



R Systems Announces Results for Q3 2010

Revenue: Rs 75.82 Crores, EBITDA: Rs 7.56 Crores and Net Profits: Rs 4.79 Crores

Noida, India – October 30, 2010

Highlights

Consolidated results for the quarter ended September 30, 2010

- Consolidated revenues from operations for Q3-10 was Rs 75.82 crores (US\$ 16.34 mn); sequential QoQ increase was 10.72 % and YoY decline was 3.63 %.
- Earnings before interest, depreciation, taxes and allowances (“EBITDA”) was Rs 7.56 crores (US\$ 1.63 mn); sequential QoQ increase was 121.84 % and YoY decline was 17.53%.
- Net profit before taxes was Rs 6.06 crores (US\$ 1.31 mn) compared to Rs 1.12 crores (US\$ 0.24 mn) in Q2, 2010 and Rs 7.70 crores (US\$ 1.57 mn) in Q3, 2009.
- Net profit after taxes was Rs 4.79 crores (US\$ 1.03 mn) compared to Rs 1.14 crores (US\$ 0.25 mn) in Q2, 2010 and Rs 7.64 crores (US\$ 1.56 mn) in Q3, 2009.

Others

- During the quarter, R Systems added 5 key clients who have the potential to be significant customers.
- Net addition of 55 Technical Counts during the quarter ended September 30, 2010.

The Board of Directors have approved the corporate and business restructuring of its two subsidiaries based in Singapore subject to applicable corporate and other regulatory approvals in India and Singapore. The proposed corporate restructuring involves conversion of loan by the Company to ECnet Limited into equity investment and thereafter amalgamation of both these subsidiaries.

Rekhi Singh, Chairman and Managing Director said “All business units have improved results this quarter with increased volumes from key customers. We are looking to restructure our businesses and strategy to deal with the changes, the changed business environment if bringing us new opportunities with the attendant challenges.” He added “Near term profitability of our business continues to be impacted by volatility in US\$ and EURO.

Raj Swaminathan, COO and Director said “The Company has won new assignments from customers who are industry leaders. The business pipeline is looking good and we are back into hiring to support the pipeline and order book, and utilization levels have improved to above 70%, taking gross margin up by 2%”



Key Operational Highlights

iPLM Services Group:

R Systems is focused in the high tech sector to gain competitive advantage by providing end-to-end services in product design, development, testing, customer care and technical support. R Systems competencies in technology and customer's business domain, rapid and agile development capabilities, proven global delivery and service platform, proprietary pSuite Framework and end-to-end capability give us the edge to serve customers with a high degree of time and cost predictability. R Systems iPLM services positively impacted over 1500 products since inception in various segments including mobility, IPTV, search engine, internet security and enterprise software.

As a part of our iPLM suite, we offer customer care and technical support mainly to high technology sector. These services are offered through a seamlessly integrated global hybrid delivery model from centres in India, Europe and USA.

During the quarter, key customers wins in the group includes:

The Company has been engaged by a South American Software company that provides products and services to banks and financial institutions to identify an approach to upgrade of its product architecture from legacy to contemporary.

A leading provider of Health Exchange Information solutions in the US has engaged R Systems to build systems that will enable real time access to medical records of patients and automates information capture from documents.

Products Group:

R Systems products group consists of its two units Indus® and ECnet®.

R Systems has won a contract for implementing its retail lending suite for one of Europe's most respected Automobile Company for its Auto Financing operations in India. The client has contracted for Loan Originations and Loan Management built with its strong workflow engine, besides additional modules.

A large banking group in Qatar has selected R Systems for its second country implementation for a key regulatory initiative extending our strong footprint in the Gulf region.

R Systems is implementing WMS solutions for 2 more implementations in the SEA region with marquee FMCG customers through ECnet. The customer base is now extending beyond Hi-tech electronics to industry verticals like FMCG and Pharmaceuticals.



Liquidity and Shareholder Funds

Consolidated Cash and cash equivalents, including bank deposits, as at September 30, 2010 was Rs 87.34 crores. Earnings before interest, depreciation, taxes and allowances (“EBITDA”) was Rs 7.56 crores (US\$ 1.63 mn.) in Q3 2010. Total shareholder funds as on September 30, 2010 were 179.41 crores compared to Rs 174.57 crores as on June 30, 2010.

Human Resources

R Systems ended September 30, 2010 with total count of 2,058 associates including 1,741 technical counts.

