



R Systems Announces Results for Q1 2011

Q1 2011: Revenue: Rs. 87.13 Crores, EBITDA: Rs. 2.17 Crores and Net Profits: Rs. 1.41 Crores

Noida, India – April 30, 2011

Highlights

Consolidated results for the quarter ended March 31, 2011

- Consolidated revenues from operations for Q1-11 was Rs. 87.13 crores (US\$ 19.27 mn); sequential QoQ increase was 18.03 % and YoY increase was 20.30 %.
- Earnings before interest, depreciation, taxes and allowances (“EBITDA”) was Rs. 2.17 crores (US\$ 0.48 mn); sequential QoQ decline was 55.07 % and YoY decline was 65.21 %.
- Net profit after taxes was Rs. 1.41 crores (US\$ 0.31 mn) compared to Rs. 4.27 crores (US\$ 0.95 mn) in Q4, 2010 and Rs. 6.58 crores (US\$ 1.43 mn) in Q1, 2010.

Others

- During the quarter, R Systems added three key clients who have the potential to be significant customers.
- During the quarter ended March 31, 2011, the Company has acquired 100% of shares of Computaris International Limited, UK (Computaris) on January 26, 2011 for a maximum consideration of GBP 9 million out of which GBP 4.25 million is initial payout and balance is based on earn outs. Computaris is having subsidiaries in U.K., Romania, Poland, Moldova, Malaysia and USA. Computaris provides services and solutions to telecom industry and specialises in real-time rating and convergent billing solutions. Computaris has doubled its staff strength over the last 12 months to deal with increasing demand for its services.

Mr. Rekhi Singh, Chairman and MD informed, “In the current quarter, the addition of Computaris into the Company’s fold emphasizes the focus on the telecom industry which we serve in the IPTV and Digital Media and BSS systems space. Computaris specializes in real-time charging and convergent solutions and has added depth to our presence.” He added “The current quarter’s profitability has been impacted by salary increases, lower license fees and some provisions for doubtful debts.”

Rekhi Singh added “our two pronged strategy of verticalisation and focus on larger deal sizes in chosen business verticals are starting to yield results. Since the beginning of the year we have already concluded two deals yielding USD 3-5 million each over a two-three year period in the telecommunication industry and high-end KPO leveraging our strong quality practice.”



Key Operational Highlights for the Quarter

The Company delivers solutions and services in the area of Information Technology and Information Technology enabled services. R Systems is focused on key verticals of Telecommunication and Digital Media, BFSI, Hi-Tech Manufacturing and Logistics, Government and Health Care and Security Systems. The IT services today cover application development, systems integration and support and maintenance of applications. Under the ITES we cover managed services (offering a mix of onsite and offshore services), BPO services covering both technical support for IT and Hi-Tech electronic gadgets, high-end Quality Process Management and Revenue and Claims Management. R Systems products group consists of its two units. Indus[®] which address the retail lending and telecommunication industry and ECnet[®] which addresses supply chain, warehousing and inventory management.

During the quarter, some of customers wins are:

A company that provides a comprehensive range of speech analytics solutions including audio and video search is leveraging R Systems strength in quality improvement processes as a KPO to monitor, analyse and report on the quality of delivery of customer services provided by customer contact centres.

A specialized IT boutique with over a decade of experience in Business Consulting, IT Integration, and Project Management has engaged R Systems to design the UI interface, Database Modeling, Report Development and Database Development.

A Global Finance Company headquartered in Europe has selected R Systems “Indus Collections” product to support its business units. It offers comprehensive range of asset finance solutions including leases, rental and loan to the manufacturers and distributors of professional equipment.

A leading shipping and logistic company in Vietnam has selected R Systems to implement a technology road map for them. The engagement starts with implementing a WMS solution which will then be followed by implementation of an integrated logistics management solution developed at ECnet.

We have partnered with a company that provides real-time application server for agile development, deployment and efficient management of person-to-person communication services to implement its product.

Mr. Raj Swaminathan Executive Director and COO said “this quarter we have added three customers that have the potential to provide revenues of USD 1 million a year. With the addition of Computaris we have improved our geographical diversity by expanding our presence in Europe contributing 34% of revenues (nearly 20% in 2010). Our largest customer’s (a large telecom equipment company’s) share in the revenue pie is now 17% and our top 5 customers contribute 34% of our revenues.”

Liquidity and Shareholder Funds

Consolidated Cash and cash equivalents, including bank deposits, as at March 31, 2011 was Rs. 69.97 crores. Total shareholder funds as on March 31, 2011 were Rs. 182.12 crores compared to Rs. 180.25 crores as on December 31, 2010.

