



## **R Systems Announces Results For Q2 2009**

Revenues: Rs 82.49 Crores, EBITDA: Rs 8.37 Crores  
Board Records Non-cash Impairment Charges of Rs 20.87 Crores Related to  
Prior Acquisitions; Net Loss After Charges: Rs 16.23; Excluding Impairment  
Charges Non-GAAP Net Profits for Q2 2009 was Rs 4.6 Crores;  
Cash and Cash Equivalents Increase to Rs 73.2 Crores i.e. Rs 58.5 Per Share

Noida, India – July 24, 2009

### **Highlights**

#### ***Consolidated results for the quarter ended June 30, 2009***

- Consolidated revenues from operations for Q2-09 was Rs 82.49 crores (US\$ 16.96 mn) compared to Rs 90.08 crores in Q1-09 and Rs 90.56 crores in Q2-08; QoQ decline was 8.43% and YoY decline was 8.91%.
- Earnings before depreciation, taxes and allowances (“EBITDA”) was Rs 8.37 crores (US\$ 1.73 mn) compared to Rs 13.35 crores in Q1-09 and Rs 11.05 crores in Q2-08; QoQ decline was 37.33% and YoY decline was 24.31%.
- R Systems decided to record Rs 20.87 crores (US\$ 4.25 mn) non-cash impairment charge to write-off all the goodwill associated with acquisition of WebConverse (renamed as R Systems Solutions, Inc.) and Sento Europe. The write-off of goodwill does not impact tangible net worth or cash position of R Systems.
- After write-off of the goodwill net loss after taxes was Rs 16.23 crores (US\$ 3.28 mn) compared to net profit after tax of Rs 9.60 crores in Q1-09 and Rs 4.64 crores in the same period last year. Excluding the non-cash impairment charge, the non-GAAP measure of net profit after taxes for Q2 2009 was Rs 4.65 crores (US\$ 0.96 mn)

### **Others**

- 6 Key customers were added during the quarter.
- Total associates as on June 30, 2009 were 1,974 compared to 2,249 at the end of June 30, 2008 and 2,089 at the end of March 31, 2009.

“The demand environment continues to be challenging. We are experiencing clients postponing new initiatives and focusing on reducing their cost structure through budget cuts, vendor consolidations and others means. R Systems has not been able to insulate itself from these forces resulting in decline of revenues to Rs 82.49 crores compared to Rs 90.08 crores in Q1



09” said Rekhi Singh, Chairman and Managing Director. “R Systems core offerings and capability are well positioned to create value for customers in our target markets. As we are managing the business to medium and long term we have deliberately decided not to resort to deep cuts for short term gains.”

“With customers continuing to tighten purse strings we are feeling the pain through decline in revenues. However our plan is to stay close to our customers and help them navigate through the challenging economy with appropriate solutions and aligning the services with their needs. We are absorbing current stress by compromising short term profitability versus trade-off for long term growth,” 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 digital media a leading pioneer in digital video recording (“DVR”) that puts convenience in the hands of the consumer through a proprietary set DVR player allowing consumers to pause live TV and watch programs according to their schedules selected R Systems to help them with next generation Flash based DVR product release with richer features and user interfaces.

A subsidiary of a global leader in music industry that monitors, collects and processes performance of music across different media and innovatively provides the results of the recognition identification as a service to its customers selected R Systems over several vendors to create a new data warehouse and business intelligence (“BI”) solution that allows the customers to analyze data using multi-dimensional cubes.

A leading public services organization associated with healthcare selected R Systems for developing an operations management system to manage productions support and processes to comply with federally mandated standards.

### ***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 Q2, 2009.



R Systems was chosen by a leading Austrian bank after an intensively rigorous evaluation in which leading European providers competed for a collections solution. R Systems will license Indus<sup>®</sup> Collections product and implement the solution for the client.

