



R Systems Announces Record Revenues for Q3 08 Revenues: Rs 92.1 Crores, Up 44% and EBITDA: Rs 11.1 Crores, Up 44% YoY.

Noida, India – October 24, 2008

Highlights

Consolidated results for the quarter ended September 30, 2008

- Consolidated revenues from operations for Q3-08 was Rs 92.11 crores (US\$21.02mn.) compared to Rs 64.10 crores (US\$15.75 mn) in Q3-07 and Rs 90.56 crores(US\$ 21.80 mn) in Q2-08; YoY growth was 43.70% (33.45% in US\$) and QoQ growth was 1.72%.
- Earnings before depreciation, interest and taxes (“EBITDA”) for Q3-08 was Rs 11.06 crores compared to Rs 7.66 crores in Q3 07 and Rs 11.05 crores in Q2-08; YoY growth was 44.39% and QoQ growth was 0.05%
- R Systems had total forward foreign exchange contracts valued at \$11.90 million on Sep 30, 2008. The continued fall in the value of the Rupee and valuation on “mark-to-market” basis net of realization and restatement gain on foreign exchange denominated receivables resulted in exchange losses of Rs 1.58 crores (\$ 0.36 mn) during the quarter.
- Net profit after taxes was Rs. 6.55 crores (US\$1.49 mn.) compared to Rs.6.74 crores (US\$ 1.63 mn.) in the same period last year and profit of Rs 4.64 crores (US\$1.11mn.) in Q2-08; YoY decline of 2.78% and QoQ growth of 41.02%.

Others

- 9 Key customers were added during the quarter.

“In a turbulent period we had a good quarter with revenues recording a growth of 44% YoY to cross Rs. 92 crores and EBITDA increasing to Rs.11 crores, YoY growth of 44%. While the near term growth prospects will be tempered by the uncertain economic climate, the pent-up demand for development needs is growing in areas like mobility, digital media, internet security and WiMax. R Systems is well positioned in those segments,” said Rekhi Singh, Chairman and Managing Director. “As we saw excellent value in our shares, R Systems board approved a buy-back of shares earlier this quarter. The open market purchases will commence in Q4.”

“R Systems team executed well in a challenging economic environment; we added 9 new accounts to our customer franchise, excelled in customer satisfaction and maintained high productivity. These sustained efforts reflected in our satisfactory financial results 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 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 expanding digital media space R Systems commenced with two new engagements. A well established leader in IPTV content protection selected R Systems in a competitive partner selection program to provide a range of technology services. R Systems team will provide a range of iPLM services in IPTV, forensic watermarking, DVB Mobile TV and Cable IPTV.

An independent software vendor providing comprehensive solutions for creating, managing and distributing live and on-demand streaming media content to support and enhance public meeting communications, internal training and public education programs for local government selected R Systems as a strategic vendor partner to improve the architecture of existing product to make it highly scalable, enhance the features and develop specifications for the next generation product.

A European company who is a pioneer in Internet security services with SaaS (software as service) model selected R Systems to provide range iPLM services to support the network subscription system.

A non-profit state organization selected R Systems over several contenders to develop a productized application to enable the organization to provide project management services for overseeing all aspects of the state's prison health care services. The platform will create longitudinal electronic health records and facilitate better clinical decision making.

Products Group:

R Systems Indus[®] Loan Origination and Collections solution is a modular and parameter driven n-tier application that enables banks and financial services to automate customer acquisition lifecycle for multiple retail products offered through multiple business channels.

ECnet[®] is a SaaS (software as service) provider of supply chain solutions that enables a business enterprises to seamlessly extend itself to its supplier and distributor communities. ECnet's unique service offering helps their customers improve productivity, reduce costs,



improve responsiveness and transparency in executing millions of transactions in the supply chain.

Both Indus[®] and ECnet[®], where R Systems owns the intellectual property, established a number of new customer relationships and commenced with new engagements for existing customers during Q3, 2008.

A leading French bank that had earlier selected Indus[®] as its preferred solution in a global RFP commenced with the implementation of the Indus[®] full lending suite in Indonesia after it was successfully implemented in Vietnam.

A fast growing bank in the Middle East selected Indus[®] Lending Suite over other contenders for handling its rapidly growing consumer finance operations. The solution is proposed to be implemented over the next two quarters.

A leading Auto Finance company endorsed the Indus[®] Collections solution after successfully implementing the Indus[®] Loan Origination solution.

During the quarter a Singapore based logistics company selected ECnet[®] platform to run a vendor managed inventory (“VMI”) operation for one of their customers in China. The relationship establishes a strategic alliance with an established regional logistic company.

A well recognized global supplier of top quality car audio products to some of the leading automobile companies in the world selected the ECnet[®] platform to manage their supply chain with over 150 vendors.

An existing ECnet[®] customer who is one of the global leaders in electronics commenced with the implementation of ECnet[®] e-procurement solution in Brazil, adding another country to the global roll-out of the solution.

