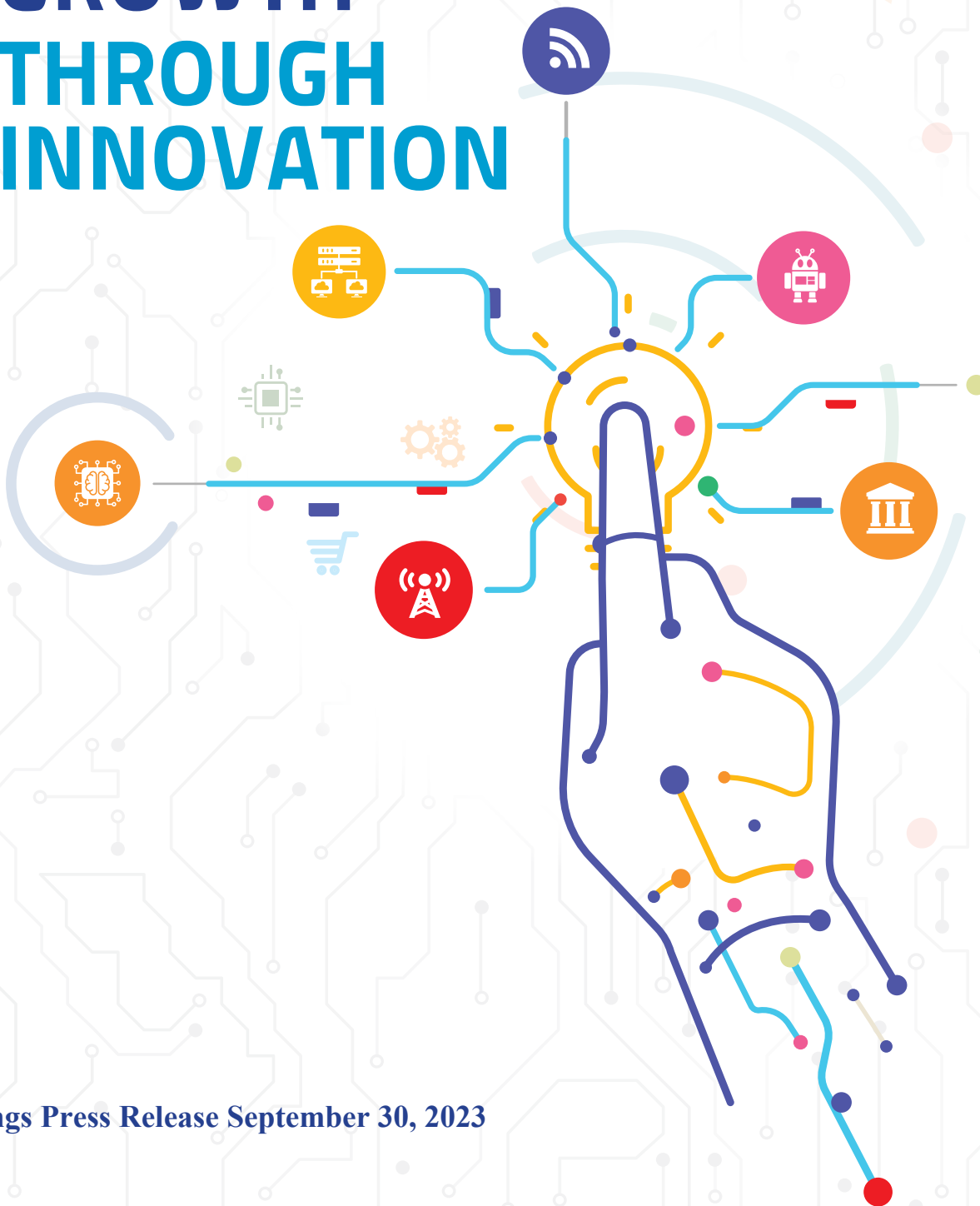




R Systems International Limited

DRIVING GROWTH THROUGH INNOVATION



Earnings Press Release September 30, 2023



R Systems Reports 15% YoY Revenue Growth

Noida, India – November 07, 2023: R Systems International Limited (BSE - 532735; NSE - RSYSTEMS), a leading digital product engineering company that designs and builds next-gen products, platforms, and digital experiences, empowering clients across various industries to achieve revenue growth and operational efficiency.

