



R Systems Announces Results for Q3 2016

**Q3 2016 Revenue: Rs. 144.1 Crores, QoQ decrease 3.2%.
5 Key Clients Added (2 with USD One Million plus Potential)
100 plus Associates Added over the Quarter to Cater to Growth**

Noida, India – October 26, 2016

Highlights

Consolidated results for the quarter ended September 30, 2016

- Consolidated revenue from operations for Q3, 2016 was Rs. 144.11 crores (US\$ 21.53 mn) compared to Rs. 143.01 crores (US\$ 21.93 mn) in Q3, 2015 and Rs. 148.85 crores (US\$ 22.25 mn) in Q2, 2016. QoQ decrease was 3.18%.
- EBITDA was Rs. 15.94 crores (US\$ 2.38 mn) compared to Rs. 16.97 crores (US\$ 2.60 mn) in Q3, 2015 and Rs. 22.19 crores (US\$ 3.31 mn) in Q2, 2016. QoQ decrease was 28.16%.
- Net profit after taxes was Rs. 10.77 crores (US\$ 1.61 mn) compared to Rs. 52.00 crores (US\$ 8.14 mn) in Q3, 2015 and Rs. 16.69 crores (US\$ 2.49 mn) in Q2, 2016. Net profit for Q3, 2015 includes exceptional profit of Rs. 43.35 crores (US\$ 6.82 mn) on divestment of Indus Business Division.

Others

- Added 135 associates during the quarter from 2,168 as at June 30, 2016 to 2,303 as at September 30, 2016.
- Setting up of a new business unit in Special Economic Zone at Greater Noida West (NCR).
- Buy-back from existing shareholders for an amount up to Rs. 19.50 crores on a proportionate basis through tender offer at a price of Rs. 65/- per share.

Rekhi Singh, Managing Director stated “We are setting up a new SEZ unit in Greater Noida to cater to the business growth. However, the initial investment in new projects and delay in start of certain projects has impacted margins for the quarter.” He added, “Our balance sheet continues to be very strong with cash and bank balance of Rs. 126 crores and net worth of Rs. 281 crores.” He further added, “We continue to invest for future growth by building competencies around digital technologies and enhancing our sales and marketing bandwidth.”

Avirag Jain, CTO said “We started 5 key client engagements during the quarter and added 100 plus technical associates to serve these engagements along with strong sales pipeline. He added, “We continue to partner with our customers in addressing their key business challenges by building robust software products using digital technologies like analytics, mobility and cloud.”



Key Operational Highlights for the Quarter

R Systems' core service offerings include Outsourced Product Engineering that are 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 accelerate their time-to-market, make customers more competitive, and increase product life spans. Our key ITES services include customer care and 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. 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 five major verticals including Telecom & Digital Media, Banking & Finance, Healthcare, Manufacturing & Logistics, and Government Services. We have also expanded our capabilities horizontally with Analytics, Mobility and Cloud across the key verticals.

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

One of the leading global investment bank, offering mergers and acquisitions, financial restructuring and strategic consulting services, has engaged R Systems to revamp its cloud based CRM platform along with its integration with other legacy applications.

A leading Canadian technology solution and business process outsource provider dedicated to the automotive industry has engaged R Systems for enhancing & customizing the dealership management software to increase the effectiveness of automotive sales chain.

A USA based software product company building technology that will enable large organizations to make impact analysis of proposed business changes at the code level to the multiple applications in the enterprise, has mandated R Systems to design the architecture and framework for its new solution which will help developers to visualize the application components and architecture deployed over the network.

A US state health department has engaged R Systems USA subsidiary for a system study of its existing applications and upgrading these applications compatible with the new healthcare regulatory systems.

Singapore arm of one of the leading Japanese paint manufacturers, established in sectors like architectural, industrial and protective, has engaged our Singapore subsidiary ECnet Limited to upgrade its Infor Syteline ERP.



Corporate and Other Matters

The Board of Directors of the Company at its meeting held on September 14, 2016 has approved the buy-back of the Company's fully paid-up equity shares up to 3,000,000 of face value of Re. 1/- each from its existing shareholders on a proportionate basis through "Tender Offer" at a price of Rs. 65/- per equity share, payable in cash for a total consideration not exceeding Rs. 19.50 crores.

