



R Systems Announces Results for Q2 2020 Margin Improvement Despite COVID-19 Challenges

**Q2 2020: Revenue: Rs. 210 Crores with EBITDA: Rs. 23 Crores
Strong Net Worth including Liquid Cash to Support Operations & Growth**

Noida, India – August 5, 2020

Highlights

Consolidated results for the quarter ended June 30, 2020

- Consolidated revenue from operations for Q2 2020 was Rs. 210.38 crores (US\$ 27.89 mn) compared to Rs. 202.81 crores (US\$ 29.17 mn) in Q2 2019 and Rs. 209.26 crores (US\$ 28.91 mn) in Q1 2020; YoY increase 3.73%.
- EBITDA for Q2 2020 was Rs. 23.11 crores (US\$ 3.07 mn) compared to Rs. 18.32 crores (US\$ 2.63 mn) in Q2 2019 and Rs. 20.14 crores (US\$ 2.78 mn) in Q1 2020. Q2 2020 EBITDA as % of revenue was 10.98 % as against 9.03 % for Q2 2019 and 9.63 % for Q1 2020.
- Net profit after taxes for Q2 2020 was Rs. 16.13 crores (US\$ 2.15 mn) compared to Rs. 11.60 crores (US\$ 1.67 mn) in Q2 2019 and Rs. 9.53 crores (US\$ 1.32 mn) in Q1 2020.

Others

- 5 Key wins during the quarter

Rekhi Singh, Managing Director stated “We concluded the quarter with revenue of Rs. 210 crores and 11% EBITDA. Quarterly revenue grew 3.7% year on year with margin improvements resulting from efficient WFH operations as employees have risen to overcome these challenges, cost savings, and rupee depreciation. We have witnessed good traction towards digital services and solutions using RPA, cloud, IOT, mobility, and analytics and got healthy deal closures in this quarter. We are satisfied with Q2 performance amidst the pandemic.”

He added, “Our confidence for the rest of the year has improved as the businesses have now restarted taking new initiatives and accepting this new normal.” He further added, “Our balance sheet continues to be strong to support operations and future growth.”

Avirag Jain, Director and CTO said “WFH has been quite effective and our customers are comfortable and supportive. We are partnering with leading enterprises and niche technology start-ups to deliver mission critical solutions using our digital capabilities.” He added, “We continued to take required steps aimed at employee safety and welfare while ensuring the business continuity for our customers.”

Key Operational Highlights

Established in 1993, R Systems is a leading provider of technology, artificial intelligence, analytics and knowledge services. We partner with customer to enable or elevate their digital transformation with our diversified digital offerings. Our technology offerings include product engineering, cloud enablement, QA testing and digital platforms and solutions. This includes solution offerings i.e. Microsoft, Infor, JDA and QlikView etc. through our IBIZ and ECnet subsidiaries in South East Asia. AI / Analytics services include advanced analytics, machine learning / artificial intelligence, business analytics and automation. R Systems' design services include UX engineering, visual design and mobile user experience. Our knowledge service offerings cover revenue cycle management, back office service, technical support, and customer care using multi-lingual capabilities and global delivery platform.

Our services and solutions span over five major business verticals i.e. Technology, Telecom, Healthcare & Life Science, Finance & Insurance and Retail & e-commerce. R Systems maintains sixteen development and service centres to serve customers in North America, Europe, and the Far East.

The brief of wins is listed below:

USA based healthcare provider has engaged R Systems to revamp their revenue cycle management process using RPA solution to enhance accuracy, efficiency, and transparency in claims processing.

A Canada based company providing banking solutions has engaged R Systems to digitalize their existing solutions.

A cloud computing solution provider has engaged R Systems to integrate its existing cloud solution with all leading mobility platforms.

A leading provider of cloud-based customer insight solutions has engaged R Systems as a digital transformation partner to revamp their existing solution.

One of the largest electronic manufacturers in the world has engaged our APAC division to implement the order management system (OMS) using D365 business central and LS Retail for its Singapore operations.

