



R Systems Announces Record Revenues and Net Profits for Q4 2007 and Calendar Year 2007

FY 2007: Revenues: Rs 247.1 Crores and Net Profits: Rs18.9 Crores

Q4 2007: Revenues: Rs 64.7 Crores and Net Profits: Rs6.9 Crores

Noida, India – February 24, 2008

Highlights

Consolidated results for the quarter ended December 31, 2007

- Consolidated revenues from operations for Q4-07 was Rs 64.67 crores (US\$16.3mn.); YoY growth was 15.44% (31.02% in US\$) and sequential QoQ growth was 0.89% (3.45% in US\$).
- Net profit after taxes was Rs. 6.91 crores (US\$1.71 mn.) compared to a loss of Rs.6.56 crores (US\$ 1.44 mn) in the same period last year and profit of Rs 6.74 crores (US\$1.63mn.) in Q3, 2007;

Others

- 7 Key customers were added during the quarter.
- Total associates as on December 31, 2007 increased to 1,917 compared to 1,601 at the end of December 06 and 1,779 at the end of September 30, 2007. R Systems added a net of 138 associates during the fourth quarter.

Consolidated results for FY ended December 31, 2007

- Consolidated revenues for FY 07 were Rs. 247.06 crores (US\$ 59.74 mn.); YoY growth was 21.14% (32.70% in US\$).
- Net profit after taxes was Rs.18.97 crores (US\$4.59mn) compared to Rs. 7.82 crores (US\$1.73) in FY, 2006; YoY growth was 142.47% (165.70% in US\$).
- Basic earnings per share were Rs. 13.97 in FY 2007 as compared to earnings per share of Rs.6.17 in FY 2006, a growth of 126.49%.

“We achieved record revenues and profits in FY 2007, with revenues registering a growth of 30%+ and profits recording a growth of 150%+ YoY on \$ basis. Subject to shareholder approval we intend to increase dividend to shareholders to 18%, an increase of 50% over previous year,” said Rekhi Singh, Chairman and Managing Director. “R Systems is becoming a leader in its chosen market segments through sound strategy and operating excellence. With the Sento acquisition in Europe that we completed in Jan 08 R Systems now has a strong global footprint covering major markets and is well positioned to take advantage of the opportunities in the market place.”



“The R Systems team delivered operating excellence incrementally QoQ throughout FY 2007. We added over 20 new strategic customers, maintained high customer retention and achieved margin growth despite the decline of the \$. We are pleased that our team has delivered compelling value to all stakeholders,” said Raj Swaminathan, COO of R Systems.

Dividend Declaration

The Board of Directors of R Systems, at its meeting held on February 24, 2007, recommended a dividend of Rs.1.8 per share (18% on par value of Rs.10 per share). This recommendation of the Board is subject to the approval of the shareholders at the forthcoming Annual General Meeting.

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 150 products during the quarter 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:

R Systems was chosen following a rigorous competitive evaluation process by an internet security company that protects consumers’ private data from misuse for providing comprehensive customer care and technical support in a rapidly growing sales environment. R Systems services are helping the client to enhance customer experience and differentiate its service offerings.

A casino group that operates a patented interactive hardware and proprietary software system which enables its customers to wager at fixed prices during the course of a sporting event on the outcome of the event and on discrete parts of the event including specific game situations selected R Systems to migrate the unique solution to .Net platform and broaden it to include new market segments as part of the client’s strategic expansion plans.

A US subsidiary of a global web and mobile based value added service provider selected R Systems again in their second phase of expansion to manage their customer care services across multiple channels.

A division of large regional aircraft manufacturer that operates fractional jet ownership business selected R Systems to develop a productized application to provide automated customer service to reduce the response time and enhance customer experience for its discerning customers.



Products Group:

In R Systems products group Indus[®] Loan Origination and Collections Product and ECnet[®] Supply Chain Solutions registered some key wins during Q4, 2007 while continuing to serve the existing customers.

