

R Systems International Limited

Review of Q4 & Year 2008 Results

Customer Success

Our Philosophy for Creating
Stakeholder Value



Disclaimer

“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.”

Key Highlights

➤ Q4 2008:

- Revenues up 50% (18% in \$) YoY & 5% (-9% in \$) QoQ to Rs. 96.8 crs (\$19.1 mn);
- EBITDA up 88% YoY & 32% QoQ to Rs.14.6 crs(\$3.0 mn);
- Net Profits up YoY 27% & QoQ 34% to Rs. 8.8 crs (\$1.8 mn).

➤ FY 2008:

- Revenues grew 45%(37% in \$) to Rs.359.4 crs (\$ 82.0mn);
- EBITDA Up 96% to Rs. 46.5 crs (\$ 10.6 mn);
- Net Profits Up 47% to Rs. 28.0 crs (\$ 6.4 mn).

➤ Proposed dividend of Rs. 2.4 per share: Up 33%

➤ Customer Relationships:

- Active customer roster: 125+ with 18 \$ one million+ accounts

Key Highlights - Environment

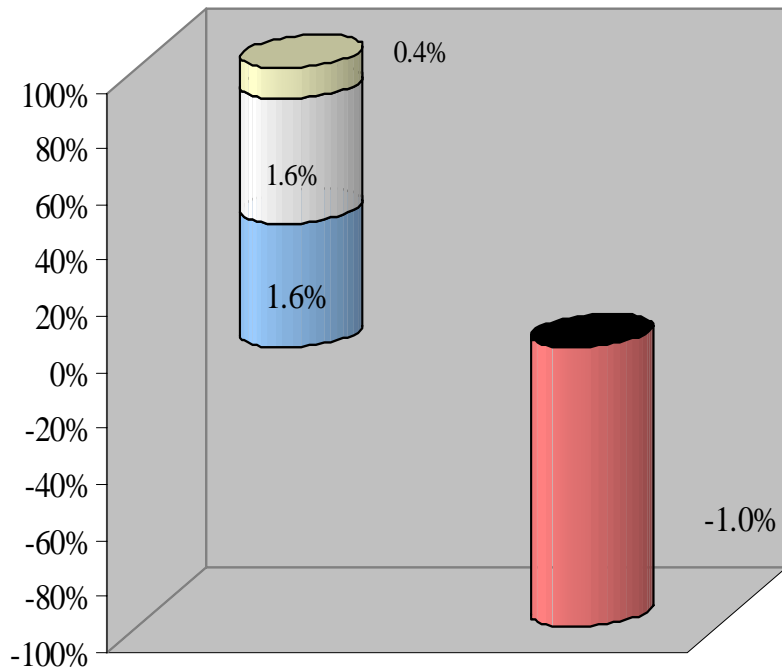
- Near Term Uncertainties:
 - Customers are extremely cautious because of negative economic sentiments
 - No significant contract cancellations but customers are tightening belt
 - Customers are restructuring.
- Positive factors:
 - Off shoring is helping customers to lower their cost structure
 - Wage inflation has eased & \$ gain is helping margin
 - Encouraging opportunities in Mobility Solutions and Digital Media
 - R Systems cumulative experience in ISV, Consumer Finance and Supply Chain – a great competitive advantage.

Consolidated Results (Un-audited)

(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
	41.54%		37.80%		38.87%	
SG & A						
Expenses	256.61	5.07	166.88	4.23	247.50	5.65
	26.50%		25.80%		26.87%	
EBITDA	145.71	2.97	77.58	1.91	110.58	2.52
	15.05%		12.00%		12.00%	
Depreciation	30.27	0.59	17.74	0.43	30.26	0.69
Operating income/(loss) before non recurring costs	115.44	2.37	59.84	1.49	80.32	1.83
Non recurring costs	13.34	0.30	-	-	-	-
Income/(Loss) from operations	102.09	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	0.62	(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
EPS						
- Basic	6.49	0.13	5.09	0.13	4.82	0.11
- Diluted	6.42	0.13	5.02	0.13	4.76	0.11