Liquidity and Shareholder Funds

Net Cash and bank balances, including bank deposits and liquid funds as of June 30, 2020, were Rs. 235.04 crores compared to Rs. 198.60 crores as of December 31, 2019. Total shareholder funds as of June 30, 2020 were Rs. 368.03 crores compared to Rs. 338.23 crores as of December 31, 2019.



Other Matters

COVID-19 update

Covid 19 has further deepened its impact on human life globally during Q2-2020 however, the businesses have also learnt to live with this new normal. R Systems continues the WFH guidelines to ensure the safety and health of our associates along with assuring secured and reliable operations for our customers. We have worked closely with our customers and vendors as a long-term partner to handle these challenges together. Further, in these challenging times, various governments like USA and Singapore have also offered certain financial stimulus packages to support the businesses. R Systems will continue to closely monitor any material changes to future economic conditions.

Financial Performance

Consolidated Profit & Loss Statement (Un-audited) for the Quarter Ended June 30, 2020 (As per Ind AS)

(Figures in mn, except per share data)

Sr. No.	Particulars	Quarter Ended June 30,		Quarter Ended March 31, 2020
		2020	2019	
1	Income			
(a)	Revenue from operations	2,103.84	2,028.11	2,092.62
(b)	Other income	24.57	28.26	20.74
	Total income	2,128.41	2,056.37	2,113.36
2	Expenses			
(a)	Employee benefits expense	1,507.17	1,356.30	1,484.99
(b)	Finance costs	14.76	4.20	12.56
(c)	Depreciation and amortisation expense	66.16	44.56	65.74
(d)	Other expenses	350.75	488.86	439.08
	Total expenses	1,938.84	1,893.92	2,002.37
3	Profit before tax	189.57	162.45	110.99
4	Tax expense			
(a)	Current tax	45.03	44.67	37.11
(b)	Deferred tax charge / (credit)	(16.74)	1.73	(21.44)
	Total tax expense	28.29	46.40	15.67
5	Net profit for the period	161.28	116.05	95.32
6	Earnings per share (Face value of Re. 1/- each) (not annualized)			
(a)	Basic	1.35	0.97	0.80
(b)	Diluted	1.35	0.97	0.80

Financial Performance

Consolidated Profit & Loss Statement (Un-audited) for the Six Months Ended June 30, 2020 (As per Ind AS)

(Figures in mn, except per share data)

Sr. No.	Particulars	Six Month Ended June 30,	
		2020	2019
1	Income		
(a)	Revenue from operations	4,196.46	3,991.10
(b)	Other income	45.31	87.61
	Total income	4,241.77	4,078.71
2	Expenses		
(a)	Employee benefits expense	2,992.16	2,702.85
(b)	Finance costs	27.32	8.00
(c)	Depreciation and amortisation expense	131.90	87.61
(d)	Other expenses	789.83	929.18
	Total expenses	3,941.21	3,727.64
3	Profit before tax	300.56	351.07
4	Tax expense		
(a)	Current tax	82.14	96.57
(b)	Deferred tax charge / (credit)	(38.18)	14.63
	Total tax expense	43.96	111.20
5	Net profit for the period	256.60	239.87
6	Earnings per share (Face value of Re. 1/- each) (not annualized)		
(a)	Basic	2.15	1.97
(b)	Diluted	2.15	1.97

Financial Performance

Consolidated Profit & Loss Statement (Un-audited) for the Quarter Ended June 30, 2020 (Contribution Analysis Format)

(Figures in mn)