In the past twelve months R Systems demonstrated the potential of Indus<sup>®</sup> Collections product in industries beyond banking by several wins in the Telecom Sector. In Q2 R Systems validated the potential further when one of the most respected private insurance companies selected R Systems to develop a renewals and retention solution which is based on components useable from Indus<sup>®</sup> Collections product.

In further endorsement of Indus<sup>®</sup> Collections product the largest IT services company in India entered into an important product partnership agreement to offer the Indus<sup>®</sup> Collections product alongside its core banking product.

R Systems ECnet<sup>®</sup> subsidiary commenced with the implementation of ECnet<sup>®</sup> Pro 4.0 Core Solution for a leading global manufacturer of consumer electronics for its Nanjing operations to improve efficiency, productivity and visibility in its supply chain operations.

One of best brand names in automobile industry selected R Systems ECnet<sup>®</sup> subsidiary to implement a solution to improve material planning, inventory management and dispatch for their Thailand operations.

### **Liquidity and Shareholder Funds**

Cash and cash equivalents, including bank deposits, as on June 30, 2009 was Rs 73.23 crores compared to Rs 71.94 crores as on March 31, 2009. Total shareholder funds as on June 30, 2009 was Rs 159.03 crores compared to Rs 171.65 crores as on December 31, 2008. The decline in total shareholders funds was a result of R Systems Board's decision to record non-cash impairment charge to write-off all the goodwill associated with acquisition of WebConverse and Sento Europe. For comparative purpose if goodwill is excluded on both dates then shareholder funds as on June 30, 2009 was Rs 159.03 crores compared to Rs 150.71 crores as on December 31, 2008.

“This is the first quarter since the demand environment turned weak that our results have been impacted, caused primarily by decline in revenues. We also decided to take non-cash impairment charge to write-off goodwill associated with our acquisitions in technical support business as customers facing business challenges are getting aggressive to reduce cost structure associated with support services. The charge does not impact our cash balances and tangible net worth.” said O’Neil Nalavadi, Director Finance. “Our balance sheet continues to be very strong with cash and cash equivalent of Rs 73.23 crores and shareholder funds of Rs 159.03 crores.”



## Human Resources

R Systems ended June 30, 2009 with total count of 1,974 associates compared to 2,089 at the end of March 31, 2009.

## Capacity of Development and Service Centres

At the end of June 30, 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 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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## Financial Performance

### Consolidated Profit & Loss Statement (Un-audited) for the Quarter Ended June 30, 2009 (As per Indian GAAP)

(Rs in mn except per share data)