Liquidity and Shareholder Funds

Cash and cash equivalents, including bank deposits, as on Sep 30, 2008 was Rs. 52.38 crores compared to Rs. 51.22 crores as on December 31, 2007. Earnings before interest, depreciation, and taxes (“EBITDA”) increased to Rs.11.06 crores (US\$2.52 mn.) in Q3 2008 from Rs. 11.05 crores (US\$2.66 mn) in Q2 2008 .Total shareholder funds as on Sep 30, 2008 was Rs. 166.38 crores compared to Rs 142.57 crores as on December 31, 2007.

“The fall-out of financial crisis is that technology companies are becoming cautious on new initiatives, which cloud our prospects for near term volume growth. Currency volatility resulted in exchange losses of Rs 1.58 crores during the quarter. On the positive side the continued strengthening of \$ and lower wage pressures are helping margins,” said O’Neil Nalavadi, Director Finance. “Our balance sheet continues to be very strong with cash and cash equivalent of Rs 52.4 crores and shareholder funds of Rs166.4 crores.”



Human Resources

R Systems ended Sep 30, 2008 with total count of 2,161 associates compared to 2,249 at the end of June 30, 2008 as increased emphasis was placed on productivity improvement by reducing staffing and deployment of trainees in our global development centres.

R Systems reinforced its commitment towards the highest standard of people practices, quality standards, training, information security, frameworks, tools and methodologies, with the global development and service centers in Noida being awarded with PCMM Level 3 certification by KPMG during the quarter. With the certification R Systems joins an elite group of PCMM certified companies across the globe.

Capacity of Development and Service Centres

At the end of Sep 30, 2008 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 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 September 30, 2008 (As per Indian GAAP)

(Rs in mn. except per share data)

Sr. No.	Particulars	Quarter Ended Sept 30		YoY Growth %	Quarter Ended June 30, 2008	QoQ Growth %
		2008	2007			
1	Income					
1.1	Net Sales	921.14	641.00	43.70	905.59	1.72
1.2	Other Operating Income	9.66	17.19	(43.79)	1.32	63.00
	Total	930.80	658.19	41.42	906.91	2.63
2	Expenditure					
2.1	Staff Cost	555.30	382.48	45.18	543.48	2.18
2.2	Traveling Cost	65.97	54.06	22.03	62.53	5.50
2.3	Communication Costs	18.77	18.83	(0.34)	17.49	7.33
2.4	Legal & Professional Exp.	95.01	61.21	55.22	90.99	4.41
2.5	Other Expenditure	97.20	53.47	81.77	121.45	(19.97)
	Total Expenditure	832.25	570.05	45.99	835.94	(0.44)
3	EBITDA	98.55	88.14	11.83	70.97	38.86
4	Depreciation/Amortisation	30.26	18.46	63.92	28.09	7.71
5	Profit from Operations	68.29	69.68	(1.97)	42.88	59.26
6	Other Income	6.58	9.73	(32.41)	7.88	(16.48)
7	Profit Before Interest and Tax	74.87	79.41	(5.70)	50.76	47.51
8	Interest	1.36	1.23	11.05	1.37	(0.52)
9	Profit/(Loss) Before Tax	73.51	78.18	(5.97)	49.39	48.84
10	Provision for Tax					
10.1	Current Tax	8.26	8.82	(6.45)	4.85	70.31
10.2	MAT Credit Entitlement	(2.90)	(0.93)	211.83	(0.13)	2155.21
10.3	Deferred Tax	0.48	1.21	(60.21)	(3.66)	113.19
10.4	Fringe Benefit Tax	2.18	1.70	28.26	1.90	14.76
	Total	8.02	10.81	(25.88)	2.96	171.19
11	Net Profit/(Loss) After Tax	65.49	67.37	(2.77)	46.43	41.05
12	Earning Per Share					
12.1	Basic	4.82	4.96	(2.78)	3.42	41.05
12.2	Diluted	4.76	4.89	(2.66)	3.38	41.07



Financial Performance

Consolidated Profit & Loss Statement (Un-audited) for the Period Ended September 30, 2008

(As per Indian GAAP)

(Rs. in mn. except per share data)