In the Indus consumer finance division R Systems was chosen by two of the world's largest financial services companies over several bidders for full suite solutions in retail finance underscoring the competitive advantage our products can deliver to R Systems banking clients:

One of the world's leading financial services company selected R Systems' Indus[®] Loan Origination and Collections Product as their platform of choice across multiple global and strategic markets. R Systems has already commenced with implementation of the solutions across three countries.

A leading global bank located in the UK selected R Systems' Indus[®] Loan Origination and Collections Product for their newly commenced operations in India. The solution is in advanced stages of execution.

R Systems ECnet subsidiary continued to enhance its operating performance by increasing revenues from existing clients and securing new wins:

A well known global conglomerate with a worldwide leadership position in its market segments selected ECnet to handle purchase order processing for one of its business divisions.

A globally well known European medical equipment manufacturer who is an existing R Systems customer selected ECnet[®] Inventory Visibility Solution to be implemented across several countries in South East Asia covering 30 distributors to enhance the visibility of inventories in the supply chain.

Liquidity and Shareholder Funds

Cash and cash equivalents, including bank deposits, as on December 31, 2007 was Rs. 51.22 crores compared to Rs. 53.17 crores as on December 31, 2006. Earnings before interest, depreciation, and taxes ("EBITDA") increased to Rs.23.76 crores (US\$5.74 mn) in FY 2007 from Rs. 16.53 crores (US\$3.75 mn) in FY 2006 a growth of 43.68% (53.07% in \$ terms). Total shareholder funds as on December 31, 2007 was Rs. 142.57 crores compared to Rs 128.23 crores as on December 31, 2006.

"We effectively countered the sharpest and sudden fall in the value of the \$ in FY2007 by improving revenue realization and productivity while judiciously managing our costs. We are pleased that our strategy and execution has delivered both margin and profits growth in FY 2007. We have recognized that there is a significant change in paradigm in our business as a result of US dollar getting weaker, so we are proactively changing our strategy and organizational behavior to protect margins," said O'Neil Nalavadi, Director Finance. "Our balance sheet continues to be very strong with cash and cash equivalent of Rs 51.22 crores and shareholder funds of Rs142.57 crores."



Human Resources and Certifications

R Systems ended December 31, 2007 with total count of 1,917 associates, a net addition of 138 counts during the quarter and 316 during the calendar year 2007. R Systems commenced People CMM initiative to enhance our HR practices and invest in the continuous development and growth of our people.

Process, Quality and Innovation

R Systems launched a new release of the proprietary **pSuite Framework** that gives us a competitive advantage in product development and support to enhance productivity and leverage internal domain knowledge to meet customer needs. R Systems established a state-of-the-art Mobile Test Lab to develop proof of concepts and pilots in various mobility solutions in the area of mobile content management, wireless data capture, playback and interactivity with special emphasis on mobile TV, and converged TV and workforce applications on both the infrastructure and mobile device side to meet the demands of “always-on” connectivity.

R Systems global development center in Noida was recertified for ISO 9001 2000 and the center passed the surveillance audit for ISO 27001, a global standard that provides the common language for establishing, implementing, operating, monitoring, reviewing, maintaining and improving a documented Information Security Management System (“ISMS”). The continuing compliance with these standards demonstrates the rigor of R Systems processes and differentiate us to keep our competitive edge in iPLM service offering.

Capacity of Development and Service Centers

At the end of December 31, 2007 the total square footage of R Systems development centers was 156,666 square feet with a seating capacity of 2,204 and there was work in progress to add 9,991 square feet with seating capacity of 195.

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 for products and services using our global delivery model. 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 six development and service centers 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 December 31, 2007 (As per Indian GAAP)

(Rs in mn. except per share data)

