



R Systems Reports Record Revenues of Rs. 59.36 crores in Q1 2007

Noida, India – April 28, 2007

Highlights

Consolidated results for the quarter ended March 31, 2007

- Consolidated revenues from operations for Q1-07 was Rs.59.36 crores (US\$13.45mn.); YoY growth was 34.51 % and sequential QoQ growth was 5.96 % in Rupees and 8.13% in US\$.
- Net Profit was Rs. 2.10 crores (US\$0.48mn.) compared to net earnings of Rs.3.28 crores (US\$ 0.74mn) in the same period last year and net loss of Rs 6.56 crores (US\$1.44mn.) in Q4, 2006;

R Systems earnings were impacted by following factors for a total of Rs.2.68 crores (US\$0.61) during the quarter:

- Appreciation of Rupee against US\$ by about 2.00 % QoQ; which reduced gross margins by approximately Rs.0.66 crores (US\$0.15 mn.) or 110 basis points.
 - Continuing project cost over-run on one engagement, reported earlier in Q4, which adversely impacted earnings by Rs. 0.91 crores (US\$ 0.21 million). The project cost over-run ended in March 07.
 - Losses in ECnet subsidiary of Rs 1.11 crores (US\$0.25 mn.)
- Earning per share was Rs. 1.55 in Q1 2007 as compared to earnings per share of Rs. 3.07 in Q1 2006 and loss per share of Rs. 4.85 in Q4 2006.

Others

- 11 key customers were added during the quarter.
- Total associates as on March 31, 2007 increased to 1,675 compared to 1,202 at the end of March 06 and 1,601 at the end of December 31, 2006. R Systems added a net of 74 associates during the first quarter.

“R Systems earned record quarterly revenues of Rs.59.36 crores in Q1 07, a growth of 35% YoY. The growth in revenues was all round in R Systems service offerings.” said Rekhi Singh, Chairman and Managing Director. “We are pleased that we achieved our goal to return to profitability in the quarter, and to keep up the momentum we are aggressively working on a number of initiatives to enhance our performance.”

“Our sales team established over 10 key customer relationships this quarter, while the global delivery system with 1,675 associates continued to deepen the relationship with existing customers maintaining our repeat business in excess of 90%.” said Raj Swaminathan, COO of R Systems. “To mitigate the impact of Rupee’s appreciation on margins, our operational goal is to further improve utilization and price realization during the current year.”



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 110 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, including:

A software company that provides integrated IT and security monitoring software serving the managed service providers and resellers selected R Systems over several contenders to provide development support, overhaul of existing navigation system and complete massive enhancement to reporting modules of the software product.

R Systems was chosen by a health care products company which manufactures and commercializes a broad suite of intravascular ultrasound and functional measurement products that aid in the diagnosis and treatment of vascular and structural heart disease to port the module for digital transfers and printing of recordings to an alternative platform.

A leading supplier of enterprise wide application for government that includes billing, asset management, business intelligence, citizen relationship management, permits, licenses, and financials selected R Systems to provide QA services. R Systems provides the services using a global blended delivery model.

R Systems was selected by a leading financial services market leader for development and deployment of a client services portal to facilitate electronic loan transactions for a large retailer in Europe.

Products Group:

R Systems products group Indus[®] Loan Origination, Receivables and Collections Product and ECnet[®] Supply Chain Solutions registered some key wins during Q1, 2007 while continuing to serve the existing customers.

Two non-banking financial services companies selected the entire suite of R Systems Indus[®] Loan Origination and Collections Product to manage the newly launched consumer lending operations. R Systems was selected after rigorous review of several competing products by both the companies.

A manufacturer in China of electronic and electrical parts and components for a leading global Japanese electronics company selected ECnet[®] Version 4 Pro E Procurement Solution to electronically execute purchase transactions with over 100 trading partners.

ECnet's managed services in supply chain currently handles over 300,000 purchase orders every month for its customers consistently exceeding 97.5% service level uptime enabling the manufacturers and their trading partners to work seamlessly as extended enterprises. While ECnet incurred losses of Rs 1.11 crores (US\$0.25 mn.) during the quarter, a turn around plan to achieve sustained profitability is under implementation. The plan includes cost reduction and structural changes in pricing for its services.



Liquidity and Shareholder Funds

Cash and cash equivalents, including bank deposits, as on March 31, 2007 were Rs. 48.28 crores compared to Rs. 53.17 crores as on December 31, 2006. The decrease in cash and cash equivalents was mainly on account of capital expenditure for expansion of capacity and payment of deferred consideration for the acquisition of WebConverse, Inc.. Total shareholder funds as on March 31, 2007 was Rs. 130.29 crores compared to Rs. 128.23 crores as on December 31, 2006. The increase in shareholder funds was as a result Q1 2007 net earnings of Rs. 2.10 crores.

“Our operating performance improved QoQ, however it was still below our normalized level as a result of cost overrun on one project reported earlier, and losses in ECnet subsidiary. The cost over run ended in March and the plan to restore ECnet to profitability by increase in prices for managed services is under implementation.” said O’Neil Nalavadi, Director Finance. “As we look into the future, we are concerned about the rapid appreciation of Rupee against US\$. Our balance sheet continues to be very strong with cash and cash equivalent of Rs.48.28 crores.”

Human Resources

R Systems ended March 31, 2007 with total technical count of 1,675 associates, a net addition of 74 during the quarter. After having successfully deployed CMMI, ISO 9001:2000, and ISO 27001:2005, R Systems has commenced People Capability Maturity Model (“PCMM”) initiative to enhance our HR practices and invest in the continuous development and growth of our people in all our development centers in India. People Capability Maturity Model (PCMM) is a People Management Framework based on industry best practices.

