



R Systems Announces Results for Q2 2011

Q2 2011: Revenue: Rs. 97.30 Crores, EBITDA: Rs. 8.26 Crores and Net Profits: Rs. 5.05 Crores

Noida, India – July 29, 2011

Highlights

Consolidated results for the quarter ended June 30, 2011

- Consolidated revenues from operations for Q2-11 was Rs. 97.30 crores (US\$ 21.75 mn); sequential QoQ increase was 11.67 % and YoY increase was 42.07 %.
- Earnings before interest, depreciation, taxes and allowances (“EBITDA”) was Rs. 8.26 crores (US\$ 1.84 mn) compared to Rs. 2.17 crores (US\$ 0.48 mn) in Q1, 2011 and Rs. Rs. 3.41 crores (US\$ 0.75 mn) in Q2, 2010.
- Net profit after taxes was Rs. 5.05 crores (US\$ 1.13 mn) compared to Rs. 1.41 crores (US\$ 0.31 mn) in Q1, 2011 and Rs. 1.14 crores (US\$ 0.25 mn) in Q2, 2010.

Others

- During the quarter, R Systems added 3 customers having annual run rate above million USD.

Mr. Rekhi Singh, Chairman and MD stated “The Company’s performance during the quarter has improved on the strength of better performance in telecom vertical that includes software services in the areas of IPTV, Digital Media and BSS systems.” During the quarter we have extended our offering in the area of Managed Services in the telecom and BFSI verticals.” He added “Business environment is volatile and customers are re-prioritizing their IT requirements bringing in more outsourcing opportunities, this is also resulting in many IT strategy changes.”

Rekhi Singh said “We are focused on building a stronger pipeline to bring more consistency in financial performance”.

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.



The quarter concluded 10 new customers and had a strong pipeline across the business verticals and business segments. The brief of the more significant wins are listed below.

R Systems has concluded a multiyear contract for providing managed support services to a revenue management software company for their Revenue Assurance and Fraud management products in the telecom sector. The said services are to be provided to their global customer base spread across Africa, middle-east and India.

R Systems through its wholly owned subsidiary in USA has partnered with an IT consulting and training Company to win a contract from the State of California's Master Services Agreement (MSA) process to perform maintenance, and operations (M&O) of the existing Children's Medical Services Network (CMS Net) system.

R Systems' recent acquisition Computaris, a leading consultant and system integrator in the communication industry, has been chosen by a major Eastern European mobile operator to deliver an end-to-end Policy Management solution for their NGN architecture.

Our Europe based BPO unit has been engaged by Taiwan based Display Technology Company to provide voice and mail support to its customers in 15 European languages.

In the ERP space R Systems has won a contract from a US based global producer and marketer of coal for migration from PeopleSoft to their Oracle HRMS module including developing interfaces and API's.

At one of the European Businesses of our larger BFSI client, we have won a 3-year managed services relationship to provide 24x7 supports for key mission critical applications that have been largely developed and maintained by us over the years. This was won over stiff competition by larger established Indian IT vendors.

Liquidity and Shareholder Funds

Consolidated Cash and cash equivalents, including bank deposits, as at June 30, 2011 was Rs. 74.40 crores. Total shareholder funds as on June 30, 2011 were Rs. 187.55 crores compared to Rs. 182.12 crores as on March 31, 2011.

