

YOUR **DIGITAL** TRANSFORMATION PARTNER





R Systems Announces Results for Q3 2017

**Q3 2017: Revenue: Rs. 144.9 Crores, EBITDA: Rs. 11.3 Crores and Net Profit Rs. 6.4 Crores
Strong Cash Balances of Rs 152 crores to Invest for Future Growth**

Noida, India – November 02, 2017

Highlights

Consolidated results for the quarter ended September 30, 2017

- Consolidated revenue from operations for Q3 2017 was Rs. 144.89 crores (US\$ 22.53 mn) compared to Rs. 144.11 crores (US\$ 21.53 mn) in Q3 2016 and Rs. 147.92 crores (US\$ 22.91 mn) in Q2 2017. QoQ decrease 2.05% (1.65 % in US\$).
- EBITDA for Q3 2017 was Rs. 11.32 crores (US\$ 1.75 mn) compared to Rs. 15.94 crores (US\$ 2.38 mn) in Q3 2016 and Rs. 5.74 crores (US\$ 0.89 mn) in Q2 2017.
- Net profit after taxes for Q3 2017 was Rs. 6.43 crores (US\$ 0.99 mn) compared to Rs. 10.77 crores (US\$ 1.61 mn) in Q3 2016 and Rs. 4.66 crores (US\$ 0.72 mn) in Q2, 2017.

Others

- 6 key wins during the quarter.
- Total associates as on September 30, 2017 were 2,363 compared to 2,372 at the end of June 30, 2017.

Rekhi Singh, Managing Director stated “We concluded the quarter with revenue of Rs. 145 crores and EBITDA of Rs. 11 crores. Although the margins have improved compared to last quarter but continue to remain muted due to strengthening of the INR, investment in new technologies and sales activities.”

He added, “Overall business environment is encouraging with strong demand in newer technologies. We continue to expand our share in fast growing spends for these newer technologies around our chosen verticals. He further added, “We are having a strong balance sheet with net worth of Rs. 297 crores including cash and bank balance of Rs. 152 crores.”

Avirag Jain, Director & CTO said “We are continuing our focus on disciplined execution along with deepening our relationship with customers to deliver enhanced value proposition.” He added, “We continue to invest in research and innovation, and strengthening our offerings horizontally with cloud, analytics, mobility, IoT etc.



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 endeavors 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 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 brief of key wins during the quarter is listed below:

A UK based technology company that design and manufacture household appliances has engaged R Systems to provide customer interaction analytics services to analyse trends, predicting future events, prescribing effective remedies and monitoring results for its USA operations using Anagram, our proprietary data analytics framework.

A USA based company providing solutions to improve learning styles has engaged R Systems for development and enhancement of its core solution that enriches student and teacher interactions.

An emergent company in USA, providing interactive healthcare platform to connect different players in healthcare ecosystems, has engaged R Systems to build an application enabling users to access promotions and redeem their rewards points.



One of the leading logistics and Supply chain companies in Singapore has mandated ECnet to implement Infor CloudSuite Industrial ERP to integrate its various business processes to deliver financial visibility and operational excellence.

A Japanese company manufacturing and distributing oil seals and related products, has engaged IBIZ to implement Microsoft Dynamics ERP to automate and integrate its operations in Indonesia and Singapore.

Liquidity and Shareholder Funds

Cash and bank balances, including bank deposits and liquid funds as at September 30, 2017, were Rs. 151.81 crores compared to Rs. 125.90 crores as at September 30, 2016 and Rs. 135.09 crores as at June 30, 2017. Total shareholder funds as at September 30, 2017 were Rs. 297.29 crores compared to Rs. 281.43 crores as at September 30, 2016 and Rs. 286.84 crores as at June 30, 2017.

