R Systems Announces Results for Q3 2012

Q3 2012: Revenue: Rs 114.52 Crores, EBITDA: Rs 7.63 Crores and Net Profits: Rs 4.63 Crores

Noida, India – October 27, 2012

Highlights

Consolidated results for the quarter ended September 30, 2012

- Consolidated revenue from operations for Q3-12 was Rs 114.52 crores (US$ 20.75 mn); YoY increase was 1.89% and QoQ decrease was 3.96%;
- Earnings before interest, depreciation, taxes and allowances ("EBITDA") were Rs 7.63 crores (US$ 1.37 mn) compared to Rs 11.18 crores (US$ 2.46 mn) in Q3, 2011 and Rs 11.89 crores (US$ 2.21 mn) in Q2, 2012;
- Net profit after taxes was Rs 4.63 crores (US$ 0.83 mn) compared to Rs 4.61 crores (US$ 1.01 mn) in Q3, 2011 and Rs 5.41 crores (US$ 1.00 mn) in Q2, 2012.

Others

- During the quarter, R Systems added 5 key customers.
- R Systems added 96 (net) associates during the quarter.

Mr. Rekhi Singh, Chairman and Managing Director stated stated "We closed the quarter with revenues of Rs 114.5 crores and profit after tax of Rs 4.6 crores. Business environment is challenging due to global economic uncertainties, however we are focused to be cost efficient, deliver measurable business values to clients and continue our investment for future growth."

He further added, "Our cash and bank balances continue to be strong with Rs. 90 crores. We are continuing our practice of mitigating risks arising from volatility among major currencies and the Indian Rupee."

Mr. Raj Swaminathan Executive Director and COO said "We are focused on high quality growth despite a volatile environment. Our execution capabilities are being recognized by our clients across the globe. We will continue to work on our strategy of focusing on key business verticals i.e. telecom and digital media, BFSI, healthcare and manufacturing & logistics and to achieve operations & delivery excellence."

He further added, "Our product line under the Indus brand is being received well in the BFSI, Telecom and Insurance business segments, we will soon be releasing our state of art Corporate Loan Originations product that will cover the loans to Corporate Banking / SME sector"

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 i.e. Telecom & Digital Media, BFSI,

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Health Care and Manufacturing & Logistics. The IT services cover outsourced product development, quality assurance, independent testing, systems integration, application development, data warehousing, business intelligence, enterprise portals, supply chain optimisation, support and maintenance services. ITeS covers customer care and technical support for IT and Hi-Tech electronics manufacturers, managed services, NOC support, high-end quality process management, revenue and claims management, using our global delivery model with multi-language support capabilities.

R Systems' products group consists of two units - Indus® which addresses the retail lending, telecommunication and insurance industry, and ECnet® which addresses supply chain, warehousing and inventory management.

The brief of some significant wins during the quarter are listed below.

A Canadian software development company with expertise in custom video communication and collaboration solution has chosen R Systems as its development partner to build customized collaborative audio / video applications for windows as well as iOS platform.

A US based IT services company providing healthcare, finance, and extended enterprise SaaS solutions has selected R Systems to provide maintenance, bug fixing and testing services for projects in health care domain.

A US based software company which integrates software systems and develops custom applications, components, and frameworks awarded search engine optimization related project to R Systems wholly owned subsidiary in USA.

One of India's fastest growing private insurers has selected iPersyst, our Indus solution for improving renewals (persistency). The iPersyst software application is a proven solution and is receiving industry accolades for its quick implementation, user experience and offers a very high ROI to insurance companies. The solution is expected to service nearly 5 million policies once implemented with this client.

One of Malaysia's largest public enterprises selected R Systems subsidiary ECnet Limited to implement a financial consolidation and reporting solution along with corporate performance management solution.

Liquidity and Shareholder Funds

Total consolidated cash and bank balances including fixed deposits, as at September 30, 2012 were Rs 90.19 crores compared to Rs 73.90 crores as at June 30, 2012. Total shareholder funds as at September 30, 2012 were Rs 193.90 crores compared to Rs 190.59 crores as at June 30, 2012.

Human Resources

R Systems continues to invest towards the highest standard of people practices, quality standards, training, information security, frameworks, tools and methodologies.

R Systems ended September 30, 2012 with total count of 2,545 associates including 384 sales and support counts as against 2,449 associates including 387 sales and support count in Q2-2012.

