



R Systems Announces Results for Q2 2010

Revenue: Rs 68.48 Crores, EBITDA: Rs 3.41 Crores and Net Profits: Rs 1.14 Crores

Noida, India – July 31, 2010

Highlights

Consolidated results for the quarter ended June 30, 2010

- Consolidated revenues from operations for Q2-10 was Rs 68.48 crores (US\$ 15.01 mn); sequential QoQ decline was 5.44 % and YoY decline was 16.98 %.
- Earnings before interest, depreciation, taxes and allowances (“EBITDA”) was Rs 3.41 crores (US\$ 0.75 mn); sequential QoQ decline was 45.41 % and YoY decline was 59.29%.
- Net profit after taxes was Rs 1.14 crores (US\$ 0.25 mn) compared to Rs 6.58 crores (US\$ 1.43 mn) in Q1, 2010, while Q2, 2009 had Net loss (after considering impairment charges) of Rs 16.23 crores (US\$ 3.28 mn).

Others

- During the quarter, R Systems added 5 clients who have the potential to be significant customers. These gains were offset by reduction in volumes and delayed project start from some of our larger customers.

The volatility of INR against key billing currency had negatively impacted our Q2, 2010 revenue by 1.82 % on a QoQ basis and 5.67 % on a YoY basis. The Company has managed its working capital well and the Cash Balances as at June 30, 2010 stood at Rs 85.19 crores or Rs 69.58 per share as against Rs 68.01 per share on March 31, 2010, and Rs 58.54 per share on June 30, 2009.

Rekhi Singh, Chairman and Managing Director said “While we are working our way out of slow down, the slow down and its impact on our customers continued to affect our business during Q2. The pipeline in the business units looks strong and we are considered as serious players in all our focus verticals of ISV, Telecom and BFSI”. He further added “Gross Margins were impacted by decreased business volume, unfavorable exchange rates and increased employee costs arising from the salary changes effected in Q1 2010 covering the entire offshore team”.

Raj Swaminathan, COO and Director added “While there has been a decline in volumes, we are seeing increasing traction in the Telecom and the Healthcare sectors that we serve with our products as well as services”.



Key Operational Highlights

iPLM Services Group:

R Systems is focused 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 competencies in technology and customer's business domain, 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.

As a part of our iPLM suite, we offer customer care and technical support mainly to high technology sector. These services are offered through a seamlessly integrated global hybrid delivery model from centres in India, Europe and USA.

During the quarter, key customers wins included:

A leading third-party logistics ("3PL") company, providing value-added warehousing, contract packaging and manufacturing, staffing, logistics and associated freight management and transportation services has selected R Systems to enhance its website, portals that handle claims, capacity management, document imaging, imports and carrier payments.

A USA based non-profit agency that serve western Pennsylvania region for helping individuals and families with life's changing needs has selected R Systems Share Point COE to develop a web solution for its website to integrate all business units for tracking and managing its services.

A Healthcare company in the business of producing medical device and dialysis equipment for Hemodialysis has selected R Systems to provide and maintain a e-prescription module.

Products Group:

R Systems products group consists of its two units Indus® and ECnet®.

R Systems in partnership with one of the Indian largest IT Company has won its seventh Telecom customer for the Credit Management and Revenue Collection System. This was our second deal with this industry leading system integrator and also the second transaction with the same global telecom player.

One of Asia's leading investment house headquartered in Singapore a \$ 100 billion company has selected Indus Loan Origination System for its India operations.

One of the world's largest financial services corporation's Indian insurance business has selected R Systems "iPersyst" as it's solution for managing premium lapses and customer retention.

The ECnet E-Procurement solution has been selected by three customers during this quarter. The first is a total solution provider of turnkey box-build assembly and electronic manufacturing services for original



equipment manufacturing clients located in Thailand and the other two being business units of Asia's Global Electronic Giants.

R System has been engaged by a Global Insurance Company's Singapore based business to deliver a payment gateway solution.

Liquidity and Shareholder Funds

Cash and cash equivalents, including bank deposits, as at June 30, 2010 was Rs 85.19 crores. Earnings before interest, depreciation, taxes and allowances ("EBITDA") was Rs 3.41 crores (US\$ 0.75 mn.) in Q2 2010. Total shareholder funds as on June 30, 2010 were 174.57 crores compared to Rs 173.13 crores as on March 31, 2010.

Human Resources

R Systems ended June 30, 2010 with total count of 2,021 associates.

Process, Quality and Innovation

R Systems plans to launch its Corporate Lending Solution, a product based on contemporary SOA enabled J2EE architecture by Q1 2011. The new product will have state of art User Interface and significant functionality supporting requirements of sophisticated financial products for the SME and Corporate sector.