Particulars	Q2 2020		Q2 2019		Q1 2020	
	INR	US\$	INR	US\$	INR	US\$
Revenues	2,103.84	27.89	2,028.11	29.17	2,092.62	28.91
Cost of revenues	1,349.22	17.88	1,320.38	19.00	1,359.47	18.78
Gross margin	754.62	10.01	707.73	10.17	733.15	10.13
	35.87%		34.90%		35.04%	
SG & A						
Expenses	523.54	6.94	524.57	7.54	531.72	7.35
	24.89%		25.87%		25.41%	
EBITDA	231.08	3.07	183.16	2.63	201.43	2.78
	10.98%		9.03%		9.63%	
Depreciation and amortization	66.16	0.88	44.56	0.63	65.74	0.91
EBIT	164.92	2.19	138.60	2.00	135.69	1.87
Interest expense	(14.76)	(0.20)	(4.20)	(0.06)	(12.56)	(0.17)
Other income (net)	39.41	0.54	28.05	0.40	(12.14)	(0.17)
Income before income tax	189.57	2.53	162.45	2.34	110.99	1.53
Income tax expense	28.29	0.38	46.40	0.67	15.67	0.21
Net earnings	161.28	2.15	116.05	1.67	95.32	1.32

Financial Performance

Consolidated Profit & Loss Statement (Un-audited) for the Six Months Ended June 30, 2020 (Contribution Analysis Format)

(Figures in mn)

Particulars	Jan to Jun 2020		Jan to Jun 2019	
	INR	US\$	INR	US\$
Revenues	4,196.46	56.80	3,991.10	57.08
Cost of revenues	2,708.69	36.66	2,622.57	37.51
Gross margin	1,487.77	20.14	1,368.53	19.57
	35.45%		34.29%	
SG & A				
Expenses	1,055.26	14.29	1,009.09	14.43
	25.15%		25.28%	
EBITDA	432.51	5.85	359.44	5.14
	10.31%		9.01%	
Depreciation and amortization	131.90	1.79	87.61	1.25
Income from operations	300.61	4.06	271.83	3.89
Interest expense	(27.32)	(0.37)	(8.00)	(0.11)
Other income (net)	27.27	0.37	87.24	1.24
Income before income tax	300.56	4.06	351.07	5.02
Income tax expense	43.96	0.59	111.20	1.59
Net earnings	256.60	3.47	239.87	3.43

Financial Performance

Consolidated Balance Sheet as at June 30, 2020 (As per Ind AS)

(Rs. in million)

	Particulars	As at	
		June 30, 2020	December 31, 2019
	ASSETS		
A.	Non-current assets		
	(a) Property, plant and equipment	398.94	435.98
	(b) Right-to-Use Assets	494.04	-
	(c) Capital work in progress	21.50	19.63
	(d) Investment property	21.11	21.84
	(e) Goodwill	203.93	195.94
	(f) Other Intangible assets	57.98	66.56
	(g) Financial assets		
	(i) Investment	0.03	0.03
	(ii) Other financial assets	128.88	140.37
	(h) Deferred tax assets (net)	110.23	62.53
	(i) Non-current tax assets (net)	47.05	49.26
	(j) Other non-current assets	18.77	39.53
B.	Total non-current assets (A)	1,502.46	1,031.67
	Current assets		
	(a) Financial assets		
	(i) Investments	285.01	342.45
	(ii) Trade receivables	1,378.47	1,323.97
	(iii) Cash and cash equivalents	1,518.25	1,103.11
	(iv) Other bank balances	309.51	366.08
	(v) Other financial assets	602.87	501.93
	(b) Other current assets	285.03	259.31
	Total current assets (B)	4,379.14	3,896.85
	Total assets (A+B)	5,881.60	4,928.52
	EQUITY AND LIABILITIES		
A.	Equity		
	(a) Equity share capital	119.61	119.60
	(b) Other equity	3,560.72	3,262.74
	(c) Non Controlling Interest	-	-
	Total equity (A)	3,680.33	3,382.34
B.	Liabilities		
	Non-current liabilities		
	(a) Financial liabilities		
	(i) Borrowings	147.51	53.08
	(ii) Other financial liabilities	478.46	120.22
	(b) Provisions	161.96	133.20
	(c) Deferred tax liabilities (net)	-	1.32
	Total non-current liabilities (B)	787.93	307.82
C.	Current liabilities		
	(a) Financial liabilities		
	(i) Trade payables		
	- total outstanding dues of micro enterprises and small enterprises	0.13	-
	- total outstanding dues of creditors other than micro enterprises and small enterprises	237.75	253.39
	(ii) Other financial liabilities	511.23	383.49
	(b) Provisions	209.47	166.60
	(c) Current tax liability (Net)	54.56	50.95
	(d) Other current liabilities	400.20	383.93
	Total current liabilities (C)	1,413.34	1,238.36
	Total liabilities (B+C)	2,201.27	1,546.18
	Total equity and liabilities (A+B+C)	5,881.60	4,928.52

