

# R Systems International Limited

## Review of Q3, 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.”**

# Today's Discussions

## Review of Operating Performance in Q3, 08 and Trends

# Key Highlights

## ➤ Performance:

- Q3 Revenues grew 44% YoY
- EBITDA Up 44% YoY to Rs. 11.1 crores (\$2.5 mn.);
- Exchange losses Rs. 1.6 crs (\$0.36 mn.)
- Net Profits in Q3-08 was Rs. 6.5 crs (\$1.5mn.) against Rs. 6.7 crs (\$ 1.6 mn.) in Q3-07; Rs. 4.6 crs (\$1.1 mn.) in Q2-08.

## ➤ Customer Relationships:

- Fortune 500 to mid-sized companies
- 17 \$1 million+ per annum accounts accounting for 52% of Revenues
- Strategic enduring relationships supported by domain knowledge and IPR's

# Key Highlights

## ➤ Environment:

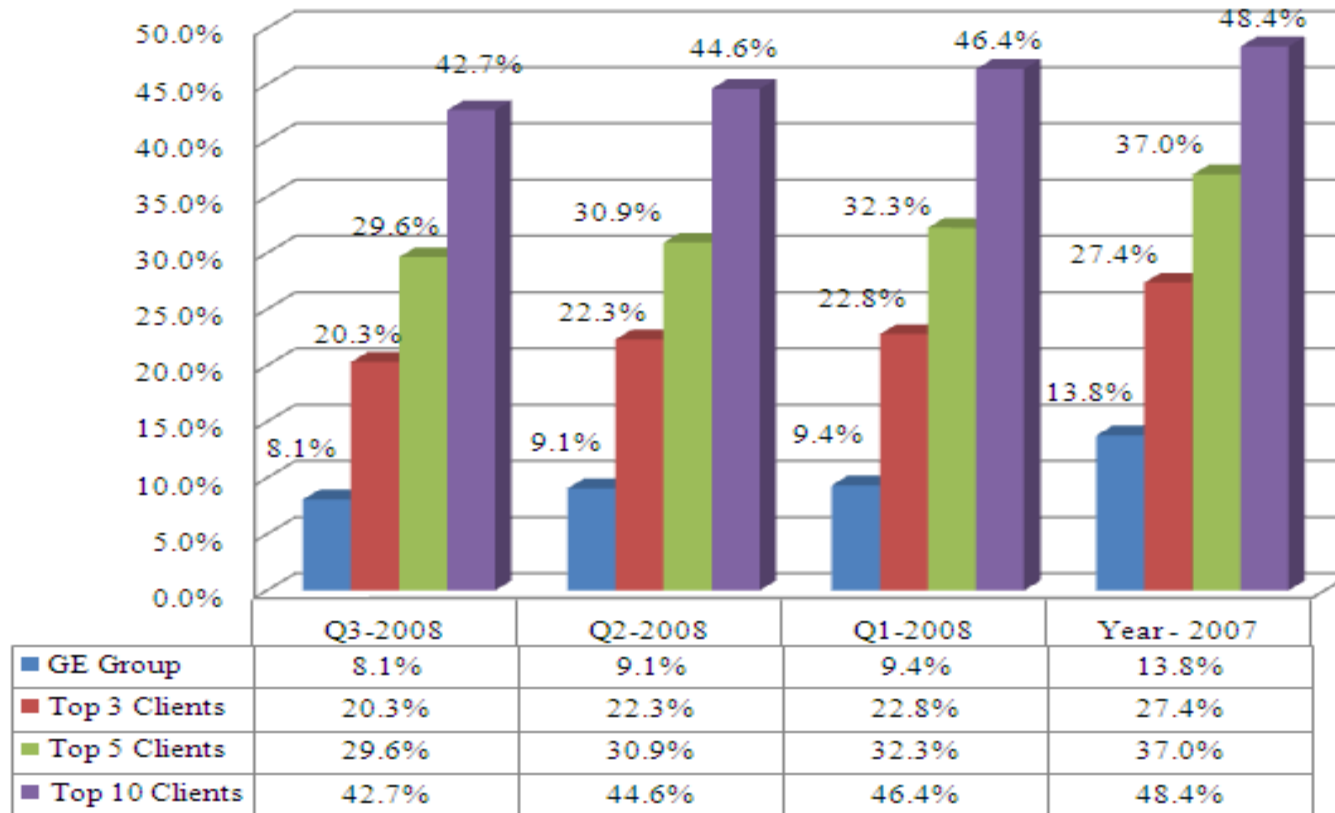
- Customers are getting cautious with new product development because of negative economic sentiments.
- No significant contract cancellations because of global banking crisis.
- Renewed emphasis on outsourcing of product maintenance by ISVs.
- Increase in pent-up demand.
- \$ gain a huge relief to the industry.