Capacity of Development and Service Centres

At the end of June 30, 2010, the total square footage of R Systems development centres was 184,416 square feet with a seating capacity of 2,814.

Financial Performance

Consolidated Profit & Loss Statement (Un-audited) for the Quarter Ended June 30, 2010 (As per Indian GAAP)

(Rs in mn except per share data)

Sr. No.	Particulars	Quarter Ended June 30,		YoY Growth %	Quarter Ended March 31, 2010	QoQ Growth %
		2010	2009			
1	Income					
1.1	Net Sales	684.82	824.89	(16.98)	724.25	(5.44)
1.2	Other Operating Income	6.36	17.97	(64.64)	6.36	-
	Total	691.18	842.86	(18.00)	730.61	(5.40)
2	Expenditure					
2.1	Employees Cost	465.45	534.52	(12.92)	481.26	(3.28)
2.2	Traveling Cost	50.24	47.25	6.24	43.90	14.45
2.3	Communication Costs	15.97	17.92	(10.89)	13.70	16.55
2.4	Legal & Professional Expenses	51.30	71.53	(28.29)	57.31	(10.49)
2.5	Provision For Doubtful Debts / Advances	3.91	15.81	(75.30)	7.92	(50.70)
2.6	Depreciation / Amortisation	33.37	35.27	(5.39)	33.08	0.86
2.7	Other Expenditure	69.83	84.46	(17.28)	61.27	13.98
	Total Expenditure	690.07	806.76	(14.46)	698.44	(1.20)
3	Profit From Operations Before Other Income, Interest & Exceptional Items	1.11	36.10	(96.93)	32.17	(96.56)
4	Other Income	12.02	12.75	(5.72)	11.52	4.34
5	Profit Before Interest & Exceptional Items	13.13	48.85	(73.13)	43.69	(69.95)
6	Interest	0.16	0.51	(68.43)	0.22	(24.77)
7	Profit After Interest But Before Exceptional Items	12.97	48.34	(73.18)	43.47	(70.17)
8	Exceptional Income / (Expense)	-	(208.71)	-	-	-
9	Profit/(Loss) Before Tax and Prior Period Items	12.97	(160.37)	-	43.47	(70.17)
10	Prior Period Items	(1.73)	-	-	-	-
11	Profit/(Loss) Before Tax	11.24	(160.37)	(107.01)	43.47	(74.15)
12	Provision For Tax					
12.1	Current Tax	5.01	7.74	(35.35)	9.61	(47.94)
12.2	MAT Credit Entitlement	(0.95)	(0.99)	(4.04)	(13.20)	(92.80)
12.3	Deferred Tax Charge / (Credit)	(4.25)	(6.56)	(35.30)	(18.73)	(5.44)
12.4	Fringe Benefit Tax	-	1.70	-	-	-
	Total	(0.19)	1.89	(110.05)	(22.32)	(99.15)
13	Net Profit/(Loss) After Tax	11.43	(162.26)	(107.04)	65.79	(82.63)
14	Earning Per Share					
14.1	Basic	0.93	(12.68)	(107.32)	5.34	(82.63)
14.2	Diluted	0.92	(12.68)	(107.23)	5.27	(82.62)

Financial Performance

Consolidated Profit & Loss Statement (Un-audited) for the Six Months Ended June 30, 2010 (As per Indian GAAP)

(Rs in mn except per share data)

Sr. No.	Particulars	Six Month Ended June 30		Growth %
		2010	2009	
1	Income			
1.1	Net Sales	1,409.07	1,725.72	(18.35)
1.2	Other Operating Income	12.72	19.50	(34.82)
	Total	1,421.79	1,745.22	(18.53)
2	Expenditure			
2.1	Employees Cost	946.71	1,078.41	(12.21)
2.2	Traveling Cost	94.14	98.32	(4.26)
2.3	Communication Costs	29.67	37.20	(20.25)
2.4	Legal & Professional Expenses	108.61	136.80	(20.61)
2.5	Provision for doubtful Debts/ Advances	11.83	37.47	(68.44)
2.6	Depreciation/Amortisation	66.45	64.74	2.64
2.7	Other Expenditure	131.10	156.36	(16.14)
	Total Expenditure	1,388.51	1,609.30	(13.72)
3	Profit From Operations Before Other Income, Interest & Exceptional Items	33.28	135.92	(75.52)
4	Other Income	23.54	25.65	(8.22)
5	Profit Before Interest & Exceptional Items	56.82	161.57	(64.84)
6	Interest	0.38	1.17	(67.95)
7	Profit After Interest But Before Exceptional Items	56.44	160.40	(64.82)
8	Exceptional Income / (Expense)	-	(208.71)	(99.17)
9	Profit/(Loss) Before Tax and Prior Period Items	56.44	(48.31)	-
10	Prior Period Items	(1.73)	-	-
11	Profit/(Loss) Before Tax	54.71	(48.31)	(213.27)
12	Provision For Tax			
12.1	Current Tax	14.62	19.06	(23.30)
12.2	MAT Credit Entitlement	(14.15)	(6.82)	107.48
12.3	Deferred Tax Charge / (Credit)	(22.98)	2.46	(1,033.98)
12.4	Fringe Benefit Tax	-	3.25	-
	Total	(22.51)	17.95	(225.39)
13	Net Profit/(Loss) After Tax	77.22	(66.26)	(216.56)
14	Earning Per Share			
14.1	Basic	6.27	(5.10)	(222.90)
14.2	Diluted	6.19	(5.10)	(221.42)



