalents</b>				
Cash on hand			961,744	810,146
Cheques on hand			1,100,000	-
Balances with scheduled banks:				
On current accounts			21,559,285	12,881,205
On cash credit / overdraft accounts			-	97,958
On EEFC accounts			84,518,551	46,393,575
On deposit accounts with original maturity of less than 3 months			69,400,000	123,300,000
On unclaimed dividend			1,559,375	1,193,738
Balance with other banks:				
On current accounts			516,246,994	310,482,471
On deposit accounts			99,847,743	28,983,126
			<b>795,193,692</b>	<b>524,142,219</b>
<b>Other bank balances</b>				
Deposits with original maturity for more than 12 months			99,800,000	185,709,600
Deposits with original maturity for more than 3 months but less than 12 months			119,541,851	104,704,000
Margin money deposits (refer detail below)	90,663,751	74,834,789		
	<b>90,663,751</b>	74,834,789	<b>219,341,851</b>	290,413,600
Amount disclosed under non-current assets (also refer note 15.2)	(90,663,751)	(74,834,789)		
<b>Total</b>	-	-	<b>1,014,535,543</b>	<b>814,555,819</b>

**Detail of margin money deposits**

Particulars	As at December 31, 2013 (Rs.)	As at December 31, 2012 (Rs.)
Margin money deposits against performance guarantees	49,806,339	37,250,125
Margin money deposits against credit / derivative facilities	40,857,412	37,584,664
<b>Total</b>	<b>90,663,751</b>	<b>74,834,789</b>

**17. Revenue from operations**

Particulars	For the Year ended December 31, 2013 (Rs.)	For the Year ended December 31, 2012 (Rs.)
Sale of services*	5,957,729,689	4,626,787,382
Sale of third party hardware and software	2,812,196	23,300,842
<b>Total</b>	<b>5,960,541,885</b>	<b>4,650,088,224</b>

\* include revenue from Information technology services Rs. 4,830,041,783 (Previous year Rs. 3,737,023,088) and Business process outsourcing services Rs. 1,127,687,906 (Previous year Rs. 889,764,294)

## 18. Other income

Particulars	For the Year ended December 31, 2013 (Rs.)	For the Year ended December 31, 2012 (Rs.)
Interest income on bank deposits	40,346,189	42,331,266
Excess provisions written back	1,037,085	2,044,562
Miscellaneous income	5,765,304	5,668,654
<b>Total</b>	<b>47,148,578</b>	<b>50,044,482</b>

## 19. Employee benefits expense

Particulars	For the Year ended December 31, 2013 (Rs.)	For the Year ended December 31, 2012 (Rs.)
Salaries, wages and bonus	3,253,466,800	2,824,594,393
Gratuity (also refer note 31)	10,648,701	22,700,216
Contribution to provident fund and other funds	275,146,849	248,457,681
Staff welfare expenses	34,604,957	30,531,962
<b>Total</b>	<b>3,573,867,307</b>	<b>3,126,284,252</b>

## 20. Operational and other expenses

Particulars	For the Year ended December 31, 2013 (Rs.)	For the Year ended December 31, 2012 (Rs.)
Contract cost	106,582,006	14,869,521
Power and fuel	55,100,894	46,618,135
Rent - premises	128,164,523	122,734,424
Rent - equipments	5,414,162	5,575,805
Rates and taxes	7,879,598	6,025,743
Insurance	21,602,844	16,178,103
Repair and maintenance	109,168,731	89,300,649
Advertising and sales promotion	21,215,704	24,218,520
Commission - others	5,633,350	9,628,550
Traveling and conveyance	345,943,945	300,527,497
Communication costs	86,666,667	75,315,737
Printing and stationery	7,951,959	7,387,923
Legal and professional fees	595,196,637	338,439,777
Cost of third party hardware and software	1,620,874	17,961,512
Directors' sitting fee	435,000	570,000
Auditors' remuneration (refer detail below)	5,592,200	5,177,555
Foreign exchange fluctuation (net) *	11,839,689	(21,333,136)
Provision for doubtful debts and advances (net)	33,450,241	20,940,658
Provision for claim	-	44,312,260
Bad debts and advances written off [net of Rs. 43,821,551 (previous year Rs. 74,094,808) utilisation from provision for doubtful debts and advances]	654,192	748,158
Loss on sale / discard of fixed assets (net)	3,006,410	1,363,574
Recruitment and training expenses	28,298,771	23,739,194
Security expenses	7,520,134	6,242,512
Membership and subscription	11,074,625	7,226,960
Miscellaneous expenses	6,364,554	13,900,289
<b>Total</b>	<b>1,606,377,710</b>	<b>1,177,669,920</b>

\* Foreign exchange fluctuation includes prior period expense of Rs. 3,283,808 during the year ended December 31, 2012.

### Note:

Figures in brackets represent gain.

**Detail of auditors remuneration**

Particulars	For the Year ended December 31, 2013 (Rs.)	For the Year ended December 31, 2012 (Rs.)
As auditor:		
- Audit fee		
- Statutory audit fee	<b>1,507,500</b>	1,350,000
- Quarterly audit fee	<b>2,070,000</b>	1,950,000
- Limited Review	<b>555,000</b>	525,000
- Out-of-pocket expenses	<b>304,700</b>	302,555
In other capacity:		
- Certification	<b>880,000</b>	800,000
- Other services	<b>275,000</b>	250,000
<b>Total</b>	<b>5,592,200</b>	5,177,555

**21. Depreciation and amortisation expense**

Particulars	For the Year ended December 31, 2013 (Rs.)	For the Year ended December 31, 2012 (Rs.)
Depreciation on tangible assets	<b>63,937,014</b>	70,657,010
Amortisation on intangible assets	<b>37,769,603</b>	30,237,363
<b>Total</b>	<b>101,706,617</b>	100,894,373

**22. Finance costs**

Particulars	For the Year ended December 31, 2013 (Rs.)	For the Year ended December 31, 2012 (Rs.)
Interest on loans	<b>1,233,749</b>	860,332
Bank charges	<b>6,250,256</b>	5,887,047
<b>Total</b>	<b>7,484,005</b>	6,747,379

**23. Segment information**

Business segments :

R Systems Group is a leading global provider of IT solutions and Business Process Outsourcing (BPO) services. The Group considers business segment as the basis for primary segmental reporting. The Group is organised into two business segments – Information technology services and products and Business process outsourcing services. Costs and expenses which cannot be allocated to any business segment are reflected in the column 'corporate and others'. Segments have been identified and reported based on the nature of the services, the risks and returns, the organisation structure and the internal financial reporting system.

Geographical segments :

The Group reports secondary segment information on the basis of the geographical location of the customers / assets. Although the Group's major operating divisions are managed on a worldwide basis, they operate in five principal geographical areas of the world which are: India, United States of America, South East Asian countries, Europe and Other areas.

The following table provides required information for the primary segments for the year ended December 31, 2013 and December 31, 2012:

Particulars	(Amount in Rs.)									
	Information technology services and products		Business process outsourcing services		Eliminations		Corporate and others		Total	
	Year ended December 31,		Year ended December 31,		Year ended December 31,		Year ended December 31,		Year ended December 31,	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
<b>REVENUE</b>										
External sales	4,832,853,979	3,760,323,930	1,127,687,906	889,764,294					5,960,541,885	4,650,088,224
Inter-segment sales	6,813,758	-	16,618,587	15,091,423	23,432,345	15,091,423			-	-
<b>Total revenue</b>	<b>4,839,667,737</b>	<b>3,760,323,930</b>	<b>1,144,306,493</b>	<b>904,855,717</b>	<b>23,432,345</b>	<b>15,091,423</b>			<b>5,960,541,885</b>	<b>4,650,088,224</b>
<b>RESULT</b>										
Segment result	621,886,018	237,172,206	123,924,986	71,630,005					745,811,004	308,802,211
Unallocated corporate expenses							(66,668,620)	(61,736,363)	(66,668,620)	(61,736,363)
<b>Operating profit</b>									<b>679,142,384</b>	<b>247,065,848</b>
Interest expenses							(1,233,749)	(860,332)	(1,233,749)	(860,332)
Interest income							40,346,189	42,331,266	40,346,189	42,331,266
Income taxes expense							(191,268,192)	(104,916,938)	(191,268,192)	(104,916,938)
<b>Net profit</b>									<b>526,986,632</b>	<b>183,619,844</b>

The following table provides required information for the primary segments as at December 31, 2013 and December 31, 2012:

Particulars	(Amount in Rs.)									
	Information technology services and products		Business process outsourcing services		Eliminations		Corporate and others		Total	
	December 31,		December 31,		December 31,		December 31,		December 31,	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
<b>OTHER INFORMATION</b>										
Segment assets	2,481,194,980	2,113,986,440	429,631,243	266,824,597	198,065,623	221,673,277	-	-	2,712,760,600	2,159,137,760
Unallocated corporate assets							662,949,363	686,654,948	662,949,363	686,654,948
Income tax assets							96,244,192	129,720,882	96,244,192	129,720,882
<b>Total assets</b>	<b>2,481,194,980</b>	<b>2,113,986,440</b>	<b>429,631,243</b>	<b>266,824,597</b>	<b>198,065,623</b>	<b>221,673,277</b>	<b>759,193,555</b>	<b>816,375,830</b>	<b>3,471,954,155</b>	<b>2,975,513,590</b>
Segment liabilities	775,951,104	748,116,115	354,441,332	332,618,183	198,065,623	221,673,277			932,326,813	859,061,021
Unallocated corporate liabilities							121,881,226	95,099,048	121,881,226	95,099,048
Income tax liabilities							100,138,869	75,355,869	100,138,869	75,355,869
<b>Total liabilities</b>	<b>775,951,104</b>	<b>748,116,115</b>	<b>354,441,332</b>	<b>332,618,183</b>	<b>198,065,623</b>	<b>221,673,277</b>	<b>222,020,095</b>	<b>170,454,917</b>	<b>1,154,346,908</b>	<b>1,029,515,938</b>
Capital expenditures	139,946,226	58,879,523	30,594,221	30,329,492					170,540,447	89,209,015
Depreciation and amortisation	83,676,286	84,931,654	18,030,331	15,962,719					101,706,617	100,894,373
Other non-cash expenses	36,822,328	18,756,705	288,515	4,295,685					37,110,843	23,052,390

*Geographical segments:*

The Group reports secondary segment information on the basis of the geographical location of the customers / assets. The management views the domestic and export markets as distinct geographical segments.