Gross Margins Analysis Q4-08



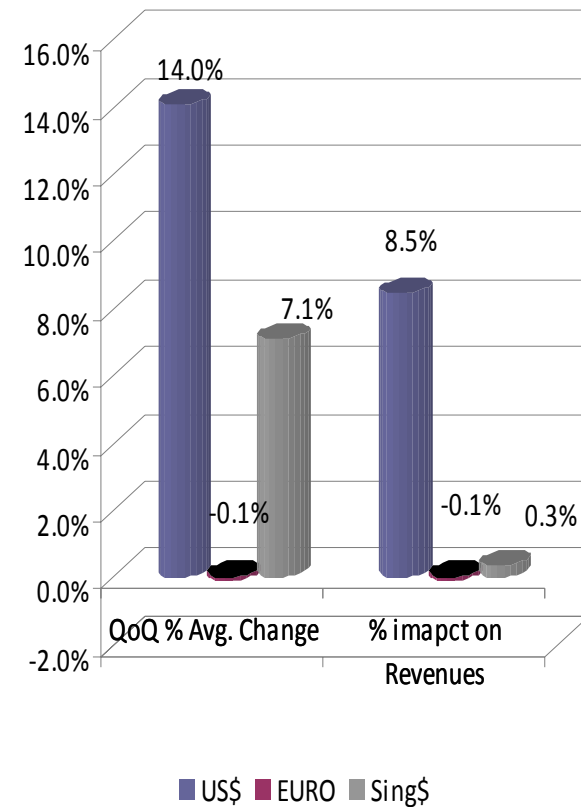
- Impact of increased leave & gratuity accruals
- Impact of increase in license fees
- Impact of decrease in travelling
- Impact of Rupee depreciation

Movement in Gross Margin Q4-08 Vs Q3-08

Gross Margin in Q3-08	38.9%
Rupee depreciation	1.6%
Decrease in travelling	1.6%
Increase in license fees	0.4%
Increase in leave & gratuity accruals	-1.0%
Gross Margin in Q4-08	41.5%

Forex Impact Over QoQ Revenues and Gross Margins (Q4 08 vs Q3 08)

Currency	Revenue Rs. in crs	QoQ % Avg. Change	Impact On Revenue (Rs. In crs.)	% Impact On QoQ Revenue
US\$	64.7	14.1	7.8	8.5
EURO	23.8	-0.1	(0.1)	-0.1
Sing\$	4.7	7.1	0.3	0.3
INR	3.5		-	-
Others	0.1		#	#
Total	96.8		8.1	8.7
Impact On GM				1.6



Not material

Other Income & Expense – Q4 08

➤ **For-ex impact**

- Loss on “Mark to Market” of forward contracts due to further fall in Rupee was Rs. 1.3 crs.
- Net loss on Forex denominated other receivables and payables : Rs. 0.8 crs.
- Net impact on P/L Rs. 2.1 crs or \$ 0.4 mn.

➤ **Investment Write-offs**

- Portfolio investments: Rs. 1.3 crs or \$ 0.3 mn.
- Redundant Telephony: Rs 0.3 crs or \$ 0.1 mn.

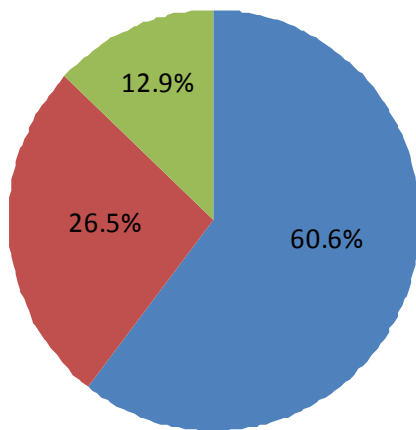
Consolidated FY 2008 Results (Un-audited)

(Figures in mn. except per share data)

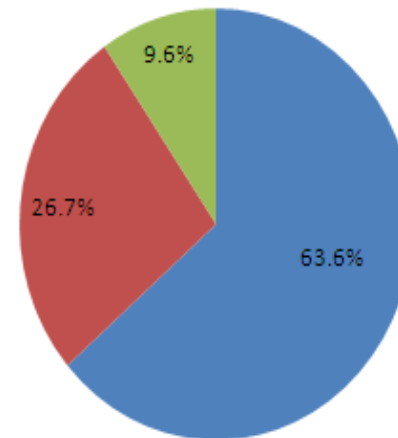
Particulars	2008		2007	
	INR	US\$	INR	US\$
Revenues	3,593.92	82.03	2,470.58	59.74
Cost of revenues	2,176.86	49.68	1,572.44	38.02
Gross Margin	1,417.06	32.34	898.13	21.72
	39.43%		36.35%	
SG & A				
Expenses	952.26	21.73	660.49	15.97
	26.50%		26.73%	
EBITDA	464.80	10.61	237.64	5.75
	12.93%		9.62%	
Depreciation	115.69	2.64	70.41	1.70
Operating income/(loss) before non recurring costs	349.11	7.97	167.23	4.04
Non recurring costs	13.34	0.30	-	-
Income/(Loss) from operations	335.77	7.66	167.23	4.04
Interest Expense	(5.33)	(0.12)	(3.44)	(0.08)
Other income, net	(30.26)	(0.69)	67.23	1.63
Income/(Loss) before income tax	300.18	6.85	231.02	5.59
Income tax provision	20.51	0.47	41.30	1.00
Net Earnings/(Loss)	279.66	6.38	189.71	4.59
EPS				
- Basic	20.61	0.47	13.97	0.34
- Diluted	20.36	0.46	13.78	0.33