Financial Performance

Consolidated Profit & Loss Statement (Un-audited) for the Quarter Ended June 30, 2011 (As per Indian GAAP)

(Rs. in mn, except per share data)

Sr. No.	Particulars	Quarter Ended June 30,		Quarter Ended March 31, 2011
		2011	2010	
1	Income			
1.1	Income From Operations	972.95	684.82	871.29
1.2	Other Operating Income	6.16	6.36	2.69
	Total	979.11	691.18	873.98
2	Expenditure			
2.1	Employees Cost	653.44	465.45	602.46
2.2	Traveling & Conveyance Cost	69.91	50.24	61.37
2.3	Communication Costs	16.36	15.97	14.36
2.4	Legal & Professional Expenses	72.30	50.65	70.97
2.5	Provision For Doubtful Debts / Advances	3.10	3.90	22.64
2.6	Depreciation / Amortisation	32.74	33.37	33.07
2.7	Other Expenditure	71.45	70.49	68.98
	Total Expenditure	919.30	690.07	873.85
3	Profit From Operations Before Other Income, Interest & Prior Period Items	59.81	1.11	0.13
4	Other Income	9.50	12.02	6.98
5	Profit From Operations Before Interest & Prior Period Items	69.31	13.13	7.11
6	Interest	0.17	0.16	0.18
7	Profit Before Tax and Prior Period Items	69.14	12.97	6.93
8	Prior Period Items	-	(1.73)	-
9	Profit Before Tax	69.14	11.24	6.93
10	Provision For Tax			
10.1	Current Tax	22.07	5.01	7.87
10.2	MAT Credit	-	(0.95)	(2.05)
10.3	Deferred Tax Credit	(3.44)	(4.25)	(12.98)
	Total	18.63	(0.19)	(7.16)
11	Net Profit After Tax	50.51	11.43	14.09
12	Earning Per Share			
12.1	Basic	4.10	0.93	1.14
12.2	Diluted	4.05	0.92	1.13

Financial Performance

Consolidated Profit & Loss Statement (Un-audited) for the Six Months Ended June 30, 2011

(As per Indian GAAP)

(Rs. in mn, except per share data)

Sr. No.	Particulars	Six Month Ended June 30	
		2011	2010
1	Income		
1.1	Net Sales	1,844.24	1,409.07
1.2	Other Operating Income	8.85	12.72
	Total	1,853.09	1,421.79
2	Expenditure		
2.1	Employees Cost	1,255.90	946.71
2.2	Traveling Cost	131.28	94.14
2.3	Communication Costs	30.72	29.67
2.4	Legal & Professional Expenses	143.27	107.72
2.5	Provision for doubtful Debts/ Advances	25.74	11.83
2.6	Depreciation/Amortisation	65.81	66.45
2.7	Other Expenditure	140.43	131.99
	Total Expenditure	1,793.15	1,388.51
3	Profit From Operations Before Other Income, Interest & Prior Period Items	59.94	33.28
4	Other Income	16.48	23.54
5	Profit From Operations Before Interest & Prior Period Items	76.42	56.82
6	Interest	0.35	0.38
7	Profit Before Tax and Prior Period Items	76.07	56.44
8	Prior Period Items	-	(1.73)
9	Profit Before Tax	76.07	54.71
10	Provision For Tax		
10.1	Current Tax	29.94	14.62
10.2	MAT Credit	(2.05)	(14.15)
10.3	Deferred Tax Credit	(16.42)	(22.98)
	Total	11.47	(22.51)
11	Net Profit After Tax	64.60	77.22
12	Earning Per Share		
12.1	Basic	5.24	6.27
12.2	Diluted	5.19	6.19

Financial Performance

Consolidated Profit & Loss Statement (Un- audited) for the Quarter Ended June 30, 2011 (Contribution Analysis Format; Basis Indian GAAP)

(Figures in mn, except per share data)