The following is the distribution of the Group's revenue by geographical area in which customers are located:

	For the year ended December 31,	
	2013 (Rs.)	2012 (Rs.)
India	284,027,611	265,411,162
USA	3,317,857,603	2,378,009,523
South East Asia	606,375,061	457,615,597
Europe	1,517,640,314	1,254,444,648
Others	234,641,296	294,607,294
<b>Total</b>	<b>5,960,541,885</b>	<b>4,650,088,224</b>

Assets and additions to fixed assets by geographical area:

The following table shows the carrying amount of assets and additions to fixed assets (including capital advances) by geographical area in which assets are located:

	Carrying amount of assets as at December 31,		Additions to fixed assets for the year ended December 31,	
	2013 (Rs.)	2012 (Rs.)	2013 (Rs.)	2012 (Rs.)
India	1,146,836,625	1,108,591,162	92,944,119	42,237,985
USA	883,032,008	616,191,650	5,731,933	13,028,167
South East Asia	201,901,447	156,071,049	45,216,667	11,275,363
Europe	1,159,069,634	1,030,931,557	26,647,728	22,667,500
Others	81,114,441	63,728,172	-	-
<b>Total</b>	<b>3,471,954,155</b>	<b>2,975,513,590</b>	<b>170,540,447</b>	<b>89,209,015</b>

## 24. Related party disclosure

(i) Names of related parties (Also refer note 2 for 'R Systems Group')

### Key management personnel

Sl. No.	Name of person	Designation	Company
1	Satinder Singh Rekhi	Chairman and Managing Director Director Director Director Director Director Director Director	R Systems International Limited R Systems, Inc., USA R Systems (Singapore) Pte Ltd, Singapore Indus Software, Inc., USA R Systems Solution, Inc, USA R Systems, NV, Belgium (Liquidated on June 24, 2013) R Systems Europe B.V., Netherlands Computaris International Limited, UK Systèmes R. International Ltée, Canada
2	Lt. Gen. Baldev Singh (Retd.)	President and Senior Executive Director	R Systems International Limited
3	Raj Swaminathan	Director and Chief Operating Officer	R Systems International Limited
4	Sartaj Singh Rekhi	Director Director Director Executive Manager Director	R Systems Solution, Inc., USA R Systems Europe B.V., Netherlands R Systems, NV, Belgium (Liquidated on June 24, 2013) R Systems, Inc., USA Systèmes R. International Ltée, Canada
5	Sidhartha Shankar Dubey	Director Director Vice President – BPO	R Systems Europe B.V., Netherlands R Systems S.A.S ,France R Systems International Limited
6	Vinay Narjit Singh Behl	Director	R Systems, Inc., USA
7	Cai Li Ting	Director Director	ECnet Ltd, Singapore R Systems (Singapore) Pte Ltd, Singapore
8	Chan Kum Ming	Director Director	ECnet Ltd, Singapore R Systems (Singapore) Pte Ltd, Singapore
9	Ian Adrian Tidder	Director (Resigned in 2013)	Computaris International Limited, UK
10	Bogdan Mihai Danila	Director	Computaris International Limited, UK
11	Raluca Marina Rusu	Director	Computaris International Limited, UK
12	Michal Misiaszek	Director	Computaris International Limited, UK
13	Ramneet Singh Rekhi	Director Assistant Manager Strategy	R Systems Europe B.V., Netherlands R Systems, Inc., USA

### Relatives of Key management personnel

Sl. No.	Name of person	Related to	Designation
1	Mandeep Singh Sodhi	Lt. Gen. Baldev Singh (Retd.)	Vice President – Sales (R Systems International Limited)

### Enterprises owned or significantly influenced by key management personnel or their relatives

Sl. No.	Name of enterprises	Related to	Relationship
1	Euro IT Limited	Ian Adrian Tidder (Resigned in 2013)	Sole shareholder of Euro IT Limited

(ii) Details of transactions with related parties for the year ended December 31, 2013 and December 31, 2012:

	(Amount in Rs.)	
	For the year ended December 31, 2013	For the year ended December 31, 2012
<b>Remuneration to key management personnel and their relatives</b>		
Satinder Singh Rekhi	25,292,405	17,844,292
Lt. Gen. Baldev Singh (Retd.)	5,921,889	5,149,445
Raj Swaminathan	6,392,954	5,679,795
Bart V Eunen (Resigned in 2012)	-	25,059,214
Cai Li Ting	6,222,549	5,594,115
Sartaj Singh Rekhi	10,251,964	6,971,302
Vinay Narjit Singh Behl	1,757,250	1,602,630
Mandeep Singh Sodhi	25,212,198	19,503,471
Chan Kum Ming	8,255,151	7,432,627
Ian Adrian Tidder (Resigned in 2013)	-	2,328,508
Irina Arsene (Resigned in 2012)	-	8,991,479
Bogdan Mihai Danila	6,430,844	6,196,473
Raluca Marina Rusu	7,221,624	6,250,052
Michal Misiaszek	8,106,505	9,827,824
Sidhartha Shankar Dubey	4,295,502	3,473,437
Ramneet Singh Rekhi	3,221,625	1,880,859
<b>Services received</b>		
Euro IT Limited	15,405,301	13,992,552
<b>Rent</b>		
Satinder Singh Rekhi	9,659,184	8,810,969

	(Amount in Rs.)	
	As at December 31,	
	2013	2012
<b>Balance payable to key management personnel</b>		
Satinder Singh Rekhi	7,880,500	500,000
Lt. Gen. Baldev Singh (Retd.)	1,090,927	780,044
Raj Swaminathan	1,833,333	1,833,333
Raluca Marina Rusu	1,126,917	-
Bogdan Mihai Danila	433,430	-

**25. Capital and other commitments**

	As at December 31, 2013 (Rs.)	As at December 31, 2012 (Rs.)
Estimated amount of unexecuted capital contracts (net of advances)	5,658,248	4,510,563

## 26. Contingent liabilities:

	As at December 31, 2013 (Rs.)	As at December 31, 2012 (Rs.)
Performance guarantees given to Department of Telecommunication for Domestic and International 'Other Service Provider' licenses	20,000,000	20,000,000
Performance bank guarantee issued to a customer	6,138,000	4,408,736
<b>TOTAL</b>	<b>26,138,000</b>	<b>24,408,736</b>

## 27. Operating Lease - Company as lessee

The Group has operating lease for office premises, office equipment, vehicle etc. The future minimum payments required under non-cancelable operating lease at year-end are as follows

	Year ended December 31, 2013 (Rs.)	Year ended December 31, 2012 (Rs.)
Lease payments for the year	134,332,942	129,179,864
Non-cancellable operating lease obligation :		
Not later than one year	95,321,827	102,770,178
Later than one year but not later than five years	135,739,494	129,815,674
Later than five years	6,688,176	6,688,176

The operating lease arrangements extend for a maximum of 9 years from their respective dates of inception. Some of the operating lease arrangements have price escalation clause at various periodic levels ranging from 0 to 5% includes option of renewal from 1 to 6 years and there are no restrictions imposed on lease arrangements.

- 28. (a)** During earlier years, the Company had acquired 98.59% shares in ECnet Limited, a company incorporated in Singapore at a total consideration of Rs. 34,938,958. During the year ended December 31, 2005, the Company had based upon an order of High Court of Delhi written down the goodwill value to Rs. Nil and adjusted the write off of Rs. 24,495,721 against the Securities Premium Account as this had not been represented by available assets.

During the year ended December 31, 2007, the Company had settled the liabilities towards certain erstwhile shareholders. As a result thereof, the deferred payment compensation of Rs. 14,452,222 was released, as considered appropriate by the management. Out of above, Rs. 10,442,237 had been adjusted against the value of the investment. The reassessed amount payable Rs. 13,153,262 (reinstated as at December 31, 2013) [Previous year Rs. 12,117,859 (reinstated as at December 31, 2012)] is shown under 'Other current liabilities'.

- (b)** During the year ended December 31, 2011, the Company had acquired 100% shares of Computaris International Limited, UK (Computaris) on January 26, 2011 for a maximum consideration of GBP 9 million out of which GBP 4.25 million was the initial payout and balance was based on earn outs as well as fulfillment of certain condition by the erstwhile shareholders of Computaris over the next two years.

During the year ended December 31, 2013, the management basis the settlement entered with erstwhile shareholders of Computaris, has agreed the final consideration at Rs. 421,812,565 and accordingly adjusted the investment value and goodwill on acquisition by Rs. 17,209,661. The restated Goodwill as at December 31, 2013 amounts to Rs. 291,111,050.

- (c)** One of the step down subsidiaries i.e. Computaris Limited (a wholly owned dormant subsidiary of Computaris International Limited) has been liquidated as per applicable laws in United Kingdom and India on December 24, 2013.
- (d)** During the year ended December 31, 2010, the Board of Directors of the Company and R Systems NV, Belgium (wholly owned subsidiary of the Company) had approved the liquidation of R Systems NV, Belgium subject to the required statutory and corporate approvals in India and Belgium. The above said liquidation has been completed on June 24, 2013, in compliance with the applicable laws of India and Belgium.



- (e) During March, 2013, ECnet Limited (a Singapore based subsidiary of the Company) has acquired an ERP business from another company in Singapore. The management has settled the purchase consideration at SGD 753,882 after considering the conditions fulfilled by the seller as specified under Asset Purchase Agreement. The consideration paid has been allocated on the basis of the independent valuation to following assets :

	Amount in SGD	Amount in Rs.
Customer contracts	170,036	7,405,408
Non-compete fee	172,033	7,492,381
Goodwill on business acquisition	411,813	17,935,280
<b>Total consideration paid</b>	<b>753,882</b>	<b>32,833,069</b>

The assets acquired through business acquisition are amortised on following basis :-

Intangible assets	Amortisation period
Customer contracts	Over the period of contract
Non-compete fee	Non-compete period of 5 years
Goodwill on business acquisition	5 years

**29. (a) R Systems International Limited - Year 2004 Employee Stock Option Plan ('the plan')**

During the year 2004, the Company had instituted the plan for all eligible employees as specified in the rules in pursuance of the special resolution duly approved by the shareholders. The plan provides for the issuance of 997,500 options to eligible employees as recommended by the Compensation Committee constituted for this purpose.

