



R Systems Announces Record Revenues For Q2 08

Revenues: Rs 90.6 Crores, Up 54% and EBIDT: Rs 11.05 Crores, Up 147% YoY.

Noida, India – July 26, 2008

Highlights

Consolidated results for the quarter ended June 30, 2008

- Consolidated revenues from operations for Q2-08 was Rs 90.56 crores (US\$21.80mn.) compared to Rs 58.93 crores in Q2-07 and Rs 79.88 crores in Q1-08; YoY growth was 53.68% (53.03% in US\$) and sequential QoQ growth was 13.37% (8.60% in US\$).
- Earnings before depreciation, interest and taxes (“EBIDT”) for Q2-08 was Rs 11.05 crores compared to Rs 4.47 crores in Q2 07 and Rs 9.80 crores in Q1-08; YoY growth was 147.32% and QoQ growth was 12.78%.
- R Systems had total forward foreign exchange contracts valued at \$18.85 million on June 30, 2008. R Systems adopted AS 30 on conservative “mark to market” basis and accounted for the entire exchange losses on these contracts amounting to Rs 5.5 crores (\$ 1.32 mn). The exchange losses were caused by the sudden devaluation of Rupee in the quarter.
- Net profit after taxes was Rs. 4.64 crores (US\$1.10 mn.) compared to Rs.3.22 crores (US\$ 0.77 mn.) in the same period last year and profit of Rs 7.98 crores (US\$2.01mn.) in Q1-08; YoY growth in net profits was 44.10%.

Others

- 5 Key customers were added during the quarter.
- Total associates as on June 30, 2008 was 2,249 compared to 1,698 at the end of June 30, 2007 and 2,290 at the end of March 31, 2008.

“We had a good quarter with revenues recording a growth of 54% YoY to cross Rs. 90 crores and EBIDT increasing to Rs.11 crores with YoY growth of 147% and QoQ growth of 13%. However corporate clients are exercising caution in undertaking new initiatives because of spate of bad economic news, which means we are entering a challenging period,” said Rekhi Singh, Chairman and Managing Director. “R Systems focus in this challenging economic environment is to deliver tangible value to existing customers and enhance productivity.”

“R Systems satisfying operating performance in Q2-08 was a result of rigorous execution in both the iPLM and Products group. We are in a challenging bipolar economic environment – a deteriorating US and European market and a relatively stronger market in Asia and the Middle East – and this requires high adaptability in management behavior,” 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 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 the digital media space R Systems commenced on several new engagements in sharing of digital content like photos, music, video, text files, etc. and creating, managing and distributing of live and on-demand streaming media. R Systems was retained to provide product development, QA and testing on these engagements.

A market leader in providing in-flight interactive software solutions to the airlines industry selected R Systems to undertake a variety of tasks like review of architecture, coding standards, maintainability and optimize performance and this was successfully completed during the quarter. R Systems is discussing a broader relationship with this client.

A non-profit state organization selected R Systems over several contenders to develop a productized application to enable the organization to provide safe, timely and efficient health care to its members.

In the health care space R Systems was reselected to handle complete revenue cycle management for a community health centre.

Products Group:

In R Systems products group Indus[®] and ECnet[®] registered double digit growth in top line as a result of new wins and commencement of new engagements with the existing customers during Q2, 2008.

In the Indus consumer finance division R Systems commenced with 5 new implementations for its Indus[®] Loan Origination and Collections solution for two strategic global accounts both of which are leading financial institutions in the world. One of the implementations is in China which marks the first entry for Indus in that high growth market.

R Systems ECnet[®] subsidiary commenced with the implementation of warehouse management solution for an integrated manufacturer of hydraulic oil machinery and specialist engineering services. In phase 2 of the relationship the ECnet[®] supply chain solution will be implemented to enable the client to collaborate with its suppliers.



A leading global manufacturer of perfumes and fragrances selected ECnet[®] to implement an advanced demand planning and warehouse management solution across multiple locations in the Far East.

An established manufacturer of voltage rectifiers and power supplies for power plants selected ECnet[®] e-Procurement suite to execute material purchases and collaborate with its vendors.

Liquidity and Shareholder Funds

Cash and cash equivalents, including bank deposits, as on June 30, 2008 was Rs. 45.14 crores compared to Rs. 51.22 crores as on December 31, 2007. Earnings before interest, depreciation, and taxes (“EBDT”) increased to Rs.11.05 crores (US\$2.66 mn.) in Q2 2008 from Rs. 9.80 crores (US\$2.47 mn) in Q1 2008 a growth of 12.78% (7.59% in US\$ terms). Total shareholder funds as on June 30, 2008 was Rs. 157.66 crores compared to Rs 142.57 crores as on December 31, 2007.