Sr. No.	Particulars	Quarter Ended Dec 31		YoY Growth %	Quarter Ended Sept. 30, 2007	QoQ Growth %
		2007	2006			
1	Income					
1.1	Net Sales	646.70	560.21	15.44	641.00	0.89
1.2	Other Income	13.15	17.07	(22.96)	22.17	(40.68)
	Total	659.85	577.28	14.30	663.17	(0.50)
2	Expenditure					
2.1	Staff Cost	384.60	376.11	2.26	381.56	0.80
2.2	Traveling Cost	56.44	51.74	9.07	54.06	4.39
2.3	Communication Costs	16.94	17.61	(3.80)	18.83	(10.06)
2.4	Legal & Professional Exp.	55.94	52.58	6.38	62.12	(9.96)
2.5	Other Expenditure	57.93	67.31	(13.92)	48.71	18.92
	Total Expenditure	571.84	565.35	1.15	565.30	1.16
3	EBITDA	88.01	11.93	637.40	97.87	(10.08)
4	Interest	0.72	0.50	45.43	1.23	(41.27)
5	Depreciation/Amortisation	17.74	21.24	(16.49)	18.46	(3.93)
6	Add:- Exceptional Items	14.45	-	-	-	-
7	Profit/(Loss) before Tax and Prior Period Expenses	84.00	(9.80)	957.33	78.18	7.44
8	Prior Period Income/(Expenses)	-	(19.71)	-	-	-
9	Profit/(Loss) before Tax	84.00	(29.50)	384.71	78.18	7.44
10	Provision for Tax					
10.1	Current Tax	13.81	6.21	122.39	8.82	56.47
10.2	MAT credit entitlement	(2.50)	-	-	(0.93)	168.82
10.3	Deferred Tax	1.81	28.63	(93.69)	1.21	47.52
10.4	Fringe Benefit Tax	1.77	1.28	38.02	1.70	3.92
	Total	14.88	36.12	(58.81)	10.81	37.54
11	Net Profit/(Loss) After Tax	69.12	(65.62)	205.33	67.37	2.61
12	Earning Per Share					
12.1	Basic	5.09	(4.85)	204.99	4.96	2.61
12.2	Diluted	5.02	(4.85)	203.61	4.89	2.65

Financial Performance

Consolidated Profit & Loss Statement (Audited) for the Year Ended December 31, 2007 (As per Indian GAAP)

(Rs. in mn. except per share data)

Sr. No.	Particulars	Year Ended December 31,		Growth %
		2007	2006	
1	Income			
1.1	Net Sales	2,470.58	2,039.46	21.14
1.2	Other Income	57.08	40.21	41.97
	Total	2,527.66	2,079.67	21.54
2	Expenditure			
2.1	Staff Cost	1,521.77	1,270.30	19.80
2.2	Traveling Cost	215.84	158.67	36.03
2.3	Communication Cost	69.31	49.70	39.47
2.4	Legal and Professional Expenses	228.76	196.88	16.19
2.5	Other Expenditure	202.45	186.17	8.74
	Total Expenditure	2,238.13	1,861.72	20.22
3	EBITDA	289.53	217.95	32.84
4	Interest	3.44	3.85	(10.70)
5	Depreciation/Amortisation	70.41	59.12	19.09
6	Add-:Exceptional Item	14.45	-	-
7	Profit/(Loss) before Tax and Prior Period Expenses	230.13	154.97	48.50
8	Prior Period Income/(Expenses)	0.88	(15.89)	105.57
9	Profit/(Loss) before Tax	231.01	139.08	66.10
10	Provision for Tax			
10.1	Current Tax	32.81	15.52	111.37
10.2	MAT Credit Entitlement	(4.98)	-	-
10.3	Deferred Tax	6.79	39.89	(82.98)
10.4	Fringe Benefit Tax	6.68	5.43	23.10
	Total	41.30	60.84	(32.12)
11	Net profit/(Loss) After Tax	189.71	78.24	142.47
12	Earning Per Share			
12.1	Basic	13.97	6.17	126.49
12.2	Diluted	13.78	6.17	123.51

Financial Performance

Consolidated Profit & Loss Statement (Un- audited) for the Quarter Ended December 31, 2007 **(Contribution Analysis Format; Basis Indian GAAP)**

(Figures in mn. except per share data)