Financial Performance

Consolidated Profit & Loss Statement (Un-audited) for the Quarter Ended March 31, 2011 **(As per Indian GAAP)**

(Rs. in mn, except per share data)

Sr. No.	Particulars	Quarter Ended March 31,		YoY Growth %	Quarter Ended Dec. 31, 2010	QoQ Growth %
		2011	2010			
1	Income					
1.1	Income From Operations	871.29	724.25	20.30	738.17	18.03
1.2	Other Operating Income	2.69	6.36	(57.59)	2.90	(7.13)
	Total	873.98	730.61	19.62	741.07	17.94
2	Expenditure					
2.1	Employees Cost	602.46	481.26	25.18	486.25	23.90
2.2	Traveling & Conveyance Cost	61.37	43.90	39.81	46.76	31.24
2.3	Communication Costs	14.36	13.70	4.84	14.46	(0.68)
2.4	Legal & Professional Expenses	70.97	57.07	24.35	66.19	7.23
2.5	Provision For Doubtful Debts / Advances	22.64	7.92	185.86	14.05	61.21
2.6	Depreciation / Amortisation	33.07	33.08	(0.03)	33.47	(1.18)
2.7	Other Expenditure	68.98	61.51	12.14	63.41	8.76
	Total Expenditure	873.85	698.44	25.12	724.59	20.60
3	Profit From Operations Before Other Income, Interest & Exceptional Items	0.13	32.17	(99.60)	16.48	(99.22)
4	Other Income	6.98	11.52	(39.39)	13.91	(49.79)
5	Profit From Operations Interest & Exceptional Items	7.11	43.69	(83.72)	30.39	(76.60)
6	Interest	0.18	0.22	(16.82)	0.15	21.09
7	Profit After Interest But Before Exceptional Items	6.93	43.47	(84.05)	30.24	(77.07)
8	Exceptional Income / (Expense)	-	-		-	
9	Profit Before Tax	6.93	43.47	(84.05)	30.24	(77.07)
10	Provision For Tax					
10.1	Current Tax	7.87	9.61	(18.15)	4.77	65.04
10.2	MAT Charge / (Credit)	(2.05)	(13.20)	(84.47)	2.94	(169.68)
10.3	Deferred Tax Charge / (Credit)	(12.98)	(18.73)	(30.70)	(20.14)	(35.54)
	Total	(7.16)	(22.32)	(67.91)	(12.43)	(42.37)
11	Net Profit After Tax	14.09	65.79	(78.58)	42.67	(66.97)
12	Earning Per Share					
12.1	Basic	1.14	5.34	(78.58)	3.46	(66.97)
12.2	Diluted	1.13	5.27	(78.56)	3.42	(66.97)

Financial Performance

Consolidated Profit & Loss Statement (Un- audited) for the Quarter Ended March 31, 2011 (Contribution Analysis Format; Basis Indian GAAP)

(Figures in mn, except per share data)

Particulars	Q1 2011		Q1 2010		Q4 2010	
	INR	US\$	INR	US\$	INR	US\$
Revenues	871.29	19.27	724.25	15.79	738.17	16.46
Cost of Revenues	589.06	13.03	457.21	9.97	463.89	10.35
Gross Margin	282.23	6.24	267.04	5.82	274.28	6.11
SG & A	32.39%		36.87%		37.16%	
Expenses	260.53	5.76	204.66	4.46	225.98	5.03
	29.90%		28.26%		30.61%	
EBITDA	21.70	0.48	62.38	1.36	48.30	1.08
	2.49%		8.61%		6.54%	
Depreciation / Amortization	33.07	0.73	33.08	0.72	33.47	0.75
Operating Income/(Loss) Before Non- Recurring Cost	(11.37)	(0.25)	29.30	0.64	14.83	0.33
Non Recurring Cost	-	-	-	-	2.46	0.05
Income/(Loss) From Operations	(11.37)	(0.25)	29.30	0.64	12.37	0.28
Interest Expense	(0.18)	(0.00)	(0.22)	(0.00)	(0.15)	(0.00)
Other Income (Net)	18.48	0.40	14.39	0.31	18.02	0.40
Income Before Income Tax	6.93	0.15	43.47	0.95	30.24	0.68
Income Tax Provision / (Credit)	(7.16)	(0.16)	(22.32)	(0.48)	(12.43)	(0.27)
Net Earnings	14.09	0.31	65.79	1.43	42.67	0.95
Earning Per Share						
- Basic	1.14	0.03	5.34	0.12	3.46	0.08
- Diluted	1.13	0.03	5.27	0.11	3.42	0.08

Consolidated Balance Sheet as at March 31, 2011 (As per Indian GAAP)

(Rs. in mn)