# Consolidated Results (Un-audited)

( Figures in mn. except per share data)

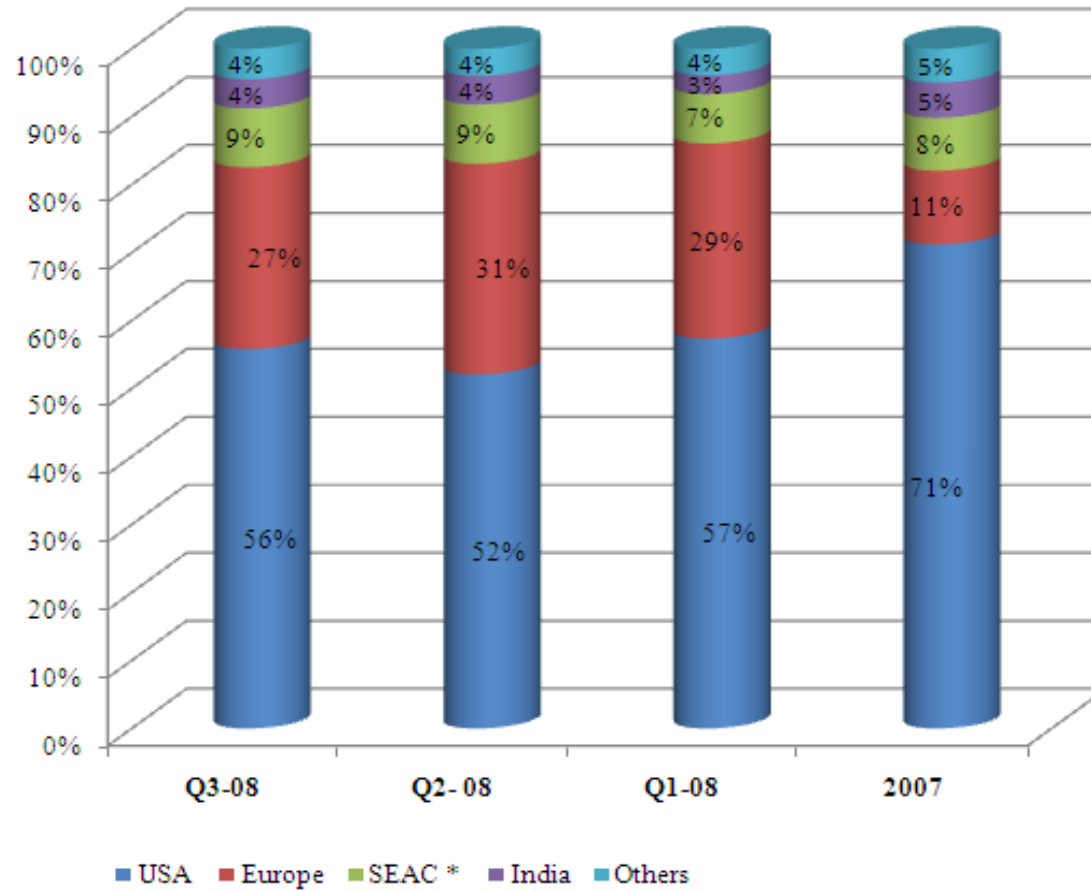
Particulars	Q3 2008		Q3 2007		Q2 2008	
	INR	US\$	INR	US\$	INR	US\$
<b>Revenues</b>	<b>921.14</b>	<b>21.02</b>	<b>641.00</b>	<b>15.75</b>	<b>905.59</b>	<b>21.80</b>
Cost of revenues	563.06	12.85	402.70	9.91	552.42	13.29
<b>Gross Margin</b>	<b>358.08</b>	<b>8.17</b>	<b>238.29</b>	<b>5.85</b>	<b>353.17</b>	<b>8.50</b>
	<b>38.87%</b>		<b>37.18%</b>		<b>39.00%</b>	
<b>SG &amp; A</b>						
Expenses	247.50	5.65	161.71	3.99	242.65	5.84
Depreciation	30.26	0.69	18.46	0.44	28.09	0.67
	<b>30.15%</b>		<b>28.11%</b>		<b>29.90%</b>	
<b>Income/(Loss) from operations</b>	<b>80.32</b>	<b>1.83</b>	<b>58.13</b>	<b>1.42</b>	<b>82.43</b>	<b>1.99</b>
Interest expense	(1.36)	(0.03)	(1.23)	(0.03)	(1.37)	(0.03)
Other income, net	(5.45)	(0.12)	21.29	0.52	(31.67)	(0.79)
<b>Income/(Loss) before income tax</b>	<b>73.51</b>	<b>1.68</b>	<b>78.18</b>	<b>1.91</b>	<b>49.40</b>	<b>1.18</b>
Income tax provision	8.02	0.19	10.82	0.28	2.96	0.07
<b>Net Earnings/(Loss)</b>	<b>65.49</b>	<b>1.49</b>	<b>67.37</b>	<b>1.63</b>	<b>46.44</b>	<b>1.11</b>
<b>EPS</b>						
- Basic	<b>4.82</b>	<b>0.11</b>	<b>4.96</b>	<b>0.12</b>	<b>3.42</b>	<b>0.08</b>
- Diluted	<b>4.76</b>	<b>0.11</b>	<b>4.89</b>	<b>0.12</b>	<b>3.38</b>	<b>0.08</b>