Particulars	Q2 2011		Q2 2010		Q1 2011	
	INR	US\$	INR	US\$	INR	US\$
Revenues	972.95	21.75	684.82	15.01	871.29	19.27
Cost of Revenues	639.22	14.29	442.33	9.69	589.06	13.03
Gross Margin	333.73	7.46	242.49	5.32	282.23	6.24
SG & A	34.30%		35.41%		32.39%	
Expenses	251.15	5.62	208.43	4.57	260.53	5.76
	25.81%		30.44%		29.90%	
EBITDA	82.58	1.84	34.06	0.75	21.70	0.48
Depreciation / Amortization	8.49%		4.97%		2.49%	
	32.74	0.73	33.37	0.73	33.07	0.73
Operating Income/(Loss) Before Non- Recurring Cost	49.84	1.11	0.69	0.02	(11.37)	(0.25)
Non-Recurring Cost	-	-	1.73	0.04	-	-
Income/(Loss) From Operations	49.84	1.11	(1.04)	(0.02)	(11.37)	(0.25)
Interest Expense	(0.17)	(0.00)	(0.16)	(0.00)	(0.18)	(0.00)
Other Income (Net)	19.47	0.43	12.44	0.26	18.48	0.40
Income Before Income Tax	69.14	1.54	11.24	0.24	6.93	0.15
Income Tax Provision / (Credit)	18.63	0.41	(0.19)	(0.01)	(7.16)	(0.16)
Net Earnings	50.51	1.13	11.43	0.25	14.09	0.31
Earning Per Share						
- Basic	4.10	0.09	0.93	0.02	1.14	0.03
- Diluted	4.05	0.09	0.92	0.02	1.13	0.03

Consolidated Profit & Loss Statement (Un- audited) for the Six Months Ended June 30, 2011
(Contribution Analysis Format; Basis Indian GAAP)

(Figures in mn except per share data)

Particulars	Jan 11 to June 11		Jan 10 to June 10	
	INR	US\$	INR	US\$
Revenues	1,844.24	41.02	1,409.07	30.80
Cost of Revenues	1,228.28	27.32	899.54	19.66
Gross Margin	615.96	13.70	509.53	11.14
SG & A	33.40%		36.16%	
Expenses	511.68	11.38	413.09	9.03
	27.74%		29.32%	
EBITDA	104.28	2.32	96.44	2.11
	5.65%		6.84%	
Depreciation/Amortisation	65.81	1.46	66.45	1.45
Operating Income Before Non-Recurring Cost	38.47	0.86	29.99	0.66
Non-Recurring Cost	-	-	1.73	0.04
Income From Operations	38.47	0.86	28.26	0.62
Interest Expense	(0.35)	(0.01)	(0.38)	(0.00)
Other Income (Net)	37.95	0.84	26.83	0.58
Income Before Income Tax	76.07	1.69	54.71	1.20
Income Tax Provision / (Credit)	11.47	0.25	(22.51)	(0.49)
Net Earnings	64.60	1.44	77.22	1.69
Earnings Per Share				
- Basic	5.24	0.12	6.27	0.14
- Diluted	5.19	0.12	6.19	0.14

Consolidated Balance Sheet as at June 30, 2011 (As per Indian GAAP)

(Rs. in mn)

Particulars	As at June 30,		As at Mar 31,
	2011 (Un-Audited)	2010 (Un-Audited)	2011 (Un-Audited)
SOURCES OF FUNDS			
Shareholders' Funds			
Capital	122.43	122.43	122.43
Reserves and Surplus	1,753.04	1,623.26	1,698.78
Net Worth	1,875.47	1,745.69	1,821.21
Loan Funds			
Secured Loans	7.37	9.90	7.52
Deferred Payment Liability	108.94	-	84.58
Total	1,991.78	1,755.59	1,913.31
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	1,507.88	1,108.81	1,485.30
Less: Depreciation	760.40	623.33	722.75
Net Block	747.48	485.48	762.55
Capital Work-in-Progress	7.81	1.14	0.33
	755.29	486.62	762.88
Investments	0.03	0.03	0.03
Deferred Tax Assets (Net)	38.45	1.91	35.00
Current Assets, Loans & Advances			
Sundry Debtors	710.35	481.95	697.28
Cash & Bank Balances	743.95	851.91	699.67
Other Current Assets	204.86	198.55	186.65
Loans & Advances	175.90	191.52	172.24
Total Current Assets (A)	1,835.06	1,723.93	1,755.84
Less : Current Liabilities and Provisions			
Liabilities	462.88	321.23	454.57
Provisions	174.17	135.67	185.87
Total Current Liabilities (B)	637.05	456.90	640.44
Net Current Assets (A-B)	1,198.01	1,267.03	1,115.40
Total	1,991.78	1,755.59	1,913.31