The plan is administered by a Compensation Committee and exercise price is "1.60 times the book value of the share as per the audited balance sheet as on December 31, 2003 i.e. Rs. 42 per Share or 1.60 times of the book value as per immediate previous accounting year audited balance sheet rounded off to nearest rupee as on the date of exercise whichever is higher", till the time equity shares of the Company are not listed. Once the equity shares are listed, the exercise price is prevailing price or stock price i.e. the latest available closing price, prior to the date of the meeting of the Board of Directors in which options are granted / shares are issued, on the stock exchange on which the shares of the Company are listed.

During the year ended December 31, 2006, the Company had consolidated each of its five equity shares of Rs. 2 each into one equity share of Rs. 10 each and then issued 1:1 bonus share to each of the then existing shareholder (excluding the option holders) by utilisation of Securities Premium Account in terms of the provisions of Section 78 of the Companies Act, 1956. Considering these changes in the capital structure, the management had adjusted the number of options vesting to its employees and exercise price to preserve the benefits intended to be made available under the plan i.e. instead of five options of Rs. 2 per share, the employees' entitlement had been adjusted to one option of Rs. 10 per share and instead of earlier exercise price of Rs. 42 per share for each Rs. 2 share, the exercise price had been accordingly adjusted to Rs. 105 per equity share. During the year ended December 31, 2008, the Company had obtained a legal opinion confirming that the adjustments undertaken to the number of options vesting to its employees and exercise price, pursuant to the consolidation and subsequent bonus issue during the year ended December 31, 2006, does not tantamount to modification and no additional benefit was offered to the existing option holders.

The vesting period is 4 years (25% in each year) commencing from the date of grant under the plan. The eligible employees have an option to exercise it over a period of 10 years from the date of grant under the plan. The movement in the options during the year ended December 31, 2013 and year ended December 31, 2012 is set out below:

	Year ended December 31, 2013 (Nos.)	Year ended December 31, 2012 (Nos.)
<b>At the beginning</b>		
- Grants outstanding under the plan (Rs. 10 per share)	<b>56,035</b>	61,925
- Grants pending determination by the Compensation Committee (Rs. 10 per share)	<b>88,630</b>	82,740
<b>During the year</b>		
- Options granted (Rs. 10 per share)	-	-
- Options exercised (Rs. 10 per share)	-	-
- Options lapsed or surrendered (Rs. 10 per share)	<b>4,495</b>	5,890
<b>At the end</b>		
- Grants outstanding under the plan (Rs. 10 per share)	<b>51,540</b>	56,035
- Grants pending determination by the Compensation Committee (Rs. 10 per share)	<b>93,125</b>	88,630

The weighted average remaining contractual life for the stock options as at December 31, 2013 is 9.10 months (Previous year 21.14 months).

**(b) Indus Software Employees Stock Option Plan – Year 2001 ('the plan');**

Indus Software Private Limited ('Indus') had outstanding options aggregating 21,967 equity shares as on March 31, 2002, to be issued to the eligible employees under the Indus Software Employees Stock Option Plan – Year 2001 under various vesting periods as specified in the said Plan, duly approved by the erstwhile shareholders. Indus had established "Indus Software Employees Welfare Trust" ('the Indus Trust') to administer the plan, as approved by the members, for the benefits of the Company's employees and had provided an interest free loan of Rs. 3,382,792. Consequently, Indus had allotted 21,967 equity shares of Rs. 10 each at a premium of Rs. 144 per equity share to the Indus Trust to be further issued to the Indus' eligible employees on the exercise of the underlying options granted to them.

As a result of the merger of Indus with the Company, all employees had surrendered their options in favour of the Indus Trust to enable them to obtain options for shares in R Systems International Limited after the merger. Also, the Company had issued 206,822 equity shares of Rs. 2 each at a premium of Rs. 113.42 per share to the Indus Trust in exchange of 21,967 equity shares of Indus, apropos to the agreed swap ratio. During the earlier years out of the said 206,822 shares 22,079 shares were issued to the employees on exercise of options.

The Company had consolidated each of its five equity shares of Rs. 2 each into one equity share of Rs. 10 each on January 30, 2006 and then issued 1:1 bonus share to each of the then existing shareholder by utilisation of Securities Premium Account in terms of the provisions of Section 78 of the Companies Act, 1956, consequently total number of shares issued are now 73,898 equity shares of Rs. 10 each. Accordingly an amount of Rs. 738,980 and Rs. 2,282,728 is shown as deduction from Issued, subscribed and paid-up capital and Securities Premium Account respectively as suggested by the "Guidance Note on Accounting for Employee Share-based Payments" issued by The Institute of Chartered Accountants of India.

The movement in the options (in equivalent number of shares of the Company) held by the Trust during the year ended December 31, 2013 and the year ended December 31, 2012 is set out below:

	Year ended December 31, 2013 (Nos.)	Year ended December 31, 2012 (Nos.)
<u>At the beginning</u>		
- Grants outstanding under the plan (Rs. 10 per share)	-	-
- Grants pending determination by the Compensation Committee (Rs. 10 per share)	<b>73,898</b>	73,898
<u>During the year</u>		
- Options granted (Rs. 10 per share)	-	-
- Options exercised (Rs. 10 per share)	-	-
- Options lapsed or surrendered (Rs. 10 per share)	-	-
<u>At the end</u>		
- Grants outstanding under the plan (Rs. 10 per share)	-	-
- Grants pending determination by the Compensation Committee (Rs. 10 per share)	<b>73,898</b>	73,898

(c) R Systems International Limited – Year 2004 Employees Stock Option Plan ECnet ('the plan')

The Company had instituted the plan for all eligible employees in pursuance of the special resolution duly approved by the shareholders. The plan provides for the issuance of 1,000,000 options to eligible employees as recommended by the Compensation Committee constituted for this purpose.

The plan is administered by a Compensation Committee and exercise price is "book value of the share as per the audited balance sheet as on December 31, 2003 i.e. Rs. 26 or as on the date of exercise, the book value as per immediate previous accounting year audited balance sheet rounded off to nearest rupee whichever is higher" till the time equity shares of the Company are not listed. Once the equity shares are listed, the exercise price is prevailing price or stock price i.e. the latest available closing price, prior to the date of the meeting of the Board of Directors in which options are granted / shares are issued, on the stock exchange on which the shares of the Company are listed.

During the year ended December 31, 2006, the Company had consolidated each of its five equity shares of Rs. 2 each into one equity share of Rs. 10 each and then issued 1:1 bonus share to each of the then existing shareholder (excluding the option holders) by utilisation of Securities Premium Account in terms of the provisions of Section 78 of the Companies Act, 1956. Considering these changes in the capital structure, the management had adjusted the number of options vesting to its employees and exercise price to preserve the benefits intended to be made available under the plan i.e. instead of five options of Rs. 2 per share, the employees' entitlement had been adjusted to one option of Rs. 10 per share and instead of earlier exercise price of Rs. 26 per share for each Rs. 2 share, the exercise price had been accordingly adjusted to Rs. 65 per equity share. During the year ended December 31, 2008, the Company had obtained a legal opinion confirming that the adjustments undertaken to the number of options vesting to its employees and exercise price, pursuant to the consolidation and subsequent bonus issue during the year ended December 31, 2006, does not tantamount to modification and no additional benefit was offered to the existing option holders.

The vesting period is 4 years (40% in 1st year & 20% in 2nd, 3rd & 4th year) commencing from the date of grant under the plan. The eligible employees have an option to exercise it over a period of 10 years from the date of grant under the plan. The movement in the options during the year ended December 31, 2013 and year ended December 31, 2012 is set out below:

	Year ended December 31, 2013 (Nos.)	Year ended December 31, 2012 (Nos.)
<u>At the beginning</u>		
- Grants outstanding under the plan (Rs. 10 per share)	6,200	6,800
- Grants pending determination by the Compensation Committee (Rs. 10 per share)	123,841	123,241
<u>During the year</u>		
- Options granted (Rs. 10 per share)	-	-
- Options exercised (Rs. 10 per share)	-	-
- Options lapsed or surrendered (Rs. 10 per share)	-	600
<u>At the end</u>		
- Grants outstanding under the plan (Rs. 10 per share)	6,200	6,200
- Grants pending determination by the Compensation Committee (Rs. 10 per share)	123,841	123,841

The weighted average remaining contractual life for the stock options as at December 31, 2013 is 8 months (Previous year 20 months).

**(d) R Systems International Limited Employee Stock Option Scheme 2007 ('the plan')**

During the year 2007, the Company had instituted the plan for all eligible employees as specified in the rules in pursuance of the special resolution duly approved by the shareholders. The plan provides for the issuance of 650,000 options to eligible employees as recommended by the Compensation Committee constituted for this purpose.

The plan is administered by a Compensation Committee and exercise price is Rs. 120.70 being the latest available closing price, prior to the date of the meeting of the Board of Directors / Compensation Committee held on July 11, 2007 in which options were granted, on the stock exchange on which the shares of the Company are listed. Accordingly, the intrinsic value of Employee Stock Option is taken as Rs. Nil.

The vesting period is 4 years (25% in each year) commencing from the date of grant under the plan. The eligible employees have an option to exercise it over a period of 10 years from the date of grant under the plan. The movement in the options during the year ended December 31, 2013 and year ended December 31, 2012 is set out below:

	Year ended December 31, 2013 (Nos.)	Year ended December 31, 2012 (Nos.)
<u>At the beginning</u>		
- Grants outstanding under the plan (Rs. 10 per share)	255,678	475,000
- Grants pending determination by the Compensation Committee (Rs. 10 per share)	190,500	175,000
<u>During the year</u>		
- Options granted (Rs. 10 per share)	-	-
- Options exercised (Rs. 10 per share)	144,750	203,822
- Options lapsed or surrendered (Rs. 10 per share)	6,000	15,500
<u>At the end</u>		
- Grants outstanding under the plan (Rs. 10 per share)	104,928	255,678
- Grants pending determination by the Compensation Committee (Rs. 10 per share)	196,500	190,500

For options exercised during the period, the weighted average share price at the exercise date was Rs. 234.17 per share (Previous year Rs. 164.49)

The weighted average remaining contractual life for the stock options as at December 31, 2013 is 43 months (Previous year 55 months).