Sr. No.	Particulars	Quarter Ended June 30		YoY Growth %	Quarter Ended Mar 31, 2009	QoQ Growth %
		2009	2008			
<b>1</b>	<b>Income</b>					
1.1	Net Sales	824.89	905.59	(8.91)	900.83	(8.43)
1.2	Other Operating Income	17.97	1.32	1,258.41	1.53	1,073.12
	<b>Total</b>	<b>842.86</b>	<b>906.91</b>	<b>(7.06)</b>	<b>902.36</b>	<b>(6.59)</b>
<b>2</b>	<b>Expenditure</b>					
2.1	Employees Cost	534.52	543.48	(1.65)	543.90	(1.72)
2.2	Traveling Cost	46.78	62.53	(25.19)	50.62	(7.58)
2.3	Communication Costs	17.92	17.49	2.47	19.28	(7.05)
2.4	Legal & Professional Expenses	71.53	90.99	(21.39)	65.27	9.60
2.5	Provision for doubtful Debts/ Advances	15.81	7.02	125.28	21.65	(26.99)
2.6	Depreciation/Amortisation	35.27	28.09	25.53	29.48	19.63
2.7	Other Expenditure	84.93	114.43	(25.79)	72.34	17.40
	<b>Total Expenditure</b>	<b>806.76</b>	<b>864.03</b>	<b>(6.63)</b>	<b>802.54</b>	<b>0.53</b>
<b>3</b>	<b>Profit/(Loss) From Operations Before Other Income, Interest &amp; Exceptional Items</b>	<b>36.10</b>	<b>42.88</b>	<b>(15.80)</b>	<b>99.82</b>	<b>(63.83)</b>
4	Other Income	12.75	7.88	61.84	12.90	(1.17)
<b>5</b>	<b>Profit/(Loss) From Operations Interest &amp; Exceptional Items</b>	<b>48.85</b>	<b>50.76</b>	<b>(3.76)</b>	<b>112.72</b>	<b>(56.66)</b>
6	Interest	0.51	1.37	(63.08)	0.66	(23.12)
<b>7</b>	<b>Profit/(Loss) After Interest But Before Exceptional Items</b>	<b>48.34</b>	<b>49.39</b>	<b>(2.13)</b>	<b>112.06</b>	<b>(56.86)</b>
8	Exceptional Income/(Expense)	(208.71)	-	-	-	-
<b>9</b>	<b>Profit/(Loss) Before Tax</b>	<b>(160.37)</b>	<b>49.39</b>	<b>(424.70)</b>	<b>112.06</b>	<b>(243.11)</b>
<b>10</b>	<b>Provision For Tax</b>					
10.1	Current Tax	7.74	4.85	59.73	11.32	(31.62)
10.2	MAT Credit Entitlement	(0.99)	(0.13)	669.88	(5.83)	(83.00)
10.3	Deferred Tax	(6.56)	(3.66)	79.20	9.02	(172.77)
10.4	Fringe Benefit Tax	1.70	1.90	(10.53)	1.55	9.68
	<b>Total</b>	<b>1.89</b>	<b>2.96</b>	<b>(36.07)</b>	<b>16.06</b>	<b>(88.23)</b>
<b>11</b>	<b>Net Profit/(Loss) After Tax</b>	<b>(162.26)</b>	<b>46.43</b>	<b>(449.45)</b>	<b>96.00</b>	<b>(269.02)</b>
<b>12</b>	<b>Earning Per Share</b>					
12.1	<b>Basic</b>	<b>(12.68)</b>	<b>3.42</b>	<b>(470.87)</b>	<b>7.28</b>	<b>(274.25)</b>
12.2	<b>Diluted</b>	<b>(12.68)</b>	<b>3.38</b>	<b>(475.25)</b>	<b>7.19</b>	<b>(276.44)</b>



## Financial Performance

### Consolidated Profit & Loss Statement (Un-audited) for the Six Months Ended June 30, 2009 (As per Indian GAAP)

(Rs in mn except per share data)

Sr. No.	Particulars	Six Month Ended June 30		Growth %
		2009	2008	
<b>1</b>	<b>Income</b>			
1.1	Net Sales	1,725.72	1,704.36	1.25
1.2	Other Operating Income	19.50	3.06	537.26
	<b>Total</b>	<b>1,745.22</b>	<b>1,707.42</b>	<b>2.21</b>
<b>2</b>	<b>Expenditure</b>			
2.1	Employees Cost	1,078.41	1,034.95	4.20
2.2	Traveling Cost	97.41	118.36	(17.71)
2.3	Communication Costs	37.20	33.72	10.31
2.4	Legal & Professional Expenses	136.80	165.95	(17.56)
2.5	Provision for doubtful Debts/ Advances	37.47	10.02	274.05
2.6	Depreciation/Amortisation	64.74	55.16	17.38
2.7	Other Expenditure	157.27	172.75	(8.96)
	<b>Total Expenditure</b>	<b>1,609.30</b>	<b>1,590.91</b>	<b>1.16</b>
<b>3</b>	<b>Profit/(Loss) From Operations Before Other Income, Interest &amp; Exceptional Items</b>	<b>135.92</b>	<b>116.51</b>	<b>16.66</b>
<b>4</b>	Other Income	25.65	18.77	36.64
<b>5</b>	<b>Profit/(Loss) From Operations Interest &amp; Exceptional Items</b>	<b>161.57</b>	<b>135.28</b>	<b>19.43</b>
<b>6</b>	Interest	1.17	2.93	(60.02)
<b>7</b>	<b>Profit/(Loss) After Interest But Before Exceptional Items</b>	<b>160.40</b>	<b>132.35</b>	<b>21.19</b>
<b>8</b>	Exceptional Income/(Expense)	(208.71)	-	-
<b>9</b>	<b>Profit/(Loss) Before Tax</b>	<b>(48.31)</b>	<b>132.35</b>	<b>(136.50)</b>
<b>10</b>	<b>Provision For Tax</b>			
10.1	Current Tax	19.06	10.67	78.73
10.2	MAT Credit Entitlement	(6.82)	(5.28)	29.11
10.3	Deferred Tax	2.46	(2.93)	(183.86)
10.4	Fringe Benefit Tax	3.25	3.65	(10.96)
	<b>Total</b>	<b>17.95</b>	<b>6.11</b>	<b>193.89</b>
<b>11</b>	<b>Net Profit/(Loss) After Tax</b>	<b>(66.26)</b>	<b>126.24</b>	<b>(152.48)</b>
<b>12</b>	<b>Earnings Per Share</b>			
12.1	<b>Basic</b>	<b>(5.10)</b>	<b>9.29</b>	<b>(154.88)</b>
12.2	<b>Diluted</b>	<b>(5.10)</b>	<b>9.18</b>	<b>(155.56)</b>



