

YOUR **DIGITAL** TRANSFORMATION PARTNER





R Systems Announces Results for Q2 2017

**Q2 2017: Revenue: Rs. 147.9 Crores, EBITDA: Rs. 5.7 Crores and Net Profit Rs. 4.7 Crores
Margins Impacted by Conservative AR Provisions**

Noida, India – August 03, 2017

Highlights

Consolidated results for the quarter ended June 30, 2017

- Consolidated revenue from operations for Q2 2017 was Rs. 147.92 crores (US\$ 22.91 mn) compared to Rs. 148.85 crores (US\$ 22.25 mn) in Q2 2016 and Rs. 144.30 crores (US\$ 21.56 mn) in Q1 2017. QoQ increase 2.51% (6.28 % in US\$).
- EBITDA for Q2 2017 was Rs. 5.74 crores (US\$ 0.89 mn) compared to Rs. 22.19 crores (US\$ 3.31 mn) in Q2 2016 and Rs. 7.57 crores (US\$ 1.13 mn) in Q1 2017.
- Net profit after taxes for Q2 2017 was Rs. 4.66 crores (US\$ 0.72 mn) compared to Rs. 16.69 crores (US\$ 2.49 mn) in Q2 2016 and Rs. 5.26 crores (US\$ 0.79 mn) in Q1, 2017.

Others

- 5 key wins during the quarter.
- Total associates as on June 30, 2017 were 2,372 compared to 2,356 at the end of March 31, 2017.

Rekhi Singh, Managing Director stated “We concluded the quarter with revenue of Rs. 148 crores and net profit of Rs. 4.7 crores. Quarterly revenue grew by 6% in USD terms primarily due to growth from new and existing customers. However, the margins were impacted by the strengthening of the INR, conservative AR provisions and investment in sales and marketing.”

He added, “Our continuing investment in building capabilities in digital businesses around the chosen industry verticals has started yielding results in terms of adding marquee customers but it will take one or two more quarters to realize its full potential.” He further added, “Our balance sheet continues to be very strong with cash and bank balance of Rs. 135 crores and net worth of Rs. 287 crores.”

Avirag Jain, CTO said “We are continuing to help our customers to build software products using digital technologies like cloud, analytics, mobility, IoT etc. to simplify their processes and offer enhanced value propositions.” He added, “The current quarter margins were impacted by AR provisioning primarily related to two of our customers which should get stabilized in a quarter or so.”



Key Operational Highlights

Established in 1993, R Systems is a leading global provider of IT and ITeS services and solutions.

Product engineering continues to be an integral part of R Systems DNA. R Systems continuously endeavours to enhance customer experience right from the idea creation, product development, and product maintenance & support through integrated product lifecycle management (iPLM) services. The iPLM engagements are backed with strong engineering capabilities, facilitating the shift from a mere functional perspective to a holistic business process perspective of entire product life cycle. We partner with ISVs and businesses to create futuristic products using next-gen technologies.

R Systems leverage comprehensive range of ITeS services to a wide spectrum of clients for improving their organizational efficiencies. The key ITeS services include customer care, technical support, analytics services, and revenue and claims management. These are delivered in multiple languages through our global delivery model.

ECnet® addresses supply chain, warehousing and inventory management. ECnet also operates as Infor Gold-certified channel partner for reselling and implementing several enterprise solutions, including enterprise resource planning, warehouse management, corporate performance management, business intelligence etc. ECnet has also partnered with JDA to offer category management solution suite to retail customers. Headquartered in Singapore, ECnet's global footprint spread across Malaysia, Thailand, China and Japan.

IBIZ is Microsoft Gold-certified partner and is specialized in deploying Microsoft business management solution suites, including enterprise resource planning, customer relationship management, point of sales, mobility, business intelligence and portals. IBIZ operates across Singapore, Malaysia, China, Indonesia, Hong Kong and India.

Our services and solutions span over five major verticals including Telecom & Digital Media, Banking & Finance, Healthcare, Manufacturing & Logistics, and Retail & E-commerce.