Capacity of Development and Service Centres

At the end of September 30, 2010, the total square footage of R Systems development centres was 184,416 square feet with a seating capacity of 2,814.

Financial Performance

Consolidated Profit & Loss Statement (Un-audited) for the Quarter Ended September 30, 2010 (As per Indian GAAP)

(Rs in mn, except per share data)

Sr. No.	Particulars	Quarter Ended September 30,		YoY Growth %	Quarter Ended June 30, 2010	QoQ Growth %
		2010	2009			
1	Income					
1.1	Net Sales	758.23	786.77	(3.63)	684.82	10.72
1.2	Other Operating Income	4.00	9.41	(57.47)	6.36	(37.04)
	Total	762.23	796.18	(4.26)	691.18	10.28
2	Expenditure					
2.1	Employees Cost	476.90	491.53	(2.98)	465.45	2.46
2.2	Traveling Cost	53.67	48.78	10.02	50.24	6.82
2.3	Communication Costs	14.50	17.64	(17.81)	15.97	(9.18)
2.4	Legal & Professional Expenses	46.55	76.40	(39.06)	51.30	(9.25)
2.5	Provision For Doubtful Debts / Advances	5.62	2.77	102.49	3.91	43.89
2.6	Depreciation / Amortisation	33.17	35.75	(7.22)	33.37	(0.58)
2.7	Other Expenditure	83.12	58.73	41.53	69.83	19.00
	Total Expenditure	713.53	731.60	(2.47)	690.07	3.40
3	Profit From Operations Before Other Income, Interest & Exceptional Items	48.70	64.58	(24.58)	1.11	4,291.70
4	Other Income	12.07	13.65	(11.63)	12.02	0.39
5	Profit Before Interest & Exceptional Items	60.77	78.23	(22.32)	13.13	362.88
6	Interest	0.14	1.22	(88.39)	0.16	(11.80)
7	Profit/(Loss) Before Tax and Prior Period Items	60.63	77.01	(21.27)	12.97	367.53
8	Prior Period Items	-	-	-	(1.73)	-
9	Profit/(Loss) Before Tax	60.63	77.01	(21.27)	11.24	439.50
10	Provision For Tax					
10.1	Current Tax	11.78	23.64	(50.15)	5.01	135.40
10.2	MAT Charge / (Credit)	0.95	(20.51)	(104.63)	(0.95)	(200.00)
10.3	Deferred Tax Charge / (Credit)	0.02	(0.24)	(108.02)	(4.25)	(100.45)
10.4	Fringe Benefit Tax	-	(2.28)	-	-	-
	Total	12.75	0.61	1,983.50	(0.19)	(6,811.05)
11	Net Profit/(Loss) After Tax	47.88	76.40	(37.33)	11.43	318.95
12	Earning Per Share					
12.1	Basic	3.89	6.16	(36.90)	0.93	318.93
12.2	Diluted	3.84	6.08	(36.83)	0.92	318.99

Financial Performance

Consolidated Profit & Loss Statement (Un-audited) for the Nine Months Ended September 30, 2010

(As per Indian GAAP)

(Rs in mn, except per share data)

Sr. No.	Particulars	Nine Months Ended September 30,		Growth %
		2010	2009	
1	Income			
1.1	Net Sales	2,167.30	2,512.50	(13.74)
1.2	Other Operating Income	16.71	28.91	(42.20)
	Total	2,184.01	2,541.41	(14.06)
2	Expenditure			
2.1	Employees Cost	1,423.61	1,569.95	(9.32)
2.2	Traveling Cost	147.80	147.10	0.48
2.3	Communication Costs	44.17	54.84	(19.46)
2.4	Legal & Professional Expenses	155.16	213.20	(27.22)
2.5	Provision for doubtful Debts/ Advances	17.45	40.24	(56.65)
2.6	Depreciation/Amortisation	99.62	100.50	(0.88)
2.7	Other Expenditure	214.22	215.07	(0.40)
	Total Expenditure	2,102.03	2,340.90	(10.20)
3	Profit From Operations Before Other Income, Interest & Exceptional Items	81.98	200.51	(59.11)
4	Other Income	35.61	39.30	(9.42)
5	Profit Before Interest & Exceptional Items	117.59	239.81	(50.97)
6	Interest	0.52	2.40	(78.46)
7	Profit After Interest But Before Exceptional Items	117.07	237.41	(50.69)
8	Exceptional Income / (Expense)		(208.71)	-
9	Profit/(Loss) Before Tax and Prior Period Items	117.07	28.70	307.91
10	Prior Period Items	(1.73)	-	-
11	Profit/(Loss) Before Tax	115.34	28.70	301.88
12	Provision For Tax			
12.1	Current Tax	26.40	42.70	(38.17)
12.2	MAT Credit Entitlement	(13.20)	(27.33)	(51.68)
12.3	Deferred Tax Charge / (Credit)	(22.96)	2.22	(1,134.10)
12.4	Fringe Benefit Tax	-	0.97	-
	Total	(9.76)	18.56	(152.54)
13	Net Profit/(Loss) After Tax	125.10	10.14	1,133.68
14	Earning Per Share			
14.1	Basic	10.16	0.79	1,185.63
14.2	Diluted	10.04	0.78	1,186.56

