



R Systems Announces Results for Q3, 2014 An Increase of 50% in Net Profit during Nine Months

Q3, 2014: Record Revenue: Rs 168.51 Crores, EBITDA: Rs 26.87 Crores and Net Profits: Rs 18.21 Crores

Noida, India – October 29, 2014

Highlights

Consolidated results for the quarter ended Sep 30, 2014

- Consolidated revenue from operations for Q3-14 was Rs. 168.51 crores (US\$ 27.81 mn) compared to Rs. 160.42 crores (US\$ 25.89 mn) in Q3, 2013 and Rs. 160.67 crores (US\$ 26.85 mn) in Q2, 2014. YoY increase was 5.04% and QoQ increase was 4.88%.
- EBITDA was Rs. 26.87 crores (US\$ 4.43 mn) compared to Rs. 28.71 crores (US\$ 4.85 mn) in Q3, 2013 and Rs.22.43 crores (US\$ 3.74 mn) in Q2, 2014. YoY decrease was 6.43% and QoQ increase was 19.78%.
- Net profit after taxes was Rs. 18.21 crores (US\$ 3.00 mn) compared to Rs. 18.05 crores (US\$ 3.05 mn) in Q3, 2013 and Rs. 13.93 crores (US\$ 2.33 mn) in Q2, 2014. YoY increase was 0.86% and QoQ increase was 30.75%.
- Added 95 net associates during the quarter.
- Added 5 key customers during the quarter.

Consolidated results for the nine months ended Sep 30, 2014

- Consolidated revenue for nine months ended Sep 30, 2014 was Rs. 485.45 crores (US\$ 79.97 mn.) as against Rs. 430.50 crores (US\$ 74.98 mn.) in Sep 30, 2013; YoY increase of 12.76%.
- Earnings before interest, depreciation, taxes and allowances (“EBITDA”) for nine months ended Sep 30, 2014 was Rs. 67.96 crores (US\$ 11.20 mn.) as against Rs. 49.36 crores (US\$ 8.60 mn.) in Sep 30, 2013; YoY increase of 37.69%
- Net profit after taxes for nine months ended Sep 30, 2014 was Rs. 46.50 crores (US\$ 7.66 mn.) as against Rs. 30.93 crores (US\$ 5.39 mn.) in Sep 30, 2013 ; YoY increase of 50.35%

Mr. Rekhi Singh, Managing Director stated “It has been a great quarter with record revenues of Rs. 168 crores, EBIDTA of Rs. 27 crores and EAT of Rs. 18 crores. In the nine months ended September 30, 2014, we reported 50% increase in profits as against the same period last year. Volume growth coupled with improved utilisation level and higher license revenue led to improved margins.”

He added, “We have a strong balance sheet with net worth of Rs. 237 crores including cash and bank balance of Rs. 117 crores and constant cash generation. Considering the overall performance, the Board has declared a third interim dividend of 90% i.e. Re. 0.90 per share”



He further added, “Keeping pace with our growth, we have also intensified our branding and marketing efforts in niche areas, to highlight our key strengths. The Company is focusing towards caring and innovation driven culture to transform the customers, employees and other stakeholders. We are now applying these values at every stage of our organizational functioning.”

Mr. Raj Swaminathan, Director and COO said “We are continuing our focus on disciplined execution, strengthening sales & marketing efforts and processes and deepen our engagement with customers to create higher value proposition.” He added, “We concluded the quarter with over 2,700 associates, an increase of about 100 associates over last quarter along with maintaining healthy utilization of above 75%.”

Key Operational Highlights for the Quarter

R Systems’ core service offerings include Outsourced Product Engineering, sold under our brand of iPLM (Integrated Product Life Cycle Management) IT and ITES services. Our iPLM IT Services are designed to help software product development companies to accelerate their time-to-market, make our customer more competitive and increase product life spans. Our key ITES services include customer care and technical support, managed services, NOC support, high-end quality process management and revenue and claims management. These are delivered using our global delivery model.

R Systems products group consists of two units i.e., Indus® and ECnet®. Indus® addresses its target BFSI market with its flagship product LSI (Lending Solutions from Indus) and its variants for the telecom and insurance industry.

ECnet® addresses supply chain, warehousing and inventory management. Further, ECnet also operates as a channel partner for reselling and implementing several ERP products of one of the largest ERP vendors.

Our services and solutions span five major verticals which include Telecom and Digital Media, Banking and Finance, Healthcare Services, Manufacturing and Logistics, and Government Services. We serve customers worldwide using our global delivery model and 2700+ associates.

The brief of some significant wins are listed below:

A US based company focusing on clinical research, with a flagship product having multi-tenant architecture to isolate each customer data, has engaged R Systems to build an automation framework to improve study protocol design and streamline study recruitment activities.

