



## **R Systems Announces Results For Q3 2009**

### **Revenues: Rs 78.68 Crores and Net Profits: Rs 7.64 Crores**

Noida, India – October 24, 2009

### **Highlights**

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

- Consolidated revenues from operations for Q3-09 was Rs 78.68 crores (US\$ 16.32 mn) compared to Rs 82.49 crores in Q2-09 and Rs 92.11 crores in Q3-08; QoQ decline was 4.62% and YoY decline was 14.59%
- Earnings before depreciation, taxes and allowances (“EBITDA”) was Rs 9.96 crores (US\$ 2.04 mn) compared to Rs 8.37 crores in Q2-09 and Rs 11.06 crores in Q3-08; QoQ increase was 19.12% and YoY decline was 9.89%.
- Net profit after taxes for Q3-09 was Rs 7.64 crores (US\$1.56 mn) compared to net loss (after one time goodwill impairment of Rs 20.87 crores) of Rs 16.23 crores in Q2-09 and net profit of Rs 6.55 crores in the same period last year.
- Cash and cash equivalent per share as at September 30, 2009 was Rs 66.85 as against Rs 58.54 as at June 30, 2009 and Rs 38.77 as at September 30, 2008.

#### ***Others***

- 10 Key customers were added during the quarter.
- Total associates as on September 30, 2009 were 1,830 compared to 2,161 at the end of September 30, 2008 and 1,974 at the end of June 30, 2009.

“Our customers’ businesses are stabilizing and they are beginning to evaluate new initiatives beyond cost reductions. We aligned our business to the new environment during the quarter and were able to improve our operating performance QoQ with net profits of Rs 7.6 crores” said Rekhi Singh, Chairman and Managing Director. “We are feeling more confident now than in the past three quarters and R Systems is well positioned to take advantage of market opportunities.”

“R Systems competency in digital media segment and Credit & Collections Systems across multiple business verticals – Financial Services, Telecom & Insurance, was underscored by several wins this quarter in an increasingly competitive market for new business. We also worked hard to reduce our costs which resulted in improvement of our operating performance,” 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 and mobility solutions R Systems registered four new wins in a competitive market for new business.

R Systems was selected by a television broadcasting company to develop a new high definition encoder application to capture HD video, encode it to Mpeg-2 HD supporting multiple formats and to integrate the new application with client's other existing applications. The new application is intended to provide a better viewing experience to users.

A leader in enhanced broadcast systems that allows users to enjoy television services in an interactive fashion and for broadcasters to maximize revenues by segmenting market based on user preferences selected R Systems to develop a new version of their existing product on the next generation platform.

A pioneer in wireless broadcast solutions selected R Systems to develop a prototype to make high speed mobile broadband a reality by using the existing telecommunications infrastructure. If the prototype is a success it will open new opportunities for developing the product.

A manufacturer of wireless devices for a broad range of applications including internet access in rural areas and metering devices in utility industries selected R Systems to become their product development partner to develop software products that can be sold with their devices.

An undisputed market leader in e-learning who is experiencing rapid growth in the US and Europe selected R Systems to provide technical support and customer care in several languages for its software product and services.

### ***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 Q3-09.



A large commercial banking group in the Middle East selected R Systems' Indus<sup>®</sup> Collections Product over competing products and solutions to enhance efficiency of its collection processes over its vast lending portfolio.

R Systems continued to gain traction in the endorsement of Indus<sup>®</sup> Collections Product by both systems integrators and their clients in the telecom sector. During the quarter two systems integrators and their leading telecom clients selected Indus<sup>®</sup> Collections Product for rapid deployment to improve the efficiency and effectiveness of collection processes involving multi-million customer base.

A global leader in consumer finance who is an existing client evaluated several collection solutions for their independent subsidiary in Hungary and based on evaluation and past experience selected R Systems Indus<sup>®</sup> Collections Product to manage and improve the effectiveness of its collection processes.

R Systems ECnet<sup>®</sup> subsidiary was chosen by a leading logistics company in Malaysia to enhance their total logistics supply chain for serving their customers more efficiently. The solution includes integration with client's back office applications.

### **Liquidity and Shareholder Funds**

Cash and cash equivalents, including bank deposits, as on September 30, 2009 was Rs 81.84 crores compared to Rs 73.23 crores as on June 30, 2009. Total shareholder funds as on September 30, 2009 was Rs 165.12 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 September 30, 2009 was Rs 165.12 crores compared to Rs 150.71 crores as on December 31, 2008.

“The entire R Systems team threw their weight behind cost optimization which contributed to an improvement in our operating performance and cash generated from operations during Q3-09. R Systems financial position is extremely sound to take advantage of market opportunities as the economy improves.” said O’Neil Nalavadi, Director Finance. “Our balance sheet continues to be very strong with cash and cash equivalent of Rs 81.84 crores and shareholder funds of Rs 165.12 crores.”