The Board of Directors of the Company by passing resolution through circulation on September 02, 2016 has approved the setting up of a new business unit in 'Special Economic Zone' (SEZ) measuring approx. 15,000 sq. ft. located at Greater Noida West (NCR).

Liquidity and Shareholder Funds

Total Consolidated Cash and bank balance, including bank deposits as at September 30, 2016, was Rs. 125.90 crores compared to Rs. 92.22 crores as at September 30, 2015 and Rs. 115.68 crores as at June 30, 2016. Total shareholder funds as at September 30, 2016 were Rs. 281.43 crores compared to Rs. 220.20 crores as at September 30, 2015 and Rs. 272.65 crores as at June 30, 2016.

Financial Performance

Consolidated Profit & Loss Statement (Un-audited) for the Quarter Ended September 30, 2016 (As per Indian GAAP)

(Figures in mn, except per share data)

Sr. No.	Particulars	Quarter Ended September 30,		Quarter Ended
		2016	2015	June 30, 2016
1	Income			
1.1	Income from operations	1,441.13	1,430.09	1,488.53
1.2	Other operating income	20.07	6.08	13.08
	Total	1,461.20	1,436.17	1,501.61
2	Expenditure			
2.1	Employee benefits expense	953.69	852.09	939.61
2.2	Depreciation and amortisation expense	29.83	26.88	28.03
2.3	Travelling and conveyance	55.93	70.45	39.93
2.4	Communication costs	18.97	19.96	19.15
2.5	Legal and professional expenses (including subcontracting expenses)	147.47	153.58	137.76
2.6	Provision for doubtful debts and advances (net)	(5.19)	(0.55)	6.43
2.7	Other expenditure	108.57	162.82	122.13
	Total expenditure	1,309.27	1,285.23	1,293.04
3	Profit from operations before other income and finance cost	151.93	150.94	208.57
4	Other income	14.42	17.04	14.27
5	Profit from operations before finance cost	166.35	167.98	222.84
6	Finance cost	2.58	2.33	1.89
7	Profit from operations before Exceptional Items	163.77	165.65	220.95
8	Exceptional Items	-	566.14	-
9	Profit before tax	163.77	731.79	220.95
10	Provision for tax			
10.1	Current tax expenses	55.08	197.76	61.56
10.2	Deferred tax charge / (credit)	1.02	14.07	(7.47)
	Total tax expense	56.10	211.83	54.09
11	Net profit after tax	107.67	519.96	166.86
12	Earnings per share (Face value of Re. 1/- each)			
12.1	Basic	0.85	4.10	1.32
12.2	Diluted	0.85	4.10	1.31

Financial Performance

Consolidated Profit & Loss Statement (Un-audited) for the Nine Months Ended September 30, 2016 (As per Indian GAAP)

(Figures in mn, except per share data)

Sr. No.	Particulars	Nine Month Ended September 30	
		2016	2015
1	Income		
1.1	Income from operations	4,348.35	4,592.48
1.2	Other operating income	41.28	23.65
	Total	4,389.63	4,616.13
2	Expenditure		
2.1	Employee benefits expense	2,806.92	2,767.99
2.2	Depreciation and amortisation expense	86.17	107.22
2.3	Travelling and conveyance	190.87	277.43
2.4	Communication costs	53.94	59.61
2.5	Legal and professional expenses (including subcontracting expenses)	441.48	469.79
2.6	Provision for doubtful debts and advances (net)	10.05	6.92
2.7	Other expenditure	325.36	440.44
	Total expenditure	3,914.79	4,129.40
3	Profit from operations before other income and finance cost	474.84	486.73
4	Other income	42.30	39.08
5	Profit from operations before finance cost	517.14	525.81
6	Finance cost	6.23	6.77
7	Profit from operations before Exceptional Items	510.91	519.04
8	Exceptional Items	-	566.14
9	Profit before tax	510.91	1,085.18
10	Provision for tax		
10.1	Current tax	170.28	345.21
10.2	Deferred tax credit	(10.28)	(5.43)
	Total tax expense	160.00	339.78
11	Net profit after tax	350.91	745.40
12	Earnings per share (Face value of Re. 1/- each)		
12.1	Basic	2.77	5.87
12.2	Diluted	2.76	5.87

