R Systems Announces Results for Q3 2013

Q3 2013: Record Revenue: Rs 160.42 Crores, EBITDA: Rs 28.71 Crores and Net Profits: Rs 18.05 Crores

Noida, India – October 25, 2013

Highlights

Consolidated results for the quarter ended September 30, 2013

- Consolidated revenue from operations for Q3-13 was record Rs 160.42 crores (US$ 25.89 mn) compared to Rs 114.52 crores (US$ 20.75 mn) in Q3, 2012 and Rs 145.22 crores (US$ 26.05 mn) in Q2, 2013. YoY increase was 40.09 % and QoQ increase was 10.47 %.

- Earnings before interest, depreciation, taxes and allowances ("EBITDA") were Rs 28.71 crores (US$ 4.85 mn) compared to Rs 7.63 crores (US$ 1.37 mn) in Q3, 2012 and Rs 15.65 crores (US$ 2.84 mn) in Q2, 2013. YoY increase was 276.41 % and QoQ increase was 83.40 %.

- Net profit after taxes was Rs 18.05 crores (US$ 3.05 mn) compared to Rs 4.63 crores (US$ 0.83 mn) in Q3, 2012 and Rs 7.68 crores (US$ 1.40 mn) in Q2, 2013. YoY increase was 290.17 % and QoQ increase was 135.10 %.

Others

- During the quarter, R Systems added 5 key customers.
- Total associates as on September 30, 2013 were 2,563 compared to 2,545 at the end of September 30, 2012 and 2,558 at the end of June 30, 2013.

Mr. Rekhi Singh, Chairman and Managing Director stated "It has been a great quarter with record revenues of Rs 160.4 crores, EBIDTA of Rs. 28.7 crores and EAT of Rs. 18.0 crores. Steep rupee depreciation coupled with improved utilization levels led to improved margins in Q3-2013." He added, "The global currency market remains volatile with Rupee depreciating more than 10% during the quarter. We are using hedging strategy to protect our margins."

He further added, "We are having a strong balance sheet with net worth of Rs 224.0 crores including cash and bank balance of Rs 108.7 crores. Considering the overall performance, the Board has declared a second interim dividend of 85% i.e. Rs. 8.50 per share"

Mr. Raj Swaminathan Director and COO said "We are able to push our utilization rates further and maintain our overall billable utilisation above 70% range. He added "We are continuing to invest in building capabilities, products and capacities for Telecom, BFSI, Health-care and Manufacturing & Logistic verticals to provide innovative services and solutions to our clients. During the quarter, we have applied to DSIR, Ministry of Science and Technology for registration of our R&D centres at Pune and Noida."

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For R SYSTEMS INTERNATIONAL LTD.

Company Secretary

Key Operational Highlights for the Quarter

R Systems' core service offerings include Outsourced Product Engineering, 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, help make our customer more competitive and increase product life spans. Our key ITES services include customer care and technical support, managed services, NOC support, high-end quality process management and revenue and claims management. These are delivered in multiple languages using our global delivery model.

R Systems products group consists of two units i.e., Indus® and ECnet®. Indus® addresses the retail lending, telecom and insurance industry.

ECnet® addresses supply chain, warehousing and inventory management. Further, ECnet also operates as a channel partner for reselling and implementing several ERP products of one of the largest ERP vendors.

R Systems is focused on key verticals i.e. Telecom and Digital Media, BFSI, Manufacturing and Logistics, Health Care. We concluded Q3-2013 with 5 key customers wins and have a strong pipeline across the business verticals and geographies. A brief description of key wins is as below:

A USA based IT product and service company having specialized offerings for life sciences and healthcare industry has engaged R Systems in developing new commercialized life sciences IT products. R Systems will also assist them in marketing these products.

A world leader in IT solutions in human resource management that targets personality, career, and organizational development has selected R Systems for providing enhancement and maintenance support for its legacy system consisting of online shopping portal, online assessment, portal scoring services and billing services.

One of Philippine's' top banks has selected R Systems to upgrade their loan origination solution to cover additional businesses following its acquisition of a local bank. With this they will soon have R System's latest multi-portfolio, scalable and robust solution and strengthening a 10 year relationship.

One of our largest BFSI customers has selected us to deliver our 'Commissions & Incentive' solution that automates incentive management based on highly configurable parameters to support multiple lines of business. The solution has extensive reporting features and can interface with other third party systems.

A leading Japanese manufacturer of consumer audio & video products has awarded our subsidiary ECnet Limited to roll out our e-Procurement solution to its China unit after successful implementation of the same solution at its Malaysian unit. This solution will allow the client and its suppliers to interact in real-time through a secure browser.

