



R Systems Announces Results for Q2 2015

Q2 2015: Revenue: Rs. 165.45 Crores, EBITDA: Rs. 23.81 Crores and Net Profits: Rs. 14.35 Crores

Noida, India – August 05, 2015

Highlights

Consolidated results for the quarter ended June 30, 2015

- Consolidated revenue from operations for Q2-15 was Rs. 165.45 crores (US\$ 26.10 mn) compared to Rs. 160.67 crores (US\$ 26.85 mn) in Q2, 2014 and Rs. 150.79 crores (US\$ 24.23 mn) in Q1, 2015. YoY increase was 2.98% and QoQ increase was 9.73%.
- EBITDA was Rs. 23.81 crores (US\$ 3.77 mn) compared to Rs. 22.43 crores (US\$ 3.74 mn) in Q2, 2014 and Rs. 15.65 crores (US\$ 2.51 mn) in Q1, 2015. YoY increase was 6.18% and QoQ increase was 52.19%.
- Net profit after taxes was Rs. 14.35 crores (US\$ 2.27 mn) compared to Rs. 13.93 crores (US\$ 2.33 mn) in Q2, 2014 and Rs. 8.20 crores (US\$ 1.32 mn) in Q1, 2015. YoY increase was 3.00% and QoQ increase was 74.97%.

Mr. Rekhi Singh, Managing Director stated “We concluded the quarter with revenues of Rs. 165 crores and net profit of Rs. 14 crores. Volume growth coupled with rupee depreciation led to improved margins. We have successfully completed acquisition of IBIZ. This acquisition has strengthened our ERP practice and customer base in South East Asia.”

He added, “The Company has completed the divestment of Indus Business Unit operated out of Pune and Chennai centres on July 7, 2015 in line with our strategy of divesting product business and focusing on core services business.”

He further added “the Board has approved a business acquisition through our subsidiary Computaris from a subsidiary of a leading European telecommunication company for maximum consideration of Euro 0.70 million. This will strengthen our telecom practice and deepen over customer base in Europe”

Mr. Avirag Jain, CTO said “We are continuing our focus on disciplined execution, strengthening sales & marketing efforts and processes along with deepening our relationship with customers to deliver enhanced value proposition.”

He added, “We are investing in research and development, and strengthening our offerings horizontally with mobility and analytics.”



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 in multiple languages using our global delivery model.

Further, R Systems' Singapore subsidiary ECnet® addresses supply chain, warehousing and inventory management. Further, 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 and business intelligence etc.

R Systems recent acquisition IBIZ is Microsoft Gold-certified partner specialized in Microsoft business management solution suites, including enterprise resource planning, customer relationship management, point of sales, mobility, business intelligence and portals.

Our services and solutions span five major verticals including Telecom & Digital Media, Banking & Finance, Healthcare, Manufacturing & Logistics, and Government Services.

The quarter concluded with 7 key wins with strong pipeline across the business verticals and geographies. The brief of some significant wins are listed below:

A USA company offering cloud-based turnkey solutions to healthcare provider organizations for performance management and quality improvement has engaged R Systems for product customization and development support.

A USA division of a global automotive company has engaged R Systems to develop software application framework to test their telematics web portal on multiple tests environment, this will result in faster turnaround to release their new versions of telematics system into the market.

One of the leading telecom ISV has awarded R Systems' UK subsidiary Computaris, a project which will help the telecom operator with troubleshooting issues reported by the customers regarding custom roaming profiles, and will also allow the simulation of different roaming scenarios for subscribers.

A Singapore based group manufacturing wide range of springs for industrial application has engaged our Singapore subsidiary ECnet Limited to implement globally renowned ERP System.

A Japanese contact lens manufacturing company has engaged R Systems' Singapore subsidiary IBIZ to implement Microsoft Dynamics ERP system to automate sales, distribution and manufacturing operations in Singapore.



Other Corporate Matters and Special Interim Dividend

R Systems (Singapore) Pte. Limited wholly owned subsidiary of the Company, has acquired 100% share of IBIZCS Group Pte. Ltd., Singapore (IBIZ) on April 30, 2015 for maximum consideration of SGD 7.50 million including the earn-outs over the next three years. IBIZ is having subsidiaries in Singapore, Malaysia, Indonesia, India, Hong Kong and China.