### **Human Resources**

R Systems ended September 30, 2009 with total count of 1,830 associates compared to 1,974 at the end of June 30, 2009.



## Capacity of Development and Service Centres

At the end of September 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 September 30, 2009 (As per Indian GAAP)

(Rs in mn except per share data)

Sr. No.	Particulars	Quarter Ended September 30,		YoY Growth %	Quarter Ended June 30, 2009	QoQ Growth %
		2009	2008			
<b>1</b>	<b>Income</b>					
1.1	Net Sales	786.77	921.14	(14.59)	824.89	(4.62)
1.2	Other Operating Income	9.41	9.66	(2.63)	17.97	(47.65)
	<b>Total</b>	<b>796.18</b>	<b>930.80</b>	<b>(14.46)</b>	<b>842.86</b>	<b>(5.54)</b>
<b>2</b>	<b>Expenditure</b>					
2.1	Employees Cost	491.53	555.30	(11.48)	534.52	(8.04)
2.2	Traveling Cost	48.28	65.97	(26.82)	46.79	3.19
2.3	Communication Costs	17.64	18.77	(5.99)	17.92	(1.53)
2.4	Legal & Professional Expenses	76.40	95.01	(19.59)	71.53	6.80
2.5	Provision For Doubtful Debts / Advances	2.77	6.12	(54.70)	15.81	(82.45)
2.6	Depreciation/Amortisation	35.75	30.26	18.15	35.27	1.38
2.7	Other Expenditure	58.32	91.08	(35.96)	84.93	(31.33)
	<b>Total Expenditure</b>	<b>730.69</b>	<b>862.51</b>	<b>(15.28)</b>	<b>806.76</b>	<b>(9.43)</b>
<b>3</b>	<b>Profit From Operations Before Other Income, Interest &amp; Exceptional Items</b>	<b>65.49</b>	<b>68.29</b>	<b>(4.11)</b>	<b>36.10</b>	<b>81.39</b>
<b>4</b>	<b>Other Income</b>	<b>13.65</b>	<b>6.58</b>	<b>107.54</b>	<b>12.75</b>	<b>7.10</b>
<b>5</b>	<b>Profit From Operations Interest &amp; Exceptional Items</b>	<b>79.14</b>	<b>74.87</b>	<b>5.71</b>	<b>48.85</b>	<b>62.00</b>
<b>6</b>	<b>Interest</b>	<b>2.13</b>	<b>1.36</b>	<b>56.31</b>	<b>0.51</b>	<b>318.13</b>
<b>7</b>	<b>Profit After Interest But Before Exceptional Items</b>	<b>77.01</b>	<b>73.51</b>	<b>4.77</b>	<b>48.34</b>	<b>59.30</b>
<b>8</b>	<b>Exceptional Income/(Expense)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(208.71)</b>	<b>(100.00)</b>
<b>9</b>	<b>Profit/(Loss) Before Tax</b>	<b>77.01</b>	<b>73.51</b>	<b>4.77</b>	<b>(160.37)</b>	<b>(148.02)</b>
<b>10</b>	<b>Provision For Tax</b>					
10.1	Current Tax	23.64	8.26	186.32	7.74	205.33
10.2	MAT Credit Entitlement	(20.51)	(2.90)	607.12	(0.99)	1,971.36
10.3	Deferred Tax	(0.24)	0.48	(148.97)	(6.56)	(96.39)
10.4	Fringe Benefit Tax	(2.28)	2.18	(204.66)	1.70	(234.23)
	<b>Total</b>	<b>0.61</b>	<b>8.02</b>	<b>(92.38)</b>	<b>1.89</b>	<b>(67.66)</b>
<b>11</b>	<b>Net Profit/(Loss) After Tax</b>	<b>76.40</b>	<b>65.49</b>	<b>16.66</b>	<b>(162.26)</b>	<b>-</b>
<b>12</b>	<b>Earning Per Share</b>					
12.1	<b>Basic</b>	<b>6.16</b>	<b>4.82</b>	<b>27.84</b>	<b>(12.68)</b>	<b>-</b>
12.2	<b>Diluted</b>	<b>6.08</b>	<b>4.76</b>	<b>27.74</b>	<b>(12.68)</b>	<b>-</b>



## Financial Performance

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

(Rs in mn except per share data)