Financial Performance

Consolidated Profit & Loss Statement (Un-audited) for the Quarter Ended September 30, 2017 (As per Indian GAAP)

(Figures in mn, except per share data)

Sr. No.	Particulars	Quarter Ended September 30,		Quarter Ended June 30, 2017
		2017	2016	
1	Revenue			
1.1	Revenue from operations	1,448.91	1,441.13	1,479.24
1.2	Other income	15.60	39.68	32.84
	Total revenue	1,464.51	1,480.81	1,512.08
2	Expenditure			
2.1	Employee benefits expense	1,037.89	953.69	1,036.60
2.2	Operational and other expenses	296.23	330.94	385.20
2.3	Depreciation and amortisation expense	30.07	29.83	30.39
2.4	Finance costs	2.81	2.58	2.24
	Total expenditure	1,367.00	1,317.04	1,454.43
3	Profit before tax	97.51	163.77	57.65
4	Provision for tax			
4.1	Current tax	30.23	55.08	28.79
4.2	Deferred tax charge / (credit)	2.97	1.02	(17.77)
	Total tax expense	33.20	56.10	11.02
5	Net profit after tax	64.31	107.67	46.63
6	Earnings per share (Face value of Re. 1/- each)			
6.1	Basic	0.52	0.85	0.38
6.2	Diluted	0.52	0.85	0.38

Financial Performance

Consolidated Profit & Loss Statement (Un-audited) for Nine Months Ended September 30, 2017 (As per Indian GAAP)

(Figures in mn, except per share data)

Sr. No.	Particulars	Nine Month Ended September 30	
		2017	2016
1	Revenue		
1.1	Revenue from operations	4,371.13	4,348.35
1.2	Other income	102.54	73.53
	Total revenue	4,473.67	4,421.88
2	Expenditure		
2.1	Employee benefits expense	3,084.01	2,806.92
2.2	Operational and other expenses	1,037.66	1,011.65
2.3	Depreciation and amortisation expense	88.89	86.17
2.4	Finance costs	9.06	6.23
	Total expenditure	4,219.62	3,910.97
3	Profit before tax	254.05	510.91
4	Provision for tax		
4.1	Current tax	104.98	170.28
4.2	Deferred tax charge / (credit)	(14.49)	(10.28)
	Total tax expense	90.49	160.00
5	Net profit after tax	163.56	350.91
6	Earnings per share (Face value of Re. 1/- each)		
6.1	Basic	1.32	2.77
6.2	Diluted	1.32	2.76

Financial Performance

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

(Figures in mn)

Particulars	Q3 2017		Q3 2016		Q2 2017	
	INR	US\$	INR	US\$	INR	US\$
Revenues	1,448.91	22.53	1,441.13	21.53	1,479.24	22.91
Cost of revenues	1,016.13	15.80	949.80	14.19	1,026.48	15.90
Gross margin	432.78	6.73	491.33	7.34	452.76	7.01
	29.87%		34.09%		30.61%	
SG & A						
Expenses	319.58	4.98	331.89	4.96	395.38	6.12
	22.06%		23.03%		26.73%	
EBITDA	113.20	1.75	159.44	2.38	57.38	0.89
	7.81%		11.06%		3.88%	
Depreciation and amortization	30.07	0.47	29.83	0.44	30.39	0.47
Income from operations	83.13	1.28	129.61	1.94	26.99	0.42
Interest expense	(0.53)	(0.01)	(0.33)	(0.01)	(0.65)	(0.01)
Other income (net)	14.91	0.24	34.49	0.52	31.31	0.49
Income before income tax	97.51	1.51	163.77	2.45	57.65	0.90
Income tax expense	33.20	0.52	56.10	0.84	11.02	0.18
Net earnings	64.31	0.99	107.67	1.61	46.63	0.72

Financial Performance

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

(Figures in mn)

Particulars	Jan to Sep 17		Jan to Sep 16	
	INR	US\$	INR	US\$
Revenue	4,371.13	66.99	4,348.35	64.79
Cost of revenue	3,050.79	46.76	2,834.11	42.23
Gross margin	1,320.34	20.23	1,514.24	22.56
	30.21%		34.82%	
SG & A				
Expenses	1,074.12	16.46	999.79	14.90
	24.57%		22.99%	
EBITDA	246.22	3.77	514.45	7.66
	5.63%		11.83%	
Depreciation and amortization	88.89	1.36	86.17	1.28
Income from operations	157.33	2.41	428.28	6.38
Interest expense	(3.48)	(0.05)	(0.95)	(0.02)
Other income (net)	100.20	1.53	83.58	1.25
Income before income tax	254.05	3.89	510.91	7.61
Income tax expense	90.49	1.39	160.00	2.38
Net earnings	163.56	2.50	350.91	5.23

Financial Performance

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

(FIGURES IN MN)