- (e) For the purpose of valuation of the options granted before year ended December 31, 2004, the management obtained fair value of the options at the date of grant under respective schemes from a firm of Chartered Accountants to determine accounting impact, if any, of options granted over the periods. In the considered opinion of the valuer, the fair value of option determined using 'Black Scholes Valuation Model' under each of above schemes (except R Systems International Limited Employee Stock Option Scheme 2007 refer 29 (d) above) is "Nil" and thus no accounting thereof is required.

The assumptions used for the purpose of determination of fair value are stated below:

Assumptions	Unit	Scheme (a) *	Scheme (b) **	Scheme (c)***	Comments by the valuer
Strike price	Rs.	42	154	26	
Current share price	Rs.	16	140	16	Taken on the basis of NAV and PECV method of valuation.
Expected option life	No. of Years	5	2.5	5	Being half of the maximum option life.
Volatility	%	1	0.5	1	In case of unlisted shares, the volatility may be taken as zero. Verma committee also recommends this.
Risk free return	%	7	11.3	7	Zero coupon rate estimated from trading government securities for a maturity corresponding to expected life of option - taken from sites of NSE and / or BSE.
Expected dividend Yield	%	-	15	-	Company has no set policy so dividend taken as zero. In case of Indus plan, as the dividend had been paid by the erstwhile company, it has been assumed at 15%.

\*: R Systems International Ltd. - Year 2004 Employee Stock Option Plan under which the price was based on Rs. 2 per share.

\*\* : Indus Software Employees Stock Option Plan - Year 2001 under which originally the price was based on Rs. 10 per share for 21,967 shares. As a result of amalgamation of Indus Software Private Limited into R Systems, R Systems had issued 206,822 equity shares of Rs. 2 each pursuant to the swap ratio approved by Hon'ble High Courts of Delhi and Mumbai.

\*\*\*: R Systems International Ltd. - Year 2004 Employee Stock Option Plan - ECnet under which the price was based on Rs. 2 per share.

The above information is based on Rs. 2 per share prior to consolidation of 5 equity shares of Rs. 2 each into one equity share of Rs. 10 each and subsequent allotment of bonus shares in the ratio of 1 : 1.

Further, for the purpose of valuation of the options granted during the year 2005 under R Systems International Limited- Year 2004 Employee Stock Option Plan, the management obtained fair value of the options at the date of grant from a firm of Chartered Accountants, to determine accounting impact, if any, of options granted. In the considered opinion of the valuer, the fair value of these option determined using 'Black Scholes Valuation Model' is "Nil" and thus no accounting thereof is required.

The assumptions used by the valuer for the purpose of determination of fair value are stated below:

Assumptions	Unit	Scheme	Comments by the valuer
Strike price	Rs.	42	
Current share price	Rs.	13.58	Taken on the basis of NAV and PECV method of valuation.
Expected option life	No. of Years	5	Being half of the maximum option life.
Volatility	%	1	In case of unlisted shares, the volatility may be taken as zero. Verma committee also recommends this.
Risk free return	%	7.42	Zero coupon rate estimated from trading government securities for a maturity corresponding to expected life of option - taken from sites of NSE.
Expected dividend Yield	%	-	Company has no set policy so dividend taken as zero.

The above information is based on Rs. 2 per share prior to consolidation of 5 equity shares of Rs. 2 each into one equity share of Rs. 10 each and subsequent allotment of bonus shares in the ratio of 1 : 1.

- (f) For the purpose of valuation of the options granted during the year ended December 31, 2007 under R Systems International Limited Employee Stock Option Scheme – 2007, the compensation cost relating to Employee Stock Options, calculated as per the intrinsic value method is Nil.

The management obtained fair value of the options at the date of grant from a firm of Chartered Accountants. In the considered opinion of the valuer, the fair value of these options determined using 'Black Scholes Valuation Model' is "Rs. 50.73" per option.

The assumptions used by the valuer for the purpose of determination of fair value are stated below:

Assumptions	Unit	Scheme	Comments by the valuer
Strike price	Rs.	120.70	
Current share price	Rs.	118.50	Price on the date of grant by Board of Directors i.e. closing price on July 11, 2007
Expected option life	No. of Years	4	Being half of the maximum option life.
Volatility	%	44	On the basis of industry average.
Risk free return	%	7	Zero coupon rate estimated from trading government securities for a maturity corresponding to expected life of option – taken from sites of NSE.
Expected dividend Yield	%	0.86	Company has declared Dividends of 12% in the past. Assuming that it will continue declaring similar dividends in future.

In March 2005 the ICAI has issued a guidance note on "Accounting for Employees Share Based Payments" applicable to 'employee share based plan' the grant date in respect of which falls on or after April 1, 2005. The said guidance note requires the Proforma disclosures of the impact of the fair value method of accounting of employee stock compensation in the financial statements. Since the Company used the intrinsic value method the impact on the reported net profit and earnings per share by applying the fair value based method is as follows:

Particulars	(Amount in Rs.)	
	Year ended December 31, 2013	Year ended December 31, 2012
Profit after tax	526,986,632	183,619,844
Add: Intrinsic Value Compensation Cost	-	-
Less: Fair Value Compensation Cost *	-	-
<b>Adjusted Pro-forma Profit after tax</b>	<b>526,986,632</b>	<b>183,619,844</b>
<b>Earnings Per Share [also refer note 30 (b)]</b>		
<b>Basic [Nominal value of shares Re. 1 (Previous year: Re. 1)]</b>		
- As reported	4.18	1.48
- Pro-forma	4.18	1.48
<b>Diluted [Nominal value of shares Re. 1 (Previous year: Re. 1)]</b>		
- As reported	4.18	1.48
- Pro-forma	4.18	1.48

\* All granted options have been vested during earlier years.

**30. (a) Earnings per share (EPS)**

Particulars	(Amount in Rs.)	
	Year ended December 31, 2013	Year ended December 31, 2012
Net profit after tax (Rs.)	526,986,632	183,619,844
Weighted average number of equity shares for calculating Basic and Diluted EPS [also refer note 30 (b)]	126,141,050	124,380,640
Basic [Nominal value of shares Re. 1 (Previous year: Re. 1)] (Rs.)	4.18	1.48
Diluted [Nominal value of shares Re. 1 (Previous year: Re. 1)] (Rs.)	4.18	1.48

- (b) Subsequent to the year end, on January 14, 2014, the shareholders of the Company, through postal ballot, approved the sub-division (stock split) of one equity share of face value of Rs. 10/- into ten equity shares of face value of Re. 1/- each fully paid up as recommended by the Board of Directors at their meeting held on November 29, 2013. The Board of Directors has fixed February 28, 2014 as the record date to give effect of the sub-division.

As at December 31, 2013, the sub-division has not been given effect in the disclosure pertaining to change in capital structure, terms / rights of shareholder and shareholding under note 3 "Share capital" and outstanding Employees stock options plans / scheme under note 29. However, for the purpose of computing Earnings Per Share for the current year and previous year, the effect of sub-division has been considered in accordance with the requirements of Accounting Standard - 20 "Earnings Per Share".

**31. Post-employment benefits**

The Company has funded defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on separation equal to 15 days salary (last drawn salary) for each completed year of continuous service or part thereof in excess of six months subject to a maximum of Rs. 1,000,000.

The following table summarises the components of net employee benefits expense recognised in the Statement of Profit and Loss.

Particulars	(Amount in Rs.)	
	Year ended December 31, 2013	Year ended December 31, 2012
Current service cost	14,079,885	12,078,032
Interest cost on benefit obligation	7,295,836	6,235,987
Expected return on plan assets	(195,282)	-
Net actuarial (gain) / loss recognised in the year	(10,531,738)	4,386,197
Net employee benefits expense (also refer note 19)	10,648,701	22,700,216
Actual return on plan assets	210,141	-

Details of defined benefit gratuity plan

Particulars	(Amount in Rs.)	
	As at December 31, 2013	As at December 31, 2012
Defined benefit obligation	81,424,215	78,143,622
Fair value of plan assets	4,549,747	-
Plan liability / (asset)	76,874,468	78,143,622

Changes in the present value of the defined benefit gratuity plan are as follows:

Particulars	(Amount in Rs.)	
	Year ended December 31, 2013	Year ended December 31, 2012
Opening defined benefit obligation	78,143,622	62,937,379
Interest cost	7,295,836	6,235,987
Current service cost	14,079,886	12,078,032
Benefits paid	(7,578,249)	(7,493,973)
Actuarial (gains) / losses on obligation	(10,516,880)	4,386,197
Closing defined benefit obligation	81,424,215	78,143,622

Changes in the fair value of plan assets are as follows:

Particulars	(Amount in Rs.)	
	Year ended December 31, 2013	Year ended December 31, 2012
Opening fair value of plan assets	-	-
Expected return	195,282	-
Contributions by the employer	5,000,000	-
Benefits paid	(660,394)	-
Actuarial gains / (losses) on obligation	14,859	-
Closing fair value of plan assets	4,549,747	-

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

Particulars	Year ended December 31, 2013	Year ended December 31, 2012
Investments with insurer	100%	-

The principal assumptions used in determining defined benefit gratuity plan obligations is shown below:

Particulars	Year ended December 31, 2013	Year ended December 31, 2012
Discount rate	9.25% p.a.	8.25% p.a.
Expected rate of return on plan assets	9.00% p.a.	Not applicable
Salary Escalation Rate	10% for 1st year & 7% thereafter	10% for 1st year & 7% thereafter
Attrition rate:	As per table below	As per table below

Attrition rate used for the year ended December 31, 2013 and year ended December 31, 2012 are as per the table below:

Age (Years)	Rates
Below Age 30	15%
Age 30 to 34	10%
Age 35 to 44	5%
Age 45 to 50	3%
Age 51 to 54	2%
Age above 54	1%

The estimates of future salary increases takes into account the inflation, seniority, promotion and other relevant factors.



Amounts for the current and previous four years are as follows:

(Amount in Rs.)