Sr. No.	Particulars	Nine Month Ended September 30		Growth %
		2009	2008	
<b>1</b>	<b>Income</b>			
1.1	Net Sales	2,512.50	2,625.51	(4.30)
1.2	Other Operating Income	28.91	12.72	127.26
	<b>Total</b>	<b>2,541.41</b>	<b>2,638.23</b>	<b>(3.67)</b>
<b>2</b>	<b>Expenditure</b>			
2.1	Employees Cost	1,569.95	1,590.26	(1.28)
2.2	Traveling Cost	145.69	184.34	(20.97)
2.3	Communication Costs	54.84	52.49	4.48
2.4	Legal & Professional Expenses	213.20	260.95	(18.30)
2.5	Provision For Doubtful Debts/ Advances	40.24	16.14	149.31
2.6	Depreciation/Amortisation	100.50	85.42	17.65
2.7	Other Expenditure	215.57	263.82	(18.29)
	<b>Total Expenditure</b>	<b>2,339.99</b>	<b>2,453.42</b>	<b>(4.62)</b>
<b>3</b>	<b>Profit From Operations Before Other Income, Interest &amp; Exceptional Items</b>	<b>201.42</b>	<b>184.81</b>	<b>8.99</b>
<b>4</b>	<b>Other Income</b>	<b>39.30</b>	<b>25.35</b>	<b>55.04</b>
<b>5</b>	<b>Profit From Operations Interest &amp; Exceptional Items</b>	<b>240.72</b>	<b>210.16</b>	<b>14.54</b>
<b>6</b>	<b>Interest</b>	<b>3.31</b>	<b>4.30</b>	<b>(23.09)</b>
<b>7</b>	<b>Profit After Interest But Before Exceptional Items</b>	<b>237.41</b>	<b>205.86</b>	<b>15.32</b>
<b>8</b>	<b>Exceptional Income/(Expense)</b>	<b>(208.71)</b>	<b>-</b>	<b>#DIV/0!</b>
<b>9</b>	<b>Profit Before Tax</b>	<b>28.70</b>	<b>205.86</b>	<b>(86.06)</b>
<b>10</b>	<b>Provision For Tax</b>			
10.1	Current Tax	42.70	18.92	125.69
10.2	MAT Credit Entitlement	(27.33)	(8.18)	234.18
10.3	Deferred Tax	2.22	(2.44)	(190.75)
10.4	Fringe Benefit Tax	0.97	5.83	(83.40)
	<b>Total</b>	<b>18.56</b>	<b>14.13</b>	<b>31.41</b>
<b>11</b>	<b>Net Profit After Tax</b>	<b>10.14</b>	<b>191.73</b>	<b>(94.71)</b>
<b>12</b>	<b>Earnings Per Share</b>			
12.1	<b>Basic</b>	<b>0.79</b>	<b>14.12</b>	<b>(94.38)</b>
12.2	<b>Diluted</b>	<b>0.78</b>	<b>13.94</b>	<b>(94.39)</b>



## Financial Performance

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

(Figures in mn except per share data)

Particulars	Q3 2009		Q3 2008		Q2 2009	
	INR	US\$	INR	US\$	INR	US\$
<b>Revenues</b>	<b>786.77</b>	<b>16.32</b>	<b>921.14</b>	<b>21.02</b>	<b>824.89</b>	<b>16.96</b>
Cost of Revenues	475.65	9.86	563.06	12.85	513.52	10.55
<b>Gross Margin</b>	<b>311.12</b>	<b>6.46</b>	<b>358.08</b>	<b>8.17</b>	<b>311.37</b>	<b>6.41</b>
	<b>39.54%</b>		<b>38.87%</b>		<b>37.75%</b>	
<b>SG &amp; A</b>						
Expenses	211.48	4.42	247.50	5.65	227.72	4.68
	<b>26.88%</b>		<b>26.87%</b>		<b>27.61%</b>	
<b>EBITDA</b>	<b>99.64</b>	<b>2.04</b>	<b>110.58</b>	<b>2.52</b>	<b>83.65</b>	<b>1.73</b>
	<b>12.66%</b>		<b>12.00%</b>		<b>10.14%</b>	
Depreciation/Amortization	35.75	0.74	30.26	0.69	35.27	0.72
<b>Operating Income Before Non Recurring Cost</b>	<b>63.89</b>	<b>1.30</b>	<b>80.32</b>	<b>1.83</b>	<b>48.38</b>	<b>1.01</b>
Non Recurring Costs	7.09	0.15	-	-	208.71	4.25
<b>Income/(Loss) From Operations</b>	<b>56.80</b>	<b>1.15</b>	<b>80.32</b>	<b>1.83</b>	<b>(160.33)</b>	<b>(3.24)</b>
Interest Expense	(2.13)	(0.04)	(1.36)	(0.03)	(0.51)	(0.01)
Other Income (Net)	22.34	0.46	(5.45)	(0.12)	0.47	0.01
<b>Income/(Loss) Before Income Tax</b>	<b>77.01</b>	<b>1.57</b>	<b>73.51</b>	<b>1.68</b>	<b>(160.37)</b>	<b>(3.24)</b>
Income Tax Provision	0.61	0.01	8.02	0.19	1.89	0.04
<b>Net Earnings/(Loss)</b>	<b>76.40</b>	<b>1.56</b>	<b>65.49</b>	<b>1.49</b>	<b>(162.26)</b>	<b>(3.28)</b>
<b>Earnings Per Share</b>						
- Basic	<b>6.16</b>	<b>0.13</b>	<b>4.82</b>	<b>0.11</b>	<b>(12.68)</b>	<b>(0.26)</b>
- Diluted	<b>6.08</b>	<b>0.13</b>	<b>4.76</b>	<b>0.11</b>	<b>(12.68)</b>	<b>(0.26)</b>