Highlights for the quarter ended September 30, 2023

- Revenue Rs. 4,573 mn (US\$ 55.3 mn); YoY Growth of 14.8% (10% net of one-time fee)[#].
- Continue to add new logos with traction in large deal wins.
- Velotio acquisition has been growth and margins accretive. Integration of Velotio is going on track which will enable growth through cross-sell and up-sell.
- EBITDA Rs. 859 mn (US\$ 10.4 mn) i.e.18.8% margin (15.2% margin net of one-time fee)[#] as against 14.5% for Q3 2022; YoY increase of 48.4%[#].
- Net profit after taxes Rs. 440 mn (US\$ 5.3 mn).

Nitesh Bansal, Managing Director, and CEO stated, “We concluded an exciting quarter with large deal wins, good new logo acquisitions and robust performance from our recent acquisition of Velotio. The market continues to be challenging with continued headwinds but our strategic realignment of go to market on industry lines has helped us understanding these challenges better.”

He added, “We are deepening our engagement with customers for their immediate priorities and how they are navigating the current macro-economic environment. Most customers indicate a need of optimising their cost of software product development, accelerate adoption and increase revenues leveraging digital technologies like Generative AI, cloud, automation, and analytics.”

Nand Sardana, CFO said, “R Systems reported EBITDA margin of 18.8% (15.2% net of one-time fee) in Q3-23 through efficient operations as against 14.5% last year.” He added, “We are continuing our investment in niche technologies and expanding vertical, and technology focused sales and marketing spends to fuel future growth.”

Key Deal Wins

A global leader in access control solutions has partnered with R Systems to establish a global competence centre for engineering services.

An AI powered marketing platform provider has engaged R Systems to provide backend, frontend and Generative AI related development services.

A Canada based technology company providing freight and logistics solutions has engaged R Systems to enrich its existing application for enhanced user experience.



A US based engineering company providing precision-engineered products has mandated R Systems to architect dashboard giving valuable insights for top-tier decision making, using PowerBI and Snowflake.

A Singapore based manufacturer has awarded R Systems to implement Microsoft Dynamics Cloud based ERP (Business Central) to automate and integrate their key business processes.

Liquidity and Shareholder Funds

Cash and bank balances, net of short-term borrowing as of September 30, 2023, were Rs. 1,622 mn compared to Rs. 2,706 mn as of December 31, 2022. Total equity attributable to shareholders as of September 30, 2023, was Rs. 6,394 mn compared to Rs. 5,455 mn as of December 31, 2022.

[#] One-time build-operate-transfer (BOT) fee of Rs. 193 mn (US\$ 2.3 mn) from Knowledge Service (KS) Client augmented the growth.

Financial Performance

Consolidated Profit & Loss Statement (Un-audited) for the Quarter Ended September 30, 2023

(As per Ind AS)

(Rs. in mn, except per share data)

Sr. No.	Particulars	Quarter Ended September 30,		Quarter Ended June 30, 2023
		2023	2022	
1	Income			
(a)	Revenue from operations	4,573.47	3,982.39	4,067.80
(b)	Other income	1.23	12.63	44.62
	Total income	4,574.70	3,995.02	4,112.42
2	Expenses			
(a)	Employee benefits expense	2,892.50	2,622.57	2,782.49
(b)	Finance costs	27.65	11.48	16.96
(c)	Depreciation and amortisation expense	172.44	87.21	101.16
(d)	Other expenses	857.93	819.14	756.68
	Total expenses	3,950.52	3,540.40	3,657.29
3	Share of net profit/ (loss) of associates accounted for using the equity method	(2.01)	-	-
4	Profit before tax (1-2+3)	622.17	454.62	455.13
5	Tax expense			
(a)	Current tax ^	200.06	97.86	311.86
(b)	Deferred tax credit	(17.64)	(11.14)	(0.98)
	Total tax expense	182.42	86.72	310.88
6	Net profit for the period (4-5)	439.75	367.90	144.25
7	Earnings per share (not annualised) (Equity share of par value of Re. 1/- each)			
	Basic and diluted	3.72	3.11	1.22

^ includes Rs. 200.54 million during Q2-23 provision for tax on dividend received from wholly owned subsidiary.