# Revenue Concentration



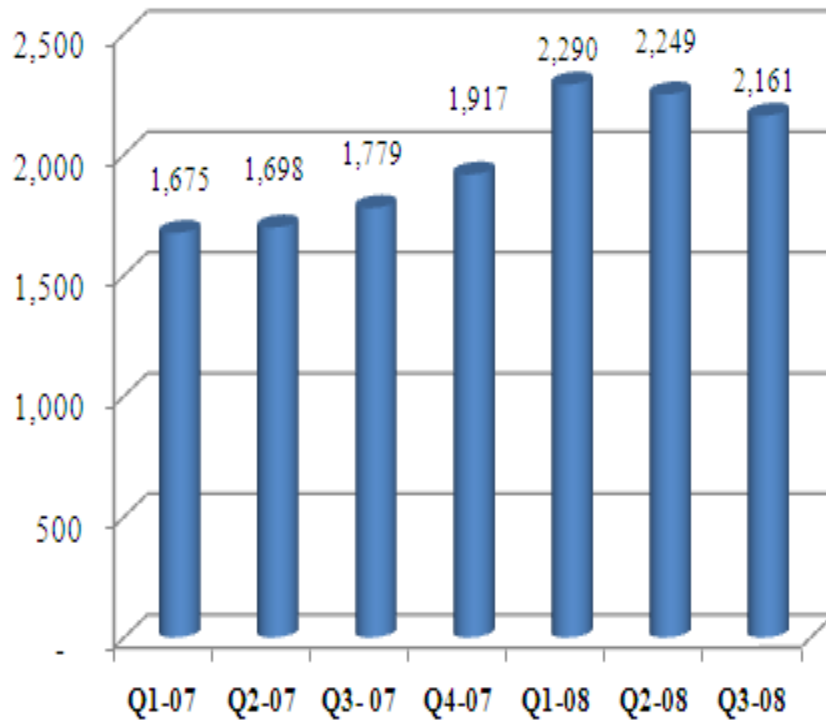
Improvement in Client Diversity Ratios – Addition of Key Global Clients