## Financial Performance

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

(Figures in mn except per share data)

Particulars	Jan to Sep 09		Jan to Sep 08	
	INR	US\$	INR	US\$
<b>Revenues</b>	<b>2,512.50</b>	<b>51.43</b>	<b>2,625.51</b>	<b>62.88</b>
Cost of Revenues	1,500.35	30.71	1,610.76	38.58
<b>Gross Margin</b>	<b>1,012.15</b>	<b>20.72</b>	<b>1,014.75</b>	<b>24.30</b>
<b>SG &amp; A</b>	40.28%		38.65%	
Expenses	695.37	14.23	695.65	16.66
	27.68%		26.50%	
<b>EBITDA</b>	<b>316.78</b>	<b>6.49</b>	<b>319.10</b>	<b>7.64</b>
	<b>12.61%</b>		<b>12.15%</b>	
Depreciation/Amortisation	100.50	2.06	85.42	2.05
<b>Operating Income Before Non Recurring Cost</b>	<b>216.28</b>	<b>4.43</b>	<b>233.68</b>	<b>5.59</b>
Non Recurring Costs	215.80	4.42	-	-
<b>Income From Operations</b>	<b>0.48</b>	<b>0.01</b>	<b>233.68</b>	<b>5.59</b>
Interest Expense	(3.31)	(0.07)	(4.30)	(0.10)
Other Income (Net)	31.53	0.65	(23.52)	(0.56)
<b>Income Before Income Tax</b>	<b>28.70</b>	<b>0.59</b>	<b>205.86</b>	<b>4.93</b>
Income Tax Provision	18.56	0.38	14.13	0.34
<b>Net Earnings</b>	<b>10.14</b>	<b>0.21</b>	<b>191.73</b>	<b>4.59</b>
<b>Earnings Per Share</b>				
- Basic	<b>0.79</b>	<b>0.02</b>	<b>14.12</b>	<b>0.34</b>
- Diluted	<b>0.78</b>	<b>0.02</b>	<b>13.94</b>	<b>0.33</b>



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

(Rs in mn)

Particulars	As at September 30		As at June 30
	2009 ( Un-Audited)	2008 ( Un-Audited)	2009 ( Un-Audited)
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Capital	122.43	135.09	125.09
Reserves and Surplus	1,528.74	1,528.68	1,465.22
<b>Net Worth</b>	<b>1,651.17</b>	<b>1,663.77</b>	<b>1,590.31</b>
<b>Loan Funds</b>			
Secured Loans	71.80	53.07	52.22
Deferred Tax Liability (Net)	19.10	21.99	19.33
<b>TOTAL</b>	<b>1,742.07</b>	<b>1,738.83</b>	<b>1,661.86</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	1,102.44	1,222.39	1,076.78
Less: Depreciation	563.44	464.88	519.40
Net Block	539.00	757.51	557.38
Capital Work-in-Progress	21.60	3.89	18.35
	<b>560.60</b>	<b>761.40</b>	<b>575.73</b>
<b>Investments</b>	0.03	14.45	0.03
<b>Current Assets, Loans &amp; Advances</b>			
Sundry Debtors	575.58	758.03	543.59
Cash & Bank Balances	818.44	523.76	732.28
Other Current Assets	214.76	187.61	212.21
Loans & Advances	147.98	119.54	126.81
	<b>1,756.76</b>	<b>1,588.94</b>	<b>1,614.89</b>
<b>Less : Current Liabilities and Provisions</b>			
Liabilities	426.91	497.13	376.11
Provisions	148.41	128.83	152.68
<b>Net Current Assets</b>	<b>1,181.44</b>	<b>962.98</b>	<b>1,086.10</b>
<b>Total</b>	<b>1,742.07</b>	<b>1,738.83</b>	<b>1,661.86</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.