Revenues to Margin – strong growth

Year - 2008



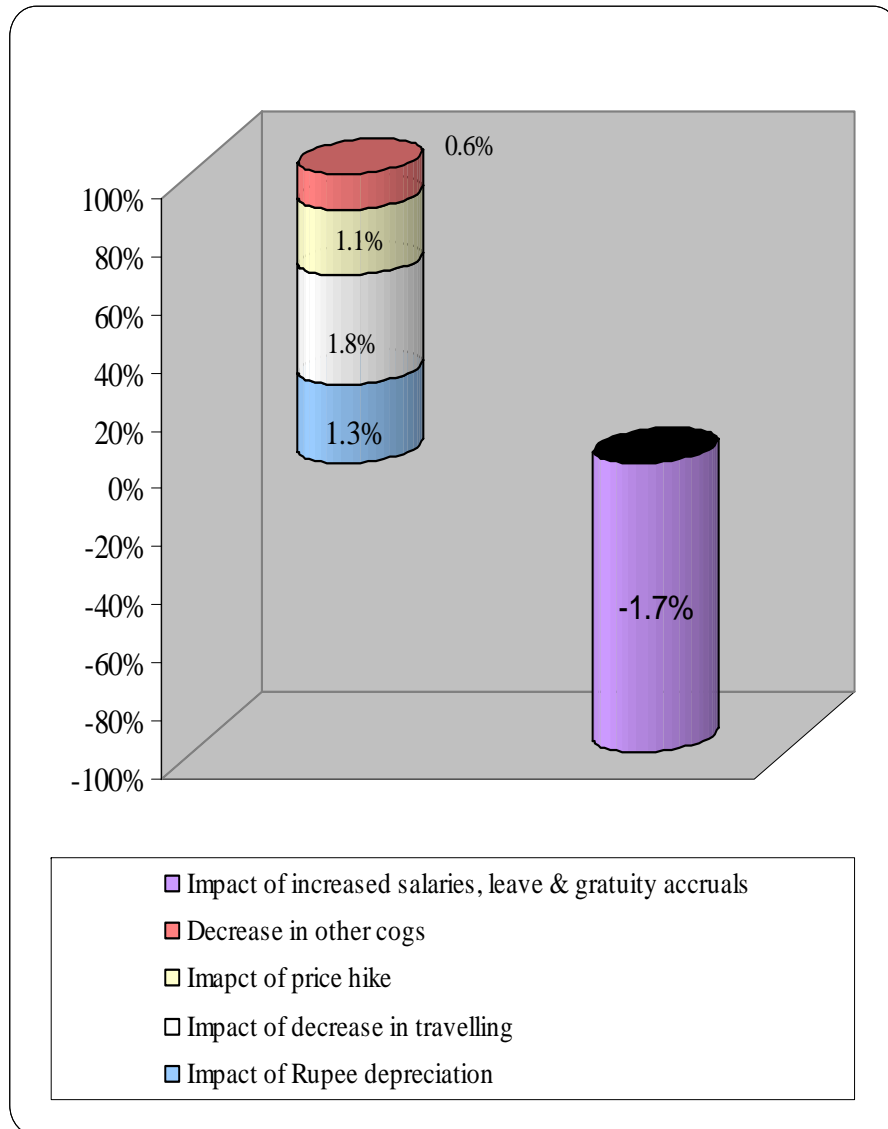
Year - 2007



■ COGS % ■ SG&A % ■ EBITDA %

Gross Margin increased to 39.4% in 2008 from 36.3% in 2007

Gross Margins Analysis 2008

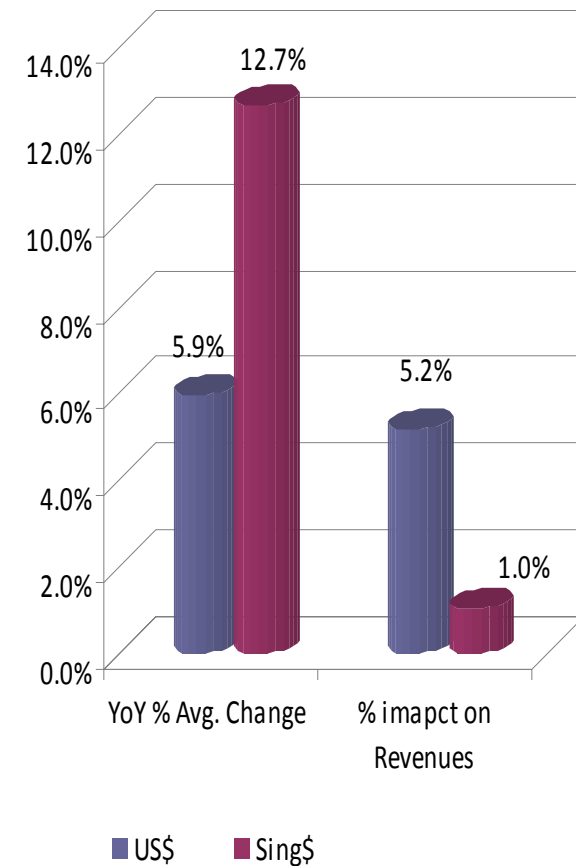


Movement in Gross Margin 2008 Vs 2007

Gross Margin in 2007	36.3%
Rupee depreciation	1.3%
Decrease in travelling	1.8%
Impact of price hike	1.1%
Decrease in other cogs	0.6%
Increase in salaries, leave & gratuity accruals	-1.7%