On June 27, 2015, the Company has entered into a Business Transfer Agreement (BTA) for transfer of Indus Business Unit to a wholly owned subsidiary namely, R Systems Products & Technologies Private Limited (“RSPTPL”) on a going concern basis by way of slump sale, for consideration of Rs. 78.39 crores to be discharged by RSPTPL through issuance of 60,000,003 equity shares of Re. 1/- each at a premium of Rs. 6.23 per share and 35,026 compulsorily redeemable debentures of Rs. 10,000 each, on the terms and conditions agreed in BTA. The Company also entered into ‘Share Purchase Agreement’ (SPA) with BD Capital Partners Ltd. (“BDC”), a Mauritius based company on June 27, 2015 to sell 93% of its equity share in RSPTPL to BDC for a consideration of Rs 44.32 crores (USD 7 million). Subject to the satisfaction of certain conditions, BDC has also agreed to purchase the balance 7% equity shares for a consideration up to Rs 6.33 crores (USD 1 mn). The Company will continue to hold the compulsorily redeemable debentures having an aggregate face value of Rs 35.03 crores in accordance with the terms of the BTA. Subsequent to the quarter end, the Company has closed the BTA and SPA on July 07, 2015.

The Board of Directors at its meeting held on August 05, 2015, has declared second interim (special) dividend of Rs. 3.30 per equity shares (i.e. 330% on equity share of par value of Re. 1/-).

Further, the Board of Directors at its meeting held on August 05, 2015, has approved a business acquisition consisting of customer contracts and intellectual properties from a subsidiary of a leading European telecommunication company through its wholly owned subsidiary Computaris International Limited, UK, for a maximum consideration of Euro 0.70 million on fulfilment of certain conditions. The above said approval is 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 June 30, 2015 was Rs. 116.77 crores compared to Rs. 107.24 crores as at March 31, 2015. Total shareholder funds as at June 30, 2015 were Rs. 171.33 crores compared to Rs. 206.15 crores as at March 31, 2015.

Financial Performance

Consolidated Profit & Loss Statement (Un-audited) for the Quarter Ended June 30, 2015

(As per Indian GAAP)

(Figures in mn, except per share data)

Sr. No.	Particulars	Quarter Ended June 30,		Quarter Ended March 31, 2015
		2015	2014	
1	Income			
1.1	Income from operations	1,654.53	1,606.68	1,507.86
1.2	Other operating income	8.25	0.66	9.80
	Total	1,662.78	1,607.34	1,517.66
2	Expenditure			
2.1	Employee benefits expense	954.78	979.35	961.13
2.2	Depreciation and amortisation expense	34.45	28.37	45.89
2.3	Traveling and conveyance	100.91	75.17	106.07
2.4	Communication costs	20.63	22.24	19.02
2.5	Legal and professional expenses (including subcontract expenses)	165.87	174.30	150.34
2.6	Provision for doubtful debts and advances (net)	4.54	-	2.93
2.7	Other expenditure	167.64	126.76	110.46
	Total expenditure	1,448.82	1,406.19	1,395.84
3	Profit from operations before other income and finance cost	213.96	201.15	121.82
4	Other income	11.25	10.38	10.79
5	Profit from operations before finance cost	225.21	211.53	132.61
6	Finance cost	2.2	1.89	2.23
7	Profit before tax	223.01	209.64	130.38
8	Provision for tax			
8.1	Current tax (net of MAT credit)	87.59	70.18	59.86
8.2	Deferred tax charge / (credit)	(8.03)	0.19	(11.47)
	Total tax expense	79.56	70.37	48.39
9	Net profit after tax	143.45	139.27	81.99
10	Earnings per share (Face value of Re. 1/- each)			
10.1	Basic	1.13	1.09	0.64
10.2	Diluted	1.13	1.09	0.64

Financial Performance

Consolidated Profit & Loss Statement (Un-audited) for the Six Months Ended June 30, 2015

(As per Indian GAAP)

(Figures in mn, except per share data)

Sr. No.	Particulars	Six Month Ended June 30	
		2015	2014
1	Income		
1.1	Income from operations	3,162.39	3,169.33
1.2	Other operating income	18.05	34.53
	Total	3,180.44	3,203.86
2	Expenditure		
2.1	Employee benefits expense	1,915.91	1,965.20
2.2	Depreciation and amortisation expense	80.34	55.36
2.3	Traveling and conveyance	206.98	168.98
2.4	Communication costs	39.65	44.04
2.5	Legal and professional expenses (including subcontract expenses)	316.21	336.10
2.6	Provision for doubtful debts and advances (net)	7.47	-
2.7	Other expenditure	278.1	242.32
	Total expenditure	2,844.66	2,812.00
3	Profit from operations before other income and finance cost	335.78	391.86
4	Other income	22.04	21.76
5	Profit from operations before finance cost	357.82	413.62
6	Finance cost	4.43	3.95
7	Profit before tax	353.39	409.67
8	Provision for tax		
8.1	Current tax (net of MAT credit)	147.45	110.80
8.2	Deferred tax charge / (credit)	(19.50)	15.97
	Total tax expense	127.95	126.77
9	Net profit after tax	225.44	282.90
10	Earnings per share (Face value of Re. 1/- each)		
10.1	Basic	1.77	2.23
10.2	Diluted	1.77	2.23

