



## **R Systems Announces Results For Q1 2009**

### **Revenues: Rs 90.08 Crores and Net Profits: Rs 9.60 Crores**

Noida, India – April 26, 2009

### **Highlights**

#### ***Consolidated results for the quarter ended March 31, 2009***

- Consolidated revenues from operations for Q1-09 was Rs 90.08 crores (US\$18.15mn) compared to Rs 96.84 crores in Q4-08 and Rs 79.88 crores in Q1-08; QoQ decline was 6.98% and YoY growth was 12.78%.
- Earnings before depreciation, taxes and allowances (“EBITDA”) was Rs 13.35 crores (US\$2.69 mn) compared to Rs 14.57 crores in Q4-08 and Rs 9.80 crores in Q1-08; QoQ decline was 8.39% and YoY growth was 36.22%.
- Net profit after taxes was Rs 9.60 crores (US\$1.93 mn) compared to Rs 8.79 crores in Q4-08 and Rs 7.98 crores in the same period last year; QoQ growth was 9.17% and YoY growth was 20.29%.

#### ***Others***

- 6 Key customers were added during the quarter.
- Total associates as on March 31, 2009 increased to 2,089 from 2,080 at the end of December 31, 2008.

“Under challenging economic environment R Systems had a satisfactory quarter with revenues of Rs 90.08 crores and net earnings of Rs 9.60 crores” said Rekhi Singh, Chairman and Managing Director. “Our growth trend has been distorted as sales cycle time on new assignments is getting stretched and existing clients cutting back on new initiatives in the current economic environment. However the funnel for assignments that optimize cost structures are very encouraging. We are well positioned and will work hard to convert these opportunities.”

“We are realigning our business to changing customer needs for cost optimization initiatives and internally aligning our business to increase efficiency. Our satisfactory results reflect our ability to meet varying needs of our clients and execute efficiently,” 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 1500 products since inception 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 digital media R Systems expanded the relationship with a joint venture between two Fortune 1000 companies to provide systems integration and support services for their IPTV product on a global basis. The underlying objective is to accelerate delivery capability via centralized competence, cost optimization and process standardization. R Systems was involved in the development of the product.

A leading manufacturer of solution that helps leakage detection and increase efficiency for CATV providers selected R Systems to automate the solution by taking live leakage data and make it available ubiquitously over the web in a secure manner.

A large European pharmaceutical company selected R Systems for developing a productized work flow application to identify new business potential for their new products in development stage.

A well known airlines in the Americas region selected R Systems to provide offshore support, maintenance, performance testing and tuning on a customized enterprise wide global solution.

### ***Products Group:***

In R Systems products group Indus<sup>®</sup> Loan Origination and Collections Product and ECnet<sup>®</sup> Supply Chain Solutions registered both key new wins and commenced on new engagements with the existing customers during Q1, 2009.

In the Indus consumer finance division R Systems was selected by a leading bank in Thailand with 200+ branches to implement Indus<sup>®</sup> Collections solution to effectively manage consumer loan portfolio.

R Systems strategy to sell Indus<sup>®</sup> Collections solution in telecom and insurance industry was validated again during the quarter with a significant win from a leading Malaysian telecom company through a global leader in systems integration.



A leading European Bank that had selected Indus<sup>®</sup> Loan Origination and Collections Product for one of their Indian subsidiaries broadened the relationship by choosing Indus<sup>®</sup> Collections solution to support card operations

R Systems ECnet subsidiary commenced with the implementation of eProcurement for a large electronics device manufacturer as part of a new business initiative to convert some key spokes to become hubs.

R Systems was selected by a large Japanese procurement office to develop a supply chain portal that allows their external partners and dealers to access the status of their orders. The application is integrated with client's enterprise wide systems.

### **Liquidity and Shareholder Funds**

Cash and cash equivalents, including bank deposits, as on March 31, 2009 was Rs 71.94 crores compared to Rs 63.64 crores as on December 31, 2008. Earnings before interest, depreciation, and taxes ("EBITDA") was Rs 13.35 crores (US\$2.69 mn) in Q1 2009 compared to Rs 14.57 crores (US\$2.97 mn) in Q4 2008. Total shareholder funds as on March 31, 2009 was Rs 178.57 crores compared to Rs 171.65 crores as on December 31, 2008.