As a trusted digital transformation partner, we help organizations to embrace digitalization towards greater efficiency and streamlined operations. We have also expanded our capabilities horizontally with Analytics, Mobility, IoT and Cloud across the key verticals.

The quarter concluded with 5 key wins. The brief of these wins is listed below:

A leading European e-commerce solution provider has collaborated with R Systems for development of its commerce management suite as part of their strategic initiative.

A USA based company offering cloud based solution to its consumers to interact with the right healthcare service provider has mandated R Systems to build the online appointment scheduling and referral management system.

One of the leaders in providing health engagement solutions for state and federal agencies and commercial healthcare entities in USA has engaged R Systems for providing process documentation, process automation and management reporting services.



A Singapore based comprehensive supply chain service provider with operations sites across North America, Europe, and the Asia Pacific region has engaged ECnet to implement Infor CloudSuite Industrial ERP and Factory Track system to streamline and automate its regional business operations.

A Switzerland-based company having global presence in construction, manufacturing and chemical industry has mandated our subsidiary IBIZ to implement Microsoft Dynamics ERP to automate their back end operation in Singapore, Malaysia and Cambodia.

Liquidity and Shareholder Funds

Total Consolidated Cash and bank balance, including bank deposits as at June 30, 2017, was Rs. 135.09 crores compared to Rs. 115.68 crores as at June 30, 2016 and Rs. 126.35 crores as at March 31, 2017. Total shareholder funds as at June 30, 2017 were Rs. 286.84 crores compared to Rs. 272.65 crores as at June 30, 2016 and Rs. 278.28 crores as at March 31, 2017.

Financial Performance

Consolidated Profit & Loss Statement (Un-audited) for the Quarter Ended June 30, 2017

(As per Indian GAAP)

(Figures in mn, except per share data)

Sr. No.	Particulars	Quarter Ended June 30,		Quarter Ended March 31, 2017
		2017	2016	
1	Revenue			
1.1	Revenue from operations	1,479.24	1,488.53	1,442.98
1.2	Other income	32.84	20.92	54.09
	Total revenue	1,512.08	1,509.45	1,497.07
2	Expenditure			
2.1	Employee benefits expense	1,034.08	939.61	1,007.18
2.2	Operational and other expenses	387.72	318.97	358.57
2.3	Depreciation and amortisation expense	30.39	28.03	28.43
2.4	Finance costs	2.24	1.89	4.00
	Total expenditure	1,454.43	1,288.50	1,398.18
3	Profit before tax	57.65	220.95	98.89
4	Provision for tax			
4.1	Current tax	28.79	61.56	45.96
4.2	Deferred tax charge / (credit)	(17.77)	(7.47)	0.30
	Total tax expense	11.02	54.09	46.26
5	Net profit after tax	46.63	166.86	52.63
6	Earnings per share (Face value of Re. 1/- each)			
6.1	Basic	0.38	1.32	0.42
6.2	Diluted	0.38	1.31	0.42

Financial Performance

Consolidated Profit & Loss Statement (Un-audited) for the Six Months Ended June 30, 2017

(As per Indian GAAP)

(Figures in mn, except per share data)

Sr. No.	Particulars	Six Month Ended June 30	
		2017	2016
1	Revenue		
1.1	Revenue from operations	2,922.22	2,907.22
1.2	Other income	86.93	33.85
	Total revenue	3,009.15	2,941.07
2	Expenditure		
2.1	Employee benefits expense	2,041.26	1,853.23
2.2	Operational and other expenses	746.29	680.71
2.3	Depreciation and amortisation expense	58.82	56.34
2.4	Finance costs	6.24	3.65
	Total expenditure	2,852.61	2,593.93
3	Profit before tax	156.54	347.14
4	Provision for tax		
4.1	Current tax	74.75	115.20
4.2	Deferred tax charge / (credit)	(17.47)	(11.29)
	Total tax expense	57.28	103.91
5	Net profit after tax	99.26	243.23
6	Earnings per share (Face value of Re. 1/- each)		
6.1	Basic	0.80	1.92
6.2	Diluted	0.80	1.92