	Gratuity				
	December 31, 2013	December 31, 2012	December 31, 2011	December 31, 2010	December 31, 2009
Defined benefit obligation	<b>81,424,215</b>	78,143,622	62,937,379	57,825,653	42,199,151
Plan assets	<b>4,549,747</b>	-	-	-	-
Surplus / (deficit)	<b>(76,874,468)</b>	(78,143,622)	(62,937,379)	(57,825,653)	(42,199,151)
Experience (Gains) / Losses adjustments on plan liabilities	<b>(3,130,879)</b>	2,63,983	1,934,614	(2,914,547)	(6,981,759)
Experience adjustments on plan assets	<b>14,859</b>	-	-	-	-

**32. Particulars of Derivative Instruments and Unhedged Foreign Currency Exposure as at December 31, 2013 and December 31, 2012:**

As of December 31, 2013, the Company had derivative financial instruments to sell USD 11,450,000 (Previous year USD 11,600,000), sell EURO 750,000 (Previous year EURO 400,000). The Company has not applied hedge accounting as these instruments do not qualify for hedge accounting. The Group has recognised mark-to-market loss of Rs. 22,918,617 (Previous year gain of Rs. 5,814,261) relating to such derivative financial instruments in the Profit and Loss Account for the year ended December 31, 2013.

The particulars of Unhedged Foreign Currency Exposure as at December 31, 2013 and December 31, 2012 are as below:

	Currency	Foreign Currency amount		Closing foreign exchange rate		Amount (Rs.)	
		December 31,		December 31,		December 31,	
		2013	2012	2013	2012	2013	2012
<b>Liabilities</b>							
Deferred compensation to erstwhile shareholders of subsidiaries	SGD	<b>269,285</b>	269,285	<b>48.85</b>	45.00	<b>13,153,262</b>	12,117,859
	GBP	-	233,000	-	88.87	-	20,706,710
Trade payables	USD	<b>612,448</b>	184,424	<b>61.81</b>	54.98	<b>37,852,328</b>	10,139,630
	EURO	<b>1,234,649</b>	1,930,135	<b>85.10</b>	72.46	<b>105,072,334</b>	139,847,934
<b>Assets</b>							
Trade receivables (Gross)	USD	<b>6,690,675</b>	7,064,732	<b>61.81</b>	54.98	<b>413,517,175</b>	388,418,978
	EURO	<b>3,364,011</b>	3,043,068	<b>85.10</b>	72.46	<b>286,287,419</b>	220,485,485
	GBP	<b>111,344</b>	41,184	<b>102.14</b>	88.87	<b>11,372,676</b>	3,660,022
	JPY	-	882,000	-	0.64	-	562,716
	AUD	<b>4,000</b>	18,836	<b>55.09</b>	56.99	<b>220,350</b>	1,073,443
	CHF	<b>226,516</b>	321,978	<b>69.38</b>	59.99	<b>15,716,374</b>	19,315,460
	THB	-	1,761,706	-	1.80	-	3,162,262
	Loans and advances	USD	<b>797</b>	1,700	<b>61.81</b>	54.98	<b>49,274</b>
	EURO	-	3,235	-	72.46	-	234,392
	SGD	<b>24,000</b>	-	<b>48.85</b>	-	<b>1,172,280</b>	-

	Currency	Foreign Currency amount		Closing foreign exchange rate		Amount (Rs.)	
		December 31,		December 31,		December 31,	
		2013	2012	2013	2012	2013	2012
Cash and bank balances	USD	<b>1,764,469</b>	2,300,838	<b>61.81</b>	54.98	<b>109,053,032</b>	126,500,067
	EURO	<b>2,702,993</b>	1,623,611	<b>85.10</b>	72.46	<b>230,032,844</b>	117,638,738
	GBP	-	798	<b>102.14</b>	88.87	-	70,924
	JPY	<b>2,094,105</b>	884,063	<b>0.59</b>	0.64	<b>1,233,428</b>	564,032
	CHF	<b>162,111</b>	22,340	<b>69.38</b>	59.99	<b>11,247,770</b>	1,340,147
	HKD	<b>14</b>	-	<b>7.98</b>	-	<b>112</b>	-
	BGN	<b>113</b>	113	<b>43.20</b>	36.82	<b>4,882</b>	4,161
	PLN	<b>124</b>	124	<b>20.42</b>	17.67	<b>2,523</b>	2,183
	UAH	<b>719</b>	274	<b>7.51</b>	6.80	<b>5,400</b>	1,863
	MYR	<b>537</b>	367	<b>18.87</b>	17.94	<b>10,125</b>	6,576
	SEK	<b>120</b>	120	<b>9.62</b>	8.41	<b>1,152</b>	1,007
	MDL	<b>797</b>	797	<b>4.74</b>	4.52	<b>3,779</b>	3,599
	SGD	<b>14</b>	14	<b>48.85</b>	45.00	<b>684</b>	630
	RUB	<b>700</b>	700	<b>1.88</b>	1.79	<b>1,313</b>	1,255
	KWD	-	14	-	194.55	-	2,724
	MOP	<b>14</b>	14	<b>7.75</b>	6.89	<b>105</b>	93
	PHP	<b>660</b>	660	<b>1.39</b>	1.34	<b>919</b>	881
	HRK	<b>48</b>	48	<b>11.17</b>	9.54	<b>533</b>	455
	INR	<b>670</b>	6,340	<b>1.00</b>	1.00	<b>670</b>	6,340
	TRY	<b>17</b>	-	<b>28.79</b>	-	<b>489</b>	-

Above is on the basis of unhedged foreign currency exposures outstanding as at reporting date in the Company and its subsidiaries.

The below table shows the detail of different currencies:

Sl. No.	Currency Abbreviation	Name of Currency	Country
1	GBP	Great Britain Pound	United Kingdom
2	EURO	Euro	European Union
3	CHF	Swiss Franc	Switzerland
4	USD	US Dollar	United States
5	AUD	Australian dollar	Australia
6	SGD	Singapore Dollar	Singapore
7	BGN	Bulgarian Lev	Bulgaria
8	TRY	Turkish Lira	Turkey
9	PLN	Polish Zloty	Poland
10	MYR	Malaysian Ringgit	Malaysia
11	HRK	Croatian Kuna	Croatia
12	SEK	Swedish Krona	Sweden
13	HKD	Hong Kong Dollar	Hong Kong
14	MOP	Macau Pataca	Macau
15	UAH	Ukrainian Hryvna	Ukraine
16	MDL	Moldovan Leu	Moldova

Sl. No.	Currency Abbreviation	Name of Currency	Country
17	THB	Thai Baht	Thailand
18	RUB	Russian Ruble	Russia
19	PHP	Philippine Peso	Philippines
20	INR	Indian Rupee	India
21	JPY	Japanese Yen	Japan
22	KWD	Kuwaiti Dinar	Kuwait

**33. Cash and bank balances**

Sl. No.	Particulars	(Amount in Rs.)	
		As at December 31, 2013	As at December 31, 2012
	<b>Cash on hand (A)</b>	<b>961,744</b>	810,146
	<b>Cheques on hand (B)</b>	<b>1,100,000</b>	-
	<b>Balance with scheduled banks</b>		
	<b>On current accounts</b>		
1	ICICI Bank Limited	<b>3,180,957</b>	2,008,629
2	HDFC Bank Limited	<b>495,419</b>	507,728
3	Oriental Bank of Commerce	<b>48,979</b>	57,114
4	Vijaya Bank	-	24,308
5	State Bank of India	<b>4,994,389</b>	5,269,068
6	Axis Bank Limited	<b>12,305,527</b>	4,704,981
7	State Bank of Bikaner & Jaipur	<b>99,653</b>	30,591
8	Kotak Mahindra Bank Limited	<b>116,117</b>	70,831
9	The Ratnakar Bank Limited (formerly known as ABN Amro Bank N.V.)	<b>318,244</b>	207,955
	<b>Total (C)</b>	<b>21,559,285</b>	12,881,205
	<b>On cash credit / overdraft accounts*</b>		
1	State Bank of Bikaner & Jaipur	-	1,386
2	Axis Bank Limited	-	96,572
	<b>Total (D)</b>	-	97,958
	<b>On EEFC accounts</b>		
1	ICICI Bank Limited - USD	<b>1,443,510</b>	1,264,468
2	State Bank of India - USD	<b>1,061,243</b>	827,140
3	Axis Bank Limited - USD	<b>48,218,566</b>	41,965,743
4	Axis Bank Limited - EURO	<b>22,648,033</b>	1,031,599
5	Axis Bank Limited - CHF	<b>11,147,199</b>	1,304,625
	<b>Total (E)</b>	<b>84,518,551</b>	46,393,575

(Amount in Rs.)

Sl. No.	Particulars	As at December 31, 2013	As at December 31, 2012
<b>On deposit accounts</b>			
1	Oriental Bank of Commerce	15,006,473	-
2	Vijaya Bank	-	4,114,074
3	State Bank of India	12,976,807	101,196,120
4	ICICI Bank Limited	2,201,324	108,922,350
5	State Bank of Bikaner & Jaipur	88,850,000	55,850,000
6	Axis Bank Limited	220,909,163	159,823,511
7	Kotak Mahindra Bank Limited	22,938,855	49,600,000
8	Canara Bank	-	76,559
<b>Total (F)</b>		<b>362,882,622</b>	<b>479,582,614</b>
<b>On unclaimed dividend accounts</b>			
1	HDFC Bank Limited	1,404,250	1,193,738
2	Kotak Mahindra Bank Limited	155,125	-
<b>Total (G)</b>		<b>1,559,375</b>	<b>1,193,738</b>
<b>Balance with other banks</b>			
<b>On current accounts</b>			
1	California Bank & Trust, USA	200,866,459	119,726,252
2	Citibank Singapore Ltd, Singapore	8,583,033	10,028,048
3	DBS Bank Ltd, Singapore	2,266,475	1,649,174
4	Malayan Banking Berhad, Malaysia	14,596,725	9,940,317
5	Hang Seng Bank Limited, Hong Kong	358,931	234,894
6	Citibank NA, Thailand	1,991,060	3,729,880
7	Bank of China, China	18,578,418	13,630,006
8	Sumitomo Mitsui Banking Corporation, Japan	1,271,498	764,424
9	Mizuho Bank Ltd, Japan	83,183	331,677
10	The Bank of Tokyo-Mitsubishi UFJ, Ltd., Japan	107,970	341,154
11	ING Belgium NV, Belgium	-	860,169
12	ABN Amro Bank, Netherlands	91,865,029	49,440,550
13	ABN Amro Bank, France	2,447,127	479,653
14	Natwest Bank	117,627,797	75,124,538
15	Bank Zachodni WBK SA	28,206,401	1,565,483
16	Mobiasbanca - Groupe Societe Generale SA	17,025,428	10,774,314
17	BRD Groupe Societe Generale SA	9,652,356	8,871,704
18	Banca Comerciala Romania SA	-	98,245
19	CIMB Bank BHD	719,104	718,443
20	Branch Banking and Trust Company	-	2,173,546
<b>Total (H)</b>		<b>516,246,994</b>	<b>310,482,471</b>

(Amount in Rs.)

