



R Systems Announces Record Results for Calendar Year 2008

FY 2008: Revenues: Rs 359.4 Crores and Net Profits: Rs 28.0 Crores
Q4 2008: Revenues: Rs 96.8 Crs, EBITDA: Rs14.6 Crs and Net Profits: Rs 8.8 Crs

Noida, India – February 12, 2009

Highlights

Consolidated results for the quarter ended December 31, 2008

- Consolidated revenues from operations for Q4-08 was Rs 96.84 crores (US\$19.14 mn.); YoY growth was 49.75% (17.47% in US\$) and sequential QoQ growth was 5.13% (decline of 8.94% in US\$).
- Earnings before depreciation, taxes and allowances (“EBITDA”) was Rs 14.57 crores (US\$2.97 mn.); YoY growth was 87.82% (54.90% in US\$) and sequential QoQ growth was 31.77% (17.64% in US\$).
- Net profit after taxes was Rs. 8.79 crores (US\$1.79 mn.) compared to Rs.6.91 crores (US\$ 1.71 mn.) in the same period last year and Rs 6.55 crores (US\$1.49 mn.) in Q3, 2008.

Others

- 5 Key customers were added during the quarter.

Consolidated results for FY ended December 31, 2008

- Consolidated revenues for FY 2008 were Rs. 359.39 crores (US\$82.03mn.) registering a YoY growth of 45.47% (37.31% in US\$).
- EBITDA was Rs 46.48 crores (US\$10.61 mn.), a YoY growth of 95.59% (84.62% in US\$)
- Net profit after taxes was Rs.27.97 crores (US\$6.38 mn.), a YoY growth of 47.41% (39.15% in US\$).
- Basic earnings per share were Rs. 20.61 in FY 2008, a YoY growth of 47.53%.

“R Systems results in FY 2008 were an achievement, with revenues and net profits registering a growth of 45%+ YoY. Subject to shareholder approval we are pleased to recommend dividend to shareholders to 24%, an increase of 33% over previous year,” said Rekhi Singh, Chairman and Managing Director. “While there is no doubt that we are in the most uncertain economic period since the Great Depression, we feel confident of R Systems ability to prevail and emerge stronger when the economy recovers. Through sound strategy and operating excellence we continue to deliver exceptional value to our customers.”



“Despite a turbulent global economy R Systems team executed well and delivered consistent results throughout FY 2008. In a competitive market our active customer franchise increased to over 125. Through investments and experience R Systems continues to increase its competitive advantage in key domains like consumer finance, digital media, and mobility solutions,” said Raj Swaminathan, COO of R Systems.

Dividend Declaration

The Board of Directors of R Systems, at its meeting held on February 12, 2009, recommended a dividend of Rs. 2.40 per share (24% on par value of Rs.10 per share). The recommendation of the Board is subject to the approval of the shareholders at the forthcoming Annual General Meeting.

Key Operational Highlights

iPLM Services Group:

R Systems helps companies in the high tech sector to gain competitive advantage by providing end-to-end services in product design, development, testing, customer care and technical support. R Systems deep domain competencies, rapid and agile development capabilities, proven global delivery and service platform, proprietary pSuite Framework and end-to-end capability give us the edge to serve customers with a high degree of time and cost predictability. 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:

R Systems was chosen following a rigorous competitive evaluation process of its Mobile Internet Protocol Test Lab at R Systems global development centre in Noida by a leading global mobile phone manufacturer to develop a test solution in mobile Internet Protocol on Internet Protocol Version 6 environment (IPv6).

A global leader in semiconductor chips selected R Systems to develop web service definitions and interfaces for a new emerging wireless technology. R Systems on going association with a WiMAX Test Bed in Berkeley, CA along with its experience in product development gave R Systems a significant competitive advantage to win the engagement.

A leading provider of a fully scalable and highly adaptable Secure Mobile Information Management Platform, global Secure SMS Gateway, and suite of mobile applications engineered to manage and deliver information and mobile content in a timely, intelligent and secure manner selected R Systems to design and develop an access controlled role-based web portal to be used by the client’s customers.

R Systems was selected by a global provider of advanced unified communications and full featured contact centre solutions to some 2800 organizations, across 25 countries, to accelerate the development of a mobility solution and enhance speed to market for the new product.



Products Group:

In R Systems products group Indus[®] Loan Origination and Collections Product and ECnet[®] Supply Chain Solutions secured new engagements from existing customers for their global operations and successfully delivered several new implementations.