Financial Performance

Consolidated Profit & Loss Statement (Un-audited) for the Nine Months Ended September 30, 2023 (As per Ind AS)

(Rs. in mn, except per share data)

Sr. No.	Particulars	Nine Months Ended September 30,	
		2023	2022
1	Income		
(a)	Revenue from operations	12,681.98	11,163.25
(b)	Other income	97.96	81.73
	Total income	12,779.94	11,244.98
2	Expenses		
(a)	Employee benefits expense	8,494.83	7,511.07
(b)	Finance costs	60.56	32.94
(c)	Depreciation and amortisation expense	374.84	251.89
(d)	Other expenses	2,292.40	2,227.45
	Total expenses	11,222.63	10,023.35
3	Share of net profit/ (loss) of associates accounted for using the equity method	(2.01)	-
4	Profit before tax (1-2+3)	1,555.30	1,221.63
5	Tax expense		
(a)	Current tax ^	615.39	278.31
(b)	Deferred tax credit	(2.44)	(39.68)
	Total tax expense	612.95	238.63
6	Net profit for the period (4-5)	942.35	983.00
7	Earnings per share (not annualised) (Equity share of par value of Re. 1/- each)		
	Basic and diluted	7.97	8.31

^ includes Rs. 200.54 million during Jan to Sep 23 provision for tax on dividend received from wholly owned subsidiary.

Financial Performance

Consolidated Profit & Loss Statement (Un-audited) for the Quarter Ended September 30, 2023 (Contribution Analysis Format – Non-GAAP)

(Figures in mn)

Particulars	Q3 2023		Q3 2022		Q2 2023	
	INR	US\$	INR	US\$	INR	US\$
Revenues	4,573.47	55.34	3,982.39	50.08	4,067.80	49.51
Cost of revenues	2,822.41	34.14	2,533.76	31.83	2,650.73	32.26
Gross margin	1,751.06	21.20	1,448.63	18.25	1,417.07	17.25
	38.29%		36.38%		34.84%	
SG & A Expenses	891.99	10.80	869.59	10.94	817.28	9.95
	19.50%		21.84%		20.09%	
EBITDA	859.07	10.40	579.04	7.31	599.79	7.30
	18.78%		14.54%		14.74%	
Depreciation and amortization	172.44	2.09	87.21	1.10	101.16	1.23
EBIT before non-recurring cost	686.63	8.31	491.83	6.21	498.63	6.07
Non-Recurring cost [#]	36.46	0.44	-	-	70.34	0.86
EBIT	650.17	7.87	491.83	6.21	428.29	5.21
Interest expense	(27.65)	(0.33)	(11.48)	(0.14)	(16.96)	(0.20)
Other income (net)	1.66	0.02	(25.73)	(0.34)	43.80	0.53
Income before income tax and share of profit / (loss) in associates	624.18	7.56	454.62	5.73	455.13	5.54
Share of net profit/ (loss) of associates accounted for using the equity method	(2.01)	(0.03)	-	-	-	-
Income before income tax	622.17	7.53	454.62	5.73	455.13	5.54
Tax expense [^]	182.42	2.21	86.72	1.09	310.88	3.78
Net earnings	439.75	5.32	367.90	4.64	144.25	1.76

Non-recurring cost represents:

For Q3 2023, professional fee paid w.r.t. acquisition of Velotio and charges paid to Noida Authority due to change in shareholding of the Company.

For Q2 2023, recruitment fee paid for hiring of new CEO and one time joining fee paid to CEO.

[^] Tax expense includes Rs. 200.54 million during Q2-23 provision for tax on dividend received from wholly owned subsidiary.