Particulars	Q4 2007		Q4 2006		Q3 2007	
	INR	US\$	INR	US\$	INR	US\$
Revenues	646.70	16.30	560.21	12.44	641.00	15.75
Cost of Revenues	402.24	10.15	373.49	8.29	402.70	9.91
Gross Margin	244.46	6.15	186.72	4.15	238.30	5.84
SG & A	37.80%		33.33%		37.18%	
Expenses	166.88	4.23	152.47	3.27	161.71	3.99
Depreciation/Amortisation	17.74	0.43	16.21	0.47	18.46	0.43
	184.62	4.66	168.68	3.74	180.17	4.42
	28.55%		30.11%		28.11%	
Operating Income/(loss) before non recurring cost	59.84	1.49	18.04	0.41	58.13	1.42
Non recurring Costs	-	-	59.51	1.31	-	-
Income/(Loss) from Operations	59.84	1.49	(41.47)	(0.91)	58.13	1.42
Interest Expense	(0.73)	(0.02)	(0.50)	(0.01)	(1.24)	(0.03)
Other Income, Net	24.88	0.62	12.47	0.28	21.29	0.52
Income/(Loss) before Income Tax	83.99	2.08	(29.50)	(0.64)	78.18	1.91
Income Tax Provision	14.88	0.37	36.12	0.80	10.81	0.28
Net Earnings/(Loss)	69.12	1.71	(65.62)	(1.44)	67.37	1.63
Earnings Per Share (Basic)	5.09	0.13	(4.85)	(0.11)	4.96	0.12

Financial Performance

Consolidated Statement of Operations (Un-audited) for the Year Ended December 31, 2007 (Contribution Analysis Format; Basis Indian GAAP)

(Figures in mn. except per share data)

Particulars	Year Ended December 31, 2007		Year Ended December 31, 2006	
	INR	US\$	INR	US\$
Revenues	2,470.58	59.74	2,039.46	45.00
Cost of Revenues	1,572.45	38.02	1,277.45	28.19
Gross Margins	898.13	21.72	762.01	16.81
SG and A	36.35%		37.36%	
Expenses	660.49	15.97	537.20	11.74
Depreciation	70.41	1.70	54.10	1.30
	730.90	17.67	591.30	13.04
	29.58%		28.99%	
Operating Income /(Loss) before non recurring cost	167.23	4.04	170.71	3.77
Non-recurring costs	-	-	59.51	1.31
Income/(Loss) from Operations	167.23	4.04	111.20	2.46
Interest Expense	(3.44)	(0.08)	(3.85)	(0.09)
Other Income, Net	67.23	1.63	31.73	0.70
Income/(Loss) before Income Tax	231.02	5.59	139.08	3.07
Income Tax Provision	41.30	1.00	60.84	1.34
Net Earnings/(Loss)	189.71	4.59	78.24	1.73
Earnings Per Share (Basic)	13.97	0.34	6.17	0.14

Consolidated Balance Sheet as at December 31, 2007(As per Indian GAAP)

(Figures in Rs. mn)

Description	As at December 31		As at Sep 30
	2007 (Audited)	2006 (Audited)	2007 (Un-Audited)
SOURCES OF FUNDS			
Shareholders' Funds			
Capital	135.09	135.09	135.09
Reserves and Surplus	1,290.58	1,147.25	1,252.76
Net Worth	1,425.67	1,282.34	1,387.85
Loan Funds			
Secured Loans	6.31	24.26	41.03
Deferred Payment Liability	10.63	22.34	10.73
Deferred Tax liability (Net)	24.43	17.69	22.64
TOTAL	1,467.04	1,346.63	1,462.25
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	804.08	820.76	804.86
Less: Depreciation	243.47	276.52	240.07
Net Block	560.61	544.24	564.79
Capital Wok-in-Progress	49.76	10.61	42.89
	610.37	554.85	607.68
Investments	12.03	13.46	12.15
Current Assets, Loans & Advances			
Sundry Debtors	613.52	483.37	612.83
Cash & Bank Balances	512.15	531.74	485.62
Other Current Assets	83.73	141.57	99.87
Loans and Advances	73.79	75.35	98.33
	1,283.19	1,232.03	1,296.65
Less : Current Liabilities and Provisions			
Liabilities	309.06	337.31	359.41
Provisions	129.49	116.40	94.82
Net Current Assets	844.64	778.32	842.42
	1,467.04	1,346.63	1,462.25

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.