A captive car finance company of one of the largest Japanese brands has engaged R Systems to implement Indus Dealer Funding & Stock Audit System for its operation in India.

A leading captive two wheeler finance company offering hire purchase, leasing, and refinance services has mandated R Systems to implement Indus Collection System together with its Mobile Collections module for India.



Our subsidiary ECnet has been given mandate for two key ERP implementation engagements in Malaysia during the quarter to implement globally renowned and comprehensive ERP systems. First one is with a renowned group engaged in manufacturing of packaging material and manufacturing and distribution of dairy and non-dairy products. The other one is with a Malaysian conglomerate involved in several business activities like assembly and marketing of motor vehicles, auto parts manufacturing and trading of industrial equipment and consumer products.

Interim Dividend and Other Corporate Matters

The Board of Directors at its meeting held on October 29, 2014 has declared third interim dividend of Re. 0.90 per equity shares (i.e. 90% on equity share of par value of Re. 1/-).

Further, the Board of Directors has also approved the transfer of Europe BPO Business by way of sale of Company's 100% holding in R Systems Europe B.V., Netherlands and R Systems S.A.S., France, being wholly owned subsidiaries of the Company, to Customer Contact Management Group B.V. ("CCMG") (an affiliate of Webhelp Netherland B.V.), a Europe based company, for an enterprise value of Euro 4 million on a debt free - cash free basis, subject to execution of definitive agreements and receipt of necessary corporate and regulatory approvals."

Liquidity and Shareholder Funds

Total Consolidated Cash and bank balance, including bank deposits and liquid debt funds, as at September 30, 2014 was Rs. 116.98 crores compared to Rs. 99.51 crores as on June 30, 2014. Total shareholder funds as on September 30, 2014 were Rs. 237.30 crores compared to Rs. 237.39 crores as on June 30, 2014.

Financial Performance

Consolidated Profit & Loss Statement (Un-audited) for the Quarter Ended September 30, 2014 (As per Indian GAAP)

(Rs. in mn, except per share data)

Sr. No.	Particulars	Quarter Ended September 30,		Quarter Ended June 30, 2014
		2014	2013	
1	Income			
1.1	Income from operations	1,685.15	1,604.23	1,606.68
1.2	Other operating income	9.43	0.70	0.66
	Total	1,694.58	1,604.93	1,607.34
2	Expenses			
2.1	Employee benefits expense	994.68	905.88	979.35
2.2	Depreciation and amortisation expense	28.48	26.47	28.37
2.3	Traveling and conveyance	86.10	92.61	75.17
2.4	Communication costs	22.31	21.84	22.24
2.5	Legal and professional expenses (including subcontract expenses)	197.74	161.92	174.30
2.6	Provision for doubtful debts and advances (net)	-	(2.37)	-
2.7	Other expenses	115.82	157.61	126.76
	Total expenses	1,445.13	1,363.96	1,406.19
3	Profit from operations before other income and finance cost	249.45	240.97	201.15
4	Other income	7.73	9.44	10.38
5	Profit from operations before finance cost	257.18	250.41	211.53
6	Finance cost	2.67	1.56	1.89
7	Profit from ordinary before exceptional items	254.51	248.85	209.64
8	Exceptional items *	26.09	-	-
9	Profit before tax	280.60	248.85	209.64
10	Tax expense			
10.1	Current tax (net of MAT credit)	99.01	70.42	70.18
10.2	Deferred tax charge / (credit)	(0.51)	(2.11)	0.19
	Total tax expense	98.50	68.31	70.37
11	Net profit after tax	182.10	180.54	139.27
12	Earnings per share (Face value of Re. 1/- each)			
12.1	Basic	1.43	1.43	1.09
12.2	Diluted	1.43	1.43	1.09

* During the quarter, the Company has completed the buy-back of shares of Computaris International Limited (a wholly owned subsidiary). On account of this, the Company has released proportionate currency translation reserve amounting to Rs. 26.09 mn to the foreign exchange fluctuation which is disclosed as 'Exceptional items'.

Financial Performance

Consolidated Profit & Loss Statement (Un-audited) for the Nine Months Ended September 30, 2014

(As per Indian GAAP)

(Rs. in mn, except per share data)