Capacity of Development and Service Centers

At the end of March 31, 2007 the total square footage of R Systems’ six development centers was 162,800 square feet with a seating capacity of 2,262.

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 March 31, 2007 (As per Indian GAAP)

(Rs in mn. except per share data)

Sr. No.	Particulars	Quarter Ended March 31,		YoY Growth %	Quarter Ended Dec. 31, 2006	QoQ Growth %
		2007	2006			
1	Income					
1.1	Net Sales	593.61	441.30	34.51	560.21	5.96
1.2	Other Income	8.60	5.02	71.28	17.07	(49.64)
	Total	602.21	446.32	34.93	577.28	4.32
2	Expenditure					
2.1	Staff Cost	391.19	287.72	35.96	376.11	4.01
2.2	Traveling Cost	45.23	27.00	67.56	51.74	(12.58)
2.3	Communication Costs	16.82	9.80	71.65	17.61	(4.48)
2.4	Legal & Professional Exp.	54.70	41.33	32.33	52.58	4.03
2.5	Other Expenditure	47.72	29.88	59.69	67.30	(29.10)
	Total Expenditure	555.66	395.73	40.41	565.34	(1.71)
3	EBITDA	46.55	50.59	(7.99)	11.93	290.03
4	Interest	0.44	1.84	(75.97)	0.50	(11.06)
5	Depreciation/Amortisation	17.65	11.25	56.86	21.24	(16.89)
6	Profit/(Loss) before Tax and Prior Period Expenses	28.46	37.51	(24.12)	(9.80)	390.46
7	Prior Period Expenses	-	-	-	19.71	(100.00)
8	Profit/(Loss) before Tax	28.46	37.51	(24.12)	(29.50)	196.46
9	Provision for Tax					
9.1	Current Tax	5.13	1.80	185.80	6.21	(17.32)
9.2	Deferred Tax	0.65	1.56	(57.93)	28.63	(97.71)
9.3	Fringe Benefit Tax	1.67	1.33	25.58	1.28	30.63
	Total	7.46	4.69	59.29	36.12	(79.35)
10	Net Profit/(Loss) After Tax	21.00	32.82	(83.41)	(65.62)	132.00
11	Earning /(Loss) Per Share	1.55	3.07	(49.66)	(4.85)	131.90

Financial Performance

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

(Figures in mn. except per share data)

Particulars	Q1 2007		Q1 2006		Q4 2006	
	INR	US\$	INR	US\$	INR	US\$
Revenues	593.61	13.45	441.30	9.94	560.21	12.44
Cost of Revenues	386.70	8.76	278.98	6.28	373.49	8.29
Gross Margin	206.91	4.69	162.32	3.66	186.72	4.15
SG & A	34.86%		36.78%		33.33%	
Expenses	167.48	3.79	116.74	2.63	152.48	3.38
Depreciation/Amortisation	17.65	0.40	11.25	0.25	16.21	0.36
	185.13	4.19	127.99	2.88	168.69	3.74
	31.19%		29.00%		30.11%	
Operating Income/(Loss) Before Non Recurring Cost	21.78	0.50	34.33	0.78	18.03	0.41
Non recurring Costs	-	-	-	-	59.51	1.32
Income/(Loss) from Operations	21.78	0.50	34.33	0.78	(41.48)	(0.91)
Interest Expense	(0.44)	(0.01)	(1.84)	(0.04)	(0.50)	(0.01)
Other Income, Net	7.12	0.16	5.02	0.11	12.48	0.28
Income/(Loss) before Income Tax	28.46	0.65	37.51	0.85	(29.50)	(0.64)
Income Tax Provision	7.46	0.17	4.68	0.11	36.12	0.80
Net Earnings/(Loss)	21.00	0.48	32.83	0.74	(65.62)	(1.44)
Earning/(Loss) Per Share	1.55	0.04	3.07	0.07	(4.85)	(0.11)

Consolidated Balance Sheet (As per Indian GAAP) as at
(Rs. in mn.)

Description	As at March 31, 2007 (Un-audited)	As at December 31, 2006 (Audited)
SOURCES OF FUNDS		
Shareholders' Funds		
Capital	135.46	135.46
Reserves and Surplus	1,167.47	1,146.89
Net Worth	1,302.93	1,282.35
Loan Funds		
Secured Loans	32.24	24.26
Deferred Payment Liability	11.71	16.83
Deferred Tax liability (Net)	18.35	17.69
TOTAL	1,365.23	1,341.13
APPLICATION OF FUNDS		
Fixed Assets		
Gross Block	854.29	820.76
Less: Depreciation	292.19	276.53
Net Block	562.10	544.23
Capital Wok-in-Progress	34.83	10.61
	596.93	554.84
Investments	13.26	13.45
Current Assets, Loans & Advances		
Sundry Debtors	483.57	483.37
Cash & Bank Balances	482.81	531.74
Other Current Assets	148.68	141.57
Loans and Advances	84.24	75.35
	1,199.30	1,232.03
Less : Current Liabilities and Provisions		
Liabilities	326.90	342.82
Provisions	117.36	116.40
Net Current Assets	755.04	772.81
TOTAL	1,365.23	1,341.13

Notes:

US\$ equivalent figures are derived by converting the Rupee figures using average currency rates from Oanda.com. Previous period's figures have been regrouped/ recast wherever applicable, to the extent possible.