Gross Margin in 2008	39.4%

FY 08 - Forex Impact on Revenues & Gross Margins

Currency	Revenue Rs. in crs	YoY % Avg. Change	Impact On Revenue (Rs. In crs.)	% Impact On Revenue
US\$	230.2	5.9	12.7	5.2
EURO	90.7	13.3	#	#
S\$	23.2	12.7	2.6	1.0
INR	12.7		-	-
Others	2.6		#	#
Total	359.4		15.3	6.2
Impact On GM				1.3



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Other Income & Expense – FY 2008

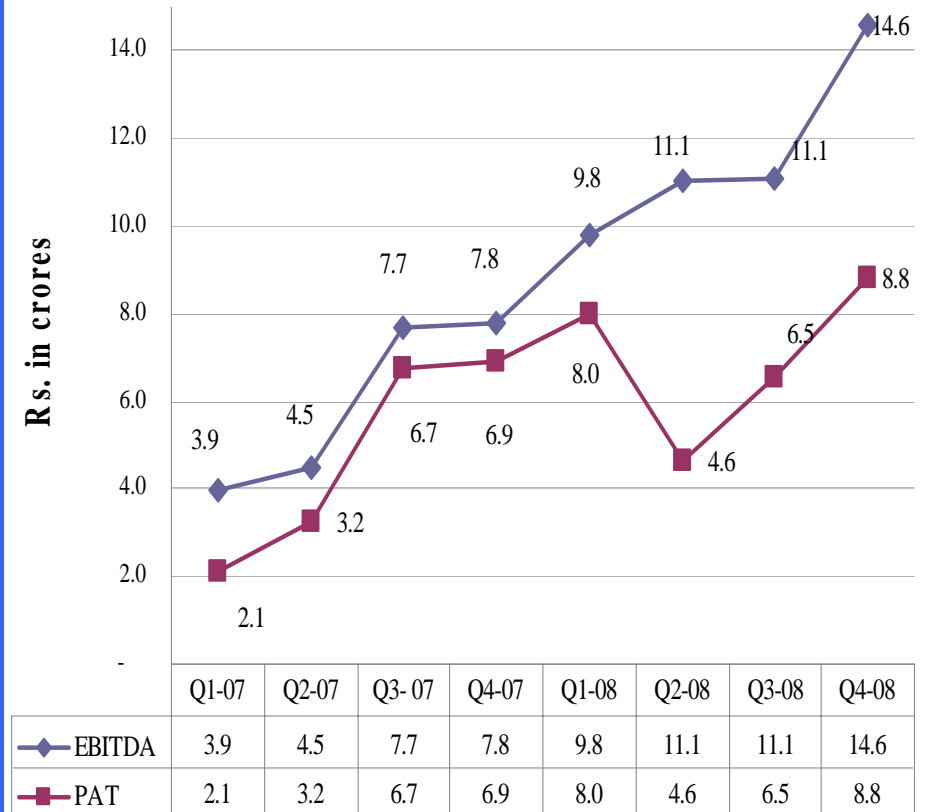
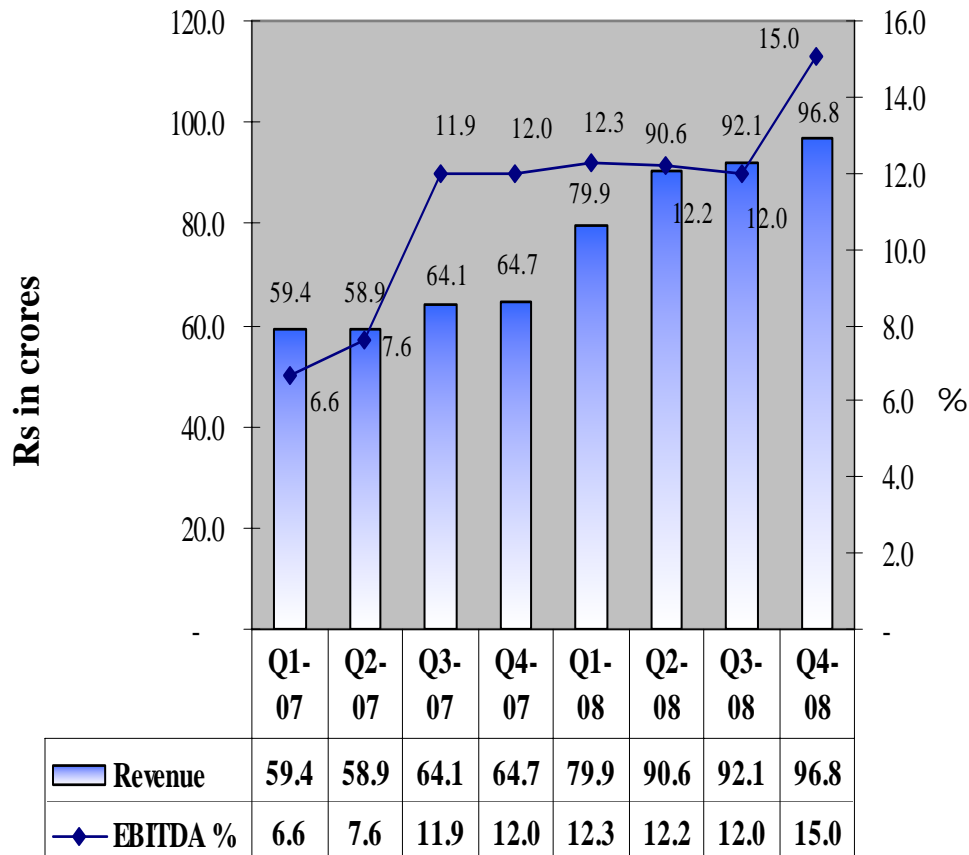
➤ For-ex impact