## Financial Performance

### Consolidated Profit & Loss Statement (Un- audited) for the Quarter Ended June 30, 2009 (Contribution Analysis Format; Basis Indian GAAP)

(Figures in mn except per share data)

Particulars	Q2 2009		Q2 2008		Q1 2009	
	INR	US\$	INR	US\$	INR	US\$
Revenues	824.89	16.96	905.59	21.80	900.83	18.15
Cost of Revenues	513.52	10.55	552.42	13.30	511.18	10.30
<b>Gross Margin</b>	<b>311.37</b>	<b>6.41</b>	<b>353.17</b>	<b>8.50</b>	<b>389.65</b>	<b>7.85</b>
	37.75%		39.00%		43.25%	
SG & A Expenses	227.72	4.68	242.66	5.85	256.16	5.16
	27.61%		26.80%		28.44%	
<b>EBITDA</b>	<b>83.65</b>	<b>1.73</b>	<b>110.51</b>	<b>2.65</b>	<b>133.49</b>	<b>2.69</b>
	10.14%		12.20%		14.82%	
Depreciation/Amortization	35.27	0.72	28.09	0.67	29.48	0.59
<b>Operating Income/(Loss) Before Non Recurring Cost</b>	<b>48.38</b>	<b>1.01</b>	<b>82.42</b>	<b>1.98</b>	<b>104.01</b>	<b>2.10</b>
Non Recurring Costs	208.71	4.25	-	-	-	-
<b>Income/(Loss) From Operations</b>	<b>(160.33)</b>	<b>(3.24)</b>	<b>82.42</b>	<b>1.98</b>	<b>104.01</b>	<b>2.10</b>
Interest Expense	(0.51)	(0.01)	(1.37)	(0.03)	(0.66)	(0.01)
Other Income, Net	0.47	0.01	(31.66)	(0.78)	8.71	0.16
<b>Income/(Loss) Before Income Tax</b>	<b>(160.37)</b>	<b>(3.24)</b>	<b>49.39</b>	<b>1.17</b>	<b>112.06</b>	<b>2.25</b>
Income Tax Provision	1.89	0.04	2.96	0.07	16.06	0.32
<b>Net Earnings/(Loss)</b>	<b>(162.26)</b>	<b>(3.28)</b>	<b>46.43</b>	<b>1.10</b>	<b>96.00</b>	<b>1.93</b>
<b>Earnings Per Share</b>						
- Basic	(12.68)	(0.26)	3.42	0.08	7.28	0.15
- Diluted	(12.68)	(0.26)	3.38	0.08	7.19	0.14



## Financial Performance

### Consolidated Profit & Loss Statement (Un- audited) for the Six Months Ended June 30, 2009 (Contribution Analysis Format; Basis Indian GAAP)