Sr. No.	Particulars	Nine Month Ended Sept 30 ,		Growth %
		2008	2007	
1	Income			
1.1	Net Sales	2,625.51	1,823.88	43.95
1.2	Other Operating Income	12.72	16.40	(22.44)
	Total	2,638.23	1,840.28	43.36
2	Expenditure			
2.1	Staff Cost	1,590.26	1,139.49	39.56
2.2	Traveling Cost	184.34	159.40	15.65
2.3	Communication Cost	52.49	52.37	0.21
2.4	Legal and Professional Expenses	260.95	170.51	53.04
2.5	Other Expenditure	279.96	144.52	93.73
	Total Expenditure	2,368.00	1,666.29	42.11
3	EBITDA	270.23	173.99	55.32
4	Depreciation/Amortisation	85.42	52.67	62.16
5	Profit from Operations	184.81	121.32	52.35
6	Other Income	25.35	27.53	(7.92)
7	Profit Before Interest and Tax	210.16	148.85	41.20
8	Interest	4.30	2.72	58.04
9	Profit/(Loss) Before Tax and Prior Period Expenses	205.86	146.13	40.89
10	Prior Period Income/(Expenses)	-	0.88	(100.00)
11	Profit/(Loss) Before Tax	205.86	147.01	40.04
12	Provision for Tax			
12.1	Current Tax	18.92	19.01	(0.46)
12.2	MAT Credit Entitlement	(8.18)	(2.48)	229.75
12.3	Deferred Tax	(2.44)	4.99	(149.04)
12.4	Fringe Benefit Tax	5.83	4.90	18.70
	Total	14.13	26.42	(46.52)
13	Net Profit/(Loss) After Tax	191.73	120.59	59.00
14	Earning Per Share			
14.1	Basic	14.12	8.88	59.00
14.2	Diluted	13.94	8.64	61.35



Financial Performance

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

(Figures in mn. except per share data)

Particulars	Q3 2008		Q3 2007		Q2 2008	
	INR	US\$	INR	US\$	INR	US\$
Revenues	921.14	21.02	641.00	15.75	905.59	21.80
Cost of Revenues	563.06	12.85	402.70	9.91	552.42	13.30
Gross Margin	358.08	8.17	238.30	5.84	353.17	8.50
SG & A	38.87%		37.18%		39.00%	
Expenses	247.50	5.65	161.71	3.99	242.66	5.85
Depreciation/Amortisation	30.26	0.69	18.46	0.43	28.09	0.67
	277.76	6.34	180.17	4.42	270.75	6.52
	30.15%		28.11%		29.90%	
Income/(Loss) from Operations	80.32	1.83	58.13	1.42	82.42	1.98
Interest Expense	(1.36)	(0.03)	(1.24)	(0.03)	(1.37)	(0.03)
Other Income, Net	(5.45)	(0.12)	21.29	0.52	(31.66)	(0.78)
Income/(Loss) before Income Tax	73.51	1.68	78.18	1.91	49.39	1.17
Income Tax Provision	8.02	0.19	10.81	0.28	2.96	0.07
Net Earnings/(Loss)	65.49	1.49	67.37	1.63	46.43	1.10
Earnings Per Share (Basic)	4.82	0.11	4.96	0.12	3.42	0.08



Financial Performance

Consolidated Statement of Operations (Un-audited) for the Period Ended September 30, 2008
(Contribution Analysis Format; Basis Indian GAAP)

(Figures in mn. except per share data)

Particulars	Jan to Sept 08		Jan to Sept 07	
	INR	US\$	INR	US\$
Revenues	2,625.51	62.88	1,823.88	43.44
Cost of Revenues	1,610.76	38.58	1,170.21	27.87
Gross Margins	1,014.75	24.30	653.67	15.57
SG and A	38.65%		35.84%	
Expenses	695.65	16.66	493.61	11.76
Depreciation	85.42	2.05	52.68	1.25
	781.07	18.71	546.29	13.01
	29.75%		29.95%	
Income/(Loss) from Operations	233.68	5.59	107.38	2.56
Interest Expense	(4.30)	(0.10)	(2.72)	(0.06)
Other Income, Net	(23.52)	(0.56)	42.35	1.01
Income/(Loss) before Income Tax	205.86	4.93	147.01	3.51
Income Tax Provision	14.13	0.34	26.42	0.64
Net Earnings/(Loss)	191.73	4.59	120.59	2.87
Earnings Per Share(Basic)	14.12	0.34	8.88	0.21



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

(Rs. in mn.)

Description	September 30		June 30
	2008 (Un-Audited)	2007 (Un-Audited)	2008 (Un-Audited)
SOURCES OF FUNDS			
Shareholders' Funds			
Capital	135.09	135.09	135.09
Reserves and Surplus	1,528.69	1,252.76	1,441.47
Net Worth	1,663.78	1,387.85	1,576.56
Loan Funds			
Secured Loans	53.07	41.03	94.89
Deferred Payment Liability	-	10.73	-
Deferred Tax liability (Net)	21.99	22.64	21.51
TOTAL	1,738.84	1,462.25	1,692.96
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	1,222.39	804.86	1,185.10
Less: Depreciation	464.88	240.07	426.16
Net Block	757.51	564.79	758.94
Capital Wok-in-Progress	3.89	42.89	12.70
	761.40	607.68	771.64
Investments	14.45	12.15	13.08
Current Assets, Loans & Advances			
Sundry Debtors	758.03	612.83	744.33
Cash & Bank Balances	523.76	485.62	451.35
Other Current Assets	187.62	99.87	169.89
Loans and Advances	119.54	98.33	122.99
	1,588.95	1,296.65	1,488.56
Less : Current Liabilities and Provisions			
Liabilities	497.13	359.41	468.00
Provisions	128.83	94.82	112.32
Net Current Assets	962.99	842.42	908.24
TOTAL	1,738.84	1,462.25	1,692.96

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.