Sr. No.	Particulars	Nine Month Ended September 30,	
		2014	2013
1	Income		
1.1	Income from operations	4,854.48	4,305.03
1.2	Other operating income	43.95	5.84
	Total	4,898.43	4,310.87
2	Expenditure		
2.1	Employee benefits expense	2,959.87	2,631.12
2.2	Depreciation and amortisation expense	83.84	73.53
2.3	Traveling and conveyance	255.08	264.80
2.4	Communication costs	66.35	62.42
2.5	Legal and professional expenses (including subcontract expenses)	533.83	423.81
2.6	Provision for doubtful debts and advances (net)	-	32.58
2.7	Other expenditure	358.15	425.27
	Total expenditure	4,257.12	3,913.53
3	Profit from operations before other income and finance cost	641.31	397.34
4	Other income	29.49	30.24
5	Profit from operations before finance cost	670.80	427.58
6	Finance cost	6.62	5.26
7	Profit from ordinary before exceptional items	664.18	422.32
8	Exceptional items	26.09	-
9	Profit before tax	690.27	422.32
10	Tax expense		
10.1	Current tax (net of MAT credit)	209.81	116.48
10.2	Deferred tax charge / (credit)	15.46	(3.44)
	Total tax expense	225.27	113.04
11	Net profit after tax	465.00	309.28
12	Earnings per share (Face value of Re. 1/- each)		
12.1	Basic	3.66	2.46
12.2	Diluted	3.66	2.46

Financial Performance

Consolidated Profit & Loss Statement (Un-audited) for the Quarter Ended September 30, 2014 (Contribution Analysis Format; Basis Indian GAAP)

(Figures in mn, except per share data)

Particulars	Q3 2014		Q3 2013		Q2 2014	
	INR	US\$	INR	US\$	INR	US\$
Revenues	1,685.15	27.81	1,604.23	25.89	1,606.68	26.85
Cost of revenues	1,047.14	17.28	977.10	15.66	1,021.48	17.08
Gross margin	638.01	10.53	627.13	10.23	585.20	9.77
SG & A	37.86%		39.09%		36.42%	
Expenses	369.36	6.10	340.03	5.38	360.92	6.03
	21.92%		21.20%		22.46%	
EBITDA	268.65	4.43	287.10	4.85	224.28	3.74
	15.94%		17.90%		13.96%	
Depreciation and amortization	28.48	0.47	26.47	0.43	28.37	0.47
Income from operations	240.17	3.96	260.63	4.42	195.91	3.27
Interest expense	(0.26)	(0.00)	(0.28)	(0.00)	(0.22)	(0.00)
Other income (net)	40.69	0.67	(11.50)	(0.21)	13.95	0.24
Income before income tax	280.60	4.63	248.85	4.21	209.64	3.51
Income tax expense	98.50	1.63	68.31	1.16	70.37	1.18
Net earnings	182.10	3.00	180.54	3.05	139.27	2.33
Earnings per share (Face value of Re. 1/- each)						
Basic	1.43	0.02	1.43	0.02	1.09	0.02
Diluted	1.43	0.02	1.43	0.02	1.09	0.02

Financial Performance

Consolidated Profit & Loss Statement (Un-audited) for the Nine Months Ended September 30, 2014

(Contribution Analysis Format; Basis Indian GAAP)

(Figures in mn, except per share data)

Particulars	Jan to Sep 14		Jan to Sep 13	
	INR	US\$	INR	US\$
Revenue	4,854.48	79.97	4,305.03	74.98
Cost of revenue	3,082.69	50.78	2,762.68	48.11
Gross margin	1,771.79	29.19	1,542.35	26.87
	36.50%		35.83%	
SG & A				
Expenses	1,092.17	17.99	1,048.76	18.27
	22.50%		24.36%	
EBITDA	679.62	11.20	493.59	8.60
	14.00%		11.47%	
Depreciation and amortization	83.84	1.39	73.53	1.28
Income from operations	595.78	9.81	420.06	7.32
Interest expense	(0.90)	(0.01)	(0.86)	(0.01)
Other income (net)	95.39	1.57	3.12	0.05
Income before income tax	690.27	11.37	422.32	7.36
Income tax expense	225.27	3.71	113.04	1.97
Net earnings	465.00	7.66	309.28	5.39
Earnings per share (Face value of Re. 1/- each)				
Basic	3.66	0.06	2.46	0.04
Diluted	3.66	0.06	2.46	0.04

Consolidated Balance Sheet as at September 30, 2014 (As per Indian GAAP)

(Rs. in mn)