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Financial Performance

Consolidated Profit & Loss Statement (Un-audited) for the Quarter Ended September 30, 2012 *(As per Indian GAAP)*

(Rs. in mn, except per share data)

Sr. No.	Particulars	Quarter Ended September 30,		Quarter Ended June 30, 2012
		2012	2011	
1	**Income**			
1.1	Income From Operations	1,145.15	1,123.92	1,192.31
1.2	Other Operating Income	0.40	2.03	1.87
	Total	**1,145.55**	**1,125.95**	**1,194.18**
2	**Expenditure**			
2.1	Employee Benefits Expense	796.31	652.04	782.09
2.2	Depreciation and Amortisation Expense	24.29	32.31	23.88
2.3	Traveling and Conveyance	72.41	69.69	84.42
2.4	Communication Costs	17.20	16.83	19.19
2.5	Legal and Professional Expenses	77.67	81.93	75.69
2.6	Provision for Doubtful Debts and Advances (net)	2.42	17.45	(0.71)
2.7	Other Expenditure	84.80	196.94	136.57
	Total Expenditure	**1,075.10**	**1,067.19**	**1,121.13**
3	**Profit From Operations Before Other Income and Finance Cost**	**70.45**	**58.76**	**73.05**
4	Other Income	9.84	11.90	9.56
5	**Profit From Operations Before Finance Cost**	**80.29**	**70.66**	**82.61**
6	Finance Cost	1.95	1.58	1.22
7	**Profit Before Tax**	**78.34**	**69.08**	**81.39**
8	**Provision For Tax**			
8.1	Current Tax	34.82	29.18	3.54
8.2	Deferred Tax Charge / (Credit)	(2.74)	(6.23)	23.71
	Total	**32.08**	**22.95**	**27.25**
9	**Net Profit After Tax**	**46.26**	**46.13**	**54.14**
10	**Earnings Per Share**			
10.1	**Basic**	**3.71**	**3.75**	**4.35**
10.2	**Diluted**	**3.71**	**3.70**	**4.35**

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Financial Performance

Consolidated Profit & Loss Statement (Un-audited) for the Nine Months Ended September 30, 2012

(As per Indian GAAP)

(Rs. in mn, except per share data)

Sr. No.	Particulars	Nine Month Ended September 30	
		2012	2011
1	**Income**		
1.1	Income From Operations	3,434.06	2,968.16
1.2	Other Operating Income	4.82	3.64
	Total	**3,438.88**	**2,971.80**
2	**Expenditure**		
2.1	Employee Benefits Expense	2,337.26	1,907.93
2.2	Depreciation and Amortisation Expense	78.30	98.12
2.3	Traveling and Conveyance	213.05	200.97
2.4	Communication Costs	52.98	47.56
2.5	Legal and Professional Expenses	226.00	225.19
2.6	Provision for Doubtful Debts and Advances (net)	20.62	35.95
2.7	Other Expenditure	297.44	332.73
	Total Expenditure	**3,225.65**	**2,848.45**
3	**Profit From Operations Before Other Income and Finance Cost**	**213.23**	**123.35**
4	Other Income	31.14	28.38
5	**Profit From Operations Before Finance Cost**	**244.37**	**151.73**
6	Finance Cost	8.62	6.57
7	**Profit Before Tax**	**235.75**	**145.16**
8	**Provision For Tax**		
8.1	Current Tax	69.38	59.13
8.2	MAT Credit	-	(2.05)
8.3	Deferred Tax Charge / (Credit)	11.81	(22.66)
	Total	**81.19**	**34.42**
9	**Net Profit After Tax**	**154.56**	**110.74**
10	**Earnings Per Share**		
10.1	**Basic**	**12.44**	**8.99**
10.2	**Diluted**	**12.44**	**8.89**

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Financial Performance

Consolidated Profit & Loss Statement (Un- audited) for the Quarter Ended September 30, 2012

(Contribution Analysis Format; Basis Indian GAAP)

(Figures in mn, except per share data)