Financial Performance

Consolidated Profit & Loss Statement (Un-audited) for the Quarter Ended June 30, 2017 (Contribution Analysis Format; Basis Indian GAAP)

(Figures in mn)

Particulars	Q2 2017		Q2 2016		Q1 2017	
	INR	US\$	INR	US\$	INR	US\$
Revenues	1,479.24	22.91	1,488.53	22.25	1,442.98	21.56
Cost of revenues	1,026.48	15.90	948.43	14.18	1,008.17	15.06
Gross margin	452.76	7.01	540.10	8.07	434.81	6.50
	30.61%		36.28%		30.13%	
SG & A						
Expenses	395.38	6.12	318.16	4.76	359.16	5.37
	26.73%		21.37%		24.89%	
EBITDA	57.38	0.89	221.94	3.31	75.65	1.13
	3.88%		14.91%		5.24%	
Depreciation and amortization	30.39	0.47	28.03	0.42	28.43	0.42
Income from operations	26.99	0.42	193.91	2.89	47.22	0.71
Interest expense	(0.65)	(0.01)	(0.32)	(0.01)	(2.31)	(0.03)
Other income (net)	31.31	0.49	27.36	0.42	53.98	0.80
Income before income tax	57.65	0.90	220.95	3.30	98.89	1.48
Income tax provision	11.02	0.18	54.09	0.81	46.26	0.69
Net earnings	46.63	0.72	166.86	2.49	52.63	0.79

Financial Performance

Consolidated Profit & Loss Statement (Un-audited) for the Six Months Ended June 30, 2017 (Contribution Analysis Format; Basis Indian GAAP)

(Figures in mn)

Particulars	Jan to Jun 17		Jan to Jun 16	
	INR	US\$	INR	US\$
Revenue	2,922.22	44.46	2,907.22	43.27
Cost of revenue	2,034.66	30.96	1,884.31	28.05
Gross margin	887.56	13.50	1,022.91	15.22
	30.37%		35.19%	
SG & A				
Expenses	754.53	11.48	667.90	9.94
	25.82%		22.97%	
EBITDA	133.03	2.02	355.01	5.28
	4.55%		12.21%	
Depreciation and amortization	58.82	0.90	56.34	0.84
Income from operations	74.21	1.12	298.67	4.44
Interest expense	(2.95)	(0.04)	(0.63)	(0.01)
Other income (net)	85.28	1.30	49.10	0.74
Income before income tax	156.54	2.38	347.14	5.17
Income tax provision	57.28	0.87	103.91	1.55
Net earnings	99.26	1.51	243.23	3.62

Financial Performance

Consolidated Balance Sheet as at June 30, 2017 (As per Indian GAAP)

(FIGURES IN MN)

Particulars	As at		
	Jun 30, 2017	Jun 30, 2016	Mar 31, 2017
	(Unaudited)	(Unaudited)	(Unaudited)
EQUITY & LIABILITIES			
Shareholders' Funds			
Share capital	123.21	126.13	123.13
Reserves and Surplus	2,745.21	2,600.41	2,659.70
	2,868.42	2,726.54	2,782.83
Minority interest	-	-	-
Non-current liabilities			
Long-term borrowings	17.27	8.79	18.00
Deferred tax liabilities	0.35	-	-
Other long term liabilities	12.22	65.19	13.01
Long-term provisions	95.27	75.65	89.16
	125.11	149.63	120.17
Current liabilities			
Trade payables	379.73	390.77	385.87
Other current liabilities	397.35	335.69	415.27
Short-term provisions	187.28	195.05	178.23
	964.36	921.51	979.37
TOTAL	3,957.89	3,797.68	3,882.37
ASSETS			
Non-current assets			
Fixed assets	338.20	312.31	354.68
Goodwill on consolidation	453.37	500.80	440.83
Non-current investments	200.67	289.72	201.04
Deferred tax assets (net)	64.18	48.65	45.81
Long-term loans and advances	84.46	63.43	84.68
Other non-current assets	63.44	76.96	54.45
	1,204.32	1,291.87	1,181.49
Current assets			
Current Investment	87.57	118.01	87.57
Trade receivables	1,036.27	1,025.67	1,052.97
Cash and bank balance	1,294.35	1,084.20	1,209.59
Short-term loans and advances	171.60	141.55	208.55
Other current assets	163.78	136.38	142.20
	2,753.57	2,505.81	2,700.88
TOTAL	3,957.89	3,797.68	3,882.37