Financial Performance

Consolidated Profit & Loss Statement (Un- audited) for the Quarter Ended September 30, 2010 **(Contribution Analysis Format; Basis Indian GAAP)**

(Figures in mn, except per share data)

Particulars	Q3 2010		Q3 2009		Q2 2010	
	INR	US\$	INR	US\$	INR	US\$
Revenues	758.23	16.34	786.77	16.32	684.82	15.01
Cost of Revenues	473.79	10.21	475.65	9.86	442.33	9.69
Gross Margin	284.44	6.13	311.12	6.46	242.49	5.32
SG & A Expenses	37.51%		39.54%		35.41%	
	208.86	4.50	219.48	4.58	208.43	4.57
	27.55%		27.90%		30.44%	
EBITDA	75.58	1.63	91.64	1.88	34.06	0.75
Depreciation / Amortization	9.97%		11.65%		4.97%	
	33.17	0.71	35.75	0.74	33.37	0.73
Operating Income Before Non-Recurring Cost	42.41	0.92	55.89	1.14	0.69	0.02
Non Recurring Cost	-	-	-	-	1.73	0.04
Income/(Loss) From Operations	42.41	0.92	55.89	1.14	(1.04)	(0.02)
Interest Expense	(0.14)	(0.00)	(1.22)	(0.03)	(0.16)	(0.00)
Other Income (Net)	18.36	0.39	22.34	0.46	12.44	0.26
Income /(Loss) Before Income Tax	60.63	1.31	77.01	1.57	11.24	0.24
Income Tax Provision	12.75	0.28	0.61	0.01	(0.19)	(0.01)
Net Earnings/(Loss)	47.88	1.03	76.40	1.56	11.43	0.25
Earning Per Share						
- Basic	3.89	0.08	6.16	0.13	0.93	0.02
- Diluted	3.84	0.08	6.08	0.13	0.92	0.02

Financial Performance

Consolidated Profit & Loss Statement (Un- audited) for the Nine Months Ended September 30, 2010

(Contribution Analysis Format; Basis Indian GAAP)

(Figures in mn, except per share data)

Particulars	Jan to Sep 2010		Jan to Sep 2009	
	INR	US\$	INR	US\$
Revenues	2,167.30	47.14	2,512.50	51.43
Cost of Revenues	1,373.33	29.87	1,500.35	30.71
Gross Margin	793.97	17.27	1,012.15	20.72
SG & A	36.63%		40.28%	
	621.95	13.53	703.37	14.42
	28.70%		27.99%	
EBITDA	172.02	3.74	308.78	6.30
Depreciation/Amortisation	7.94%		12.29%	
	99.62	2.17	100.50	2.06
Operating Income Before Non-Recurring Cost	72.40	1.57	208.28	4.24
Non Recurring Cost	1.73	0.04	208.71	4.25
Income/(Loss) From Operations	70.67	1.54	(0.43)	(0.01)
Interest Expense	(0.52)	(0.01)	(2.40)	(0.05)
Other Income (Net)	45.19	0.98	31.53	0.65
Income/(Loss) Before Income Tax	115.34	2.51	28.70	0.59
Income Tax Provision	(9.76)	(0.21)	18.56	0.38
Net Earnings/(Loss)	125.10	2.72	10.14	0.21
Earnings Per Share				
- Basic	10.16	0.22	0.79	0.02
- Diluted	10.04	0.22	0.78	0.02

Consolidated Balance Sheet as at September 30, 2010 (As per Indian GAAP)

(Rs in mn)