Particulars	Q3 2012		Q3 2011		Q2 2012	
	INR	US$	INR	US$	INR	US$
Revenue	**1,145.15**	**20.75**	**1,123.92**	**24.59**	**1,192.31**	**22.05**
Cost of Revenue	746.90	13.54	736.12	16.10	758.64	14.04
Gross Margin	**398.25**	**7.21**	**387.80**	**8.49**	**433.67**	**8.01**
	34.78%		*34.50%*		*36.37%*	
SG & A						
Expenses	321.98	5.84	276.02	6.03	314.75	5.80
	28.12%		*24.56%*		*26.40%*	
EBITDA	**76.27**	**1.37**	**111.78**	**2.46**	**118.92**	**2.21**
	6.66%		*9.95%*		*9.97%*	
Depreciation and Amortization	24.29	0.44	32.31	0.71	23.88	0.44
Operating Income Before Non-Recurring Cost	**51.98**	**0.93**	**79.47**	**1.75**	**95.04**	**1.77**
Non-Recurring Cost	-	-	-	-	7.38	0.12
Income From Operations	**51.98**	**0.93**	**79.47**	**1.75**	**87.66**	**1.65**
Interest Expense	(0.27)	(0.00)	(0.17)	(0.00)	(0.21)	(0.00)
Other Income (Net)	26.63	0.49	(10.22)	(0.23)	(6.06)	(0.14)
Income Before Income Tax	**78.34**	**1.42**	**69.08**	**1.52**	**81.39**	**1.51**
Income Tax Provision	32.08	0.59	22.95	0.51	27.25	0.51
Net Earnings	**46.26**	**0.83**	**46.13**	**1.01**	**54.14**	**1.00**
Earnings Per Share						
- Basic	**3.71**	**0.07**	**3.75**	**0.08**	**4.35**	**0.08**
- Diluted	**3.71**	**0.07**	**3.70**	**0.08**	**4.35**	**0.08**

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Consolidated Profit & Loss Statement (Un- audited) for the Nine Months Ended September 30, 2012

(Contribution Analysis Format; Basis Indian GAAP)

(Figures in mn except per share data)

Particulars	Jan 12 to Sep 12		Jan 11 to Sep 11	
	INR	US$	INR	US$
Revenue	**3,434.06**	**64.61**	**2,968.16**	**65.60**
Cost of Revenue	2,206.60	41.53	1,964.40	43.41
Gross Margin	**1,227.46**	**23.08**	**1,003.76**	**22.19**
	35.74%		*33.82%*	
SG & A Expenses	937.97	17.63	787.70	17.41
	27.31%		*26.54%*	
EBITDA	**289.49**	**5.46**	**216.06**	**4.78**
	8.43%		*7.28%*	
Depreciation and Amortization	78.30	1.47	98.12	2.17
Operating Income Before Non-Recurring Cost	**211.19**	**3.98**	**117.94**	**2.61**
Non-Recurring Cost	29.45	0.56	-	-
Income From Operations	**181.74**	**3.42**	**117.94**	**2.61**
Interest Expense	(0.65)	(0.01)	(0.52)	(0.01)
Other Income (Net)	54.66	1.03	27.74	0.61
Income Before Income Tax	**235.75**	**4.44**	**145.16**	**3.21**
Income Tax Provision	81.19	1.53	34.42	0.76
Net Earnings	**154.56**	**2.91**	**110.74**	**2.45**
Earnings Per Share				
- Basic	**12.44**	**0.23**	**8.99**	**0.20**
- Diluted	**12.44**	**0.23**	**8.89**	**0.20**

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Consolidated Balance Sheet as at September 30, 2012 *(As per Indian GAAP)*

(Rs. in mn)

Particulars	As at		
	Sep 30, 2012 (Unaudited)	June 30, 2012 (Unaudited)	Dec 31, 2011 (Unaudited)
EQUITY & LIABILITIES			
Shareholders' Funds			
Share capital	124.17	123.76	122.43
Reserves and Surplus	1,814.88	1,782.12	1,863.40
Sub-Total Shareholder's Funds	**1,939.05**	**1,905.88**	**1,985.83**
Minority Interest	-	-	-
Non-current liabilities			
Long-term borrowings	3.97	3.35	3.84
Other long term liabilities	7.42	7.28	75.04
Long-term provisions	67.80	63.89	61.29
Subtotal - Non-current liabilities	**79.19**	**74.52**	**140.17**
Current liabilities			
Trade payables	460.59	366.72	382.13
Other current liabilities	259.66	270.13	319.64
Short-term provisions	135.05	146.22	250.13
Sub-Total current Liabilities	**855.30**	**783.07**	**951.90**
TOTAL - EQUITY AND LIABILITIES	**2,873.54**	**2,763.47**	**3,077.90**
ASSETS			
Non-current assets			
Fixed assets	385.07	379.93	400.10
Goodwill on consolidation	270.10	270.10	270.10
Non-current investments	0.03	0.03	0.03
Deferred tax assets (net)	52.54	48.57	63.43
Long-term loans and advances	85.37	78.14	89.18
Other non-current assets #	80.39	91.27	123.24
Subtotal - Non- current assets	**873.50**	**868.04**	**946.08**
Current assets			
Trade receivables	868.81	928.60	1,053.15
Cash and bank balances	826.17	650.49	829.11
Short-term loans and advances	126.90	110.59	80.82
Other current assets	178.16	205.75	168.74
Subtotal - Current assets	**2,000.04**	**1,895.43**	**2,131.82**
TOTAL - ASSETS	**2,873.54**	**2,763.47**	**3,077.90**