Particulars	As at September		As at June
	30, 2014	30, 2013	30, 2014
	(Unaudited)	(Unaudited)	(Unaudited)
EQUITY & LIABILITIES			
Shareholders' Funds			
Share capital	126.63	125.92	126.63
Reserves and Surplus	2,246.35	2,114.18	2,247.29
Sub-Total Shareholder's Funds	2,372.98	2,240.10	2,373.92
Minority interest	-	-	-
Non-current liabilities			
Long-term borrowings	5.62	9.36	7.19
Other long term liabilities	4.48	4.28	4.48
Long-term provisions	85.32	73.67	80.80
Subtotal - Non-current liabilities	95.42	87.31	92.47
Current liabilities			
Trade payables	486.83	491.39	480.67
Other current liabilities	225.13	191.57	298.51
Short-term provisions	389.01	456.35	274.15
Subtotal- Current Liabilities	1,100.97	1,139.31	1,053.33
TOTAL - EQUITY AND LIABILITIES	3,569.37	3,466.72	3,519.72
ASSETS			
Non-current assets			
Fixed assets	446.95	458.74	459.27
Goodwill on consolidation	285.82	288.33	292.41
Non-current investments	0.03	0.03	0.03
Deferred tax assets (net)	39.86	59.08	38.96
Long-term loans and advances	73.67	86.47	74.37
Other non-current assets	73.22	274.92	76.27
Subtotal - Non- current assets	919.55	1,167.57	941.31
Current assets			
Current Investment	18.00	10.00	18.00
Trade receivables	1,121.87	1,076.74	1,199.82
Cash and bank balance	1,081.29	810.40	907.01
Short-term loans and advances	163.93	139.61	175.38
Other current assets	264.73	262.40	278.20
Subtotal - Current Assets	2,649.82	2,299.15	2,578.41
TOTAL – ASSETS	3,569.37	3,466.72	3,519.72

Consolidated Operational Data (Un-audited)

Profitability in Percentage	Quarter ended		
	Sep 30, 14	Sep 30, 13	June 30, 14
Revenues	100.00	100.00	100.00
Gross margin	37.86	39.09	36.42
SG & A	21.92	21.20	22.46
EBITDA	15.94	17.90	13.96
EBT	16.65	15.51	13.05
PAT	10.81	11.25	8.67

Revenue from Top 10 Clients	Quarter ended		
	Sep 30, 14	Sep 30, 13	June 30, 14
Top 10 Clients	32.18%	35.34%	32.04%
Top 5 Clients	20.78%	22.19%	19.87%
Top 3 Clients	15.35%	14.68%	14.11%
Largest Client	6.62%	5.30%	5.62%

Revenues by Geographies	Quarter ended		
	Sep 30, 14	Sep 30, 13	June 30, 14
USA	58.47%	57.60%	58.29%
Europe	21.11%	24.29%	22.60%
SEAC (South East Asia)	8.76%	9.82%	9.45%
India	7.12%	4.03%	5.88%
Others	4.54%	4.26%	3.78%
Total	100.00%	100.00%	100.00%

Utilization (excluding trainees)	Quarter ended		
	Sep 30, 14	Sep 30, 13	June 30, 14
Onsite	79.44%	73.52%	74.89%
Offshore	75.99%	73.05%	74.62%
Blended	76.84%	73.16%	74.68%

Utilization (including trainees)	Quarter ended		
	Sep 30, 14	Sep 30, 13	June 30, 14
Onsite	79.44%	73.52%	74.89%
Offshore	70.84%	70.10%	70.78%
Blended	72.83%	70.87%	71.72%

Consolidated Operational Data (Un-audited)

Human resources	As at		
	Sep 30, 14	Sep 30, 13	June 30, 14
Technical	2,334	2,193	2,233
Software services			
Onsite	333	306	319
Offshore	1,360	1,349	1,367
BPO			
Offshore	297	285	272
Onsite	205	195	184
Trainees	139	58	91
Support	386	370	391
Total count	2,720	2,563	2,624

(Rs. in mn, except DSO)

Key Balance Sheet Data	As At		
	Sep 30, 14	Sep 30, 13	June 30, 14
Receivable	1,121.87	1,076.74	1,199.82
Receivable in days (“DSO”)	52	55	52
Total cash and bank balance*	1,169.80	1,087.54	995.13
Fixed assets	446.95	458.74	459.27
Shareholders’ funds	2,372.98	2,240.10	2,373.92

*Including investments in liquid debt funds and fixed deposits with banks

Development/Service Centres Location	As on September 30, 2014	
	Covered areas in sq ft.	No. of seats
India		
Noida	76,980	1,434
Pune	25,190	457
Chennai	12,666	185
	114,836	2,076
USA		
Sacramento, CA	9,500	60
Salt Lake City, Utah	13,800	117
	23,300	177
South East Asia		
Singapore	5,544	56
Malaysia	3,365	31
Thailand	592	6
	9,501	93
Europe		
Netherlands	21,194	251
France	8,600	112
Romania	14,090	129
Poland	6,083	54
Moldova`	3,398	46
	53,365	592
Total	201,002	2,938



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 provider of outsourced product development and customer support services. We help companies to accelerate the speed to market 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 to build scalable, configurable and secure products and applications; 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, High Technology, Independent Software Vendors, Telecom and Digital Media, Government, HealthCare, Manufacturing and Logistic Industries. R Systems maintains thirteen development and service centres and using our global delivery model we serve customers in USA, Europe, South America, India, 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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