Particulars	As at September 30,		As at June 30,
	2010 (Un-Audited)	2009 (Un-Audited)	2010 (Un-Audited)
SOURCES OF FUNDS			
Shareholders' Funds			
Capital	122.43	122.43	122.43
Reserves and Surplus	1,671.71	1,528.74	1,623.26
Net Worth	1,794.14	1,651.17	1,745.69
Loan Funds			
Secured Loans	8.30	71.80	9.90
Deferred Tax Liability (Net)	-	19.10	-
Total	1,802.44	1,742.07	1,755.59
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	1,127.98	1,102.44	1,108.81
Less: Depreciation	663.64	563.44	623.33
Net Block	464.34	539.00	485.48
Capital Work-in-Progress	1.28	21.60	1.14
	465.62	560.60	486.62
Investments	0.03	0.03	0.03
Deferred Tax Assets (Net)	1.89	-	1.91
Current Assets, Loans & Advances			
Sundry Debtors	567.01	575.58	481.95
Cash & Bank Balances	873.40	818.44	851.91
Other Current Assets	198.49	214.76	198.55
Loans & Advances	182.71	147.98	191.52
Total Current Assets (A)	1,821.61	1,756.76	1,723.93
Less : Current Liabilities and Provisions			
Liabilities	357.79	426.91	321.23
Provisions	128.92	148.41	135.67
Total Current Liabilities (B)	486.71	575.32	456.90
Net Current Assets (A-B)	1,334.90	1,181.44	1,267.03
Total	1,802.44	1,742.07	1,755.59

Consolidated Operational Data (Un-audited)

Profitability in Percentage	Quarter ended		
	Sep 30, 10	Sep 30, 09	June 30, 10
Revenues	100.00	100.00	100.00
Gross margin	37.51	39.54	35.41
SG & A	27.55	27.90	30.44
EBITDA	9.97	11.65	4.97
EBT	8.00	9.79	1.64
PAT	6.31	9.71	1.67
Basic EPS (Rs)	3.89	6.16	0.93

Revenue from Top 5 Clients	Quarter ended		
	Sep 30, 10	Sep 30, 09	June 30, 10
Top 5 Clients	29.23%	30.73%	30.53%
Top 3 Clients	19.27%	20.48%	18.88%
Largest Client	7.64%	7.52%	6.41%

Revenues by Geographies	Quarter ended		
	Sep 30, 10	Sep 30, 09	June 30, 10
USA	58.89%	52.31%	61.06%
Europe	18.49%	27.78%	18.33%
SEAC (South East Asia)	11.73%	10.04%	9.74%
India	7.50%	5.26%	7.39%
Others	3.39%	4.61%	3.48%
Total	100.00 %	100.00%	100.00%

Utilization (excluding trainees)	Quarter ended		
	Sep 30, 10	Sep 30, 09	June 30, 10
Onsite	68.14%	70.21%	68.09%
Offshore	71.75%	63.33%	68.48%
Blended	71.17%	64.53%	68.42%

Utilization (including trainees)	Quarter ended		
	Sep 30, 10	Sep 30, 09	June 30, 10
Onsite	68.14%	70.21%	68.09%
Offshore	66.12%	60.90%	63.77%
Blended	66.42%	62.47%	64.36%

Consolidated Operational Data (Un-audited)

Human resources	As at		
	Sep 30, 10	Sep 30, 09	June 30, 10
Technical	1,741	1,830	1,686
Software services			
Onsite	107	102	96
Offshore	1,128	1,224	1095
BPO			
Offshore	226	249	233
Onsite	157	195	153
Trainees at offshore	123	60	109
Support	317	349	335
Total count	2,058	2,179	2,021

(Rs in mn, except DSO)

Key Balance Sheet Data	As At		
	Sep 30, 10	Sep 30, 09	June 30, 10
Receivable	567.01	575.58	481.95
Receivable in days (“DSO”)	59	61	65
Cash & bank balance	873.40	818.44	851.91
Net current assets	1,334.90	1,181.44	1,267.03
Fixed assets	465.62	560.60	486.62
Secured loans	8.30	71.80	9.90
Shareholders’ funds	1,794.14	1,651.17	1,745.69

Development/Service centers	As on Sep 30, 2010			
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	16,276	253		
	124,196	2,234	-	-
USA	23,300	177		
Singapore	7,125	40		
Europe	29,795	363		
Total	184,416	2,814	-	-



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 and Independent Software Vendors, Government, HealthCare, Manufacturing and Logistic Industries. R Systems maintains eight 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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