



R Systems Announces Results for Q1 2010

Revenue: Rs 72.42 Crores, EBITDA: Rs 6.24 Crores and Net Profits: Rs 6.58 Crores

Noida, India – April 24, 2010

Highlights

Consolidated results for the quarter ended March 31, 2010

- Consolidated revenues from operations for Q1-10 was Rs 72.42 crores (US\$ 15.79 mn.); sequential QoQ decline was 5.05 % and YoY decline was 19.60 %.
- Earnings before interest, depreciation, taxes and allowances (“EBITDA”) was Rs 6.24 crores (US\$ 1.36 mn); sequential QoQ decline was 33.93 % and YoY decline was 53.27%.
- Net profit after taxes was Rs 6.58 crores (US\$ 1.43 mn.) compared to Rs 6.71 crores (US\$ 1.39 mn.) in Q4, 2009 and Rs 9.60 crores (US\$ 1.93 mn.) in the same period last year.

Others

- 8 new customers were added during the quarter.

The Quarter’s revenue was impacted by delayed starts on some of our projects besides the loss of some key customers in Europe in 2009. Further, the strengthening of the INR against the USD and EURO caused a revenue decline of 2.66% on QoQ and 4.63% on YoY basis. Rekhi Singh, Chairman and Managing Director said “We are happy to report that the process of business restructuring and focus on customer acquisitions to make up for the volume decline are bearing results and the European business unit has reported operating profit for the quarter.”

Rekhi Singh further added “Results were impacted by increase in employee costs arising from the salary changes effected in Q1 2010 that covered the entire offshore team”

Raj Swaminathan, COO and Director added “While we are hopeful of our business outlook in the coming quarters, we are working through the overhang of current economic and business challenges faced by our clients with careful and diligent management of costs and utilization levels, keeping our focus on short and medium term strategies.”



Key Operational Highlights

iPLM Services Group:

R Systems is focused in the high tech sector to gain competitive advantage by providing end-to-end services in product design, development, testing, customer care and technical support. R Systems competencies in technology and customer's business domain, rapid and agile development capabilities, proven global delivery and service platform, proprietary pSuite Framework and end-to-end capability give us the edge to serve customers with a high degree of time and cost predictability. R Systems iPLM services positively impacted over 1500 products since inception in various segments including mobility, IPTV, search engine, Internet security and enterprise software.

As a part of our iPLM suite, we offer customer care and technical support mainly to high technology sector. These services are offered through a seamlessly integrated global hybrid delivery model from centres in India, Europe and USA.

During the quarter, a customer specializing in providing information services to “Not-for-Profit” USA organizations selected R Systems to migrate its search and reports application to .net technology. R Systems' COE for .net won this contract for development and maintenance showcasing its strong technology skills.

Further, R Systems has been selected to provide customer services by a leading provider of life changing programs for permanently breaking emotional dependencies, including alcohol, smoking, and eating. The solution includes providing support to end consumers via phone and email.

R Systems has also been selected to offer technical support services by a leading provider of communication solutions which transforms the way organizations communicate throughout the customer lifecycle to build trusted, lifelong and profitable relationships. The solutions included providing high-end tech support to business customers.

Products Group:

R Systems products group consists of its two units Indus[®] and ECnet[®]. The products continue to be well received in the market and have registered wins.

R Systems' alliance partner one of the largest IT companies has selected Indus Collections product for implementation along with its core banking solution in a bank in Egypt.

R Systems was selected to deliver its full Lending Solutions Suite to one of the India new microfinance companies. Microfinance is one of the most talked about sub-verticals emerging in the BFSI sector.

One of largest banking and finance groups based out of Europe continued its roll out of Indus Collections by selecting Indus Collections for its business in Germany.

A furniture manufacturing business in Malaysia selected ECnet to help them implement an ERP system for their operations. The client manufactures a range of modern, contemporary furniture for exports markets in Europe.



A premier manufacturer in Malaysia who is a leader in developing and producing high quality wire and cable has selected ECnet to implement an ERP system for them.

A leading automobile component supplier in Thailand selected ECnet to implement a Warehouse Management system for their operations. ECnet will integrate the Warehouse Management Systems with their backend SAP system.

Liquidity and Shareholder Funds

Cash and cash equivalents, including bank deposits, as at March 31, 2010 was Rs 83.26 crores. Earnings before interest, depreciation, taxes and allowances (“EBITDA”) was Rs.6.24 crores (US\$ 1.36 mn.) in Q1 2010. Total shareholder funds as on March 31, 2010 were 173.13 crores compared to Rs. 167.39 crores as on December 31, 2009.

Human Resources

R Systems ended March 31, 2010 with total count of 2,041 associates.