Financial Performance

Consolidated Profit & Loss Statement (Un- audited) for the Quarter Ended June 30, 2010 (Contribution Analysis Format; Basis Indian GAAP)

(Figures in mn except per share data)

Particulars	Q2 2010		Q2 2009		Q1 2010	
	INR	US\$	INR	INR	INR	US\$
Revenues	684.82	15.01	824.89	16.96	724.25	15.79
Cost of Revenues	442.33	9.69	513.52	10.55	457.21	9.97
Gross Margin	242.49	5.32	311.37	6.41	267.04	5.82
SG & A	35.41%		37.75%		36.87%	
Expenses	208.43	4.57	227.72	4.68	204.66	4.46
	30.44%		27.61%		28.26%	
EBITDA	34.06	0.75	83.65	1.73	62.38	1.36
Depreciation / Amortization	4.97%		10.14%		8.61%	
	33.37	0.73	35.27	0.72	33.08	0.72
Operating Income Before Non Recurring Cost	0.69	0.02	48.38	1.01	29.30	0.64
Non Recurring Cost	1.73	0.04	208.71	4.25	-	-
Income/(Loss) From Operations	(1.04)	(0.02)	(160.33)	(3.24)	29.30	0.64
Interest Expense	(0.16)	(0.00)	(0.51)	(0.01)	(0.22)	(0.00)
Other Income (Net)	12.44	0.26	0.47	0.01	14.39	0.31
Income /(Loss) Before Income Tax	11.24	0.24	(160.37)	(3.24)	43.47	0.95
Income Tax Provision	(0.19)	(0.01)	1.89	0.04	(22.32)	(0.48)
Net Earnings/(Loss)	11.43	0.25	(162.26)	(3.28)	65.79	1.43
Earning Per Share						
- Basic	0.93	0.02	(12.68)	(0.26)	5.34	0.12
- Diluted	0.92	0.02	(12.68)	(0.26)	5.27	0.11



Financial Performance

Consolidated Profit & Loss Statement (Un- audited) for the Six Months Ended June 30, 2010 (Contribution Analysis Format; Basis Indian GAAP)

(Figures in mn except per share data)

Particulars	Jan to June 10		Jan to June 09	
	INR	US\$	INR	US\$
Revenues	1,409.07	30.80	1,725.72	35.11
Cost of Revenues	899.54	19.66	1,024.70	20.85
Gross Margin	509.53	11.14	701.02	14.26
	36.16%		40.62%	
SG & A				
Expenses	413.09	9.03	483.89	9.84
	29.32%		28.04%	
EBITDA	96.44	2.11	217.13	4.42
	6.84%		12.58%	
Depreciation/Amortisation	66.45	1.45	64.74	1.32
Operating Income Before Non Recurring Cost	29.99	0.66	152.39	3.10
Non Recurring Cost	1.73	0.04	208.71	4.25
Income/(Loss) From Operations	28.26	0.62	(56.32)	(1.15)
Interest Expense	(0.38)	(0.00)	(1.17)	(0.02)
Other Income (Net)	26.83	0.58	9.18	0.19
Income/(Loss) Before Income Tax	54.71	1.20	(48.31)	(0.98)
Income Tax Provision	(22.51)	(0.49)	17.95	0.37
Net Earnings/(Loss)	77.22	1.69	(66.26)	(1.35)
Earnings Per Share				
- Basic	6.27	0.14	(5.10)	(0.10)
- Diluted	6.19	0.14	(5.10)	(0.10)

Consolidated Balance Sheet as at June 30, 2010 (As per Indian GAAP)

(Rs in mn)