# Revenue by Geography

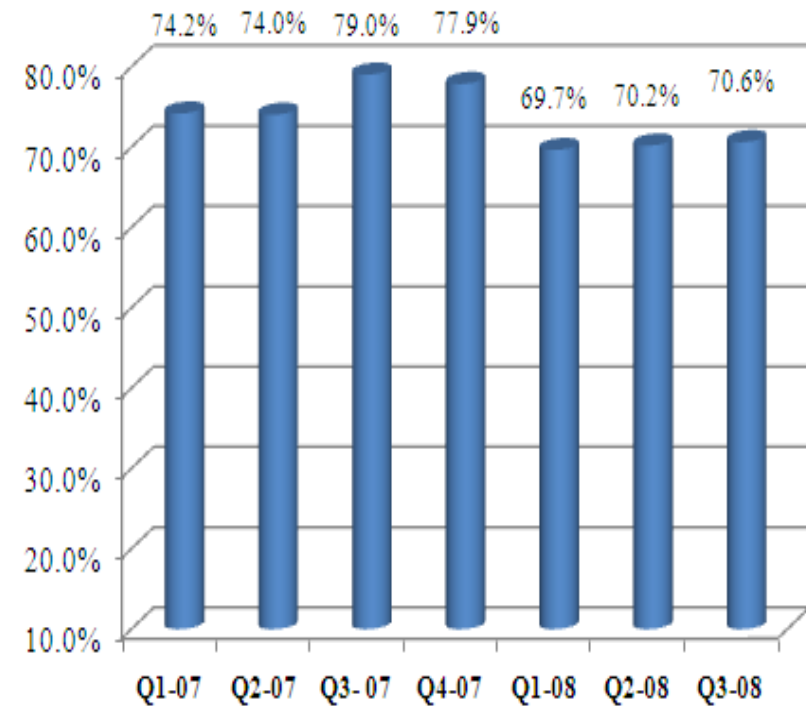


\* South East Asian Countries

# Technical Head Count

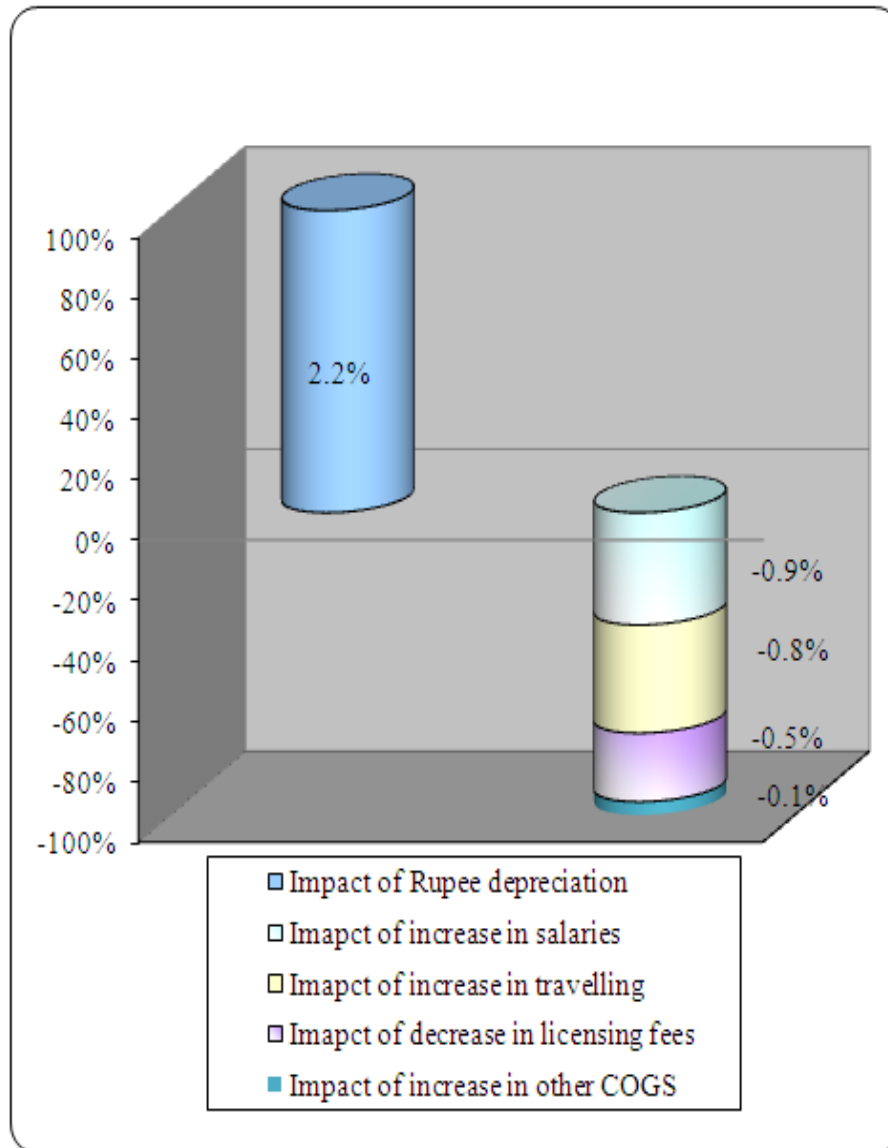


Reduction in Technical Counts in Q3-08 was resultant of increased emphasis placed on productivity improvement by reducing staffing and deployment of trainees in our global development centres



Offshore & Onsite Mix During Q3-08 was 62.5% & 37.5 % against 62.1% & 37.9% for Q2-08