"Our margins and earnings are positively impacted by favorable exchange rate with declining Rupee, however fall in volumes due to customer cut backs and longer sales cycles times is negatively impacting top line and earnings." said O'Neil Nalavadi, Director Finance. "Our balance sheet continues to be very strong with cash and cash equivalent of Rs 71.94 crores and shareholder funds of Rs 178.57 crores."

### **Human Resources**

R Systems ended March 31, 2009 with total count of 2,089 associates, a net addition of 9 counts during the quarter.

### **Capacity of Development and Service Centres**

At the end of March 31, 2009 the total square footage of R Systems development and service centres was 202,597 square feet with a seating capacity of 2,948.



## 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 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, 2009 (As per Indian GAAP)

(Rs in mn except per share data)

| Sr. No.   | Particulars  | Quarter Ended Mar 31 |               | YoY Growth %  | Quarter Ended Dec 31, 2008 | QoQ Growth %  |
|-----------|--|----------------------|---------------|---------------|----------------------------|---------------|
|           |  | 2009                 | 2008          |               |                            |               |
| <b>1</b>  | <b>Income</b>  |                      |               |               |                            |               |
| 1.1       | Net Sales  | 900.83               | 798.77        | 12.78         | 968.42                     | (6.98)        |
| 1.2       | Other Operating Income                                 | 1.53                 | 4.51          | (66.03)       | 5.58                       | (72.55)       |
|           | <b>Total</b>   | <b>902.36</b>        | <b>803.28</b> | <b>12.33</b>  | <b>974.00</b>              | <b>(7.36)</b> |
| <b>2</b>  | <b>Expenditure</b>                                     |                      |               |               |                            |               |
| 2.1       | Staff Cost   | 543.90               | 491.48        | 10.66         | 574.24                     | (5.28)        |
| 2.2       | Traveling Cost   | 50.62                | 55.83         | (9.33)        | 49.09                      | 3.11          |
| 2.3       | Communication Costs                                    | 19.28                | 16.23         | 18.76         | 18.12                      | 6.37          |
| 2.4       | Legal & Professional Expenses                          | 65.27                | 74.96         | (12.93)       | 83.79                      | (22.11)       |
| 2.5       | Provision for doubtful Debts/ Advances                 | 21.65                | 3.19          | 580.61        | 21.74                      | (0.37)        |
| 2.6       | Depreciation/Amortisation                              | 29.48                | 27.06         | 8.92          | 30.27                      | (2.62)        |
| 2.7       | Other Expenditure                                      | 72.34                | 60.90         | 18.78         | 112.69                     | (35.80)       |
|           | <b>Total Expenditure</b>                               | <b>802.54</b>        | <b>729.65</b> | <b>9.99</b>   | <b>889.94</b>              | <b>(9.82)</b> |
| <b>3</b>  | <b>Profit From Operations Before Exceptional Items</b> | <b>99.82</b>         | <b>73.63</b>  | <b>35.57</b>  | <b>84.06</b>               | <b>18.75</b>  |
| <b>4</b>  | Add:- Exceptional Items                                | -                    | -             | -             | -                          | -             |
| <b>5</b>  | <b>Profit From Operations</b>                          | <b>99.82</b>         | <b>73.63</b>  | <b>35.57</b>  | <b>84.06</b>               | <b>18.75</b>  |
| <b>6</b>  | Other Income   | 12.90                | 10.89         | 18.42         | 11.29                      | 14.29         |
| <b>7</b>  | <b>Profit Before Interest and Tax</b>                  | <b>112.72</b>        | <b>84.52</b>  | <b>33.36</b>  | <b>95.35</b>               | <b>18.22</b>  |
| <b>8</b>  | Interest   | 0.66                 | 1.56          | (57.69)       | 1.03                       | (35.92)       |
| <b>9</b>  | <b>Profit/(Loss) Before Tax</b>                        | <b>112.06</b>        | <b>82.96</b>  | <b>35.08</b>  | <b>94.32</b>               | <b>18.81</b>  |
| <b>10</b> | <b>Provision For Tax</b>                               |                      |               |               |                            |               |
| 10.1      | Current Tax  | 11.32                | 5.82          | 94.56         | 12.87                      | (12.03)       |
| 10.2      | MAT Credit Entitlement                                 | (5.83)               | (5.15)        | (13.11)       | (3.52)                     | (65.25)       |
| 10.3      | Deferred Tax   | 9.02                 | 0.73          | 1129.00       | (5.11)                     | 276.53        |
| 10.4      | Fringe Benefit Tax                                     | 1.55                 | 1.75          | (11.43)       | 2.15                       | (27.91)       |
|           | <b>Total</b>   | <b>16.06</b>         | <b>3.15</b>   | <b>409.59</b> | <b>6.39</b>                | <b>151.51</b> |
| <b>11</b> | <b>Net Profit/(Loss) After Tax</b>                     | <b>96.00</b>         | <b>79.81</b>  | <b>20.29</b>  | <b>87.93</b>               | <b>9.17</b>   |
| <b>12</b> | <b>Earning Per Share</b>                               |                      |               |               |                            |               |
| 12.1      | <b>Basic</b>   | <b>7.28</b>          | <b>5.88</b>   | <b>23.88</b>  | <b>6.49</b>                | <b>12.10</b>  |
| 12.2      | <b>Diluted</b>   | <b>7.19</b>          | <b>5.80</b>   | <b>23.89</b>  | <b>6.42</b>                | <b>12.06</b>  |