“The steep fall in the value of Rupee against the US\$ during the quarter from Rs 39.9 to Rs 42.8 resulted in exchange losses of Rs. 5.5 crores on our total forward contracts of \$18.9 million. The average Rupee to US\$ rate was Rs. 41.6 compared to Rs 39.8 in Q1, 08 a fall of 4.6% which resulted in improving gross margins by about 230 basis points. If the Rupee continues at this level it will help to improve margins in our business,” said O’Neil Nalavadi, Director Finance. “Our balance sheet continues to be very strong with cash and cash equivalent of Rs 45.1 crores and shareholder funds of Rs157.7 crores.”

Human Resources

R Systems ended June 30, 2008 with total count of 2,249 associates compared to 2,290 at the end of March 31, 2008 as increased emphasis was placed on productivity improvement by reducing temporary staffing in Europe and deployment of trainees in our global development centres in India.

Capacity of Development and Service Centres

At the end of June 30, 2008 the total square footage of R Systems development and service centres was 199,597 square feet with a seating capacity of 2,876.



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 June 30, 2008 (As per Indian GAAP)

(Rs in mn. except per share data)

Sr. No.	Particulars	Quarter Ended June 30		YoY Growth %	Quarter Ended Mar 31, 2008	QoQ Growth %
		2008	2007			
1	Income					
1.1	Net Sales	905.59	589.27	53.68	798.77	13.37
1.2	Other Income	9.20	13.95	(34.02)	15.40	(40.27)
	Total	914.79	603.22	51.65	814.17	12.36
2	Expenditure					
2.1	Staff Cost	540.37	364.43	48.28	488.90	10.53
2.2	Traveling Cost	62.53	60.10	4.05	55.83	12.01
2.3	Communication Costs	17.49	16.72	4.57	16.23	7.73
2.4	Legal & Professional Exp.	94.10	55.35	70.00	77.54	21.36
2.5	Other Expenditure	121.45	48.87	148.50	64.08	89.53
	Total Expenditure	835.94	545.47	53.25	702.58	18.98
3	EBITDA	78.85	57.75	36.55	111.59	(29.34)
4	Interest	1.37	1.05	30.60	1.57	(12.44)
5	Depreciation/Amortisation	28.09	16.57	69.59	27.06	3.80
6	Profit/(Loss) before Tax and Prior Period Expenses	49.39	40.13	23.07	82.96	(40.47)
7	Prior Period Income/(Expense)	-	0.88	(100.00)	-	-
8	Profit/(Loss) before Tax	49.39	41.01	20.44	82.96	(40.47)
9	Provision for Tax					
9.1	Current Tax	4.85	5.70	(14.94)	5.82	(16.70)
9.2	MAT credit entitlement	(0.13)	(1.55)	(91.70)	(5.15)	(97.50)
9.3	Deferred Tax	(3.66)	3.10	(218.23)	0.73	(599.09)
9.4	Fringe Benefit Tax	1.90	1.54	23.38	1.75	8.57
	Total	2.96	8.79	(66.38)	3.15	(6.20)
10	Net Profit/(Loss) After Tax	46.43	32.22	44.10	79.81	(41.82)
11	Earning Per Share					
11.1	Basic	3.42	2.37	44.10	5.88	(41.82)
11.2	Diluted	3.38	2.37	42.31	5.80	(41.82)



Financial Performance

Consolidated Profit & Loss Statement (Un-audited) for the Six Months Ended June 30, 2008 (As per Indian GAAP)

(Rs. in mn. except per share data)

Sr. No.	Particulars	Six Month Ended June 30 ,		Growth %
		2008	2007	
1	Income			
1.1	Net Sales	1704.36	1,182.88	44.09
1.2	Other Income	21.83	21.77	0.28
	Total	1,726.19	1,204.65	43.29
2	Expenditure			
2.1	Staff Cost	1,029.27	755.62	36.22
2.2	Traveling Cost	118.37	105.34	12.37
2.3	Communication Cost	33.72	33.54	0.53
2.4	Legal and Professional Expenses	171.63	110.70	55.05
2.5	Other Expenditure	182.76	95.80	90.78
	Total Expenditure	1,535.75	1,101.00	39.49
3	EBITDA	190.44	103.65	83.74
4	Interest	2.93	1.49	96.78
5	Depreciation/Amortisation	55.16	34.22	61.21
6	Profit/(Loss) before Tax and Prior Period Expenses	132.35	67.94	94.79
7	Prior Period Income/(Expenses)	-	0.88	(100.00)
8	Profit/(Loss) before Tax	132.35	68.82	92.32
9	Provision for Tax			
9.1	Current Tax	10.67	10.18	4.74
9.2	MAT Credit Entitlement	(5.28)	(1.55)	240.51
9.3	Deferred Tax	(2.93)	3.76	(177.84)
9.4	Fringe Benefit Tax	3.65	3.21	13.64
	Total	6.11	15.60	(60.83)
10	Net profit/(Loss) After Tax	126.24	53.22	137.19
11	Earning Per Share			
11.1	Basic	9.29	3.92	137.19
11.2	Diluted	9.18	3.92	134.25