Consolidated Operational Data (Un-audited)

Profitability in Percentage	Quarter ended		
	Jun 30, 17	Jun 30, 16	Mar 31, 17
Revenues	100.00	100.00	100.00
Gross margin	30.61	36.28	30.13
SG & A	26.73	21.37	24.89
EBITDA	3.88	14.91	5.24
EBT	3.90	14.84	6.85
PAT	3.15	11.21	3.65

Revenue from Top 10 Clients	Quarter ended		
	Jun 30, 17	Jun 30, 16	Mar 31, 17
Top 10 Clients	33.60%	31.74%	34.77%
Top 5 Clients	21.95%	19.89%	22.78%
Top 3 Clients	15.45%	13.87%	15.43%
Largest Client	6.22%	6.37%	5.79%

Revenues by Geographies	Quarter ended		
	Jun 30, 17	Jun 30, 16	Mar 31, 17
USA	55.64%	58.12%	58.35%
Europe	19.12%	18.03%	19.78%
SEAC (South East Asia)	19.78%	18.26%	18.28%
India	1.84%	1.69%	1.15%
Others	3.62%	3.90%	2.44%
Total	100.00%	100.00%	100.00%

Utilization (excluding trainees)	Quarter ended		
	Jun 30, 17	Jun 30, 16	Mar 31, 17
Onsite	96.79%	98.76%	97.84%
Offshore	72.40%	75.17%	70.90%
Blended	75.63%	78.82%	74.57%

Utilization (including trainees)	Quarter ended		
	Jun 30, 17	Jun 30, 16	Mar 31, 17
Onsite	96.79%	98.76%	97.84%
Offshore	69.63%	69.61%	66.56%
Blended	73.11%	73.83%	70.59%

Consolidated Operational Data (Un-audited)

Human resources	As at		
	Jun 30, 17	Jun 30, 16	Mar 31, 17
Technical	2,018	1,853	1,997
Software services			
Onsite	285	265	288
Offshore	1,268	1,143	1,246
BPO			
Offshore	406	336	352
Trainees	59	109	111
Support	354	315	359
Total count	2,372	2,168	2,356

(Rs. in mn, except DSO)

Key Balance Sheet Data	As At		
	Jun 30, 17	Jun 30, 16	Mar 31, 17
Receivable	1,036.27	1,025.67	1,052.97
Receivable in days (“DSO”)	48	53	52
Total cash and bank balance	1,350.94	1,156.81	1,263.52
Fixed assets	338.20	312.31	354.68
Shareholders’ funds	2,868.42	2,726.54	2,782.83

Development/Service Centres Location	As on Jun 30, 2017	
	Covered areas in sq ft.	No. of seats
India		
Noida	93,679	1,792
Chennai	5,905	65
	99,584	1,857
USA		
Sacramento, CA	9,500	60
South East Asia		
Singapore	8,054	91
Malaysia	6,162	52
Thailand	592	6
Indonesia	1,109	12
	15,917	161
Europe		
Romania	15,489	153
Poland	9,239	81
Moldova	3,398	49
	28,126	283
Total	153,127	2,361



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 / year's figures have been regrouped / reclassified wherever applicable, to the extent possible, to conform to the current period presentation.

About R Systems International Limited

R Systems International Limited founded in 1993, is one of the leading providers of software product engineering and ITeS services and solutions. We partner with software product companies and businesses for their digital transformation by building scalable, configurable and secure products and applications using next-gen technologies and help our clients to support their customers worldwide 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, Independent Software Vendors, Telecom and Digital Media, Retail & E-commerce, Healthcare, and Manufacturing and Logistic Industries. R Systems maintains fifteen development and service centres to serve customers in USA, Europe and the Far East.

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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