Particulars	As at March 31,		As at Dec. 31,
	2011 (Un-Audited)	2010 (Un-Audited)	2010 (Audited)
SOURCES OF FUNDS			
Shareholders' Funds			
Capital	122.43	122.43	122.43
Reserves and Surplus	1,698.78	1,608.91	1,680.10
Net Worth	1,821.21	1,731.34	1,802.53
Loan Funds			
Secured Loans	7.52	11.03	8.35
Deferred Payment Liability	84.58	-	-
Deferred Tax Liability (Net)	-	2.33	-
Total	1,913.31	1,744.70	1,810.88
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	1,485.30	1,102.50	1,096.76
Less: Depreciation	722.75	595.83	652.62
Net Block	762.55	506.67	444.14
Capital Work-in-Progress	0.33	0.92	0.20
	762.88	507.59	444.34
Investments	0.03	0.03	0.03
Deferred Tax Assets (Net)	35.00	-	22.03
Current Assets, Loans & Advances			
Sundry Debtors	697.28	544.85	555.69
Cash & Bank Balances	699.67	832.64	956.89
Other Current Assets	186.65	187.09	182.66
Loans & Advances	172.24	197.24	164.83
Total Current Assets (A)	1,755.84	1,761.82	1,860.07
Less : Current Liabilities and Provisions			
Liabilities	454.57	352.65	356.74
Provisions	185.87	172.09	158.85
Total Current Liabilities (B)	640.44	524.74	515.59
Net Current Assets (A-B)	1,115.40	1,237.08	1,344.48
Total	1,913.31	1,744.70	1,810.88

Consolidated Operational Data (Un-audited)

Profitability in Percentage	Quarter ended		
	Mar 31, 11	Mar 31, 10	Dec 31, 10
Revenues	100.00	100.00	100.00
Gross margin	32.39	36.87	37.16
SG & A	29.90	28.26	30.61
EBITDA	2.49	8.61	6.54
EBT	0.80	6.00	4.10
PAT	1.62	9.08	5.78
Basic EPS (Rs.)	1.14	5.34	3.46

Revenue from Top 5 Clients	Quarter ended		
	Mar 31, 11	Mar 31, 10	Dec 31, 10
Top 5 Clients	34.07%	30.34%	28.21%
Top 3 Clients	25.81%	19.85%	18.90%
Largest Client	16.98%	6.97%	8.78%

Revenues by Geographies	Quarter ended		
	Mar 31, 11	Mar 31, 10	Dec 31, 10
USA	49.99%	57.53%	58.78%
Europe	33.92%	21.74%	20.35%
SEAC (South East Asia)	7.99%	10.11%	7.21%
India	5.32%	6.03%	8.89%
Others	2.78%	4.59%	4.77%
Total	100.00%	100.00%	100.00%

Utilization (excluding trainees)	Quarter ended		
	Mar 31, 11	Mar 31, 10	Dec 31, 10
Onsite	67.16%	69.61%	72.81%
Offshore	69.83%	69.78%	70.44%
Blended	69.18%	69.75%	70.83%

Utilization (including trainees)	Quarter ended		
	Mar 31, 11	Mar 31, 10	Dec 31, 10
Onsite	66.12%	69.61%	72.81%
Offshore	64.48%	66.40%	64.29%
Blended	64.86%	66.87%	65.57%

Consolidated Operational Data (Un-audited)

Human resources	As at		
	Mar 31, 11	Mar 31, 10	Dec 31, 10
Technical	1,940	1,719	1,737
Software services			
Onsite	292	103	93
Offshore	1,147	1,154	1,127
BPO			
Offshore	236	244	231
Onsite	154	155	162
Trainees	111	63	124
Support	385	322	315
Total count	2,325	2,041	2,052

(Rs. in mn, except DSO)

Key Balance Sheet Data	As At		
	Mar 31, 11	Mar 31, 10	Dec 31, 10
Receivable	697.28	544.85	555.69
Receivable in days (“DSO”)	61	61	63
Cash & bank balance	699.67	832.64	956.89
Net current assets	1,115.40	1,237.08	1,344.48
Fixed assets*	762.88	507.59	444.34
Secured loans	7.52	11.03	8.35
Shareholders’ funds	1,821.21	1,731.34	1,802.53

* Including goodwill amounting Rs. 309.58 mn. as at March 31, 2011.

Development/Service centers	As on Mar 31, 2011			
Location	Completed		Work-in-progress	
	Covered areas in sq ft.	No. of seats	Covered areas in sq ft.	No. of seats
India				
Noida	76,980	1,452		
Pune	30,940	529		
Chennai	12,666	170		
	120,586	2,151		
USA	23,300	177		
Singapore	7,125	40		
Europe	59,411	644		
Total	210,422	3,012		



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 / recasted wherever applicable, to the extent possible.

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 accelerate the speed to market for 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 support their customers worldwide for products and services using our global delivery model in 18 languages. 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 thirteen development and service centres and using our global delivery model we serve customers in the US, 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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