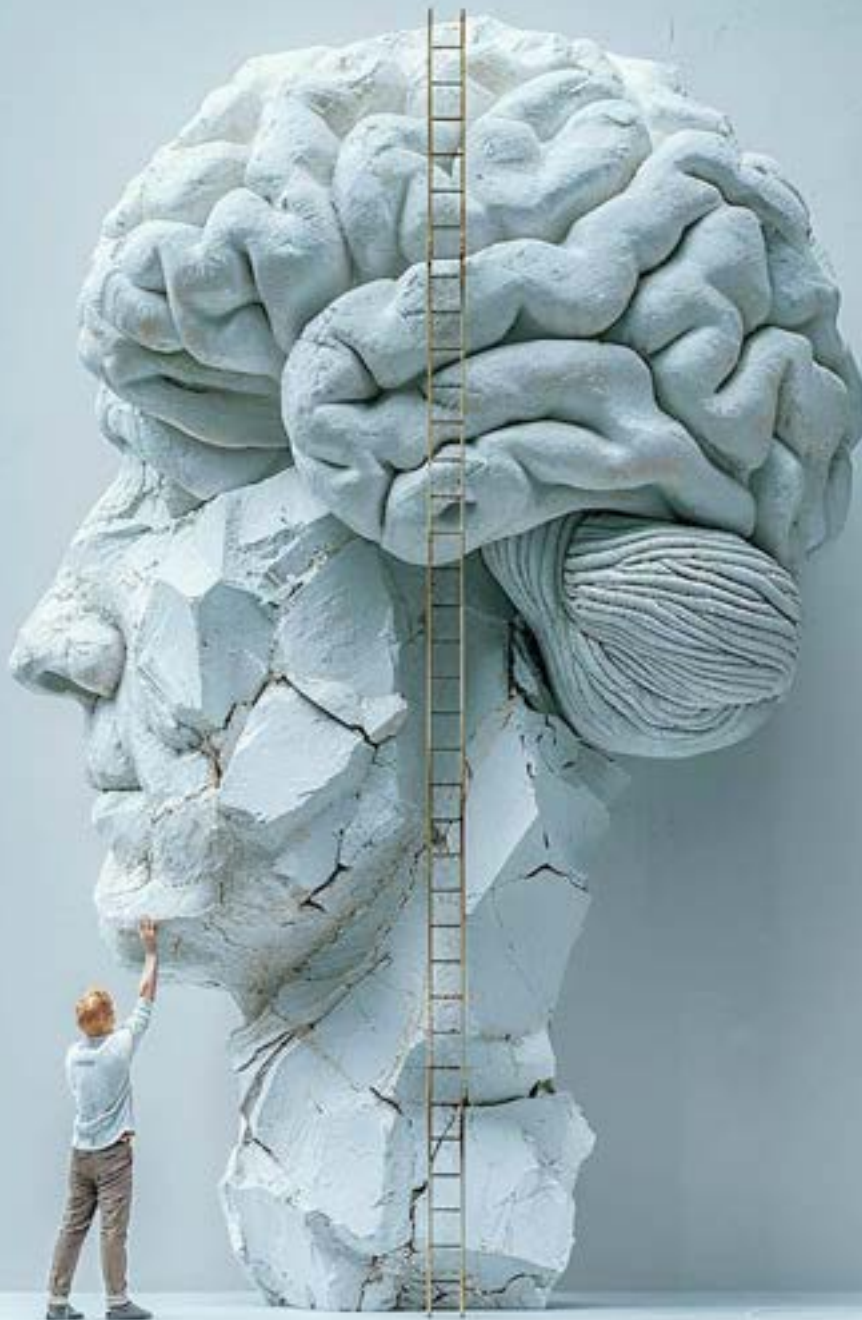




GEN AI

REVOLUTIONIZING DIGITAL ENGINEERING & ENTERPRISE IT SOLUTIONS

Earnings Press Release June 30, 2024



R SYSTEMS INTERNATIONAL LIMITED



R Systems Announces Results for Q2 and Half Year Ended June 30, 2024
Q2-24 Revenues: Rs. 4,320 mn with Adj. EBITDA Margin of 16.5%