## Financial Performance

### Consolidated Profit & Loss Statement (Un- audited) for the Quarter Ended March 31, 2009

(Contribution Analysis Format; Basis Indian GAAP)

(Figures in mn except per share data)

| Particulars  | Q1 2009       |              | Q1 2008       |              | Q4 2008       |              |
|--|---------------|--------------|---------------|--------------|---------------|--------------|
|  | INR           | US\$         | INR           | US\$         | INR           | US\$         |
| <b>Revenues</b>  | <b>900.83</b> | <b>18.15</b> | <b>798.77</b> | <b>20.07</b> | <b>968.42</b> | <b>19.14</b> |
| Cost of Revenues   | 511.18        | 10.30        | 495.29        | 12.44        | 566.10        | 11.10        |
| <b>Gross Margin</b>                                      | <b>389.65</b> | <b>7.85</b>  | <b>303.48</b> | <b>7.63</b>  | <b>402.32</b> | <b>8.04</b>  |
|  | 43.25%        |              | 37.99%        |              | 41.54%        |              |
| <b>SG &amp; A</b>  |               |              |               |              |               |              |
| Expenses   | 256.16        | 5.16         | 205.49        | 5.16         | 256.61        | 5.07         |
|  | 28.44%        |              | 25.73%        |              | 26.50%        |              |
| <b>EBITDA</b>  | <b>133.49</b> | <b>2.69</b>  | <b>97.99</b>  | <b>2.47</b>  | <b>145.71</b> | <b>2.97</b>  |
|  | 14.82%        |              | 12.27%        |              | 15.05%        |              |
| Depreciation/Amortisation                                | 29.48         | 0.59         | 27.06         | 0.68         | 30.27         | 0.59         |
| <b>Operating Income/(Loss) Before Non Recurring Cost</b> | <b>104.01</b> | <b>2.10</b>  | <b>70.93</b>  | <b>1.79</b>  | <b>115.44</b> | <b>2.38</b>  |
| Non Recurring Costs                                      | -             | -            | -             | -            | 13.34         | 0.31         |
| <b>Income/(Loss) From Operations</b>                     | <b>104.01</b> | <b>2.10</b>  | <b>70.93</b>  | <b>1.79</b>  | <b>102.10</b> | <b>2.07</b>  |
| Interest Expense   | (0.66)        | (0.01)       | (1.56)        | (0.04)       | (1.03)        | (0.02)       |
| Other Income, Net  | 8.71          | 0.16         | 13.59         | 0.34         | (6.75)        | (0.13)       |
| <b>Income/(Loss) Before Income Tax</b>                   | <b>112.06</b> | <b>2.25</b>  | <b>82.96</b>  | <b>2.09</b>  | <b>94.32</b>  | <b>1.92</b>  |
| Income Tax Provision                                     | 16.06         | 0.32         | 3.15          | 0.08         | 6.39          | 0.13         |
| <b>Net Earnings/(Loss)</b>                               | <b>96.00</b>  | <b>1.93</b>  | <b>79.81</b>  | <b>2.01</b>  | <b>87.93</b>  | <b>1.79</b>  |
| <b>Earnings Per Share (Basic)</b>                        | <b>7.28</b>   | <b>0.15</b>  | <b>5.88</b>   | <b>0.15</b>  | <b>6.49</b>   | <b>0.13</b>  |