Financial Performance

Consolidated Profit & Loss Statement (Un-audited) for the Nine Months Ended September 30, 2023

(Contribution Analysis Format – Non-GAAP)

(Figures in mn)

Particulars	Jan to Sep 2023		Jan to Sep 2022	
	INR	US\$	INR	US\$
Revenues	12,681.98	154.01	11,163.25	144.52
Cost of revenues	8,155.02	99.03	7,252.22	93.89
Gross margin	4,526.96	54.98	3,911.03	50.63
	35.70%		35.03%	
SG & A Expenses	2,524.71	30.66	2,424.70	31.39
	19.91%		21.72%	
EBITDA	2,002.25	24.32	1,486.33	19.24
	15.79%		13.31%	
Depreciation and amortization	374.84	4.55	251.89	3.26
EBIT before non-recurring cost	1,627.41	19.77	1,234.44	15.98
Non-Recurring cost #	106.80	1.30	-	-
EBIT	1,520.61	18.47	1,234.44	15.98
Interest expense	(60.56)	(0.74)	(32.94)	(0.42)
Other income (net)	97.26	1.18	20.13	0.26
Income before income tax and share of profit / (loss) in associates	1,557.31	18.91	1,221.63	15.82
Share of net profit/ (loss) of associates accounted for using the equity method	(2.01)	(0.03)	-	-
Income before income tax	1,555.30	18.88	1,221.63	15.82
Tax expense ^	612.95	7.44	238.63	3.09
Net earnings	942.35	11.44	983.00	12.73

Non-recurring Cost for Jan to Sep 2023 represents professional fee paid w.r.t. acquisition of Velotio, charges to Noida Authority due to change in shareholding of the Company, recruitment fee paid for hiring of new CEO and one time joining fee paid to CEO.

^ Tax expense includes Rs. 200.54 million during Jan to Sep 2023 provision for tax on dividend received from wholly owned subsidiary.

Financial Performance

Consolidated Balance Sheet as at September 30, 2023 (As per Ind AS)

		(Rs. in million)	
Particulars		As at September 30, 2023	As at December 31, 2022
	ASSETS		
A.	Non-current assets		
	(a) Property, plant and equipment	656.26	705.95
	(b) Capital work in progress	4.54	25.38
	(c) Investment property	16.32	17.43
	(d) Right-of-use assets	656.16	692.40
	(e) Goodwill	2,763.83	108.62
	(f) Other Intangible assets	2,225.85	31.39
	(g) Investments accounted for using the equity method	93.99	-
	(h) Financial assets		
	(i) Investments	0.03	0.03
	(ii) Other financial assets	114.14	65.57
	(i) Deferred tax assets (net)	290.70	219.87
	(j) Non-current tax assets (net)	63.54	53.46
	(k) Other non-current assets	110.28	108.91
	Total non-current assets (A)	6,995.64	2,029.01
B.	Current assets		
	(a) Financial assets		
	(i) Investments	-	138.65
	(ii) Trade receivables	2,582.44	2,570.88
	(iii) Cash and cash equivalents	1,903.59	2,062.30
	(iv) Bank balances other than cash and cash equivalents	80.56	242.90
	(v) Other financial assets	869.04	911.08
	(b) Other current assets	447.51	375.67
	Total current assets (B)	5,883.14	6,301.48
	Total assets (A+B)	12,878.78	8,330.49
	EQUITY AND LIABILITIES		
A.	Equity		
	(a) Equity share capital	118.31	118.31
	(b) Other equity	6,275.75	5,336.39
	Total equity attributable to equity shareholders of the Company	6,394.06	5,454.70
	Non controlling interest	2,407.00	-
	Total equity (A)	8,801.06	5,454.70
	Liabilities		
B.	Non-current liabilities		
	(a) Financial liabilities		
	(i) Borrowings	17.65	13.23
	(ii) Lease liabilities	652.20	666.11
	(iii) Other financial liabilities	11.89	8.76
	(b) Provisions	260.43	207.95
	Total non-current liabilities (B)	942.17	896.05
C.	Current liabilities		
	(a) Financial liabilities		
	(i) Borrowings	552.76	7.21
	(ii) Lease liabilities	98.45	84.69
	(iii) Trade payables	501.26	355.87
	(iv) Other financial liabilities	782.98	588.72
	(b) Other current liabilities	544.93	589.38
	(c) Provisions	353.30	303.70
	(d) Current tax liabilities (net)	301.87	50.17
	Total current liabilities (C)	3,135.55	1,979.74
	Total liabilities (B+C)	4,077.72	2,875.79
	Total equity and liabilities (A+B+C)	12,878.78	8,330.49



Consolidated Operational Data (Un-audited)

Profit & Loss %	Quarter ended		
	Sep 30, 2023	Sep 30, 2022	Jun 30, 2023
Revenues	100.00	100.00	100.00
Gross margin	38.29	36.38	34.84
SG & A	19.50	21.84	20.09
EBITDA #	18.78	14.54	14.74
EBIT #	15.01	12.35	12.26
EAT	9.62	9.24	3.55

Before non-recurring cost.