Noida, India – August 07, 2024: 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

Consolidated results for the quarter ended June 30, 2024

- Revenue Rs. 4,320 mn (US\$ 51.8 mn); YoY Growth of 6.2%.
- Adj. EBITDA[#] Rs. 714 mn (US\$ 8.6 mn) i.e 16.5% as against 14.7% for Q2 2023.
- Net profit after taxes Rs. 249 mn (US\$ 3.0 mn).
- 8 key wins during the quarter.

Consolidated results for the half year ended June 30, 2024

- Revenue Rs. 8,487 mn (US\$ 102.0 mn); YoY Growth of 4.7%.
- Adj. EBITDA[#] Rs. 1,314 mn (US\$ 15.8 mn) i.e 15.5% as against 14.1% for H1 2023.
- Net profit after taxes Rs. 524 mn (US\$ 6.3 mn).

Nitesh Bansal, Managing Director, and CEO stated, “We concluded the quarter with 3.7% QoQ revenue growth and good new logo additions with robust performance on margins. Our strategic realignment of go to market on industry lines has helped us in navigating through challenging market conditions in the last couple of quarters.” He added, “We are deepening our engagement with customers, engaging in deeper and more value adding initiatives along with deepening hyperscaler partnerships to develop niche solutions for long term sustainable growth.”

Nand Sardana, CFO said, “R Systems expanded quarterly EBITDA margin to 16.5% post absorbing the impact of salary hikes for our offshore centres as against 14.7% during same period last year.” He added, “We are continuing our investment in AI, data and cloud technologies along with expanding vertical and technology focused sales and marketing spends to fuel future growth.”

[#] Adj. EBITDA is before considering the share-based payment expense amounting to Rs. 80 mn in Q2 2024 and Rs. 144 mn in H1 2024 relating to restricted stock units (“RSUs”) granted to the employees.



Key Deal Wins

A brief for few key wins is as follows:

One of the leading real estate and investment advisers has engaged R Systems to build an innovative property analysis app for handheld devices and a cutting-edge bug reporting tool to enhance efficiency and functionality.

A UK-based digital communication firm partnered with R Systems to streamline CRM integrations and develop a robust communication framework driving operational efficiency and innovation.

One of the largest global financial service groups has mandated R Systems for digital transformation of its legacy systems to cloud native java and react application.

A US-based global investment firm engaged R Systems to automate its cash management process with a unified, database-driven solution that replaces excel-based processes.

One of the leading retail chains in Southeast Asia has engaged R Systems to upgrade Microsoft Dynamics Business Central to optimize and digitalize its end-to-end business processes yielding financial visibility and operational excellence across the enterprise.

Liquidity and Shareholder Funds

Cash and bank balances, net of short-term borrowing as of June 30, 2024, were Rs. 1,791 mn compared to Rs. 1,338 mn as of December 31, 2023. Total equity attributable to shareholders as of June 30, 2024, was Rs. 6,032 mn compared to Rs. 6,114 mn as of December 31, 2023.

Financial Performance

Consolidated Profit & Loss Statement for the Quarter Ended June 30, 2024

(As per Ind AS)

(Rs. in mn, except per share data)

Sr. No.	Particulars	Quarter Ended		
		June 30, 2024	March 31, 2024	June 30, 2023
1	Income			
(a)	Revenue from operations	4,320.43	4,166.41	4,067.80
(b)	Other income	42.61	19.48	44.21
	Total income	4,363.04	4,185.89	4,112.01
2	Expenses			
(a)	Employee benefits expense @	2,973.19	2,949.34	2,782.49
(b)	Finance costs	20.03	28.42	16.96
(c)	Depreciation and amortisation expense*	167.41	165.61	101.16
(d)	Other expenses	734.20	678.67	756.27
	Total expenses	3,894.83	3,822.04	3,656.88
3	Profit before tax (1-2)	468.21	363.85	455.13
4	Tax expense			
(a)	Current tax^	252.40	131.55	311.86
(b)	Deferred tax charge / (credit)	(33.02)	(42.57)	(0.98)
	Total tax expense	219.38	88.98	310.88
5	Net profit for the period (3-4)	248.83	274.87	144.25
6	Earnings per share (not annualized) (Equity share of par value of Re. 1/- each)			
(a)	Basic	2.10	2.32	1.22
(b)	Diluted	2.10	2.32	1.22