Consolidated Operational Data (Un-audited)

Profitability in Percentage	Quarter ended		
	Jun 30, 2020	Jun 30, 2019	Mar 31, 2020
Revenues	100.00	100.00	100.00
Gross margin	35.87	34.90	35.04
SG & A	24.89	25.87	25.41
EBITDA	10.98	9.03	9.63
EBIT	7.84	6.83	6.48
EAT	7.67	5.72	4.55

Revenue from Top 10 Clients	Quarter ended		
	Jun 30, 2020	Jun 30, 2019	Mar 31, 2020
Top 10 Clients	29.87%	33.81%	29.09%
Top 5 Clients	20.05%	21.76%	19.07%
Top 3 Clients	15.14%	15.20%	13.95%
Largest Client	8.83%	5.97%	6.61%

Revenues by Geographies	Quarter ended		
	Jun 30, 2020	Jun 30, 2019	Mar 31, 2020
North America	68.26%	65.54%	68.54%
Europe	12.67%	16.12%	12.88%
SEAC (South East Asia)	16.37%	16.06%	15.93%
India	1.58%	1.19%	1.80%
Others	1.12%	1.09%	0.85%
Total	100.00%	100.00%	100.00%

Utilization (excluding trainees)	Quarter ended		
	Jun 30, 2020	Jun 30, 2019	Mar 31, 2020
Onsite	96.06%	96.18%	96.04%
Offshore	74.83%	76.25%	75.53%
Blended	76.93%	78.45%	77.60%

Utilization (including trainees)	Quarter ended		
	Jun 30, 2020	Jun 30, 2019	Mar 31, 2020
Onsite	96.06%	96.18%	96.04%
Offshore	74.21%	75.04%	74.68%
Blended	76.35%	77.34%	76.81%

Consolidated Operational Data (Un-audited)

Human resources	As at		
	Jun 30, 2020	Jun 30, 2019	Mar 31, 2020
Technical	2,335	2,469	2,453
Software services			
Onsite	387	378	388
Offshore	1,495	1,456	1,575
BPO			
Offshore	436	601	471
Trainees	17	34	19
Sales & other Support	416	392	416
Total count	2,751	2,861	2,869

(Rs. in mn, except DSO)

Key Balance Sheet Data	As At	
	Jun 30, 2020	Dec 31, 2019
Receivable	1,378.47	1,323.97
Receivable in days (“DSO”)	62	53
Cash and bank balance #	2,350.45	1,986.01
Shareholders’ funds	3,680.33	3,382.34

Net of debt

Development/Service Centres Location	As on Jun 30, 2020	
	Covered areas in sq ft.	No. of seats
India		
Noida	152,400	2,567
Chennai	5,905	65
	158,305	2,632
North America		
Sacramento, CA, USA	9,500	60
Milpitas, CA, USA	1,787	12
Chicago, IL, USA	3,003	15
Ontario, Canada	600	10
	14,890	97
South East Asia		
Singapore	8,054	91
Malaysia	6,434	81
Thailand	592	6
Indonesia	2,151	53
	17,231	231
Europe		
Romania	19,795	184
Poland	9,006	81
Moldova	3,398	45
	32,199	310
Total	222,626	3,270



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 figures have been regrouped 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 sixteen development and service centres to serve customers in North America, Europe, and the Far East.

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