



R Systems Announces Record Revenues and Net Profits For Q1 2008; Revenues: Rs 79.88 Crores and Net Profits: Rs 7.98 Crores

Noida, India – April 25, 2008

Highlights

Consolidated results for the quarter ended March 31, 2008

- Consolidated revenues from operations for Q1-08 was Rs 79.88 crores (US\$20.07mn.) compared to Rs 59.36 crores in Q1-07 and Rs 64.67 crores in Q4-07; YoY growth was 34.56% (49.23% in US\$) and sequential QoQ growth was 23.52% (23.16% in US\$).
- Net profit after taxes was Rs. 7.98 crores (US\$2.01 mn.) compared to Rs.2.10 crores (US\$ 0.48 mn.) in the same period last year and profit of Rs 6.91 crores (US\$1.71mn.) in Q4,2007; YoY growth in net profits was 280.05% and sequential QoQ growth was 15.46%.

Others

- 10 Key customers were added during the quarter.
- Total associates as on March 31, 2008 increased to 2,290 compared to 1,675 at the end of March 31, 2007 and 1,917 at the end of December 31, 2007. R Systems added a net of 373 associates during the first quarter.

“We had another good quarter with all key performance indicators trending higher. As compared to last year revenues increased by 35% to Rs 80 crores and profits almost tripled to Rs 8 crores said Rekhi Singh, Chairman and Managing Director. “Our consistent financial results reflect the soundness of R Systems strategy and our ability to rigorously execute it. I believe that R Systems has a compelling portfolio of service offerings designed to deliver tangible value to customers through all economic cycles.”

“Though historically Q1 starts off slowly, we had a pretty healthy growth in business from both new and existing customers in Q1-08. We saw stronger than expected growth in iPLM business and some cautiousness from customers in banking space. Overall we are pleased with our performance for the quarter,” said Raj Swaminathan, COO of R Systems.

Key Operational Highlights

iPLM Services Group:

Our clients in the high tech sector continued to obtain competitive advantage by using our end-to-end solutions and services from development and testing to customer care and technical support. R Systems deep domain competencies, rapid and agile development capabilities,



proven global delivery platform continued to give us competitive edge in the outsourced product development and support market. R Systems iPLM services positively impacted over 150 products during the quarter in various segments including mobility, IPTV, search engine, Internet security and enterprise software. R Systems commenced on several new engagements this quarter for both new and existing customers, including:

In the health care space R Systems was chosen to develop new version of clinical trials case management product based on interactive voice recognition technology by a leading provider of process intensive services to medical industry. R Systems was also chosen for its iPLM capabilities to develop a secure electronic health record system that is fully compliant with HIPPA by a medical software company

A global payroll processing company based in Europe selected R Systems as a strategic partner to provide software development services in enhancing and localizing its core HR software on service oriented architecture and provide customer care services in phases from multiple centres.

A leading provider of financial trading platform that converts desktops into an interactive trading assistant selected R Systems over several contenders to provide QA services and development initiatives for their online web trading portal.

One of the leading consumer publishing and media companies in the US that publishes special interest magazines and provides content for various digital media channels selected R Systems to enhance their ecommerce portal to improve marketing campaigns and sale of content.

R Systems was selected to provide software engineering services to a software company that aids in storing and seamlessly sharing of digital content across registered members. Under the proposed relationship R Systems would subsequently maintain and enhance the current version of the product.

Products Group:

In R Systems products group Indus[®] Loan Origination and Collections Product and ECnet[®] Supply Chain Solutions registered both key new wins and commenced on new engagements with the existing customers during Q1, 2008.

In the Indus consumer finance division R Systems completed one implementation and commenced with rolling out Indus[®] Loan Origination and Collections solution in two markets for one of the world's largest financial services companies. This client had selected R Systems' Indus[®] Loan Origination and Collections Product as their platform of choice across multiple global and strategic markets earlier in December 2007.

A financial services company belonging to one of the largest industrial groups in India selected R Systems' Indus[®] Collections Product for their consumer finance operations. The solution is proposed to be delivered within the next two quarters.