Sl. No.	Particulars	As at December 31, 2013	As at December 31, 2012
<b>On deposit accounts</b>			
1	Mobiasbanca - Groupe Societe Generale SA	753,888	-
2	ABN Amro Bank, Netherland	6,117,629	5,138,252
3	Banca Comerciala Romania SA	-	718,042
4	Bank Zachodni WBK SA	43,540,184	28,983,118
5	BRD Groupe Societe Generale SA	59,944,385	3,109,489
6	Natwest Bank	3,083,937	-
7	Citibank Singapore Ltd, Singapore	2,930,700	-
<b>Total (I)</b>		<b>116,370,723</b>	37,948,901
<b>Less: Amount disclosed under other non - current assets (also refer note 15.2)</b>		<b>(90,663,751)</b>	(74,834,789)
<b>Total cash and bank balance (also refer note 16)</b>		<b>1,014,535,543</b>	814,555,819

\* Cash credit limit / Bank guarantee / Loan equivalent risk / Letter of credit is secured by first charge by way of hypothecation of entire current assets and collateral over an immovable property situated in Noida.

34. Previous year figures have been regrouped / reclassified where necessary to make them comparable to the current year classification.

As per our report of even date.

**For S.R. Batliboi & Co. LLP** For and on behalf of the Board of Directors of R Systems International Limited  
ICAI Firm registration  
number: 301003E  
Chartered Accountants

<b>Sd/-</b> <b>per Yogender Seth</b> Partner Membership No. 94524 Place: NOIDA Date : February 07, 2014	<b>Sd/-</b> <b>Satinder Singh Rekhi</b> [Chairman & Managing Director] Place : Singapore Date : February 07, 2014	<b>Sd/-</b> <b>Lt. Gen. Baldev Singh (Retd.)</b> [President & Senior Executive Director] Place: NOIDA Date : February 07, 2014	<b>Sd/-</b> <b>Raj Swaminathan</b> [Director & Chief Operating Officer] Place : Pune Date : February 07, 2014	<b>Sd/-</b> <b>Nand Sardana</b> [Chief Financial Officer] Place: NOIDA Date : February 07, 2014	<b>Sd/-</b> <b>Vikash Kumar Tiwari</b> [Company Secretary & Compliance Officer] Place: NOIDA Date : February 07, 2014
--	--	---	--	---	--

**Information of Subsidiary Companies disclosed as per terms of exemption under Section 212 (B) of the Companies Act, 1956**

S. No.	Name of the Subsidiary	The financial year of the subsidiary ended on	Holding company's Interest	Shares held by the holding company in the subsidiary (including its nominees in the subsidiary)	Capital	Reserves	Total assets	Total liabilities	Details of investments (except in case of investment in subsidiaries)	Turnover	Profit/ (loss) before taxation	Provisions for taxation / (benefit)	Profit/ (loss) after taxation	Proposed dividend
1	R Systems (Singapore) Pte Limited, Singapore	December 31, 2013	100.00%	4,070,000 ordinary shares of no par value	105.93	61.64	186.79	19.22	-	167.40	4.27	0.10	4.17	Nil
2	R Systems, Inc. USA	December 31, 2013	100.00%	2,000 common shares of no par value	27.80	194.51	388.32	166.01	-	1,078.72	44.21	(0.10)	44.31	Nil
3	Indus Software, Inc. USA	December 31, 2013	100.00%	243,750 common shares of no par value	107.79	(32.29)	7.05	28.55	-	74.98	1.15	0.01	1.14	Nil
4	R Systems Solutions, Inc. USA	December 31, 2013	100.00%	163,35,833 common shares of no par value and 8,666,884 series A preferred stock of no par value	96.14	(45.67)	106.84	56.37	-	307.75	18.71	-	18.71	Nil
5	R Systems NV, Belgium	Refer note 6	100.00%	200 common shares of Euro 310 each	-	-	-	-	-	-	(0.35)	-	(0.35)	Nil
6	R Systems Europe BV, Netherlands	December 31, 2013	100.00%	3,170 ordinary shares of Euro 100 each	18.21	66.90	262.84	177.73	-	493.30	46.25	-	46.25	Nil
7	R Systems S.A.S., France	December 31, 2013	100.00%	10,000 ordinary shares of Euro 15.24 each	8.76	47.06	102.24	46.42	-	93.57	(6.46)	(1.50)	(4.96)	Nil
8	ECnet Limited, Singapore <sup>(1)</sup>	December 31, 2013	99.75%	99.75% of 1,03,530 ordinary shares of no par value	2,438.89	(2,328.76)	148.64	38.51	-	176.20	2.14	-	2.14	Nil
9	ECnet (M) Sdn. Bhd., Malaysia <sup>(2)</sup>	December 31, 2013	99.75%	99.75% of 500,000 ordinary shares of RM 1 each	7.35	(1.84)	43.62	38.11	-	114.27	1.21	0.77	0.44	Nil
10	ECnet, Inc. USA <sup>(2)</sup>	December 31, 2013	99.75%	99.75% of 1,000 shares of US\$ 2 each	0.09	(196.06)	1.37	197.34	-	-	(0.02)	-	(0.02)	Nil
11	ECnet (Hong Kong) Limited, Hong Kong <sup>(2) &amp; (4)</sup>	December 31, 2013	99.75%	99.75% of 2 ordinary shares of HK\$ 1 each	0.00	6.72	7.64	0.92	-	5.87	2.10	0.27	1.83	Nil
12	ECnet Systems (Thailand) Co. Limited, Thailand <sup>(2)</sup>	December 31, 2013	99.75%	99.75% of 400,000 ordinary shares of THB each	2.34	4.40	20.79	14.05	-	19.45	(4.96)	-	(4.96)	Nil
13	ECnet Kabushiki Kaisha, Japan <sup>(2)</sup>	December 31, 2013	99.75%	99.75% of 200 shares of 50,000 Yen each	4.29	(36.35)	0.25	32.31	-	2.66	(7.80)	-	(7.80)	Nil
14	ECnet (Shanghai) Co. Limited, China <sup>(2)</sup>	December 31, 2013	99.75%	99.75% of shares of no par value	9.12	(30.76)	20.50	42.14	-	30.13	(2.54)	-	(2.54)	Nil
15	Computaris International limited, UK	December 31, 2013	100.00%	80,000 shares of GBP 0.01 each	0.06	239.98	311.40	71.36	-	883.77	6.57	3.07	3.50	Nil
16	Computaris limited, UK <sup>(2)</sup>	Refer note 7	100.00%	80,000 shares of GBP 0.01 each	-	-	-	-	-	-	-	-	-	Nil
17	Computaris Romania Srl, Romania <sup>(2)</sup>	December 31, 2013	100.00%	100 shares of RON 16 each	0.02	76.91	89.57	12.64	-	413.38	21.76	4.61	17.15	Nil
18	Computaris Polska sp. z o.o., Poland <sup>(2)</sup>	December 31, 2013	100.00%	100 shares of PLN 500 each	0.80	39.87	191.45	150.78	-	257.43	35.75	8.55	27.20	Nil
19	ICS Computaris International Srl, Moldova <sup>(2)</sup>	December 31, 2013	100.00%	Shares of no par value	0.02	40.20	43.49	3.27	-	68.92	11.68	1.37	10.31	Nil
20	Computaris Malaysia Sdn. Bhd., Malaysia <sup>(2)</sup>	December 31, 2013	100.00%	1,000 ordinary shares of RM 1 each	0.01	0.74	1.26	0.51	-	23.10	(0.17)	0.10	(0.27)	Nil
21	Computaris USA, Inc., USA <sup>(2) &amp; (5)</sup>	December 31, 2013	100.00%	100 shares of USD 1 each	0.00	(1.38)	23.95	25.33	-	85.10	(5.00)	(1.98)	(3.02)	Nil
22	Systèmes R. International Ltée, Canada	December 31, 2013	100.00%	200 common shares of CAD 1 each	0.01	(1.29)	2.12	3.40	-	7.36	(0.95)	-	(0.95)	Nil

**Notes:**

- R Systems International Limited holds 69.37% directly in ECnet Limited, Singapore and 30.38% shares through its wholly owned subsidiary i.e. R Systems (Singapore) Pte Limited, Singapore and thus together it holds 99.75% of total capital of ECnet Limited, Singapore.
- Wholly owned subsidiary of ECnet Limited, Singapore which is the subsidiary of R Systems International Limited as explained in note no. 1.
- Wholly owned subsidiary of Computaris International Limited, United Kingdom, which is the wholly owned subsidiary of R Systems International Limited.
- The absolute amount of share capital in ECnet (Hong Kong) Limited, Hong Kong is Rs. 12/- (2 ordinary shares of HKD 1 each).
- The absolute amount of share capital in Computaris USA, Inc., USA is Rs. 4,558/- (100 ordinary shares of USD 1 each).
- R Systems NV, Belgium has been liquidated on June 24, 2013, in compliance with the applicable laws of India and Belgium and Rs. 0.22 mn has been received by R Systems International Limited on liquidation.
- Computaris Limited, UK has been liquidated on December 24, 2013, in compliance with the applicable laws of India and United Kingdom.