Revenue from Top 10 Clients	Quarter ended		
	Sep 30, 2023	Sep 30, 2022	Jun 30, 2023
Top 10 Clients	25.75%	22.94%	24.65%
Top 5 Clients	19.17%	15.66%	17.29%
Top 3 Clients	15.18%	11.71%	13.04%
Largest Client	6.54%	6.42%	7.05%

Revenues by Geographies	Quarter ended		
	Sep 30, 2023	Sep 30, 2022	Jun 30, 2023
North America	74.74%	75.60%	72.74%
Europe	9.44%	9.01%	10.78%
Southeast Asia	12.51%	12.76%	13.25%
India	2.09%	1.62%	1.82%
Others	1.22%	1.01%	1.41%
Total	100.00%	100.00%	100.00%

Utilization (excluding trainees)	Quarter ended		
	Sep 30, 2023	Sep 30, 2022	Jun 30, 2023
Onsite	97.20%	97.96%	95.85%
Offshore	76.48%	73.28%	74.25%
Blended	79.21%	76.88%	77.28%

Utilization (including trainees)	Quarter ended		
	Sep 30, 2023	Sep 30, 2022	Jun 30, 2023
Onsite	97.20%	97.96%	95.85%
Offshore	75.90%	72.47%	73.70%
Blended	78.69%	76.15%	76.78%



Consolidated Operational Data (Un-audited)

Human resources	As at		
	Sep 30, 2023	Sep 30, 2022	Jun 30, 2023
Technical	3,740	3,899	3,927
Software services			
Onsite	536	563	541
Offshore	2,550	2,499	2,359
KS #			
Offshore	628	802	1,002
Trainees	26	35	25
Support	557	563	539
Total count	4,297	4,462	4,466

Sep 2023 KS counts are net of transfer of 377 resources under the BOT.

(Rs. in mn, except DSO)

Key Balance Sheet Data	As at	
	Sep 30, 2023	Dec 31, 2022
Receivable including unbilled	3,367.42	3,277.26
Receivable in days (“DSO”) including unbilled	60	64
Cash and bank balance, net of short-term borrowings	1,621.64	2,706.17
Total equity attributable to shareholders	6,394.06	5,454.70

Development/Service Centres Location	As on Sep 30, 2023	
	Covered areas in sq ft.	No. of seats
India		
Noida	202,220	3,165
Pune	15,810	150
Chennai	5,905	65
	223,935	3,380
North America		
Sacramento, CA, USA	9,500	60
Ontario & Vancouver, Canada	1,734	16
	11,234	76
APAC		
Singapore	5,544	56
Malaysia	6,434	81
Thailand	1,534	13
Indonesia	2,571	58
China	1,675	13
	17,758	221
Europe		
Romania	23,659	177
Poland	11,143	93
Moldova	4,499	60
	39,301	330
Total	292,228	4,007



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. The previous period's figures have been regrouped wherever applicable, to the extent possible, to conform to the current period presentation.

About R Systems:

R Systems is a leading digital product engineering company that designs and builds next-gen products, platforms, and digital experiences, empowering clients across various industries to overcome digital barriers, put their customers first, and achieve higher revenues and operational efficiency. Further, our knowledge service offerings cover revenue cycle management, back office service, technical support, and customer care using multi-lingual capabilities and global delivery platform.

We constantly innovate and bring fresh perspectives to harness the power of the latest technologies like cloud, automation, AI, ML, analytics, Mixed Reality, etc. Our 4,200+ technology expeditioners across eighteen (18) development and service centres are driven to explore new digital paths, leaving no stone unturned in our quest to deliver services and solutions that drive meaningful impact.

Our product mindset and engineering capabilities allow us to partner with the key players in the Tech industry, including ISVs (independent software vendors), SaaS companies, and product companies in Telecom, Media, FinTech, InsureTech, and HealthTech verticals.

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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