Process, Quality and Innovation

R Systems launched its fifth generation Loan Management System product; a product based on contemporary SOA enabled J2EE architecture. The new product is completely revamped with updated User Interface and significant new functionality supporting requirements of sophisticated financial products. The solution is highly scalable internet ready application designed for seamless integration with portals and others systems using Enterprise Services Bus. The new product supports all types of close ended retail loans.

Capacity of Development and Service Centres

At the end of March 31, 2010 the total square footage of R Systems development centres was 197,452 square feet with a seating capacity of 2,848.

Financial Performance

Consolidated Profit & Loss Statement (Un-audited) for the Quarter Ended March 31, 2010 (As per Indian GAAP)

(Rs in mn except per share data)

Sr. No.	Particulars	Quarter Ended March 31,		YoY Growth %	Quarter Ended Dec 31, 2009	QoQ Growth %
		2010	2009			
1	Income					
1.1	Net Sales	724.25	900.83	(19.60)	762.76	(5.05)
1.2	Other Operating Income	6.36	1.53	314.82	(0.22)	(2,988.64)
	Total	730.61	902.36	(19.03)	762.54	(4.19)
2	Expenditure					
2.1	Employees Cost	481.26	543.90	(11.52)	459.70	4.69
2.2	Traveling Cost	43.43	50.62	(14.20)	49.42	(12.12)
2.3	Communication Costs	13.70	19.28	(28.93)	16.45	(16.72)
2.4	Legal & Professional Expenses	57.31	65.27	(12.19)	60.67	(5.54)
2.5	Provision For Doubtful Debts / Advances	7.92	21.65	(63.42)	7.64	3.68
2.6	Depreciation / Amortisation	33.08	29.48	12.22	34.32	(3.61)
2.7	Other Expenditure	61.74	72.34	(14.66)	69.79	(11.54)
	Total Expenditure	698.44	802.54	(12.97)	697.99	0.06
3	Profit From Operations Before Other Income, Interest & Exceptional Items	32.17	99.82	(67.78)	64.55	(50.17)
4	Other Income	11.52	12.90	(10.69)	12.42	(7.24)
5	Profit From Operations Interest & Exceptional Items	43.69	112.72	(61.24)	76.97	(43.24)
6	Interest	0.22	0.66	(67.72)	0.40	(46.50)
7	Profit After Interest But Before Exceptional Items	43.47	112.06	(61.21)	76.57	(43.22)
8	Exceptional Income / (Expense)	-	-	-	-	-
9	Profit Before Tax	43.47	112.06	(61.21)	76.57	(43.22)
10	Provision For Tax					
10.1	Current Tax	9.61	11.32	(15.08)	22.90	(58.02)
10.2	MAT Credit Entitlement	(13.20)	(5.83)	126.61	(15.36)	(14.06)
10.3	Deferred Tax Charge / (Credit)	(18.73)	9.02	(307.75)	1.97	(1,050.81)
10.4	Fringe Benefit Tax	-	1.55	(100.00)	-	-
	Total	(22.32)	16.06	(238.94)	9.51	(334.67)
11	Net Profit After Tax	65.79	96.00	(31.47)	67.06	(1.89)
12	Earning Per Share					
12.1	Basic	5.34	7.28	(26.62)	5.44	(1.81)
12.2	Diluted	5.27	7.19	(26.63)	5.38	(1.96)



Financial Performance

Consolidated Profit & Loss Statement (Un- audited) for the Quarter Ended March 31, 2010 (Contribution Analysis Format; Basis Indian GAAP)

(Figures in mn except per share data)

Particulars	Q1 2010		Q1 2009		Q4 2009	
	INR	US\$	INR	INR	INR	US\$
Revenues	724.25	15.79	900.83	18.15	762.76	16.42
Cost of Revenues	457.21	9.97	511.18	10.30	450.39	9.70
Gross Margin	267.04	5.82	389.65	7.85	312.37	6.72
SG & A	36.87%		43.25%		40.95%	
Expenses	204.66	4.46	256.16	5.16	217.95	4.74
	28.26%		28.44%		28.57%	
EBITDA	62.38	1.36	133.49	2.69	94.42	1.98
	8.61%		14.82%		12.38%	
Depreciation / Amortization	33.08	0.72	29.48	0.59	34.32	0.74
Income From Operations	29.30	0.64	104.01	2.10	60.10	1.24
Interest Expense	(0.22)	(0.00)	(0.66)	(0.01)	(0.40)	(0.01)
Other Income (Net)	14.39	0.31	8.71	0.16	16.87	0.36
Income Before Income Tax	43.47	0.95	112.06	2.25	76.57	1.59
Income Tax Provision	(22.32)	(0.48)	16.06	0.32	9.51	0.20
Net Earnings	65.79	1.43	96.00	1.93	67.06	1.39
Earning Per Share						
- Basic	5.34	0.12	7.28	0.15	5.44	0.12
- Diluted	5.27	0.11	7.19	0.14	5.38	0.12