Particulars	As at June 30,		As at Mar 31,
	2010 (Un-Audited)	2009 (Un-Audited)	2010 (Un-Audited)
SOURCES OF FUNDS			
Shareholders' Funds			
Capital	122.43	125.09	122.43
Reserves and Surplus	1,623.26	1,465.22	1,608.91
Net Worth	1,745.69	1,590.31	1,731.34
Loan Funds			
Secured Loans	9.90	52.22	11.03
Deferred Tax Liability (Net)	-	19.33	2.33
Total	1,755.59	1,661.86	1,744.70
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	1,108.81	1,076.78	1,102.50
Less: Depreciation	623.33	519.40	595.83
Net Block	485.48	557.38	506.67
Capital Work-in-Progress	1.14	18.35	0.92
	486.62	575.73	507.59
Investments	0.03	0.03	0.03
Deferred Tax Assets (Net)	1.91	-	-
Current Assets, Loans & Advances			
Sundry Debtors	481.95	543.59	544.85
Cash & Bank Balances	851.91	732.28	832.64
Other Current Assets	198.55	212.21	187.09
Loans & Advances	191.52	126.81	197.24
Total Current Assets (A)	1,723.93	1,614.89	1,761.82
Less : Current Liabilities and Provisions			
Liabilities	321.23	376.11	352.65
Provisions	135.67	152.68	172.09
Total Current Liabilities (B)	456.90	528.79	524.74
Net Current Assets (A-B)	1,267.03	1,086.10	1,237.08
Total	1,755.59	1,661.86	1,744.70

Consolidated Operational Data (Un-audited)

Profitability in Percentage	Quarter ended		
	June 30, 10	June 30, 09	Mar 31, 10
Revenues	100.00	100.00	100.00
Gross margin	35.41	37.75	36.87
SG & A	30.44	27.61	28.26
EBITDA	4.97	10.14	8.61
EBT	1.64	(19.44)	6.00
PAT	1.67	(19.67)	9.08
Basic EPS (Rs)	0.93	(12.68)	5.34

Revenue from Top 5 Clients	Quarter ended		
	June 30, 10	June 30, 09	Mar 31, 10
Top 5 Clients	30.53%	35.05%	30.34%
Top 3 Clients	18.88%	23.70%	19.85%
Largest Client	6.41%	10.40%	6.97%

Revenues by Geographies	Quarter ended		
	June 30, 10	June 30, 09	Mar 31, 10
USA	61.06%	51.96%	57.53%
Europe	18.33%	28.85%	21.74%
SEAC (South East Asia)	9.74%	10.08%	10.11%
India	7.39%	3.33%	6.03%
Others	3.48%	5.78%	4.59%
Total	100.00%	100.00%	100.00%

Utilization (excluding trainees)	Quarter ended		
	June 30, 10	June 30, 09	Mar 31, 10
Onsite	68.09%	64.99%	69.61%
Offshore	68.48%	61.79%	69.78%
Blended	68.42%	62.36%	69.75%

Utilization (including trainees)	Quarter ended		
	June 30, 10	June 30, 09	Mar 31, 10
Onsite	68.09%	64.99%	69.61%
Offshore	63.77%	59.48%	66.40%
Blended	64.36%	60.42%	66.87%

Consolidated Operational Data (Un-audited)

Human resources	As at		
	June 30, 10	June 30, 09	Mar 31, 10
Technical	1,686	1,974	1,719
Software services			
Onsite	96	99	103
Offshore	1095	1312	1,154
BPO			
Offshore	233	269	244
Onsite	153	231	155
Trainees at offshore	109	63	63
Support	335	370	322
Total count	2,021	2,344	2,041

(Rs in mn except DSO)

Key Balance Sheet Data	As At		
	June 30, 10	June 30, 09	Mar 31, 10
Receivable	481.95	543.59	544.85
Receivable in days (“DSO”)	65	61	61
Cash & bank balance	851.91	732.28	832.64
Net current assets	1,267.03	1,086.10	1,237.08
Fixed assets	486.62	575.73	507.59
Secured loans	9.90	52.22	11.03
Shareholders’ funds	1,745.69	1,590.31	1,731.34

Development/Service centers	As on June 30, 2010			
	Completed		Work-in-progress	
	Covered areas in sq ft.	No. of seats	Covered areas in sq ft.	No. of seats
India				
Noida	76,980	1,452	-	-
Pune	30,940	529		
Chennai	16,276	253		
	124,196	2,234	-	-
USA	23,300	177		
Singapore	7,125	40		
Europe	29,795	363		
Total	184,416	2,814	-	-



Notes:

1. US\$ equivalent figures are derived by converting the Rupee figures using average rates for profit & loss items and closing rate for balance sheet items.
2. Previous period's figures have been regrouped / recasted wherever applicable, to the extent possible.

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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