Financial Performance

Consolidated Profit & Loss Statement (Un-audited) for the Quarter Ended September 30, 2016 (Contribution Analysis Format; Basis Indian GAAP)

(FIGURES IN MN)

Particulars	Q3 2016		Q3 2015		Q2 2016	
	INR	US\$	INR	US\$	INR	US\$
Revenues	1,441.13	21.53	1,430.09	21.93	1,488.53	22.25
Cost of revenues	949.80	14.19	929.06	14.25	948.43	14.18
Gross margin	491.33	7.34	501.03	7.68	540.10	8.07
	34.09%		35.03%		36.28%	
SG & A						
Expenses	331.89	4.96	331.33	5.08	318.16	4.76
	23.03%		23.17%		21.37%	
EBITDA	159.44	2.38	169.70	2.60	221.94	3.31
	11.06%		11.87%		14.91%	
Depreciation and amortization	29.83	0.44	26.88	0.41	28.03	0.42
Income from operations before exceptional items	129.61	1.94	142.82	2.19	193.91	2.89
Exceptional items	-	-	566.14	8.91	-	-
Income from operations	129.61	1.94	708.96	11.10	193.91	2.89
Interest expense	(0.33)	(0.01)	(0.29)	(0.01)	(0.32)	(0.01)
Other income (net)	34.49	0.52	23.12	0.36	27.36	0.42
Income before income tax	163.77	2.45	731.79	11.45	220.95	3.30
Income tax provision	56.10	0.84	211.83	3.31	54.09	0.81
Net earnings	107.67	1.61	519.96	8.14	166.86	2.49

Financial Performance

Consolidated Profit & Loss Statement (Un- audited) for the Nine Months Ended September 30, 2016 (Contribution Analysis Format; Basis Indian GAAP)

(Figures in mn, except per share data)

Particulars	Jan to Sep 16		Jan to Sep 15	
	INR	US\$	INR	US\$
Revenue	4,348.35	64.79	4,592.48	72.26
Cost of revenue	2,834.11	42.23	2,982.26	46.92
Gross margin	1,514.24	22.56	1,610.22	25.34
SG & A	<i>34.82%</i>		<i>35.06%</i>	
Expenses	999.79	14.90	1,045.91	16.46
	<i>22.99%</i>		<i>22.77%</i>	
EBITDA	514.45	7.66	564.31	8.88
	<i>11.83%</i>		<i>12.29%</i>	
Depreciation and amortization	86.17	1.28	107.22	1.69
Income from operations before exceptional items	428.28	6.38	457.09	7.19
Exceptional items	-	-	566.14	8.91
Income from operations	428.28	6.38	1,023.23	16.10
Interest expense	(0.95)	(0.02)	(0.79)	(0.01)
Other income (net)	83.58	1.25	62.74	0.99
Income before income tax	510.91	7.61	1,085.18	17.08
Income tax provision	160.00	2.38	339.78	5.35
Net earnings	350.91	5.23	745.40	11.73

Consolidated Balance Sheet as at September 30, 2016 (As per Indian GAAP)