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Process, Quality and Innovation

R Systems has continued its investment in organisation behavior and management processes to ensure that these certified industry standards are continually adhered to. Our Noida IT centre is SEI-CMMi level 5, PCMM Level 5, ISO 9001 : 2008 and ISO 27001 : 2005 certified; Noida BPO centre is PCMM Level 5, ISO 9001 : 2008 and ISO 27001 : 2005 certified. Pune and Chennai development centres are SEI-CMM Level 5, ISO 9001: 2008 and ISO 27001: 2005 certified. The continuing compliance with these standards demonstrates the rigor of R Systems processes and differentiates us to keep our competitive edge in service and product offerings.

Further, during the quarter, the Company has applied to Department of Scientific & Industrial Research, Ministry of Science and Technology for registration of our R&D centres i.e. Indus Labs - An R Systems R&D Innovation Centre at Pune and RSI Noida Centre for Research and Innovation to get recognisition of our continuing investment in building innovative products and solutions.

Interim Dividend

The Board of Directors at its meeting held on October 25, 2013 has declared a second interim dividend of Rs 8.50 per equity shares (i.e. 85% on equity share of par value of Rs 10/-).

Liquidity and Shareholder Funds

Total consolidated cash and bank balance, including investments in liquid debt funds and fixed deposits with banks, as at September 30, 2013 was Rs 108.75 crores compared to Rs 82.37 crores as on June 30, 2013. Total shareholder funds as on September 30, 2013 were Rs 224.01 crores compared to Rs 209.11 crores as on June 30, 2013.

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For R SYSTEMS INTERNATIONAL LTD.

Company Secretary

Financial Performance

Consolidated Profit & Loss Statement (Un-audited) for the Quarter Ended September 30, 2013

(As per Indian GAAP)

(Rs. in mn, except per share data)

Sr. No.	Particulars	Quarter Ended September 30,		Quarter Ended June 30, 2013
		2013	2012	
1	**Income**			
1.1	Income from operations	1,604.23	1,145.15	1,452.17
1.2	Other operating income	0.70	0.40	2.35
	Total	**1,604.93**	**1,145.55**	**1,454.52**
2	**Expenditure**			
2.1	Employee benefits expense	907.78	796.31	885.04
2.2	Depreciation and amortisation expense	26.47	24.29	25.75
2.3	Traveling and conveyance	91.44	72.41	78.24
2.4	Communication costs	20.61	17.20	19.50
2.5	Legal and professional expenses (including subcontract expenses)	161.92	77.67	142.76
2.6	Provision for doubtful debts and advances (net)	(2.37)	2.42	15.47
2.7	Other expenditure	158.11	84.80	179.80
	Total expenditure	**1,363.96**	**1,075.10**	**1,346.56**
3	**Profit from operations before other income and finance cost**	240.97	**70.45**	**107.96**
4	Other income	9.44	9.84	9.55
5	**Profit from operations before finance cost**	250.41	**80.29**	**117.51**
6	Finance cost	1.56	1.95	1.97
7	**Profit before tax**	**248.85**	**78.34**	**115.54**
8	**Provision for tax**			
8.1	Current tax	70.42	34.82	37.83
8.2	Deferred tax charge / (credit)	(2.11)	(2.74)	0.93
	Total tax expense	68.31	**32.08**	**38.76**
9	**Net profit after tax**	**180.54**	**46.26**	**76.78**
10	**Earnings per share**			
10.1	**Basic**	**14.28**	**3.71**	**6.09**
10.2	**Diluted**	**14.28**	**3.71**	**6.09**

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For R SYSTEMS INTERNATIONAL LTD.

Company Secretary

Financial Performance

Consolidated Profit & Loss Statement (Un-audited) for the Nine Months Ended September 30, 2013 *(As per Indian GAAP)*

(Rs. in mn, except per share data)

Sr. No.	Particulars	Nine Month Ended September 30	
		2013	2012
1	**Income**		
1.1	Income from operations	4,305.03	3,434.06
1.2	Other operating income	5.84	4.82
	Total	**4,310.87**	**3,438.88**
2	**Expenditure**		
2.1	Employee benefits expense	2,636.91	2,337.26
2.2	Depreciation and amortisation expense	73.53	78.30
2.3	Traveling and conveyance	261.41	213.05
2.4	Communication costs	58.87	52.98
2.5	Legal and professional expenses (including subcontract expenses)	423.81	226.00
2.6	Provision for doubtful debts and advances (net)	32.57	20.62
2.7	Other expenditure	426.43	300.72
	Total expenditure	**3,913.53**	**3,228.93**
3	**Profit from operations before other income and finance cost**	**397.34**	**209.95**
4	Other income	30.24	31.14
5	**Profit from operations before finance cost**	**427.58**	**241.09**
6	Finance cost	5.26	5.34
7	**Profit before tax**	**422.32**	**235.75**
8	**Provision for tax**		
8.1	Current tax	128.80	69.38
8.2	Mat credit	(12.32)	-
8.3	Deferred tax charge / (credit)	(3.44)	11.81
	Total tax expense	**113.04**	**81.19**
9	**Net profit after tax**	**309.28**	**154.56**
10	**Earning per share**		
10.1	**Basic**	**24.55**	**12.44**
10.2	**Diluted**	**24.55**	**12.44**

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For R SYSTEMS INTERNATIONAL LTD.