# Gross Margins Analysis

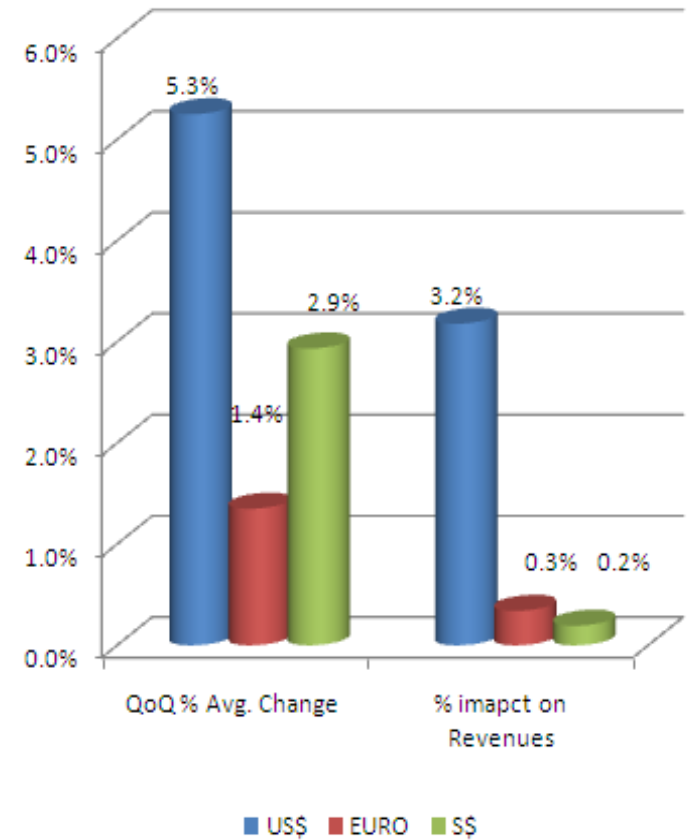


## Movement in Gross Margin Q3-08 vs Q2-08

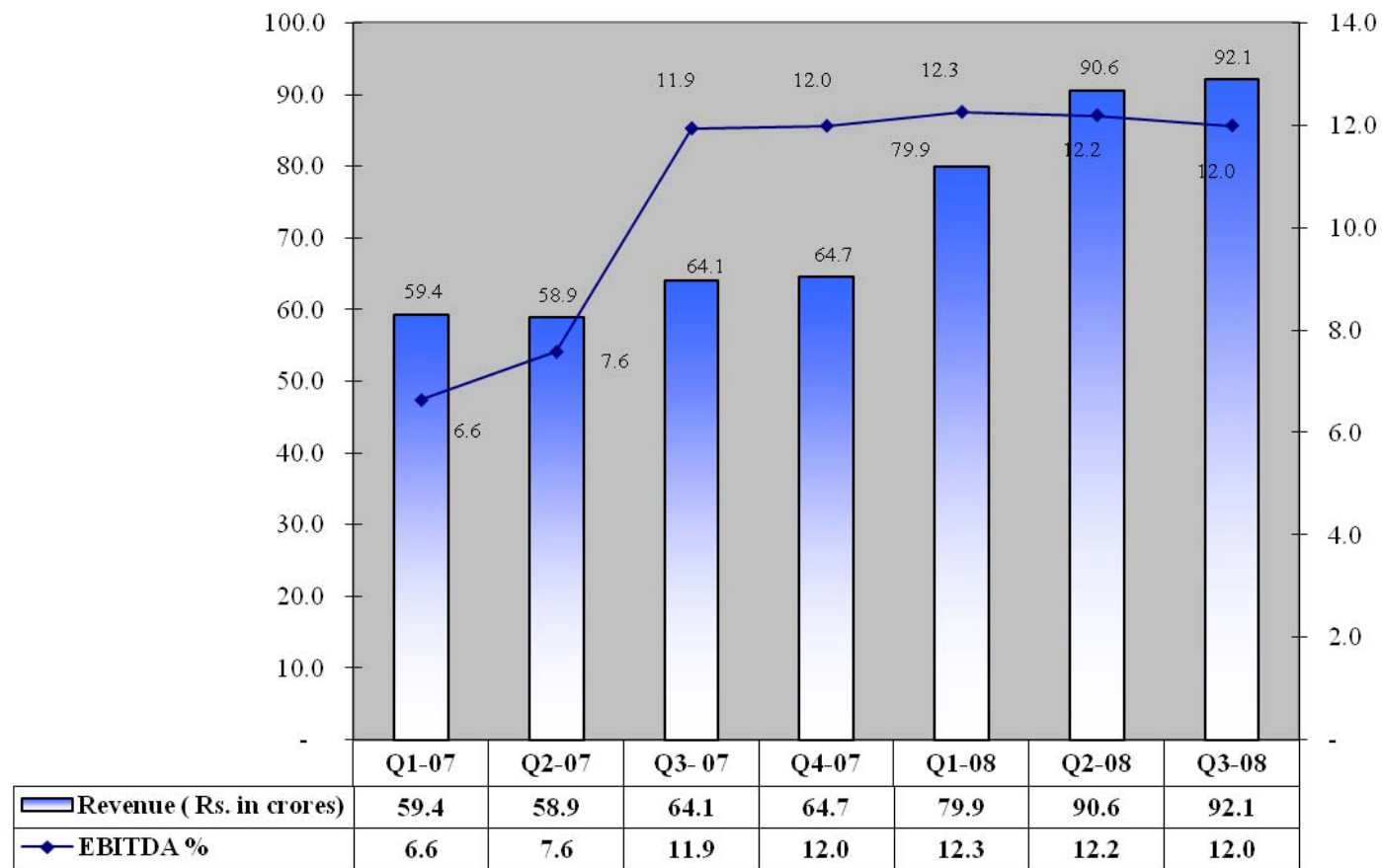
Gross Margin in Q2-08	39.0%
Rupee depreciation	2.2%
Increase in salaries	-0.9%
Increase in travelling	-0.8%
Decrease in license fees	-0.5%
Increase in other COGS	-0.1%
Gross Margin in Q3-08	38.9%