- Loss on “Mark to Market” of forward contracts was Rs. 4.6 crs.
- Net loss on Forex denominated receivables and payables: Rs. 2.9 crs.
- Net impact on P/L Rs. 7.5 crs or \$ 1.7 mn.

➤ Investment Write-offs

- Portfolio investments: Rs. 1.3 crs or \$ 0.3 mn.
- Redundant Telephony: Rs 0.3 crs or \$ 0.1 mn.

Revenue Growth With Margins Expansion



– Growth Rate in Revenues During Last 8 Quarters was > 60%.

– Growth Rate in PAT During Last 8 Quarters was > 300%.

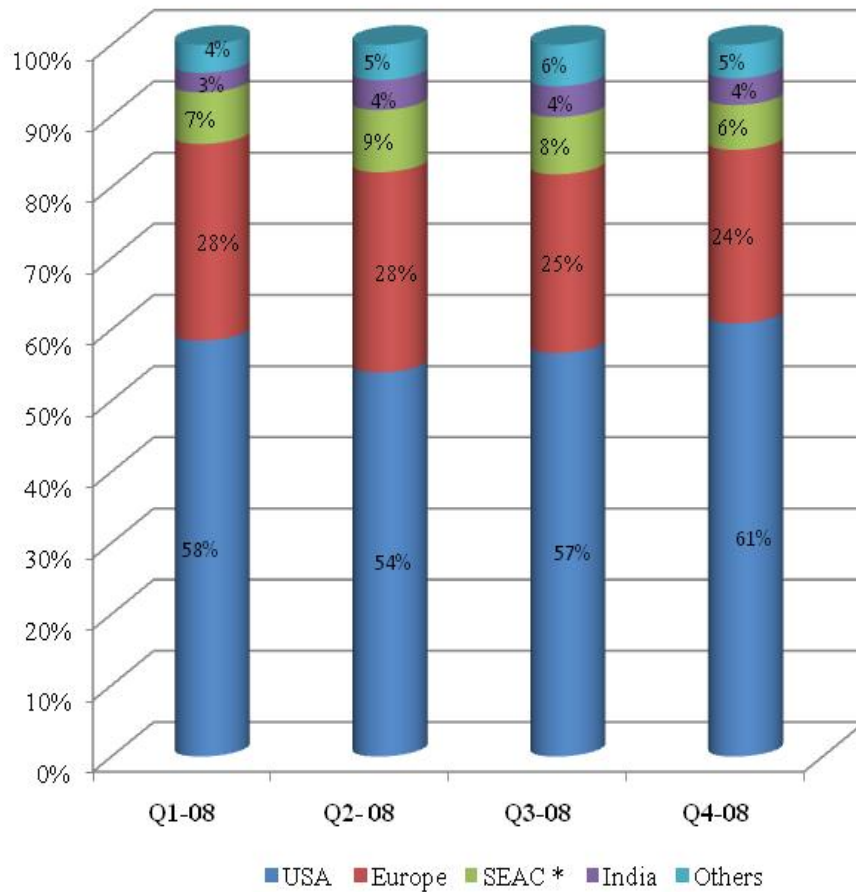
Consolidated Balance Sheet

Rupees in Crores except "DSO"