Company Secretary

Financial Performance

Consolidated Profit & Loss Statement (Un- audited) for the Quarter Ended September 30, 2013

(Contribution Analysis Format; Basis Indian GAAP)

(Figures in mn, except per share data)

Particulars	Q3 2013		Q3 2012		Q2 2013	
	INR	US$	INR	US$	INR	US$
Revenues	**1,604.23**	**25.89**	**1,145.15**	**20.75**	**1,452.17**	**26.05**
Cost of revenues	977.10	15.66	746.90	13.54	937.58	16.80
Gross margin	**627.13**	**10.23**	**398.25**	**7.21**	**514.59**	**9.25**
	39.09%		*34.78%*		*35.44%*	
SG & A						
Expenses	340.03	5.38	321.98	5.84	358.05	6.41
	21.20%		*28.12%*		*24.66%*	
EBITDA	**287.10**	**4.85**	**76.27**	**1.37**	**156.54**	**2.84**
	17.90%		*6.66%*		*10.78%*	
Depreciation and amortization	26.47	0.43	24.29	0.44	25.75	0.46
Income from operations	**260.63**	**4.42**	**51.98**	**0.93**	**130.79**	**2.38**
Interest expense	(0.28)	(0.00)	(0.27)	(0.00)	(0.27)	(0.00)
Other income (net)	(11.50)	(0.21)	26.63	0.49	(14.98)	(0.28)
Income before income tax	**248.85**	**4.21**	**78.34**	**1.42**	**115.54**	**2.10**
Income tax provision	68.31	1.16	32.08	0.59	38.76	0.70
Net earnings	**180.54**	**3.05**	**46.26**	**0.83**	**76.78**	**1.40**
Earnings per share						
- Basic	**14.28**	**0.23**	**3.71**	**0.07**	**6.09**	**0.11**
- Diluted	**14.28**	**0.23**	**3.71**	**0.07**	**6.09**	**0.11**

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For R SYSTEMS INTERNATIONAL LTD.

Company Secretary

Consolidated Profit & Loss Statement (Un- audited) for the Nine Months Ended September 30, 2013

(Contribution Analysis Format; Basis Indian GAAP)

(Figures in mn except per share data)

Particulars	Jan to Sep 13		Jan to Sep 12	
	INR	US$	INR	US$
Revenue	**4,305.03**	**74.98**	**3,434.06**	**64.61**
Cost of revenue	2,762.68	48.11	2,206.60	41.53
Gross margin	**1,542.35**	**26.87**	**1,227.46**	**23.08**
	35.83%		*35.74%*	
SG & A Expenses	1,048.76	18.27	937.97	17.63
	24.36%		*27.31%*	
EBITDA	**493.59**	**8.60**	**289.49**	**5.45**
	11.47%		*8.43%*	
Depreciation and amortization	**73.53**	**1.28**	**78.30**	**1.47**
Operating income before non-recurring cost	420.06	7.32	211.19	3.98
Non-recurring cost	-	-	29.45	0.56
Income from operations	**420.06**	**7.32**	**181.74**	**3.42**
Interest expense	(0.86)	(0.01)	(0.65)	(0.01)
Other income (net)	3.12	0.05	54.66	1.03
Income before income tax	**422.32**	**7.36**	**235.75**	**4.44**
Income tax provision	113.04	1.97	81.19	1.53
Net earnings	**309.28**	**5.39**	**154.56**	**2.91**
Earnings per share				
- Basic	**24.55**	**0.43**	**12.44**	**0.23**
- Diluted	**24.55**	**0.43**	**12.44**	**0.23**

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For R SYSTEMS INTERNATIONAL LTD.