# Forex Impact (Revenues and Gross Margins)

Currency	Revenue Rs. in crs	QoQ % Avg. Change	Impact On Revenue (Rs. In crs.)	% Impact On Revenue
US\$	58.63	5.3%	2.9	3.2%
EURO	23.27	1.4%	0.3	0.3%
S\$	6.17	2.9%	0.2	0.2%
INR	3.84			
Others	0.20			
Total	92.11		3.4	3.7%
Impact On GM			2.0	2.2%

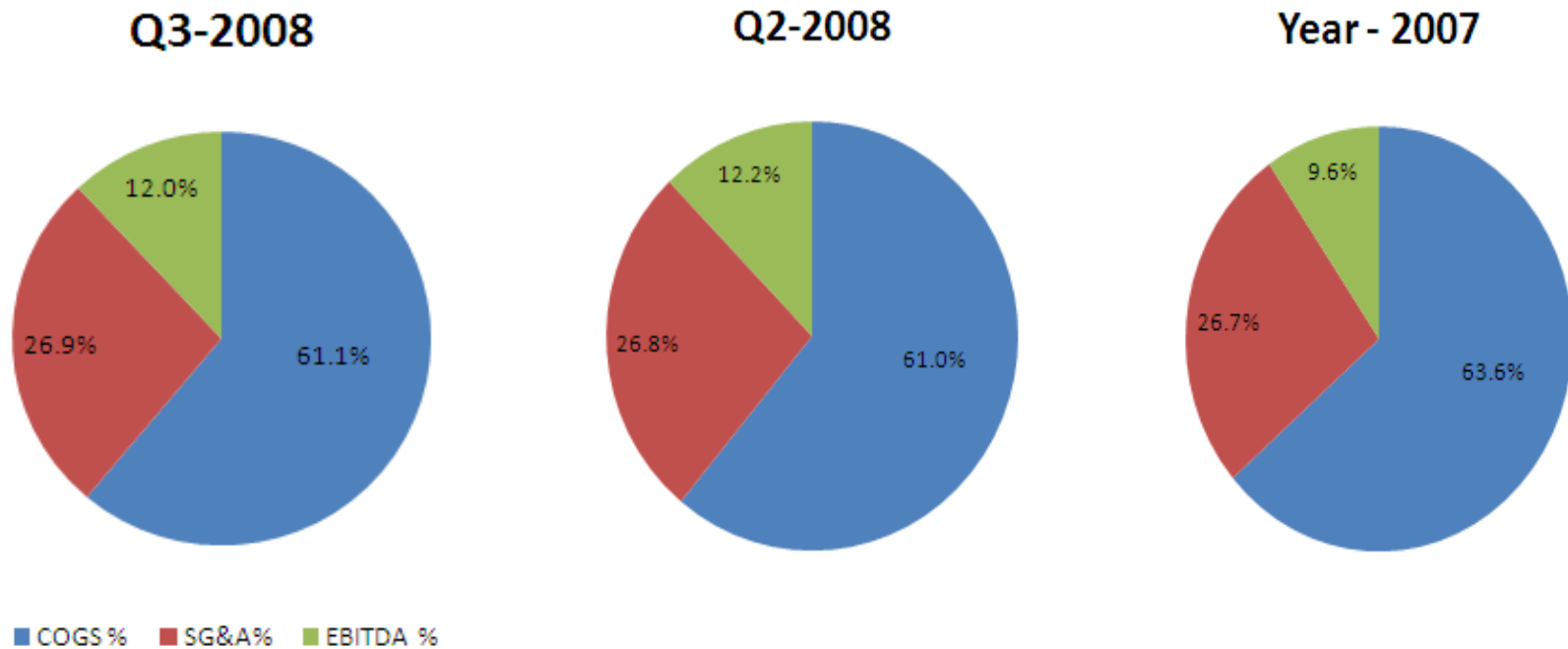


# Revenue Growth and Margins



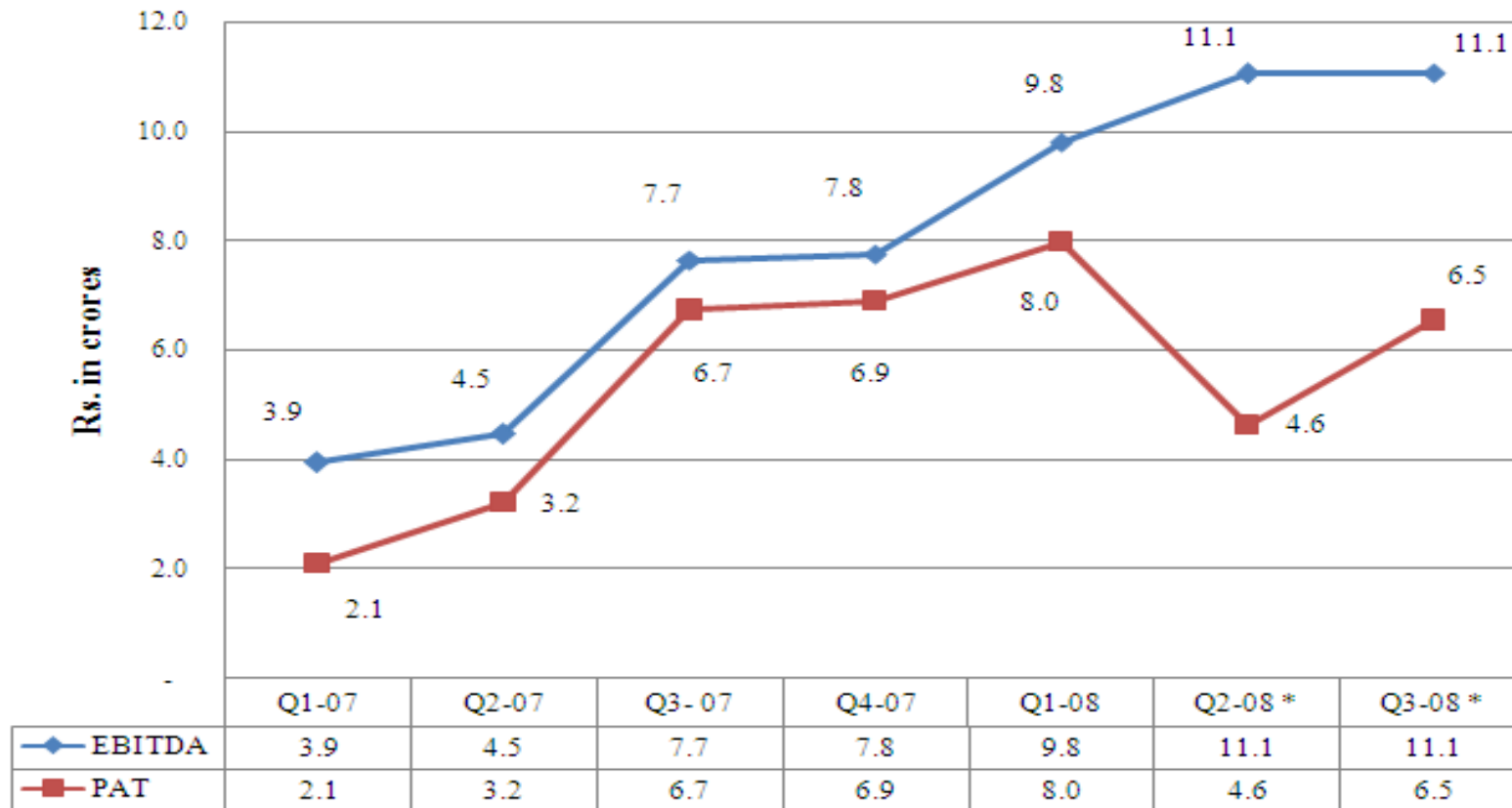
– Growth Rate in Revenues During Last 6 Quarters was > 55%.