R Systems ECnet subsidiary commenced with the implementation of vendor management inventory solutions (“VMI”) for an existing client in medical supplies business. The VMI solution is being implemented at one location and if the client is satisfied with the business impact of the solution it will be rolled across several hospitals catered by the client.

Two existing clients of R Systems, one of them a global leader in consumer electronics and the other a leading manufacturer of renewable energy systems commenced with the implementation of ECnet’s e-procurement solution.

Liquidity and Shareholder Funds

Cash and cash equivalents, including bank deposits, as on March 31, 2008 was Rs. 42.50 crores compared to Rs. 51.22 crores as on December 31, 2007. Earnings before interest, depreciation, and taxes (“EBITDA”) increased to Rs.9.80 crores (US\$2.46 mn.) in Q1 2008 from Rs. 7.76. crores (US\$1.91 mn) in Q4 2007 a growth of 26.32% (28.59% in US\$ terms). Total shareholder funds as on March 31, 2008 was Rs. 151.00 crores compared to Rs 142.57 crores as on December 31, 2007.

“We are starting FY 08 with good results in the first quarter. This was on account of strong performance from Europe which mitigated the impact of cost increase in our offshore business due to annual salary hikes. Euro zone revenues increased from 7.3% of revenues in Q1, 07 to 29.2% in Q1, 08 which reduced our dependence on US\$ denominated revenues from 73.9% to 56.8% in the same period.” said O’Neil Nalavadi, Director Finance. “Our balance sheet continues to be very strong with cash and cash equivalent of Rs 42.5 crores and shareholder funds of Rs151.0 crores.”

Human Resources

R Systems ended March 31, 2008 with total count of 2,290 associates, a net addition of 373 counts during the quarter.

Capacity of Development and Service Centres

At the end of March 31, 2008 the total square footage of R Systems development and service centres was 195,476 square feet with a seating capacity of 2,857.

About R Systems International Ltd.

R Systems International Ltd. founded in 1993, is one of the leading provider of outsourced product development and customer support services. We help companies accelerate the speed to market for their products and services with a high degree of time and cost predictability by using our proprietary pSuite execution framework. Clients can choose services specific to their needs from R Systems **iPLM** suite of services. We help companies build scalable, configurable and secure products and applications; and help our clients support their customers worldwide for products and services using our global delivery model in 18 languages. R Systems rapidly



growing customer list includes a variety of Fortune 1000, government and mid-sized organizations across a wide range of industry verticals including Banking and Finance, High Technology and Independent Software Vendors, Government, HealthCare, Manufacturing and Logistic Industries. R Systems maintains eight 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 and Africa.

Safe Harbor:

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

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Financial Performance

Consolidated Profit & Loss Statement (Un-audited) for the Quarter Ended March 31, 2008 (As per Indian GAAP)

(Rs in mn. Except per share data)

Sr. No.	Particulars	Quarter Ended March 31		YoY Growth %	Quarter Ended Dec 31, 2007	QoQ Growth %
		2008	2007			
1	Income					
1.1	Net Sales	798.77	593.61	34.56	646.70	23.52
1.2	Other Income	15.40	8.60	79.18	13.15	17.12
	Total	814.17	602.21	35.20	659.85	23.39
2	Expenditure					
2.1	Staff Cost	488.90	391.19	24.98	384.60	27.12
2.2	Traveling Cost	55.83	45.23	23.43	56.44	(1.07)
2.3	Communication Costs	16.23	16.82	(3.50)	16.94	(4.17)
2.4	Legal & Professional Exp.	77.54	54.70	41.75	55.94	38.61
2.5	Other Expenditure	64.08	47.72	34.30	57.93	10.62
	Total Expenditure	702.58	555.66	26.44	571.84	22.86
3	EBITDA	111.59	46.55	139.73	88.01	26.80
4	Interest	1.57	0.44	254.29	0.72	116.67
5	Depreciation/Amortisation	27.06	17.65	53.35	17.74	52.60
6	Exceptional Items	-	-	-	14.45	(100.00)
7	Profit/(Loss) before Tax	82.96	28.46	191.52	84.00	(1.24)
8	Provision for Tax					
8.1	Current Tax	5.82	5.13	13.36	13.81	(57.86)
8.2	MAT credit entitlement*	(5.15)	-	100.00	(2.50)	106.00
8.3	Deferred Tax	0.73	0.65	12.11	1.81	(59.37)
8.4	Fringe Benefit Tax	1.75	1.67	4.67	1.77	(0.94)
	Total	3.15	7.46	(57.74)	14.88	(78.82)
9	Net Profit/(Loss) After Tax	79.81	21.00	280.05	69.12	15.46
10	Earning Per Share					
11.1	Basic	5.88	1.55	280.01	5.09	15.46
11.2	Diluted	5.80	1.55	275.28	5.02	15.54