For and on behalf of the Board of Directors of R Systems International Limited

<b>Sd/-</b>	<b>Sd/-</b>	<b>Sd/-</b>	<b>Sd/-</b>
<b>Satinder Singh Rekhi</b>	<b>Raj Swaminathan</b>	<b>Nand Sardana</b>	<b>Vikash Kumar Tiwari</b>
[Chairman & Managing Director]	[Director & Chief Operating Officer]	[Chief Financial Officer]	[Company Secretary & Compliance Officer]
Place : Singapore	Place : Pune	Place : NOIDA	Place : NOIDA
Date : February 07, 2014	Date : February 07, 2014	Date : February 07, 2014	Date : February 07, 2014

## STATEMENT PURSUANT TO SECTION 215(2) OF THE COMPANIES ACT, 1956

As per Section 215 of the Companies Act, 1956 every balance sheet and every profit and loss account of a company shall be signed on behalf of the Board of Directors - by its manager or secretary, if any, and by not less than two directors of the company one of whom shall be the managing director where there is one.

Since Mr. Satinder Singh Rekhi, Chairman & Managing Director, was travelling overseas for business reasons he could not sign the financial statements as required under Section 215 of the Companies Act, 1956 in India and has signed the financial statements in Singapore. This statement of explanation is therefore attached along with the Balance Sheet and the Statement of Profit and Loss of R Systems International Limited for the year ended December 31, 2013.

It may please be noted that the annual report of R Systems International Limited contains amongst others the following financial statements:

- ▶ Balance Sheet as at December 31, 2013 (standalone);
- ▶ Statement of Profit and Loss for the year ended December 31, 2013 (standalone);
- ▶ Cash flow statement for the year ended December 31, 2013 (standalone);
- ▶ Statements pursuant to Section 212 of the Companies Act, 1956 relating to the subsidiary companies;
- ▶ Balance Sheet as at December 31, 2013 (consolidated);
- ▶ Statement of Profit and Loss for the year ended December 31, 2013 (consolidated) and;
- ▶ Cash flow statement for the year ended December 31, 2013 (consolidated).

These were placed before the Board of Directors at its meeting held on February 07, 2014 for its approval. The Board of Directors has approved the aforementioned financial statements and authorised Mr. Satinder Singh Rekhi, Chairman and Managing Director, Lt. Gen. Baldev Singh (Retd), President and Senior Executive Director, Mr. Raj Swaminathan, Director and Chief Operating Officer, Mr. Nand Sardana, Chief Financial Officer and Mr. Vikash Kumar Tiwari, Company Secretary and Compliance Officer of the Company to sign the same on behalf of the Board. The Board also took note of the fact that Mr. Satinder Singh Rekhi, Chairman and Managing Director of the Company, could not physically attend the said Board meeting as explained above. He has however attended the meeting via teleconference. The Board therefore authorised Mr. Satinder Singh Rekhi to simultaneously sign the financial statements in Singapore and forward the same to India.

For and on behalf of the Board of Directors of R Systems International Limited

**Sd/-**

**Lt. Gen. Baldev Singh (Retd.)**

[President and Senior Executive Director]

Place : NOIDA

Date : February 07, 2014

**Sd/-**

**Raj Swaminathan**

[Director and Chief Operating Officer]

Place : PUNE

Date : February 07, 2014



## NOTICE

### R SYSTEMS INTERNATIONAL LIMITED

#### NOTICE OF TWENTIETH ANNUAL GENERAL MEETING

(Registered Office: B - 104A, Greater Kailash - I, New Delhi - 110 048)

Website: www.rsystems.com; Email: investors@systems.com

NOTICE is hereby given that Twentieth Annual General Meeting of the shareholders of R SYSTEMS INTERNATIONAL LIMITED (the "Company"/ "R Systems") will be held on Saturday, May 10, 2014 at 9.00 A.M. at Air Force Auditorium, Subroto Park, New Delhi - 110 010 for transacting the following business:

#### As Ordinary Business

1. To receive, consider and adopt the audited balance sheet as at December 31, 2013 and the profit and loss account for the year ended on that date together with the reports of auditors and directors thereon and also the consolidated audited balance sheet as at December 31, 2013 and the consolidated profit and loss account for the year ended on that date together with the reports of auditors.
2. To declare final dividend for the year ended December 31, 2013 and confirm two interim dividends of Rs. 2.50 and Rs. 8.50 per equity shares of Rs. 10/- paid during the year ended December 31, 2013.
3. To appoint a director in place of Mr. Suresh Paruthi, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint a director in place of Lt. Gen. Baldev Singh (Retd.) who retires by rotation and, being eligible, offers himself for reappointment.

#### As Special Business

5. Appointment of Statutory Auditors  
To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:  
**"RESOLVED THAT** the unwillingness expressed by M/s S. R. Batliboi & Co. LLP for being reappointed as the statutory auditors of the Company be and is hereby taken note of and approved by the members of the Company.

**RESOLVED FURTHER THAT** pursuant to the provisions of Section 224 and other applicable provisions of the Companies Act, 1956 and provisions of the Companies Act, 2013, if applicable,

including transitional provisions for appointment of auditors under the Companies Act, 2013, M/s S. R. Batliboi & Associates LLP, Chartered Accountants, (Firm Registration No. 101049W with the Institute of Chartered Accountants of India) be and are hereby appointed as the statutory auditors of the Company, to hold office from the conclusion of twentieth Annual General Meeting until the conclusion of the next Annual General Meeting on the remuneration to be fixed by the board of directors.

**RESOLVED FURTHER THAT** the board of directors be and is hereby authorised to do all such acts, deeds, matters and things as may be necessary, proper or expedient, to give effect to this resolution and the Board may, by a resolution delegate the aforementioned power to any committee of directors, director or any other principal officer of the Company on such conditions as the Board may prescribe."

By Order of the Board  
For R Systems International Limited

Sd/-

**Vikash Kumar Tiwari**

Place : Noida

Date : March 30, 2014 (Company Secretary & Compliance Officer)

#### NOTES

- (i) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY SO APPOINTED NEED NOT BE A MEMBER OF THE COMPANY. THE PROXIES IN ORDER TO BE EFFECTIVE SHOULD BE DULY COMPLETED, STAMPED AND SIGNED AND MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE AFORESAID MEETING.
- (ii) Corporate members intending to send their authorised representatives are requested to send a duly certified copy of the board or governing body resolution authorising the representatives to attend and vote at the Annual General Meeting.



- (iii) Members / proxies attending the meeting are requested to:
- bring their copies of annual report sent to the members, as copies of the annual report shall not be distributed at the Annual General Meeting;
  - note that no gift coupons shall be distributed at the Annual General Meeting; and
  - quote their Folio / Client ID and DP ID number in all correspondences.
- (iv) The register of members and share transfer books of the Company shall remain closed from May 02, 2014 to May 10, 2014 (both days inclusive).
- (v) The final dividend of 95% for the year ended December 31, 2013 as recommended by the Board, if declared at the Annual General Meeting, will be payable to those members whose names appear:
- as beneficial owners as per list to be furnished by the depositories in respect of the shares held in demat form; and
  - as members on the register of members of the Company in respect of the shares held in physical form

as at opening business hours on May 02, 2014 after giving effect to all valid share transfers which would be received by the Company's registrar and share transfer agent M/s Link Intime India Private Limited up to the end of business hours on May 01, 2014.

- (vi) Payment of dividend through NECS / ECS
- Members holding shares in physical form are advised to submit particulars of their bank account, viz. name and address of the branch of the bank, 9 digit MICR code of the branch, type of account and account number to the Company's registrar and share transfer agent M/s Link Intime India Private Limited, 44, Community Centre, 2nd Floor, Naraina Industrial Area, Phase- I, Near PVR Naraina, New Delhi 110 028.
  - Members holding shares in demat form are advised to inform the particulars of their bank account to their respective depository participants.
- (vii) Shareholders holding shares in electronic form may kindly note that their bank account details as furnished by their depositories to the Company will be printed on their dividend warrants as per applicable regulations of the depositories and the Company will not entertain any direct request from such shareholders for deletion of / change in such bank details. Further instructions, if any, already given by them in respect of shares held in physical

form will not be automatically applicable to shares held in electronic mode. Members holding shares in electronic form are advised to notify the changes, if any, in their address / bank details / mandate to their respective depository participants.

- (viii) Any query proposed to be raised at the Annual General Meeting may be sent to the Company at its registered office at least seven days prior to the date of the meeting to enable the management to compile the relevant information to respond to the query in the meeting. The envelope may please be superscribed "Attention: Mr. Vikash Kumar Tiwari, Company Secretary & Compliance Officer".
- (ix) Members holding shares in physical form, may write to the Company or to the registrar and share transfer agent M/s Link Intime India Private Limited for any change in their addresses and bank mandate. Members holding shares in electronic form may write to their depository participants for immediate updation so as to enable the Company to dispatch the dividend warrants to the correct addresses.
- (x) The statutory registers maintained under Section 307 of the Companies Act, 1956 and under the applicable provisions of the Companies Act, 2013 and the certificate of the auditors of the Company certifying the implementation of the Company's stock option plans / schemes in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 as amended and the resolutions passed by the members in the general meeting, will be available at the venue of the Annual General Meeting for inspection by members.
- (xi) All documents referred to in the Notice and accompanying explanatory statements as well as the annual accounts of the subsidiaries etc., are open for inspection at the registered office of the Company on all working days between 11:00 A.M. and 02:00 P.M. up to the date of the Annual General Meeting.
- (xii) Members / proxies are requested to bring the attendance slips duly filled in and signed for attending the Meeting.
- (xiii) Pursuant to the provisions of Section 109A of the Companies Act, 1956, shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nominations are requested to send their requests in Form 2B (which will be made available on request) to the registrar and share transfer agent M/s Link Intime India Private Limited or can be downloaded from the following URL [http://www.rsystems.com/investors/download\\_index.aspx](http://www.rsystems.com/investors/download_index.aspx)

(xiv) Pursuant to provisions of Section 205A (5) of the Companies Act, 1956, dividend which remains unpaid or unclaimed for a period of seven years from the date of its transfer to unpaid dividend account, is required to be transferred by the Company to Investor Education and Protection Fund ('IEPF'), established by the Central Government under the provisions of Section 205C of the Companies Act, 1956. Shareholders are advised to claim the unclaimed dividend lying in the unpaid dividend account from the Company's registrar and share transfer agent M/s Link Intime India Private Limited or directly from the Company. It may be noted that once the unclaimed dividend is transferred to IEPF of the Central Government as above, no claim shall lie in respect thereof against the Company.