# Revenues to Margin



Gross Margin increased to approx 39.0% in Q3-08 from 36.4% in 2007

# EBITDA & PAT



\* Q3-08 & Q2-08 PAT is after accounting for net exchange loss of Rs. 1.6 crs and Rs. 3.9 crs respectively.

# Forex Analysis (Other Income)

- Forward contracts: \$11.90 million at the end of Q3,08 with average rate of Rs. 40.83.
- Quarter end \$ rate was Rs. 47.35 as against 42.85 at the end of Q2-08.
- Loss on “Mark to Market” of forward contracts due to further fall in Rupee was Rs. 4.2 crs.
- Gain on forex denominated receivables etc. Rs. 2.6 crs.
- Net impact on P/L Rs. 1.6 crs or \$ 0.36 mn.

# Balance Sheet Strength

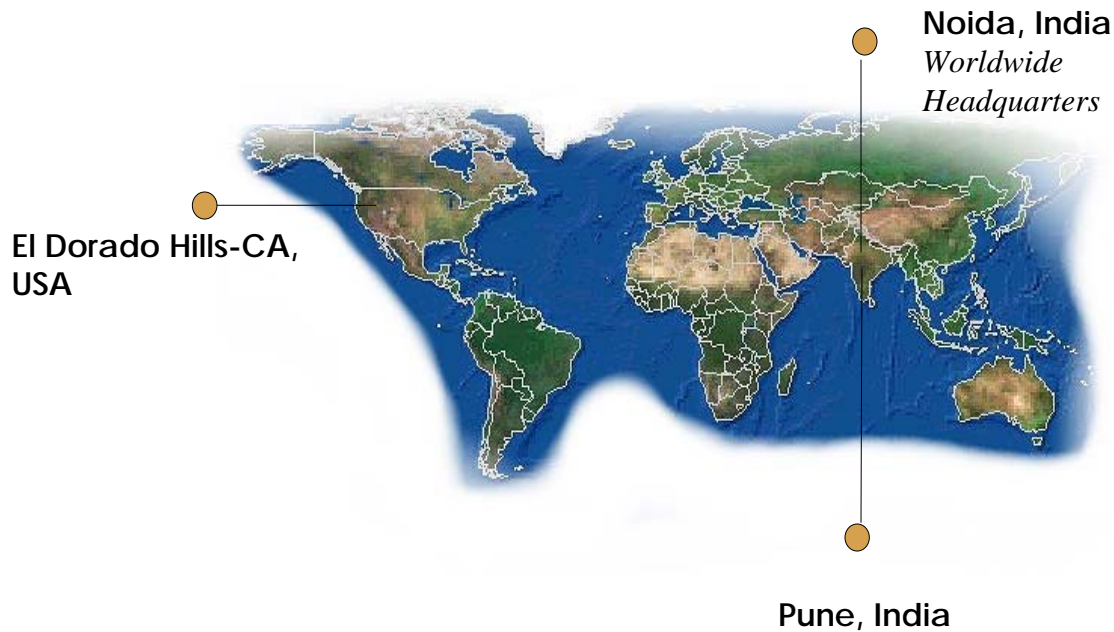
Rupees in Crores except "DSO"

	Q3- 2008	Q2- 2008
Share Holders' Funds	166.4	157.7
Receivables	75.8	74.4
Receivables in days "DSO"	71.0	64.0
Cash & Bank	52.4	45.1
Net Current Assets	96.3	90.8
Fixed Assets	76.1	77.2
Secured Loans	5.3	9.5

# Looking Ahead

- Satisfying performance in Q3-08 with 44% growth in top line and 44% growth in EBITDA YoY
- Economic uncertainties are dampening new initiatives from corporate clients; slower growth in the near term
- Investors are reinforcing the importance of outsourcing in technology industry; impetus to growth in longer term
- Pricing environment - neutral
- Rupee devaluation helpful to margins in an otherwise challenging economic environment

# Contact Information



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