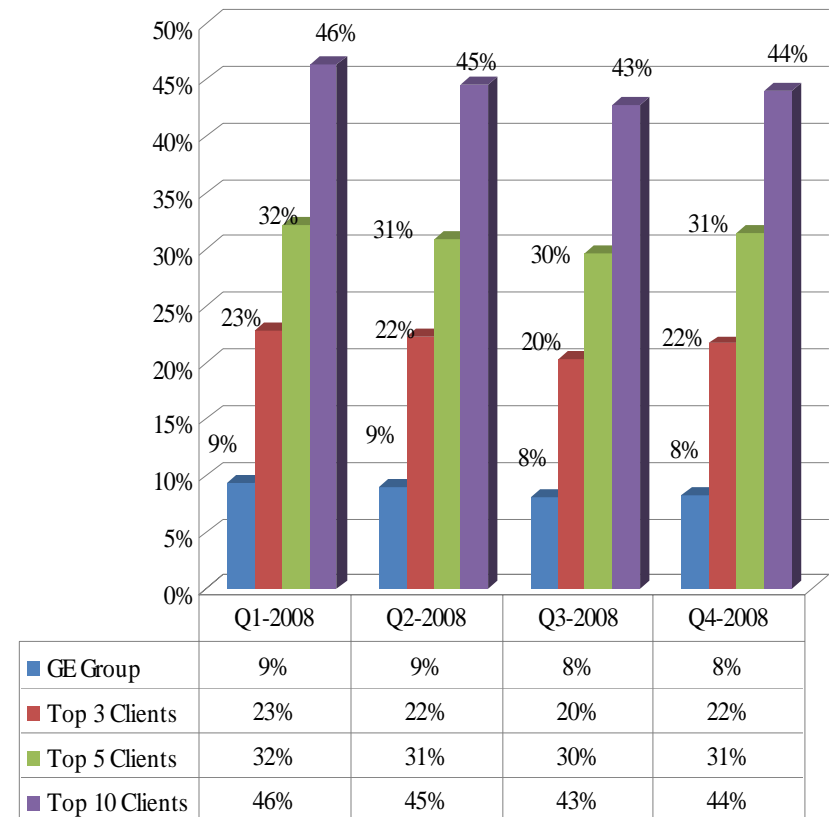
	2008	2007
Share Holders' Funds	171.6	142.6
Receivables	79.0	61.3
Receivables in days "DSO"	67	← 74
Cash & Bank	63.6	51.2
Net Current Assets	101.9	84.5
Fixed Assets (net)	74.6	61.0
Secured Loans	3.2	0.6