Consolidated Balance Sheet as at March 31, 2010 (As per Indian GAAP)

Particulars	As at March 31,		As at Dec 31,
	2010 (Un-Audited)	2009 (Un-Audited)	2009 (Audited)
(Rs in mn)			
SOURCES OF FUNDS			
Shareholders' Funds			
Capital	122.43	128.67	122.43
Reserves and Surplus	1,608.91	1,657.01	1,551.50
Net Worth	1,731.34	1,785.68	1,673.93
Loan Funds			
Secured Loans	11.03	17.20	14.52
Deferred Tax Liability (Net)	2.33	25.89	21.06
Total	1,744.70	1,828.77	1,709.51
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	1,102.50	1,213.86	1,095.00
Less: Depreciation	595.83	491.64	582.34
Net Block	506.67	722.22	512.66
Capital Work-in-Progress	0.92	10.33	17.60
	507.59	732.55	530.26
Investments	0.03	0.03	0.03
Current Assets, Loans & Advances			
Sundry Debtors	544.85	625.43	496.52
Cash & Bank Balances	832.64	719.42	871.98
Other Current Assets	187.09	201.14	191.03
Loans & Advances	197.24	117.46	178.47
Total Current Assets (A)	1,761.82	1,663.45	1,738.00
Less : Current Liabilities and Provisions			
Liabilities	352.65	391.56	368.03
Provisions	172.09	175.70	190.75
Total Current Liabilities (B)	524.74	567.26	558.78
Net Current Assets (A-B)	1,237.08	1,096.19	1,179.22
Total	1,744.70	1,828.77	1,709.51

Consolidated Operational Data (Un-audited)

Profitability in Percentage	Quarter ended		
	Mar 31, 10	Dec 31, 09	Mar 31, 09
Revenues	100.00%	100.00%	100.00%
Gross margin	36.87	40.95	43.25
SG & A	28.26	28.57	28.44
EBITDA	8.61	12.38	14.82
EBT	6.00	10.04	12.44
PAT	9.08	8.79	10.66
Basic EPS (Rs)	5.34	5.44	7.28

Revenue from Top 5 Clients	Quarter ended		
	Mar 31, 10	Dec 31, 09	Mar 31, 09
Top 5 Clients	30.34%	32.39%	32.97%
Top 3 Clients	19.85%	21.91%	23.32%
Largest Client	6.97%	7.75%	7.85%

Revenues by Geographies	Quarter ended		
	Mar 31, 10	Dec 31, 09	Mar 31, 09
USA	57.53%	50.39%	54.48%
Europe	21.74%	27.72%	26.72%
SEAC (South East Asia)	10.11%	9.20%	6.41%
India	6.03%	7.56%	4.65%
Others	4.59%	5.13%	7.74%
Total	100.00%	100.00%	100.00%

Utilization (excluding trainees)	Quarter ended		
	Mar 31, 10	Dec 31, 09	Mar 31, 09
Onsite	69.61%	69.35%	68.05%
Offshore	69.78%	66.74%	64.79%
Blended	69.75%	67.15%	65.38%

Utilization (including trainees)	Quarter ended		
	Mar 31, 10	Dec 31, 09	Mar 31, 09
Onsite	69.61%	69.35%	68.05%
Offshore	66.40%	63.89%	62.21%
Blended	66.87%	64.72%	63.23%

Consolidated Operational Data (Un-audited)

Human resources	As at		
	Mar 31, 10	Dec 31, 09	Mar 31, 09
Technical	1,719	1,705	2,089
Software services			
Onsite	103	99	108
Offshore	1,154	1,144	1,342
BPO			
Offshore	244	253	308
Onsite	155	148	262
Trainees at offshore	63	61	69
Support	322	343	374
Total count	2,041	2,048	2,463

(Rs in mn except DSO)

Key Balance Sheet Data	As At		
	Mar 31, 10	Dec 31, 09	Mar 31, 09
Receivable	544.85	496.52	625.43
Receivable in days (“DSO”)	61	59	70
Cash & bank balance	832.64	871.98	719.42
Net current assets	1,237.08	1,179.22	1,096.19
Fixed assets	507.59	530.26	732.55
Secured loans	11.03	14.52	17.20
Shareholders’ funds	1,731.34	1,673.93	1,785.68

Development/Service centers	As on March 31, 2010			
	Completed		Work-in-progress	
	Covered areas in sq ft.	No. of seats	Covered areas in sq ft.	No. of seats
India				
Noida	86,141	1,455	-	-
Pune	30,940	529		
Chennai	16,276	253		
	133,357	2,237	-	-
USA	22,800	177		
Singapore	11,500	73		
Europe	29,795	361		
Total	197,452	2,848	-	-



Notes:

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

About R Systems International Limited

R Systems International Limited founded in 1993, is one of the leading provider of outsourced product development and customer support services. We help companies 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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