@ including share-based payment expense of Rs. 79.72 mn in Q2 2024 & Rs. 64.65 mn in Q1 2024 w.r.t. RSUs.

* includes Rs. 62.33 mn in Q1 2024 & Q2 2024 with respect to the amortisation of intangibles such as customer contracts, non-compete capitalized under Velotio and ScaleWorx acquisitions.

^ includes Rs. 62.10 mn in Q2 2024 & Rs. 200.54 mn in Q2 2023 provision for tax on dividend received from wholly owned subsidiary.

Financial Performance

Consolidated Profit & Loss Statement for the Six Month Ended June 30, 2024

(As per Ind AS)

(Rs. in mn, except per share data)

Sr. No.	Particulars	Six Month Ended	
		June 30, 2024	June 30, 2023
1	Income		
(a)	Revenue from operations	8,486.84	8,108.51
(b)	Other income	62.09	96.33
	Total income	8,548.93	8,204.84
2	Expenses		
(a)	Employee benefits expense @	5,922.53	5,602.33
(b)	Finance costs	48.45	32.91
(c)	Depreciation and amortisation expense*	333.02	202.40
(d)	Other expenses	1,412.87	1,434.07
	Total expenses	7,716.87	7,271.71
3	Profit before tax (1+2)	832.06	933.13
4	Tax expense		
(a)	Current tax^	383.95	415.33
(b)	Deferred tax charge / (credit)	(75.59)	15.20
	Total tax expense	308.36	430.53
5	Net profit for the period (3-4)	523.70	502.60
6	Earnings per share (not annualized) (Equity share of par value of Re. 1/- each)		
	Basic	4.43	4.25
	Diluted	4.42	4.25

@ including share-based payment expense of Rs. 144.37 in H1 2024 w.r.t. RSUs.

* includes Rs. 124.66 mn H1 2024 with respect to the amortisation of intangibles such as customer contracts, non-compete capitalized under Velotio and ScaleWorx acquisitions.

^ includes Rs. 62.10 mn in H1 2024 & Rs. 200.54 mn in H1 2023 provision for tax on dividend received from wholly owned subsidiary.

Financial Performance

Consolidated Profit & Loss Statement for the Quarter Ended June 30, 2024 (Contribution Analysis Format – Non-GAAP)

(FIGURES IN MN)

Particulars	Q2 2024		Q1 2024		Q2 2023	
	INR	US\$	INR	US\$	INR	US\$
Revenues	4,320.43	51.80	4,166.41	50.17	4,067.80	49.51
Cost of revenues	2,786.31	33.40	2,761.75	33.26	2,650.73	32.26
Gross margin	1,534.12	18.40	1,404.66	16.91	1,417.07	17.25
	35.51%		33.71%		34.84%	
SG & A Expenses	820.26	9.84	804.91	9.69	817.28	9.95
	18.99%		19.32%		20.09%	
Adj. EBITDA	713.86	8.56	599.75	7.22	599.79	7.30
	16.52%		14.39%		14.74%	
Cost of RSUs	79.72	0.95	64.65	0.78	-	-
EBITDA	634.14	7.61	535.10	6.44	599.79	7.30
	14.68%		12.84%		14.74%	
Depreciation and amortisation *	167.41	2.01	165.61	1.99	101.16	1.23
EBIT before non-recurring cost	466.73	5.60	369.49	4.45	498.63	6.07
Non-recurring cost [#]	-	-	-	-	70.34	0.86
EBIT	466.73	5.60	369.49	4.45	428.29	5.21
Interest expense	(20.03)	(0.24)	(28.42)	(0.34)	(16.96)	(0.20)
Other income (net)	21.52	0.26	22.77	0.27	43.80	0.53
Income before income tax	468.21	5.62	363.85	4.38	455.13	5.54
Tax expense ^	219.38	2.64	88.98	1.07	310.88	3.78
Net earnings	248.83	2.98	274.87	3.31	144.25	1.76