Particulars	As at		
	Sep 30, 2017	Sep 30, 2016	Jun 30, 2017
	(Unaudited)	(Unaudited)	(Unaudited)
EQUITY & LIABILITIES			
Shareholders' Funds			
Share capital	123.21	126.13	123.21
Reserves and Surplus	2,849.75	2,688.13	2,745.21
	2,972.96	2,814.26	2,868.42
Minority interest	-	-	-
Non-current liabilities			
Long-term borrowings	16.62	7.67	17.27
Deferred tax liabilities	0.34	-	0.35
Other long term liabilities	12.16	64.95	12.22
Long-term provisions	94.54	79.77	95.27
	123.66	152.39	125.11
Current liabilities			
Trade payables	409.58	414.43	379.73
Other current liabilities	375.43	280.08	397.35
Short-term provisions	189.83	190.87	187.28
	974.84	885.38	964.36
TOTAL	4,071.46	3,852.03	3,957.89
ASSETS			
Non-current assets			
Fixed assets	330.31	326.37	338.20
Goodwill on consolidation	470.93	491.91	453.37
Non-current investments	112.73	201.77	200.67
Deferred tax assets (net)	61.50	47.66	64.18
Long-term loans and advances	110.98	81.57	84.46
Other non-current assets	62.89	126.94	63.44
	1,149.34	1,276.22	1,204.32
Current assets			
Current Investment	135.57	118.01	87.57
Trade receivables	1,019.29	948.55	1,036.27
Cash and bank balance	1,408.52	1,137.03	1,294.35
Short-term loans and advances	161.31	184.58	171.60
Other current assets	197.43	187.64	163.78
	2,922.12	2,575.81	2,753.57
TOTAL	4,071.46	3,852.03	3,957.89

Consolidated Operational Data (Un-audited)

Profitability in Percentage	Quarter ended		
	Sep 30, 17	Sep 30, 16	Jun 30, 17
Revenues	100.00	100.00	100.00
Gross margin	29.87	34.09	30.61
SG & A	22.06	23.03	26.73
EBITDA	7.81	11.06	3.88
EBT	6.73	11.36	3.90
PAT	4.44	7.47	3.15

Revenue from Top 10 Clients	Quarter ended		
	Sep 30, 17	Sep 30, 16	Jun 30, 17
Top 10 Clients	34.60%	32.95%	33.60%
Top 5 Clients	22.43%	20.96%	21.95%
Top 3 Clients	16.16%	14.61%	15.45%
Largest Client	6.35%	6.70%	6.22%

Revenues by Geographies	Quarter ended		
	Sep 30, 17	Sep 30, 16	Jun 30, 17
USA	55.73%	60.14%	55.64%
Europe	20.10%	18.21%	19.12%
SEAC (South East Asia)	19.27%	17.15%	19.78%
India	1.91%	1.68%	1.84%
Others	2.99%	2.82%	3.62%
Total	100.00%	100.00%	100.00%

Utilization (excluding trainees)	Quarter ended		
	Sep 30, 17	Sep 30, 16	Jun 30, 17
Onsite	98.20%	99.72%	96.79%
Offshore	72.36%	71.78%	72.40%
Blended	75.70%	75.74%	75.63%

Utilization (including trainees)	Quarter ended		
	Sep 30, 17	Sep 30, 16	Jun 30, 17
Onsite	98.20%	99.72%	96.79%
Offshore	70.28%	66.85%	69.63%
Blended	73.80%	71.24%	73.11%

Consolidated Operational Data (Un-audited)

Human resources	As at		
	Sep 30, 17	Sep 30, 16	Jun 30, 17
Technical	2,011	1,973	2,018
Software services			
Onsite	274	266	285
Offshore	1,235	1,200	1,268
BPO			
Offshore	444	396	406
Trainees	58	111	59
Support	352	330	354
Total count	2,363	2,303	2,372

(Rs. in mn, except DSO)

Key Balance Sheet Data	As At		
	Sep 30, 17	Sep 30, 16	Jun 30, 17
Receivable	1,019.29	948.55	1,036.27
Receivable in days (“DSO”)	49	53	48
Total cash and bank balance*	1,518.14	1,258.99	1,350.94
Fixed assets	330.31	326.37	338.20
Shareholders’ funds	2,972.96	2,814.26	2,868.42

*Including investments in liquid funds and fixed deposits with banks

Development/Service Centres Location	As on Sep 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	19,795	184
Poland	8,141	65
Moldova	3,398	49
	31,334	298
Total	156,335	2,376



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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