includes Rs 75.68 mn (Rs 120.44 mn as at Dec 31, 2011 and Rs 88.50 mn as at June 30, 2012) fixed deposits which has been pledged or marked lien in favor of various Government departments, against credit / derivative facilities taken, performance guarantees given for customer and landlords along with fixed deposit having current maturities of more than twelve months from the reporting date.

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Consolidated Operational Data (Un-audited)

Profitability in %	Quarter ended		
	Sep 30, 12	June 30, 12	Sep 30, 11
Revenue	100.00	100.00	100.00
Gross margin	34.78	36.37	34.50
SG & A	28.12	26.40	24.56
EBITDA	6.66	9.97	9.95
EBT	6.84	6.83	6.15
PAT	4.04	4.54	4.10
Basic EPS (Rs.)	3.71	4.35	3.75

Revenue from Top 10 Clients	Quarter ended		
	Sep 30, 12	June 30, 12	Sep 30, 11
Top 10 Clients	39.49%	41.32 %	52.66 %
Top 5 Clients	25.92%	27.30 %	40.25%
Top 3 Clients	18.63%	20.26 %	32.12%
Largest Client	7.56%	8.81 %	15.24%

Revenues by Geographies	Quarter ended		
	Sep 30, 12	June 30, 12	Sep 30, 11
USA	54.45%	50.40%	44.77%
Europe	23.27%	28.21%	41.35%
SEAC (South East Asia Counties)	10.73%	9.81%	6.44%
India	5.31%	5.68%	4.86%
Others	6.24%	5.90%	2.58%
Total	100.00%	100.00%	100.00%

Utilization (excluding trainees)	Quarter ended		
	Sep 30, 12	June 30, 12	Sep 30, 11
Onsite	61.65%	64.70%	65.68%
Offshore	71.36%	71.51%	75.89%
Blended	69.20%	70.01%	73.54%

Utilization (including trainees)	Quarter ended		
	Sep 30, 12	June 30, 12	Sep 30, 11
Onsite	61.65%	63.52%	65.68%
Offshore	64.89%	65.09%	70.49%
Blended	64.22%	64.77%	69.44%

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Consolidated Operational Data (Un-audited)

Human resources	As at		
	Sep 30, 12	June 30, 12	Sep 30,11
Technical	**2,162**	**2,062**	**2,047**
Software services			
Onsite	277	263	283
Offshore	1,247	1,203	1,187
BPO			
Offshore	307	281	305
Onsite	162	157	156
Trainees	169	158	116
Support	**384**	**387**	**366**
Total count	**2,545**	**2,449**	**2,413**

(Rs. in mn, except DSO)

Key Balance Sheet Data	As At		
	Sep 30, 12	June 30, 12	Dec 31,11
Receivable	868.81	928.60	1,053.15
Receivable in days ("DSO")	60	58	60
Total cash and bank balance including fixed deposits	901.85	738.99	949.55
Fixed assets	385.07	379.93	400.10
Shareholders' funds	1,939.05	1,905.88	1,985.83

Development/Service centers Location	As on September 30, 2012	
	Covered areas in sq ft.	No. of seats
India		
Noida	76,980	1,464
Pune	30,940	529
Chennai	12,666	170
	120,586	**2,163**
USA	23,300	177
Singapore	7,125	42
Europe		
Netherlands	21,194	251
France	8,601	112
Romania	19,062	171
Poland	4,865	39
Moldova	4,635	55
	58,357	**628**
Total	**209,368**	**3,010**

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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 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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