Financial Performance

Consolidated Profit & Loss Statement (Un-Audited) for the Quarter Ended June 30, 2015 (Contribution Analysis Format; Basis Indian GAAP)

(Figures in mn, except per share data)

Particulars	Q2 2015		Q2 2014		Q1 2015	
	INR	US\$	INR	US\$	INR	US\$
Revenues	1,654.53	26.10	1,606.68	26.85	1,507.86	24.23
Cost of revenues	1,058.84	16.70	1,021.48	17.08	994.35	15.98
Gross margin	595.69	9.40	585.20	9.77	513.51	8.25
	36.00%		36.42%		34.06%	
SG & A						
Expenses	357.55	5.63	360.92	6.03	357.04	5.74
	21.61%		22.46%		23.68%	
EBITDA	238.14	3.77	224.28	3.74	156.47	2.51
	14.39%		13.96%		10.38%	
Depreciation and amortization	34.45	0.54	28.37	0.47	45.89	0.73
Income from operations	203.69	3.23	195.91	3.27	110.58	1.78
Interest expense	(0.27)	(0.01)	(0.22)	(0.00)	(0.22)	(0.00)
Other income (net)	19.59	0.31	13.95	0.24	20.02	0.32
Income before income tax	223.01	3.53	209.64	3.51	130.38	2.10
Income tax provision	79.56	1.26	70.37	1.18	48.39	0.78
Net earnings	143.45	2.27	139.27	2.33	81.99	1.32
Earnings per share (Face value of Re. 1/- each)						
Basic	1.13	0.02	1.09	0.02	0.64	0.01
Diluted	1.13	0.02	1.09	0.02	0.64	0.01

Financial Performance

Consolidated Profit & Loss Statement (Un- audited) for the Six Months Ended June 30, 2015

(Contribution Analysis Format; Basis Indian GAAP)

(Figures in mn, except per share data)

Particulars	Jan to Jun 15		Jan to Jun 14	
	INR	US\$	INR	US\$
Revenue	3,162.39	50.33	3,169.33	52.16
Cost of revenue	2,053.19	32.68	2,035.55	33.50
Gross margin	1,109.20	17.65	1,133.78	18.66
SG & A	35.07%		35.77%	
Expenses	714.59	11.37	722.81	11.89
	22.60%		22.81%	
EBITDA	394.61	6.28	410.97	6.77
	12.48%		12.97%	
Depreciation and amortization	80.34	1.27	55.36	0.91
Income from operations	314.27	5.01	355.61	5.86
Interest expense	(0.49)	(0.01)	(0.64)	(0.01)
Other income (net)	39.61	0.63	54.70	0.90
Income before income tax	353.39	5.63	409.67	6.75
Income tax provision	127.95	2.04	126.77	2.09
Net earnings	225.44	3.59	282.90	4.66
Earnings per share (Face value of Re. 1/- each)				
Basic	1.77	0.03	2.23	0.04
Diluted	1.77	0.03	2.23	0.04

Consolidated Balance Sheet as at June 30, 2015 (As per Indian GAAP)