* Including credit entitlement relating to earlier year Rs 2.48 million in quarter ended March 2008.



Financial Performance

Consolidated Profit & Loss Statement (Un- audited) for the Quarter Ended March 31, 2008 (Contribution Analysis Format; Basis Indian GAAP)

(Figures in mn. except per share data)

Particulars	Q1 2008		Q1 2007		Q4 2007	
	INR	US\$	INR	US\$	INR	US\$
Revenues	798.77	20.07	593.61	13.45	646.70	16.30
Cost of Revenues	495.29	12.44	386.70	8.76	402.24	10.15
Gross Margin	303.48	7.63	206.91	4.69	244.46	6.15
SG & A	37.99%		34.86%		37.80%	
Expenses	205.49	5.16	167.48	3.79	166.88	4.23
Depreciation/Amortisation	27.06	0.68	17.65	0.40	17.74	0.43
	232.55	5.84	185.13	4.19	184.62	4.66
	29.11%		31.19%		28.55%	
Income/(Loss) from Operations	70.93	1.79	21.78	0.50	59.84	1.49
Interest Expense	(1.57)	(0.04)	(0.44)	(0.01)	(0.73)	(0.02)
Other Income, Net	13.60	0.34	7.12	0.16	24.88	0.62
Income/(Loss) before Income Tax	82.96	2.09	28.46	0.65	83.99	2.08
Income Tax Provision *	3.15	0.08	7.46	0.17	14.88	0.37
Net Earnings/(Loss)	79.81	2.01	21.00	0.48	69.12	1.71
Earnings Per Share (Basic)	5.88	0.15	1.55	0.04	5.09	0.13

* Net of MAT credit entitlement relating to earlier year Rs 2.48 million in quarter ended March 2008.



Consolidated Balance Sheet as at March 31, 2008 (As per Indian GAAP)

(Figures in Rs. mn)

Description	As at March 31		As at Dec 31
	2008 (Un-Audited)	2007 (Un-Audited)	2007 (Audited)
SOURCES OF FUNDS			
Shareholders' Funds			
Capital	135.09	135.09	135.09
Reserves and Surplus	1,374.94	1,167.84	1,290.58
Net Worth	1,510.03	1,302.93	1,425.67
Loan Funds			
Secured Loans	56.83	32.24	6.31
Deferred Payment Liability	10.77	11.71	10.63
Deferred Tax liability (Net)	25.17	18.35	24.43
TOTAL	1,602.80	1,365.23	1,467.04
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	1,141.34	854.29	804.08
Less: Depreciation	384.38	292.19	243.47
Net Block	756.96	562.11	560.61
Capital Wok-in-Progress	7.54	34.83	49.76
	764.50	596.93	610.37
Investments	12.19	13.26	12.03
Current Assets, Loans & Advances			
Sundry Debtors	635.06	483.57	613.52
Cash & Bank Balances	425.04	482.81	512.15
Other Current Assets	176.92	148.68	83.73
Loans and Advances	116.13	84.24	73.79
	1,353.15	1,199.30	1,283.19
Less : Current Liabilities and Provisions			
Liabilities	400.00	326.90	309.06
Provisions	127.04	117.36	129.49
Net Current Assets	826.11	755.04	844.64
	1,602.80	1,365.23	1,467.04

Notes:

1. US\$ equivalent figures are derived by converting the Rupee figures using average currency rates from Oanda.com.
2. Previous period's figures have been regrouped or recasted wherever applicable.