Quarter-wise Revenue Break-Down 2008

By Geography



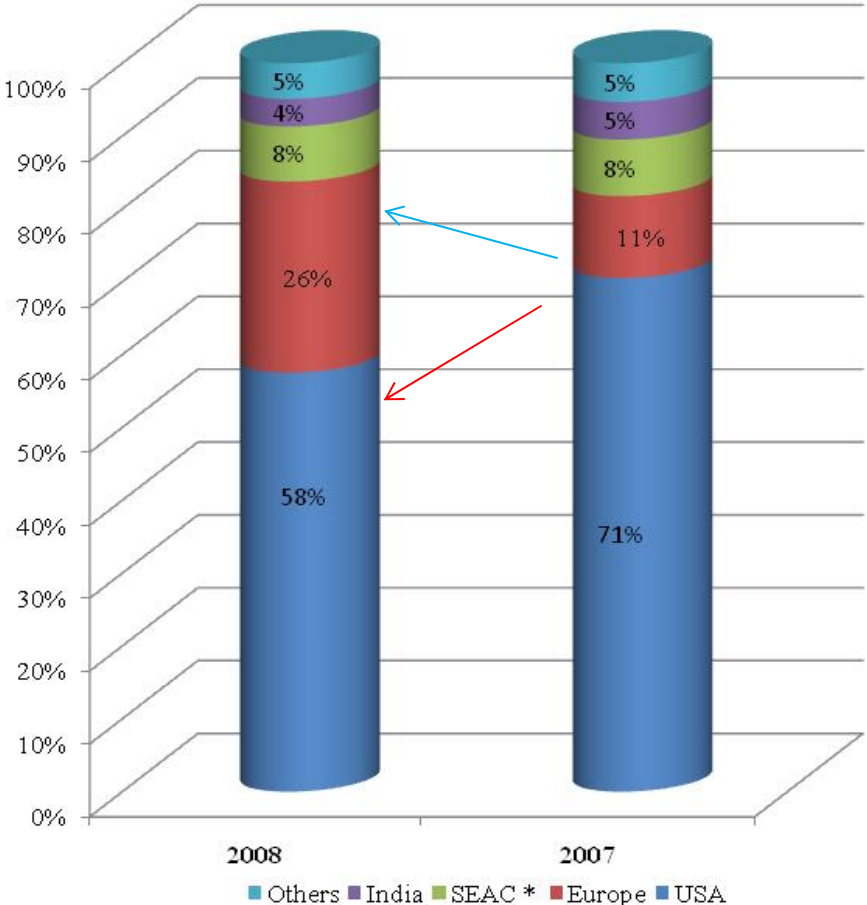
Client Concentration



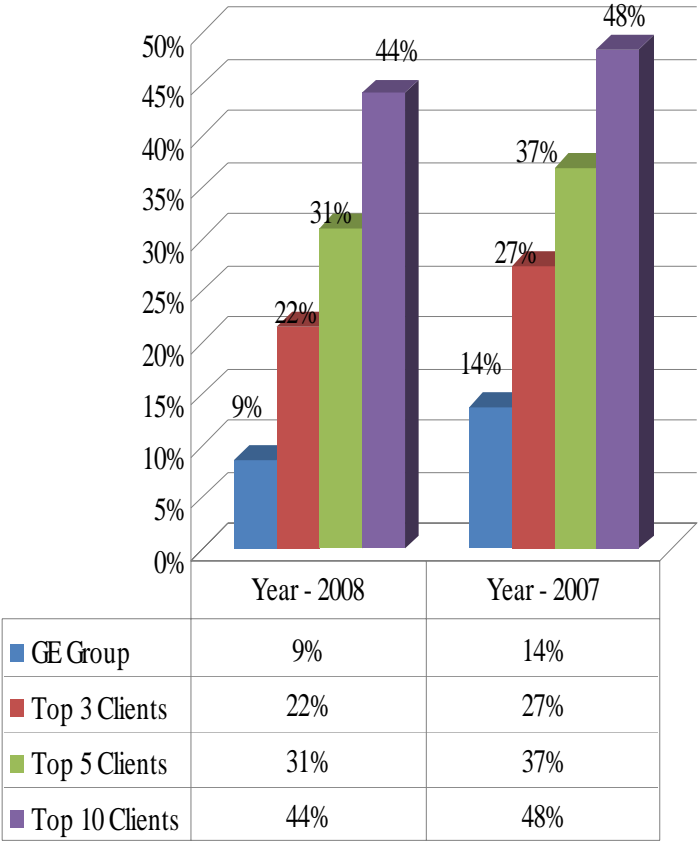
* South East Asian Countries

Revenue Break-Down Year 2008 YOY

By Geography



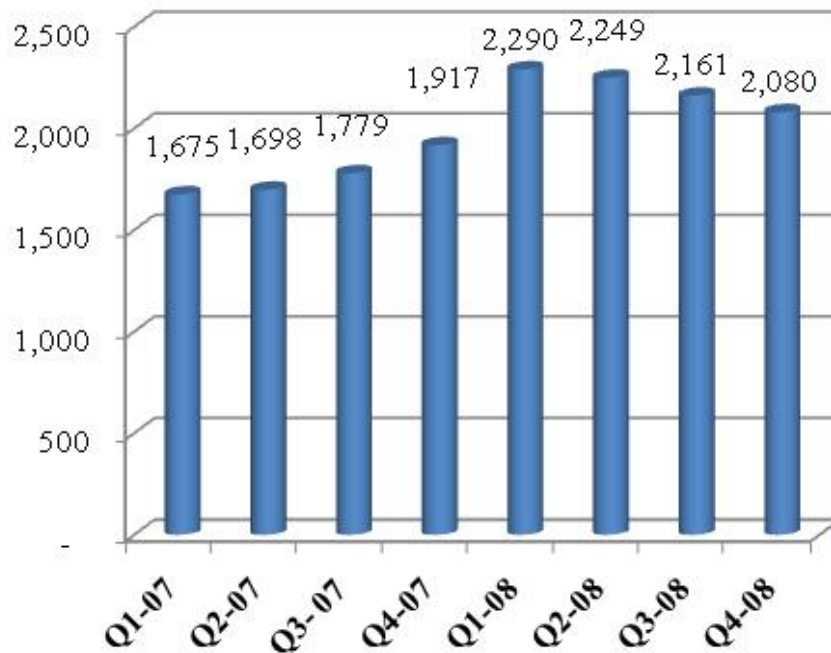
Client Concentration



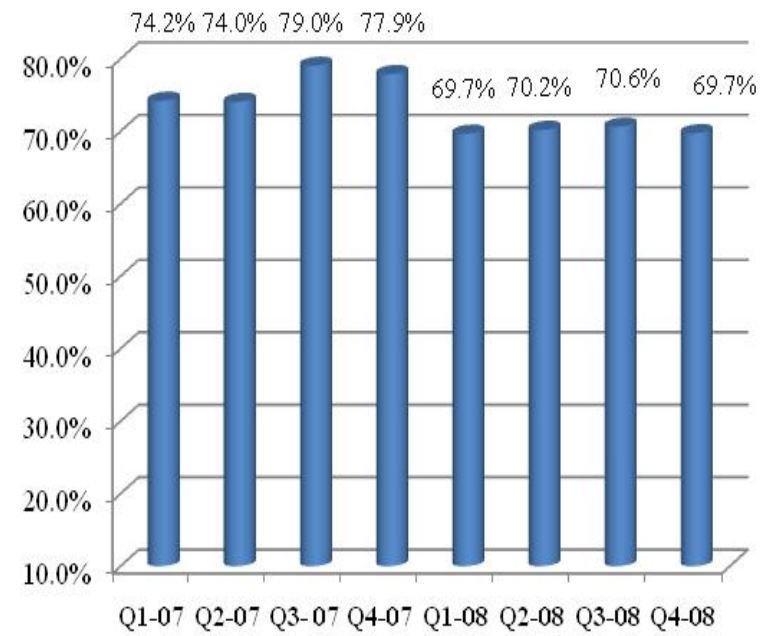
* South East Asian Countries

Addition of Key Global Clients

Head Count and Utilization



Reduction in head-count during 2008 was resultant of increased emphasis placed on productivity improvement by reducing staffing and deployment of trainees in our global development centre's

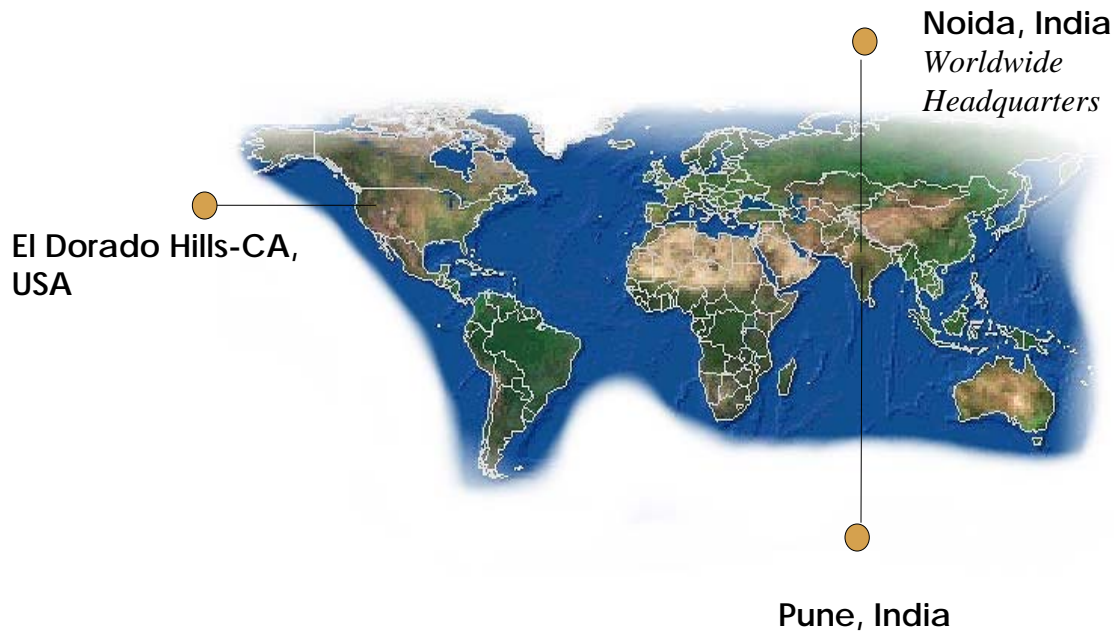


Offshore & Onsite Mix During Q4-08 was 61.7% & 38.3% as against 62.5% & 37.5% in Q3-08

Looking Ahead

- Q4 and FY 08 results were an achievement considering the difficult economy
- Economic uncertainties are dampening new initiatives from corporate clients clouding growth prospects in the near term
- R Systems is well positioned to deal with near term challenges and emerge stronger through
 - Strong balance sheet and prudence
 - Rigorous execution
 - Deep Domain Knowledge in Multiple Areas
 - Good Customer Franchise

Contact Information



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**Thank You
For Your Support**