Consolidated Operational Data (Un-audited)

Profitability in Percentage	Quarter ended		
	June 30, 11	June 30, 10	Mar 31, 11
Revenues	100.00	100.00	100.00
Gross margin	34.30	35.41	32.39
SG & A	25.81	30.44	29.90
EBITDA	8.49	4.97	2.49
EBT	7.11	1.64	0.80
PAT	5.19	1.67	1.62
Basic EPS (Rs.)	4.10	0.93	1.14

Revenue from Top 5 Clients	Quarter ended		
	June 30, 11	June 30, 10	Mar 31, 11
Top 5 Clients	33.59%	30.53%	34.07%
Top 3 Clients	26.91%	18.88%	25.81%
Largest Client	17.33%	6.41%	16.98%

Revenues by Geographies	Quarter ended		
	June 30, 11	June 30, 10	Mar 31, 11
USA	45.85%	61.06%	49.99%
Europe	34.88%	18.33%	33.92%
SEAC (South East Asia)	8.98%	9.74%	7.99%
India	5.37%	7.39%	5.32%
Others	4.92%	3.48%	2.78%
Total	100.00%	100.00%	100.00%

Utilization (excluding trainees)	Quarter ended		
	June 30, 11	June 30, 10	Mar 31, 11
Onsite	66.80%	68.09%	67.16%
Offshore	70.86%	68.48%	69.83%
Blended	69.89%	68.42%	69.18%

Utilization (including trainees)	Quarter ended		
	June 30, 11	June 30, 10	Mar 31, 11
Onsite	66.49%	68.09%	66.12%
Offshore	66.74%	63.77%	64.48%
Blended	66.68%	64.36%	64.86%

Consolidated Operational Data (Un-audited)

Human resources	As at		
	June 30, 11	June 30, 10	Mar 31, 11
Technical	1,908	1,686	1,940
Software services			
Onsite	273	96	292
Offshore	1157	1095	1,147
BPO			
Offshore	240	233	236
Onsite	138	153	154
Trainees	100	109	111
Support	377	335	385
Total count	2,285	2,021	2,325

(Rs. in mn, except DSO)

Key Balance Sheet Data	As At		
	June 30, 11	June 30, 10	Mar 31, 11
Receivable	710.35	481.95	697.28
Receivable in days (“DSO”)	62	65	61
Cash & bank balance	743.95	851.91	699.67
Net current assets	1,198.01	1,267.03	1,115.40
Fixed assets*	755.29	486.62	762.88
Secured loans	7.37	9.90	7.52
Shareholders’ funds	1,875.47	1,745.69	1,821.21

* Including goodwill on acquisition amounting Rs.320.01mn. and Rs. 309.58 mn. as at June 30, 2011 and March 31, 2011, respectively.

Development/Service centers Location	As on June 30, 2011	
	Covered areas in sq ft.	No. of seats
India		
Noida	76,980	1,444
Pune	30,940	529
Chennai	12,666	170
	120,586	2,143
USA	23,300	177
Singapore	7,125	40
Europe	59,411	644
Total	210,422	3,004



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.

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For further information please contact:

Suresh Kumar Bhutani
Company Secretary & Compliance Officer
Tel # 0120 - 4082633
Fax # 0120 - 2587123
Email: suresh.bhutani@rsystems.com

Kumar Gaurav
Senior Manager Finance
Tel # 0120 – 4082650
Fax # 0120 - 2587123
Email: kumar.gaurav@rsystems.com

Shankar Seetharaman
Chief Financial Officer
Tel # 020 – 22952520
Email: shankar.seetharaman@rsystems.com