Financial Performance

Consolidated Profit & Loss Statement (Un- audited) for the Quarter Ended June 30, 2008 (Contribution Analysis Format; Basis Indian GAAP)

(Figures in mn. except per share data)

Particulars	Q2 2008		Q2 2007		Q1 2008	
	INR	US\$	INR	US\$	INR	US\$
Revenues	905.59	21.80	589.27	14.24	798.77	20.07
Cost of Revenues	552.42	13.30	380.80	9.21	495.29	12.44
Gross Margin	353.17	8.50	208.47	5.03	303.48	7.63
SG & A	39.00%		35.38%		37.99%	
Expenses	242.66	5.85	163.78	3.97	205.49	5.16
Depreciation/Amortisation	28.09	0.67	16.57	0.39	27.06	0.68
	270.75	6.52	180.35	4.36	232.55	5.84
	29.90%		30.61%		29.11%	
Income/(Loss) from Operations	82.42	1.98	28.12	0.67	70.93	1.79
Interest Expense	(1.37)	(0.03)	(1.06)	(0.02)	(1.57)	(0.04)
Other Income, Net	(31.66)	(0.78)	13.95	0.33	13.60	0.34
Income/(Loss) before Income Tax	49.39	1.17	41.01	0.98	82.96	2.09
Income Tax Provision	2.96	0.07	8.79	0.21	3.15	0.08
Net Earnings/(Loss)	46.43	1.10	32.22	0.77	79.81	2.01
Earnings Per Share (Basic)	3.42	0.08	2.37	0.06	5.88	0.15



Financial Performance

Consolidated Statement of Operations (Un-audited) for the Six Months Ended June 30, 2008 **(Contribution Analysis Format; Basis Indian GAAP)**

(Figures in mn. except per share data)

Particulars	Jan to June 08		Jan to June 07	
	INR	US\$	INR	US\$
Revenues	1,704.36	41.86	1,182.88	27.69
Cost of Revenues	1,047.71	25.73	767.50	17.97
Gross Margins	656.65	16.13	415.38	9.72
	38.53%		35.12%	
SG and A				
Expenses	448.14	11.01	331.90	7.77
Depreciation	55.16	1.35	34.22	0.80
	503.30	12.36	366.12	8.57
	29.53%		30.95%	
Income/(Loss) from Operations	153.35	3.77	49.26	1.15
Interest Expense	(2.93)	(0.07)	(1.49)	(0.03)
Other Income, Net	(18.07)	(0.45)	21.06	0.49
Income/(Loss) before Income Tax	132.35	3.25	68.83	1.61
Income Tax Provision	6.11	0.15	15.61	0.37
Net Earnings/(Loss)	126.24	3.10	53.22	1.24
Earnings Per Share (Basic)	9.29	0.23	3.92	0.09



Consolidated Balance Sheet (Un-audited) as at
(As per Indian GAAP)

(Rs. in mn.)

Description	June 30		March 31
	2008 (Un-Audited)	2007 (Un-Audited)	2008 (Un-Audited)
SOURCES OF FUNDS			
Shareholders' Funds			
Capital	135.09	135.09	135.09
Reserves and Surplus	1,441.47	1,188.08	1,374.94
Net Worth	1,576.56	1,323.17	1,510.03
Loan Funds			
Secured Loans	94.89	63.74	56.83
Deferred Payment Liability	-	10.98	10.77
Deferred Tax liability (Net)	21.51	21.43	25.17
TOTAL	1,692.96	1,419.32	1,602.80
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	1,185.10	857.65	1,141.34
Less: Depreciation	426.16	299.35	384.38
Net Block	758.94	558.30	756.96
Capital Wok-in-Progress	12.70	46.03	7.54
	771.64	604.33	764.50
Investments	13.08	12.43	12.19
Current Assets, Loans & Advances			
Sundry Debtors	744.33	544.66	635.06
Cash & Bank Balances	451.35	447.08	425.04
Other Current Assets	169.89	147.07	176.92
Loans and Advances	68.02	95.58	116.13
	1,433.59	1,234.39	1,353.15
Less : Current Liabilities and Provisions			
Liabilities	413.03	349.94	400.00
Provisions	112.32	81.89	127.04
Net Current Assets	908.24	802.56	826.11
TOTAL	1,692.96	1,419.32	1,602.80

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, to the extent possible.