Particulars	(Rs. in mn)		
	As at		
	September 30, 2016	September 30, 2015	June 30, 2016
	(Unaudited)	(Unaudited)	(Unaudited)
EQUITY & LIABILITIES			
Shareholders' Funds			
Share capital	126.13	126.13	126.13
Reserves and Surplus	2,688.13	2,075.88	2,600.41
Sub-Total Shareholder's Funds	2,814.26	2,202.01	2,726.54
Minority interest	-	-	-
Non-current liabilities			
Long-term borrowings	7.67	8.84	8.79
Other long term liabilities	64.95	161.88	65.19
Long-term provisions	79.77	67.79	75.65
Subtotal - Non-current liabilities	152.39	238.51	149.63
Current liabilities			
Trade payables	414.43	462.29	390.77
Other current liabilities	280.08	323.33	335.69
Short-term provisions	190.87	308.03	195.05
Subtotal- Current Liabilities	885.38	1,093.65	921.51
TOTAL - EQUITY AND LIABILITIES	3,852.03	3,534.17	3,797.68
ASSETS			
Non-current assets			
Fixed assets	326.37	304.00	312.31
Goodwill on consolidation	491.91	565.43	500.80
Non-current investments	201.77	290.82	289.72
Deferred tax assets (net)	47.66	49.01	48.65
Long-term loans and advances	81.57	60.42	63.43
Other non-current assets	126.94	70.09	76.96
Subtotal - Non- current assets	1,276.22	1,339.77	1,291.87
Current assets			
Current Investment	118.01	118.01	118.01
Trade receivables	948.55	887.35	1,025.67
Cash and bank balance	1,137.03	855.66	1,084.20
Short-term loans and advances	184.58	198.60	141.55
Other current assets	187.64	134.78	136.38
Subtotal - Current Assets	2,575.81	2,194.40	2,505.81
TOTAL - ASSETS	3,852.03	3,534.17	3,797.68

Consolidated Operational Data (Un-audited)

Profitability in Percentage	Quarter ended		
	Sep 30, 16	Sep 30, 15	June 30, 16
Revenues	100.00	100.00	100.00
Gross margin	34.09	35.03	36.28
SG & A	23.03	23.17	21.37
EBITDA	11.06	11.87	14.91
EBT	11.36	11.58 [#]	14.84
PAT	7.47	6.05 [#]	11.21

excluding exceptional profit.

Revenue from Top 10 Clients	Quarter ended		
	Sep 30, 16	Sep 30, 15	June 30, 16
Top 10 Clients	32.95%	34.35%	31.74%
Top 5 Clients	20.96%	21.95%	19.89%
Top 3 Clients	14.61%	15.34%	13.87%
Largest Client	6.70%	7.12%	6.37%

Revenues by Geographies	Quarter ended		
	Sep 30, 16	Sep 30, 15	June 30, 16
USA	60.14%	61.21%	58.12%
Europe	18.21%	13.82%	18.03%
SEAC (South East Asia)	17.15%	17.91%	18.26%
India	1.68%	2.28%	1.69%
Others	2.82%	4.78%	3.90%
Total	100.00%	100.00%	100.00%

Utilization (excluding trainees)	Quarter ended		
	Sep 30, 16	Sep 30, 15	June 30, 16
Onsite	83.31%	81.50%	84.85%
Offshore	74.22%	74.73%	77.50%
Blended	75.74%	76.15%	78.82%

Utilization (including trainees)	Quarter ended		
	Sep 30, 16	Sep 30, 15	June 30, 16
Onsite	83.31%	81.50%	84.85%
Offshore	68.98%	70.49%	71.60%
Blended	71.24%	72.69%	73.83%

Consolidated Operational Data (Un-audited)

Human resources	As at		
	Sep 30, 16	Sep 30, 15	June 30, 16
Technical	1,973	1,748	1,853
Software services			
Onsite	301	326	297
Offshore	1,165	1,009	1,111
BPO			
Offshore	396	325	336
Onsite	-	9	-
Trainees	111	79	109
Support	330	286	315
Total count	2,303	2,034	2,168

(Rs. in mn, except DSO)

Key Balance Sheet Data	As At		
	Sep 30, 16	Sep 30, 15	June 30, 16
Receivable	948.55	887.35	1,025.67
Receivable in days (“DSO”)	53	43	53
Total cash and bank balance	1,258.99	922.24	1,156.81
Fixed assets	326.37	304.00	312.31
Shareholders’ funds	2,814.26	2,202.01	2,726.54

Development/Service Centres Location	As on Sep 30, 2016	
	Covered areas in sq ft.	No. of seats
India		
Noida	78,679	1,530
Chennai	5,905	65
	84,584	1,595
USA		
Sacramento, CA	9,500	60
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	126
Poland	7,908	65
Moldova	3,398	48
	25,396	239
Total	135,284	2,055



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 outsourced product development and business process outsourcing services. We help companies accelerate 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 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, Independent Software Vendors, Telecom and Digital Media, Government, Healthcare, and Manufacturing and Logistic Industries. R Systems maintains fourteen 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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