(xv) Additional information, pursuant to Clause 49 of the Listing Agreement entered into with stock exchanges, in respect of directors recommended for approval of appointment / reappointment at the Annual General Meeting and Explanatory Statement as required under Section 102 of the Companies Act, 2013, in respect of special business under item numbers 5 of the Notice is appended hereto and forms part of this Notice.

The Board on the recommendation of the Audit Committee has identified M/s S. R. Batliboi & Associates LLP, Chartered Accountants, as the statutory auditors of the Company from the conclusion of Twentieth Annual General Meeting. M/s S. R. Batliboi & Associates LLP have confirmed their eligibility and willingness to act as the statutory auditors of the Company and have further confirmed that their appointment, if made, shall be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

The Board at its meeting held on March 30, 2014 has taken note of the unwillingness expressed by M/s S. R. Batliboi & Co. LLP to be reappointed as the statutory auditors of the Company and subject to the approval of shareholders, consented to the appointment of M/s S. R. Batliboi & Associates LLP, Chartered Accountants as the statutory auditors to hold office from the conclusion of Twentieth Annual General Meeting until the conclusion of the next Annual General Meeting.

The resolution is recommended for the approval of the members.

None of the directors and key managerial personnel of your Company nor any of their relatives are interested in the aforesaid resolution, except as a member, if any of the Company.

## EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

### ITEM NO. 5

#### Appointment of Statutory Auditors

It is hereby informed that M/s S. R. Batliboi & Co. LLP have expressed their unwillingness to be reappointed as the statutory auditors of the Company.

By Order of the Board  
For R Systems International Limited

Place : Noida  
Date : March 30, 2014

**Sd/-**  
**Vikash Kumar Tiwari**  
(Company Secretary & Compliance Officer)

**PROFILE OF DIRECTORS SEEKING APPROVAL FOR REAPPOINTMENT AT THE ANNUAL GENERAL MEETING PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT**

Particulars	Mr. Suresh Paruthi	Lt. Gen. Baldev Singh (Retd.)
Date of Birth	November 01, 1950	September 21, 1940
Qualification	Bachelor of Technology (Hons.) from IIT, Kharagpur, India	Masters in Military Sciences
Expertise and experience in specific functional areas	Mr. Paruthi had completed his Bachelor of Technology (Hons.) from IIT, Kharagpur in 1972. He has also completed a certificate course in export marketing from the Indian Institute of Foreign Trade, New Delhi. He is having a wide experience of efficiently serving various multinationals; some of them are Siemens Limited, Bhartia Cutler Hammer Ltd. & Omron Asia Pacific Pte. Ltd.	Lt. Gen. Baldev Singh (Retd.) has more than 47 years of experience, including handling top managerial, diplomatic and human resource development related assignments. Mr. Singh has a Masters in Military Sciences from the prestigious Madras University in India and attended two short courses at University of California at Berkeley, in Strategic Account Management and Marketing.
Directorship / Membership in other board / committees / bodies corporate	1. MEC Solutions, Inc., CEO 2. Paruthi Consultants and Engineers, CEO	Nil
Shareholding in the Company	Nil	As on the date of this notice, he holds 300,000 equity shares of Re. 1/- each being 0.24% of the total paid up share capital in R Systems. Further as on date stock options equivalent to 27,700 equity shares of Re. 1/- each out of the total options granted to Lt. Gen. Baldev Singh (Retd.) under R Systems International Ltd. - Year 2004 Employees Stock Options Plan are in force.





## R SYSTEMS INTERNATIONAL LIMITED

Registered Office: B - 104A, Greater Kailash - I, New Delhi - 110 048  
Corporate Office: C - 40, Sector - 59, Noida (U.P.) - 201 307  
Twentieth Annual General Meeting to be held on Saturday, May 10, 2014 at 9.00 A.M. at  
Air Force Auditorium, Subroto Park, New Delhi - 110 010

### PROXY FORM

I / We ..... of ..... being a member(s) of R Systems International Limited hereby appoint..... or failing him / her ..... as my / our proxy to attend and vote for me / us on my / our behalf at the Twentieth Annual General Meeting of the Company to be held on Saturday, May 10, 2014 at 9.00 A.M. at Air Force Auditorium, Subroto Park, New Delhi - 110 010 and any adjournment thereof.

In witness whereof

I / We have signed on this.....day of.....2014

Registered Folio No.....(or)

Demat Account No.....D.P. ID. No.....

Affix a  
Revenue  
Stamp

#### Notes:

1. The Proxy form should be signed by the member across the stamp.
2. A member intending to appoint a Proxy should complete the Proxy form and deposit it at the Company's Registered Office at least 48 hours before the meeting.
3. Those who hold shares in Demat form to quote their Demat Account No. and Depository Participant (D.P.) ID. No.

----- CUT HERE -----



## R SYSTEMS INTERNATIONAL LIMITED

Registered Office: B - 104A, Greater Kailash - I, New Delhi - 110 048  
Corporate Office: C - 40, Sector - 59, Noida (U.P.) - 201 307  
Twentieth Annual General Meeting to be held on Saturday, May 10, 2014 at 9.00 A.M. at  
Air Force Auditorium, Subroto Park, New Delhi - 110 010

### ATTENDANCE SLIP

Registered Folio No..... (or)

Demat Account No..... D.P. ID. No .....

Name of shareholder(s).....

I / We certify that I am / we are Member(s) / Proxy of the Member(s) of the Company holding..... shares.

I hereby record my presence at the Twentieth Annual General Meeting of the Company to be held on Saturday, May 10, 2014 at 9.00 A.M at Air Force Auditorium, Subroto Park, New Delhi - 110 010.

.....  
Signature of Member / Proxy

#### Notes:

1. A member or his duly appointed Proxy wishing to attend the meeting must complete this Attendance Slip and hand it over at the entrance.
2. Name of the Proxy in Block letters..... (in case the Proxy attends the meeting)
3. Those who hold shares in Demat form to quote their Demat Account No. and Depository Participant (D.P.) ID. No.



# R SYSTEMS INTERNATIONAL LIMITED

(Registered Office: B - 104A, Greater Kailash - I, New Delhi - 110 048)

Corporate Office: C - 40, Sector - 59, Noida (U.P.) - 201 307

Phones : 0120-4303500 Fax : 0120-2587123

March 30, 2014

**Dear Shareholder,**

The Ministry of Corporate Affairs, Government of India (MCA) has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by companies and has issued circulars on 21.04.2011 & 29.04.2011 stating that the service by a company can be made through electronic mode, provided the Company has obtained e-mail address of its members for sending the notice/documents through e-mail by giving an advance opportunity to every shareholder to register their e-mail address and changes therein from time to time with the Company.

In furtherance to these, the Company invites its valued shareholders to participate in the Green Initiative to affirm their commitment towards maintaining environment clean and progressive for future generations.

Keeping in view the above, we are proposing to send henceforth all communications/documents like AGM notice, financial statements, directors' report, auditors' report etc. on the email address registered by you with your Depository Participant (DP). Please join us in our support for this noble cause by registering or updating your email address as under:

- With your Depository Participant (DP) if you hold Company's shares in electronic mode.
- With the Registrar & Transfer Agent i.e. M/s. Link Intime India Private Limited if you hold shares in physical mode by sending an e-mail to [delhi@linkintime.co.in](mailto:delhi@linkintime.co.in) with cc to [investors@rsystems.com](mailto:investors@rsystems.com) quoting your folio no.

It may be noted that as a member of the Company, you will be entitled to receive on request, a copy of the said documents free of cost any time in accordance with the provisions of the Companies Act, 1956. Further, the said documents and other information will be uploaded from time to time on the official website of the Company i.e. [www.rsystems.com](http://www.rsystems.com) under "Investor" section.

In case you desire to continue receiving the above documents in physical mode, you are requested to please inform us by sending your request to [investors@rsystems.com](mailto:investors@rsystems.com) quoting your DP/Client ID or Folio No.

We look forward for your encouraging support in welcoming this initiative in reducing the impact on the environment and receive all communications electronically.

Thanking you,

Yours faithfully,

**For R Systems International Limited**

Sd/-

**Vikash Kumar Tiwari**

(Company Secretary & Compliance Officer)

Place : Noida

Date : March 30, 2014

# NOTES

A series of horizontal dotted lines for writing notes.





# NOTES

A series of horizontal dotted lines for writing notes, spanning the width of the page.



*R Systems' journey of the last 20 years is similar to the journey of an oyster through the oceans of opportunities. An oyster travels across the oceans of opportunities and endures the challenges of the ocean currents in order to deliver value in the form of a pearl.*

*Similarly, we at R Systems, have grown in depth and expanded globally the scale of our operations by overcoming various odds and challenges in the last 20 years. In doing so, we have been delivering exceptional value to each of our stakeholders through our unstinted dedication, diligence and hard work.*



R SYSTEMS INTERNATIONAL LIMITED

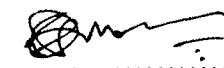
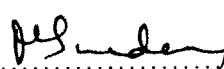


Registered Office: B - 104A, Greater Kailash - I, New Delhi - 110 048 (INDIA)

Corporate Office: C - 40, Sector - 59, Noida (U.P.) - 201 307 (INDIA)

[www.rsystems.com](http://www.rsystems.com)

**FORM A**

**Format of covering letter of the annual audit report to be filed with the stock exchanges**

1.	Name of the Company:	R Systems International Limited
2.	Annual financial statements for the year ended	December 31, 2013
3.	Type of Audit observation	Un-qualified
4.	Frequency of observation	Not Applicable
5.	<p>To be signed by-</p> <p><input type="checkbox"/> CEO/Managing Director : Satinder Singh Rekhi <span style="float: right;"> .....</span></p> <p><input type="checkbox"/> CFO Nand Sardana <span style="float: right;"> .....</span></p> <p><input type="checkbox"/> Auditor of the company Yogender Seth (Partner, M/s. S. R. Batliboi &amp; Co.,LLP) Firm Reg.No. 301003E <span style="float: right;"> .....</span></p> <p><input type="checkbox"/> Audit Committee Chairman Raj Kumar Gogia <span style="float: right;"> .....</span></p>	