**Consolidated Balance Sheet as at March 31, 2009 (As per Indian GAAP)**

(Rs in mn)

| Particulars                                      | As at Mar 31          |                       | As at Dec 31      |
|--|-----------------------|-----------------------|-------------------|
|  | 2009<br>( Un-Audited) | 2008<br>( Un-Audited) | 2008<br>(Audited) |
| <b>SOURCES OF FUNDS</b>                          |                       |                       |                   |
| <b>Shareholders' Funds</b>                       |                       |                       |                   |
| Capital  | 128.67                | 135.09                | 133.62            |
| Reserves and Surplus                             | 1,657.01              | 1,374.94              | 1,582.91          |
| <b>Net Worth</b>                                 | <b>1,785.68</b>       | <b>1,510.03</b>       | <b>1,716.53</b>   |
| <b>Loan Funds</b>                                |                       |                       |                   |
| Secured Loans                                    | 17.20                 | 56.83                 | 32.56             |
| Deferred Payment Liability                       | -                     | 10.77                 | -                 |
| Deferred Tax liability (Net)                     | 25.89                 | 25.17                 | 16.88             |
| <b>TOTAL</b>                                     | <b>1,828.77</b>       | <b>1,602.80</b>       | <b>1,765.97</b>   |
| <b>APPLICATION OF FUNDS</b>                      |                       |                       |                   |
| <b>Fixed Assets</b>                              |                       |                       |                   |
| Gross Block                                      | 1,213.86              | 1,141.34              | 1,217.55          |
| Less: Depreciation                               | 491.64                | 384.38                | 474.17            |
| Net Block  | 722.22                | 756.96                | 743.38            |
| Capital Wok-in-Progress                          | 10.33                 | 7.54                  | 3.21              |
|  | <b>732.55</b>         | <b>764.50</b>         | <b>746.59</b>     |
| <b>Investments</b>                               | 0.03                  | 12.19                 | 0.03              |
| <b>Current Assets, Loans &amp; Advances</b>      |                       |                       |                   |
| Sundry Debtors                                   | 625.43                | 635.06                | 790.22            |
| Cash & Bank Balances                             | 719.42                | 425.04                | 636.44            |
| Other Current Assets                             | 201.14                | 176.92                | 145.89            |
| Loans and Advances                               | 117.46                | 116.13                | 98.14             |
|  | <b>1,663.45</b>       | <b>1,353.15</b>       | <b>1,670.69</b>   |
| <b>Less : Current Liabilities and Provisions</b> |                       |                       |                   |
| Liabilities                                      | 391.56                | 400.00                | 452.41            |
| Provisions                                       | 175.70                | 127.04                | 198.93            |
| <b>Net Current Assets</b>                        | <b>1,096.19</b>       | <b>826.11</b>         | <b>1,019.35</b>   |
| <b>Total</b>                                     | <b>1,828.77</b>       | <b>1,602.80</b>       | <b>1,765.97</b>   |

**Notes:**

1. US\$ equivalent figures are derived by converting the Rupee figures using average currency rates from Fxstreet.com.
2. Previous period's figures have been regrouped/ recasted wherever applicable, to the extent possible.