* includes Rs. 62.33 mn in Q1 2024 & Q2 2024 with respect to the amortisation of intangibles such as customer contracts, non-compete capitalized under Velotio and ScaleWorx acquisitions.

represent the recruitment fee for hiring of new CEO and one time joining fee paid to CEO.

^ includes Rs. 62.10 mn in Q2 2024 & Rs. 200.54 mn in Q2 2023 provision for tax on dividend received from wholly owned subsidiary.

Financial Performance

Consolidated Profit & Loss Statement for the Six Month Ended June 30, 2024 *(Contribution Analysis Format – Non-GAAP)*

(FIGURES IN MN)

Particulars	Jan to Jun 2024		Jan to Jun 2023	
	INR	US\$	INR	US\$
Revenues	8,486.84	101.97	8,108.51	98.67
Cost of revenues	5,548.06	66.66	5,332.61	64.89
Gross margin	2,938.78	35.31	2,775.90	33.78
	34.63%		34.23%	
SG & A Expenses	1,625.17	19.53	1,632.72	19.87
	19.15%		20.14%	
Adj. EBITDA	1,313.61	15.78	1,143.18	13.91
	15.48%		14.10%	
Cost of RSUs	144.37	1.73	-	-
EBITDA	1,169.24	14.05	1,143.18	13.91
	13.78%		14.10%	
Depreciation and amortisation *	333.02	4.00	202.40	2.46
EBIT before non-recurring cost	836.22	10.05	940.78	11.45
Non-recurring cost [#]	-	-	70.34	0.86
EBIT	836.22	10.05	870.44	10.59
Interest expense	(48.45)	(0.58)	(32.91)	(0.39)
Other income (net)	44.29	0.53	95.60	1.16
Income before income tax	832.06	10.00	933.13	11.36
Tax expense [^]	308.36	3.71	430.53	5.24
Net earnings	523.70	6.29	502.60	6.12

* includes Rs. 124.66 mn in H1 2024 with respect to the amortisation of intangibles such as customer contracts, non-compete capitalized under Velotio and ScaleWorx acquisitions.

represent the recruitment fee for hiring of new CEO and one time joining fee paid to CEO.

[^] includes Rs. 62.10 mn in H1 2024 & Rs. 200.54 mn in H1 2023 provision for tax on dividend received from wholly owned subsidiary.

Financial Performance

Consolidated Balance Sheet as at June 30, 2024 (As per Ind AS)