Particulars	(Rs. in mn)		
	As at		
	June 30, 2015	June 30, 2014	Mar 31, 2015
	(Unaudited)	(Unaudited)	(Unaudited)
EQUITY & LIABILITIES			
Shareholders' Funds			
Share capital	126.13	126.63	126.47
Reserves and Surplus	1,587.15	2,247.29	1,934.98
Sub-Total Shareholder's Funds	1,713.28	2,373.92	2,061.45
Minority interest	-	-	-
Non-current liabilities			
Long-term borrowings	5.08	7.19	5.67
Other long term liabilities	158.42	4.48	4.83
Long-term provisions	64.74	80.80	102.91
Subtotal - Non-current liabilities	228.24	92.47	113.41
Current liabilities			
Trade payables	499.83	480.67	420.83
Other current liabilities	523.36	298.51	317.75
Short-term provisions	748.76	274.15	386.20
Subtotal- Current Liabilities	1,771.95	1,053.33	1,124.78
TOTAL - EQUITY AND LIABILITIES	3,713.47	3,519.72	3,299.64
ASSETS			
Non-current assets			
Fixed assets	370.51	459.27	378.57
Goodwill on consolidation	530.31	292.41	263.55
Non-current investments	0.03	0.03	0.03
Deferred tax assets (net)	63.62	38.96	55.52
Long-term loans and advances	63.73	74.37	66.58
Other non-current assets	77.63	76.27	76.25
Subtotal - Non- current assets	1,105.83	941.31	840.50
Current assets			
Current Investment	-	18.00	18.00
Trade receivables	1,081.28	1,199.82	1,110.81
Cash and bank balance	1,097.94	907.01	995.62
Short-term loans and advances	242.24	175.38	163.90
Other current assets	186.18	278.20	170.81
Subtotal - Current Assets	2,607.64	2,578.41	2,459.14
TOTAL - ASSETS	3,713.47	3,519.72	3,299.64

Consolidated Operational Data (Un-audited)

Profitability in Percentage	Quarter ended		
	June 30, 15	June 30, 14	Mar 31, 15
Revenues	100.00	100.00	100.00
Gross margin	36.00	36.42	34.06
SG & A	21.61	22.46	23.68
EBITDA	14.39	13.96	10.38
EBT	13.48	13.05	8.65
PAT	8.67	8.67	5.44

Revenue from Top 10 Clients	Quarter ended		
	June 30, 15	June 30, 14	Mar 31, 15
Top 10 Clients	29.52%	32.04%	32.98%
Top 5 Clients	18.67%	19.87%	21.16%
Top 3 Clients	13.09%	14.11%	15.07%
Largest Client	5.72%	5.62%	6.91%

Revenues by Geographies	Quarter ended		
	June 30, 15	June 30, 14	Mar 31, 15
USA	51.49%	58.29%	57.22%
Europe	16.19%	22.60%	17.04%
SEAC (South East Asia)	17.18%	9.45%	12.61%
India	8.00%	5.88%	8.41%
Others	7.14%	3.78%	4.72%
Total	100.00%	100.00%	100.00%

Utilization (excluding trainees)	Quarter ended		
	June 30, 15	June 30, 14	Mar 31, 15
Onsite	79.24%	74.89%	82.88%
Offshore	72.52%	74.62%	74.67%
Blended	73.57%	74.68%	76.14%

Utilization (including trainees)	Quarter ended		
	June 30, 15	June 30, 14	Mar 31, 15
Onsite	79.24%	74.89%	82.88%
Offshore	67.63%	70.78%	69.80%
Blended	69.33%	71.72%	72.01%

Consolidated Operational Data (Un-audited)

Human resources	As at		
	June 30, 15 ^	June 30, 14	Mar 31, 15
Technical	2,428	2,233	2,302
Software services			
Onsite	318	319	311
Offshore	1,657	1,367	1,552
BPO			
Offshore	304	272	295
Onsite	10	184	34
Trainees	139	91	110
Support	369	391	347
Total count	2,797	2,624	2,649

^ Includes 838 associates pertaining to Indus Business Unit.

(Rs. in mn, except DSO)

Key Balance Sheet Data	As At		
	June 30, 15	June 30, 14	Mar 31, 15
Receivable	1,081.28	1,199.82	1,110.81
Receivable in days (“DSO”)	43	52	59
Total cash and bank balance	1,167.71	995.13	1,072.41
Fixed assets	370.51	459.27	378.57
Shareholders’ funds	1,713.28	2,373.92	2,061.45

Development/Service Centres Location	As on June 30, 2015	
	Covered areas in sq ft.	No. of seats
India		
Noida	76,980	1,434
Pune #	30,635	536
Chennai #	19,415	302
	127,030	2,272
USA		
Sacramento, CA	9,500	60
Salt Lake City, Utha	13,800	117
	23,300	177
South East Asia		
Singapore	8,054	91
Malaysia	6,048	52
Thailand	592	6
Indonesia	1,109	12
	15,803	161
Europe		
Romania	14,090	129
Poland	6,734	56
Moldova	3,398	46
	24,222	231
Total	190,355	2,841

Including 48,650 sq ft. and 812 seats in Pune and Chennai pertaining to Indus Business Unit.



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 fourteen development and service centres and using our global delivery model we serve customers in USA, 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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