A leading global and profitable bank who selected Indus[®] Loan Origination and Collections Product for its operations in Vietnam decided to replace their existing solution for managing delinquent customers across 8-10 subsidiaries in Europe with Indus[®] Collections Product. The roll out is expected to be executed in 2009.

R Systems was engaged directly by a leading housing agency in the Far East over a well known systems integrator for mortgage solution. R Systems successfully implemented the solution based on Indus[®] Loan Origination and Collections Product underscoring R Systems ability to execute and exceed client's high expectations.

One of leading Japanese based electronic manufacturer of consumer electronics, home appliances and renewable energy solutions selected ECnet[®] eprocurement solution to connect with 110 vendors for their manufacturing operations in Malaysia.

A global leader in audio and digital media devices who relies on ECnet[®] Supply Chain solution for executing supply chain for a number of their operations worldwide selected R Systems to provide the ECnet[®] eprocurement solution to connect their operations in Brazil with their international procurement office in Singapore.

Liquidity and Shareholder Funds

Cash and cash equivalents, including bank deposits, as on December 31, 2008 was Rs. 63.61 crores compared to Rs. 51.22 crores as on December 31, 2007. Earnings before interest, depreciation, and taxes ("EBITDA") increased to Rs.46.48 crores (US\$10.61 mn.) in FY 2008 from Rs. 23.76 crores (US\$5.75 mn.) in FY 2007 a growth of 95.59% (84.62% in US\$ terms). Total shareholder funds as on December 31, 2008 was Rs. 171.65 crores compared to Rs 142.57 crores as on December 31, 2007.

The Board of Directors of R Systems at its meeting held on September 07, 2008 had approved a buy-back of its fully paid-up equity shares for cash, subject to a maximum of 1,306,941 shares, from the open market at a price not to exceed Rs. 150 per share and subject to a maximum aggregate amount of Rs. 8 crores. The buy-back is being done in accordance with the provisions of Sections 77A, 77AA and 77B of the Companies Act, 1956 and the Securities and Exchange Board of India (Buy Back of Securities) Regulations, 1998. The buy-back was opened on October 29, 2008 and will close no later than September 06, 2009. The maximum buy-back offer size represents 4.7% of R Systems total paid-up equity capital and free reserves as on June 30, 2008. The cumulative number of equity shares bought back under the scheme till December 31, 2008 was 146,346.

"We had a satisfactory 2008 with record EBITDA of Rs 46.5 crores, 180% YoY increase in operating cash flows to Rs. 27.5 crores, and YoY expansion in our EBITDA margins by 300



basis points. Tight credit markets, global deleveraging and business contraction has brought new challenges to our customers. We are weighing these forceful changes and pro-actively responding to mitigate risks and investing in our customer relationships for long term growth,” said O’Neil Nalavadi, Director Finance. “Our balance sheet continues to be very strong with cash and cash equivalent of Rs 63.61 crores and shareholder funds of Rs171.65 crores.”

Human Resources

R Systems ended December 31, 2008 with total count of 2,080 associates, a net decrease of 81 associates during the quarter and net increase of 163 during the calendar year 2008.

Process, Quality and Innovation

During the year under review R Systems launched a new release of the proprietary **pSuite Framework**. R Systems **pSuite Framework** gives us a significant competitive advantage in product development by enhancing productivity and leveraging internal domain knowledge to meet customer’s complex technological and business needs. R Systems also established a state-of-the-art Mobile Test Lab to develop proof-of-concepts in various mobility solutions in the area of mobile content management, wireless data capture, playback and interactivity with special emphasis on mobile TV, converged TV and workforce applications on both the infrastructure and mobile device side to meet the demands of “always-on” connectivity. These investments helped R Systems secure two engagements in Q4, 2008 from two leading Fortune technology 1000 companies.