		(Rs. in million)	
Particulars		As at June 30, 2024	As at December 31, 2023
	ASSETS		
A.	Non-current assets		
	(a) Property, plant and equipment	568.56	607.41
	(b) Capital work in progress	-	1.64
	(c) Investment property	15.21	15.96
	(d) Right-of-use assets	583.55	628.55
	(e) Goodwill	2,833.94	2,836.58
	(f) Other intangible assets	2,051.99	2,181.20
	(g) Intangible assets under development	15.53	-
	(h) Financial assets		
	(i) Investment	0.03	0.03
	(ii) Other financial assets	102.77	115.14
	(i) Deferred tax assets (net)	384.53	313.44
	(j) Non-current tax assets (net)	30.82	58.12
	(k) Other non-current assets	44.56	126.59
	Total non-current assets (A)	6,631.49	6,884.66
B.	Current assets		
	(a) Financial assets		
	(i) Trade receivables	2,526.32	2,503.99
	(ii) Cash and cash equivalents	1,717.17	1,573.50
	(iii) Bank balances other than cash and cash equivalents	2.18	943.69
	(iv) Other financial assets	740.11	805.52
	(b) Other current assets	532.42	435.06
	Total current assets (B)	5,518.20	6,261.76
	Total assets (A+B)	12,149.69	13,146.42
	EQUITY AND LIABILITIES		
A.	Equity		
	(a) Equity share capital	118.31	118.31
	(b) Other equity	5,913.35	5,996.06
	(c) Non controlling interests	2,407.00	2,407.00
	Total equity (A)	8,438.66	8,521.37
	Liabilities		
B.	Non-current liabilities		
	(a) Financial liabilities		
	(i) Borrowings	15.36	16.94
	(ii) Lease liabilities	599.20	631.14
	(iii) Other financial liabilities	13.21	12.01
	(b) Provisions	306.90	282.00
	Total non-current liabilities (B)	934.67	942.09
C.	Current liabilities		
	(a) Financial liabilities		
	(i) Borrowings	11.28	562.24
	(ii) Lease liabilities	108.21	101.45
	(iii) Trade payables		
	- total outstanding dues of micro enterprises and small enterprises	0.56	-
	- total outstanding dues of creditors other than micro enterprises and small enterprises	394.78	370.76
	(iv) Other financial liabilities	981.64	1,535.15
	(b) Other current liabilities	607.78	634.21
	(c) Provisions	385.87	342.15
	(d) Current tax liabilities (net)	286.24	137.00
	Total current liabilities (C)	2,776.36	3,682.96
	Total liabilities (B+C)	3,711.03	4,625.05
	Total equity and liabilities (A+B+C)	12,149.69	13,146.42



Consolidated Operational Data (Un-audited)

Profitability in Percentage	Quarter ended		
	Jun 30, 2024	Mar 31, 2024	Jun 30, 2023
Revenues	100.00	100.00	100.00
Gross margin	35.51	33.71	34.84
SG & A	18.99	19.32	20.09
Adj. EBITDA	16.52	14.39	14.74
EBITDA #	14.68	12.84	14.74
EBIT #	10.80	8.87	12.26
EAT	5.76	6.60	3.55

Before non-recurring cost.

Revenue from Top 10 Clients	Quarter ended		
	Jun 30, 2024	Mar 31, 2024	Jun 30, 2023
Top 10 Clients	21.86%	22.66%	24.65%
Top 5 Clients	14.11%	15.19%	17.29%
Top 3 Clients	10.50%	11.74%	13.04%
Largest Client	5.16%	6.20%	7.05%

Revenues by Geographies	Quarter ended		
	Jun 30, 2024	Mar 31, 2024	Jun 30, 2023
North America	75.13%	74.53%	72.74%
Europe	8.27%	9.80%	10.78%
Southeast Asia	12.87%	12.24%	13.25%
India	2.36%	2.18%	1.82%
Others	1.37%	1.25%	1.41%
Total	100.00%	100.00%	100.00%

Utilization (including trainees)	Quarter ended		
	Jun 30, 2024	Mar 31, 2024	Jun 30, 2023
Onsite	97.28%	96.89%	95.85%
Offshore	80.13%	77.42%	73.70%
Blended	82.80%	80.37%	76.78%

Consolidated Operational Data (Un-audited)

Human resources	As at		
	Jun 30, 2024	Mar 31, 2024	Jun 30, 2023
Technical	3,705	3,644	3,927
Software services			
Onsite	570	564	541
Offshore	2,365	2,368	2,359
KS			
Offshore	756	699	1,002
Trainees	14	13	25
Support	534	541	539
Total count	4,239	4,185	4,466

(Rs. in mn, except DSO)

Key Balance Sheet Data	As at	
	Jun 30, 2024	Dec 31, 2023
Receivable including unbilled	3,283.65	3,222.94
Receivable in days (“DSO”) including unbilled	60	64
Cash and bank balance #	1,790.54	1,338.32
Total equity attributable to shareholders	6,031.66	6,114.37

net of short-term borrowing

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

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, Insurtech, 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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