(Figures in mn except per share data)

Particulars	Jan to June 09		Jan to June 08	
	INR	US\$	INR	US\$
<b>Revenues</b>	<b>1,725.72</b>	<b>35.11</b>	<b>1,704.36</b>	<b>41.86</b>
Cost of Revenues	1,024.70	20.85	1,047.71	25.73
<b>Gross Margin</b>	<b>701.02</b>	<b>14.26</b>	<b>656.65</b>	<b>16.13</b>
	40.62%		38.53%	
<b>SG &amp; A</b>				
Expenses	483.89	9.84	448.14	11.01
	28.04%		26.29%	
<b>EBITDA</b>	<b>217.13</b>	<b>4.42</b>	<b>208.51</b>	<b>5.12</b>
	12.58%		12.23%	
Depreciation/Amortisation	64.74	1.32	55.16	1.35
<b>Operating Income/(Loss) Before Non Recurring Cost</b>	<b>152.39</b>	<b>3.10</b>	<b>153.35</b>	<b>3.77</b>
Non Recurring Costs	208.71	4.25	-	-
<b>Income/(Loss) From Operations</b>	<b>(56.32)</b>	<b>(1.15)</b>	<b>153.35</b>	<b>3.77</b>
Interest Expense	(1.17)	(0.02)	(2.93)	(0.07)
Other Income, Net	9.18	0.19	(18.07)	(0.45)
<b>Income/(Loss) Before Income Tax</b>	<b>(48.31)</b>	<b>(0.98)</b>	<b>132.35</b>	<b>3.25</b>
Income Tax Provision	17.95	0.37	6.11	0.15
<b>Net Earnings/(Loss)</b>	<b>(66.26)</b>	<b>(1.35)</b>	<b>126.24</b>	<b>3.10</b>
<b>Earnings Per Share</b>				
- Basic	<b>(5.10)</b>	<b>(0.10)</b>	<b>9.29</b>	<b>0.23</b>
- Diluted	<b>(5.10)</b>	<b>(0.10)</b>	<b>9.18</b>	<b>0.23</b>



**Consolidated Balance Sheet as at June 30, 2009 (As per Indian GAAP)**

(Rs in mn)

Particulars	As at June 30		As at Mar 31
	2009 ( Un-Audited)	2008 ( Un-Audited)	2009 ( Un-Audited)
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Capital	125.09	135.09	128.67
Reserves and Surplus	1,465.22	1,441.47	1,657.01
<b>Net Worth</b>	<b>1,590.31</b>	<b>1,576.56</b>	<b>1,785.68</b>
<b>Loan Funds</b>			
Secured Loans	52.22	94.89	17.20
Deferred Tax liability (Net)	19.33	21.51	25.89
<b>TOTAL</b>	<b>1,661.86</b>	<b>1,692.96</b>	<b>1,828.77</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	1,076.78	1,185.10	1,213.86
Less: Depreciation	519.40	426.16	491.64
Net Block	557.38	758.94	722.22
Capital Wok-in-Progress	18.35	12.70	10.33
	<b>575.73</b>	<b>771.64</b>	<b>732.55</b>
<b>Investments</b>	0.03	13.08	0.03
<b>Current Assets, Loans &amp; Advances</b>			
Sundry Debtors	543.59	744.33	625.43
Cash & Bank Balances	732.28	451.35	719.42
Other Current Assets	212.21	169.89	201.14
Loans and Advances	126.81	68.02	117.46
	<b>1,614.89</b>	<b>1,433.59</b>	<b>1,663.45</b>
<b>Less : Current Liabilities and Provisions</b>			
Liabilities	376.11	413.03	391.56
Provisions	152.68	112.32	175.70
<b>Net Current Assets</b>	<b>1,086.10</b>	<b>908.24</b>	<b>1,096.19</b>
<b>Total</b>	<b>1,661.86</b>	<b>1,692.96</b>	<b>1,828.77</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.