Capacity of Development and Service Centres

At the end of December 31, 2008 the total square footage of R Systems development 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 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 December 31, 2008 (As per Indian GAAP)

(Rs in mn. except per share data)

Sr. No.	Particulars	Quarter Ended Dec 31		YoY Growth %	Quarter Ended Sep 30, 2008	QoQ Growth %
		2008	2007			
1	Income					
1.1	Net Sales	968.42	646.70	49.75	921.14	5.13
1.2	Other Operating Income	5.58	3.39	64.43	9.66	(42.24)
	Total	974.00	650.09	49.83	930.80	4.64
2	Expenditure					
2.1	Staff Cost	574.24	385.68	48.89	555.30	3.41
2.2	Traveling Cost	49.09	56.44	(13.01)	65.97	(25.59)
2.3	Communication Costs	18.12	16.94	6.99	18.77	(3.44)
2.4	Legal & Professional Exp.	83.79	54.85	52.76	95.01	(11.81)
2.5	Depreciation/Amortisation	30.27	17.74	70.69	30.26	0.04
2.6	Other Expenditure	134.43	57.93	132.04	97.20	38.30
	Total Expenditure	889.94	589.58	50.95	862.51	3.18
3	Profit From Operations Before Exceptional Items	84.06	60.51	38.91	68.29	23.09
4	Add:- Exceptional Items	-	14.45	(100.00)	-	-
5	Profit From Operations	84.06	74.96	12.13	68.29	23.09
6	Other Income	11.29	9.76	15.68	6.58	71.57
7	Profit Before Interest and Tax	95.35	84.72	12.54	74.87	27.35
8	Interest	1.03	0.72	42.95	1.36	(24.40)
9	Profit/(Loss) Before Tax	94.32	84.00	12.28	73.51	28.31
10	Provision For Tax					
10.1	Current Tax	12.87	13.80	(6.79)	8.26	55.79
10.2	MAT Credit Entitlement	(3.52)	(2.50)	41.00	(2.90)	21.55
10.3	Deferred Tax	(5.11)	1.81	(382.83)	0.48	(1157.18)
10.4	Fringe Benefit Tax	2.15	1.77	21.70	2.18	(1.39)
	Total	6.39	14.88	(57.08)	8.02	(20.41)
11	Net Profit/(Loss) After Tax	87.93	69.12	27.21	65.49	34.28
12	Earning Per Share					
12.1	Basic	6.49	5.09	27.60	4.82	34.68
12.2	Diluted	6.42	5.02	27.73	4.76	34.70

Financial Performance

Consolidated Profit & Loss Statement (Audited) for the Year Ended December 31, 2008 (As per Indian GAAP)

(Rs. in mn. except per share data)

Sr. No.	Particulars	Year Ended December 31,		Growth %
		2008	2007	
1	Income			
1.1	Net Sales	3,593.92	2,470.58	45.47
1.2	Other Income	18.31	19.79	(7.54)
	Total	3,612.23	2,490.37	45.05
2	Expenditure			
2.1	Staff Cost	2,164.50	1,525.17	41.92
2.2	Traveling Cost	233.43	215.84	8.15
2.3	Communication Cost	70.61	69.31	1.87
2.4	Legal and Professional Expenses	344.74	225.36	52.97
2.5	Depreciation/Amortisation	115.69	70.41	64.31
2.6	Other Expenditure	414.39	202.45	104.69
	Total Expenditure	3,343.36	2,308.54	44.83
3	Profit from Operations Before Exceptional Item	268.87	181.83	47.87
4	Add:-Exceptional Item	-	14.45	(100.00)
5	Profit From Operations	268.87	196.28	36.98
6	Other Income	36.64	37.29	(1.74)
7	Profit Before Interest and Tax	305.51	233.57	30.80
8	Interest	5.33	3.44	54.88
9	Profit/(Loss) Before Tax and Prior Period Expenses	300.18	230.13	30.44
10	Prior Period Income/(Expenses)	-	0.88	(100.00)
11	Profit/(Loss) Before Tax	300.18	231.01	29.94
12	Provision For Tax			
12.1	Current Tax	31.79	32.81	(3.12)
12.2	MAT Credit Entitlement	(11.70)	(4.98)	135.00
12.3	Deferred Tax	(7.55)	6.79	(211.21)
12.4	Fringe Benefit Tax	7.98	6.68	19.49
	Total	20.52	41.30	(50.32)
13	Net Profit/(Loss) After Tax	279.66	189.71	47.41
14	Earning Per Share			
14.1	Basic	20.61	13.97	47.53
14.2	Diluted	20.36	13.78	47.69

Financial Performance

Consolidated Profit & Loss Statement (Un-audited) for the Quarter Ended December 31, 2008 (Contribution Analysis Format; Basis Indian GAAP)

(Figures in mn. except per share data)