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Consolidated Balance Sheet as at September 30, 2013 *(As per Indian GAAP)*

(Rs. in mn)

Particulars	As at September 30		As at June 30,
	2013 (Unaudited)	2012 (Unaudited)	2013 (Unaudited)
EQUITY & LIABILITIES			
Shareholders' Funds			
Share capital	125.92	124.17	125.59
Reserves and Surplus	2,114.18	1,814.88	1,965.53
Sub-Total Shareholder's Funds	**2,240.10**	**1,939.05**	**2,091.12**
Minority interest	-	-	-
Non-current liabilities			
Long-term borrowings	9.36	3.97	9.41
Other long term liabilities	4.28	7.42	4.41
Long-term provisions	73.67	67.80	83.24
Subtotal - Non-current liabilities	**87.31**	**79.19**	**97.06**
Current liabilities			
Trade payables	491.39	460.59	435.81
Other current liabilities	191.57	259.66	236.09
Short-term provisions	456.35	135.05	297.83
Subtotal- Current Liabilities	**1,139.31**	**855.30**	**969.73**
TOTAL - EQUITY AND LIABILITIES	**3,466.72**	**2,873.54**	**3,157.91**
ASSETS			
Non-current assets			
Fixed assets (net)	458.74	385.07	421.11
Goodwill on consolidation	288.33	270.10	279.21
Non-current investments	0.03	0.03	0.03
Deferred tax assets (net)	59.08	52.54	56.50
Long-term loans and advances	86.47	85.37	88.36
Other non-current assets	274.92	80.39	93.90
Subtotal - Non- current assets	**1,167.57**	**873.50**	**939.11**
Current assets			
Current Investment	10.00	-	10.00
Trade receivables	1,076.74	868.81	1,105.52
Cash and bank balance	810.40	826.17	726.21
Short-term loans and advances	139.61	126.90	138.70
Other current assets	262.40	178.16	238.37
Subtotal - Current Assets	**2,299.15**	**2,000.04**	**2,218.80**
TOTAL - ASSETS	**3,466.72**	**2,873.54**	**3,157.91**

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For R SYSTEMS INTERNATIONAL LTD.

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Consolidated Operational Data (Un-audited)

Profitability in %	Quarter ended		
	Sep 30, 13	Sep 30, 12	June 30, 13
Revenues	100.00	100.00	100.00
Gross margin	39.09	34.78	35.44
SG & A	21.20	28.12	24.66
EBITDA	17.90	6.66	10.78
EBT	15.51	6.84	7.96
PAT	11.25	4.04	5.29
Basic EPS (Rs.)	14.28	3.71	6.09

Revenue from Top 10 Clients	Quarter ended		
	Sep 30, 13	Sep 30, 12	June 30, 13
Top 10 Clients	35.34%	39.49%	35.03%
Top 5 Clients	22.19%	25.92%	22.44%
Top 3 Clients	14.68%	18.63%	15.23%
Largest Client	5.30%	7.56%	5.36%

Revenues by Geographies	Quarter ended		
	Sep 30, 13	Sep 30, 12	June 30, 13
USA	57.60%	54.45%	54.72%
Europe	24.29%	23.27%	25.94%
SEAC (South East Asia)	9.82%	10.73%	11.28%
India	4.03%	5.31%	4.32%
Others	4.26%	6.24%	3.74%
Total	100.00%	100.00%	100.00%

Utilization (excluding trainees)	Quarter ended		
	Sep 30, 13	Sep 30, 12	June 30, 13
Onsite	73.52%	61.65%	75.97%
Offshore	73.05%	71.36%	70.57%
Blended	73.16%	69.20%	71.79%

Utilization (including trainees)	Quarter ended		
	Sep 30, 13	Sep 30, 12	June 30, 13
Onsite	73.52%	61.65%	75.97%
Offshore	70.10%	64.89%	67.29%
Blended	70.87%	64.22%	69.19%

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Consolidated Operational Data (Un-audited)

Human resources	As at		
	Sep 30, 13	Sep 30, 12	June 30, 13
Technical	**2,193**	**2,162**	**2,187**
Software services			
Onsite	306	277	291
Offshore	1,349	1,247	1,318
BPO			
Offshore	285	307	309
Onsite	195	162	189
Trainees	58	169	80
Sales and support	**370**	**384**	**371**
Total count	**2,563**	**2,545**	**2,558**

(Rs. in mn, except DSO)

Key Balance Sheet Data	As At		
	Sep 30, 13	Sep 30, 12	June 30, 13
Receivable	1,076.74	868.81	1,105.52
Receivable in days ("DSO")	55	60	55
Total cash and bank balance*	1,087.54	901.85	823.67
Fixed assets (net)	458.74	385.07	421.11
Shareholders' funds	2,240.10	1,939.05	2,091.12

*Including investments in liquid debt funds and fixed deposits with banks

Development/Service Centres Location	As on Sep 30, 2013	
	Covered areas in sq fts.	No. of seats
India		
Noida	76,980	1,441
Pune	25,190	436
Chennai	12,666	170
	114,836	2,047
USA	23,300	177
Singapore	7,125	42
Europe		
Netherlands	21,194	251
France	8,600	112
Romania	14,090	137
Poland	4,865	39
Moldova	3,398	44
	52,148	583
Total	**197,409**	**2,849**

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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 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 20 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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