Particulars	Q4 2008		Q4 2007		Q3 2008	
	INR	US\$	INR	US\$	INR	US\$
Revenues	968.42	19.14	646.70	16.30	921.14	21.02
Cost of Revenues	566.10	11.10	402.24	10.15	563.06	12.85
Gross Margin	402.32	8.04	244.46	6.15	358.08	8.17
SG & A	41.54%		37.80%		38.87%	
Expenses	256.61	5.07	166.88	4.24	247.50	5.65
	26.50%		25.80%		26.87%	
EBITDA	145.71	2.97	77.58	1.91	110.58	2.52
Depreciation/Amortisation	15.05%		12.00%		12.00%	
	30.27	0.59	17.74	0.42	30.26	0.69
Operating Income/(Loss) Before Non Recurring Cost	115.44	2.38	59.84	1.49	80.32	1.83
Non Recurring Costs	13.34	0.31	-	-	-	-
Income/(Loss) From Operations	102.10	2.07	59.84	1.49	80.32	1.83
Interest Expense	(1.03)	(0.02)	(0.72)	(0.02)	(1.36)	(0.03)
Other Income, Net	(6.75)	(0.13)	24.88	0.61	(5.45)	(0.12)
Income/(Loss) Before Income Tax	94.32	1.92	84.00	2.08	73.51	1.68
Income Tax Provision	6.39	0.13	14.88	0.37	8.02	0.19
Net Earnings/(Loss)	87.93	1.79	69.12	1.71	65.49	1.49
Earnings Per Share (Basic)	6.49	0.13	5.09	0.13	4.82	0.11

Financial Performance

Consolidated Statement of Operations (Un-audited) for the Year Ended December 31, 2008 (Contribution Analysis Format; Basis Indian GAAP)

(Figures in mn. except per share data)

Particulars	Year Ended December 31, 2008		Year Ended December 31, 2007	
	INR	US\$	INR	US\$
Revenues	3,593.92	82.03	2,470.58	59.74
Cost of Revenues	2,176.86	49.69	1,572.45	38.02
Gross Margin	1,417.06	32.34	898.13	21.72
	39.43%		36.35%	
SG & A Expenses	952.26	21.73	660.49	15.97
	26.50%		26.73%	
EBITDA	464.80	10.61	237.64	5.75
	12.93%		9.62%	
Depreciation/Amortisation	115.69	2.64	70.41	1.70
Operating Income/(Loss) Before Non Recurring Costs	349.11	7.97	167.23	4.05
Non Recurring Costs	13.34	0.30	-	-
Income/(Loss) From Operations	335.77	7.67	167.23	4.05
Interest Expense	(5.33)	(0.12)	(3.44)	(0.08)
Other Income, Net	(30.26)	(0.70)	67.22	1.62
Income/(Loss) Before Income Tax	300.18	6.85	231.01	5.59
Income Tax Provision	20.52	0.47	41.30	1.00
Net Earnings/(Loss)	279.66	6.38	189.71	4.59
Earnings Per Share (Basic)	20.61	0.47	13.97	0.34

Consolidated Balance Sheet as at December 31, 2008(As per Indian GAAP)

(FIGURES IN RS. MN)

Description	As at December 31		As at Sep 30
	2008 (Audited)	2007 (Audited)	2008 (Un-Audited)
SOURCES OF FUNDS			
Shareholders' Funds			
Capital	133.62	135.09	135.09
Reserves and Surplus	1,582.91	1,290.58	1,528.69
Net Worth	1,716.53	1,425.67	1,663.78
Loan Funds			
Secured Loans	32.56	6.31	53.07
Deferred Payment Liability	-	10.63	-
Deferred Tax liability (Net)	16.88	24.43	21.99
TOTAL	1,765.97	1,467.04	1,738.84
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	1,217.55	804.08	1,222.39
Less: Depreciation	474.17	243.47	464.88
Net Block	743.38	560.61	757.51
Capital Wok-in-Progress	3.21	49.76	3.89
	746.59	610.37	761.40
Investments	0.03	12.03	14.45
Current Assets, Loans & Advances			
Sundry Debtors	790.22	613.52	758.03
Cash & Bank Balances	636.10	512.15	523.76
Other Current Assets	145.89	83.73	187.62
Loans and Advances	98.14	73.79	98.29
	1,670.35	1,283.19	1,567.70
Less : Current Liabilities and Provisions			
Liabilities	454.07	309.06	475.88
Provisions	196.93	129.49	128.83
Net Current Assets	1,019.35	844.64	962.99
	1,765.97	1,467.04	1,738.84

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.