

R Systems Announces Results for Financial Year 2016

FY 2016 Revenue: Rs. 588 Crores and Net Profit: Rs. 53.7 Crores

Net profit Growth 15.3% Excluding Exceptional Profit

Q4 2016 Revenue: Rs. 153 Crores and Net Profit: Rs. 18.6 Crores

QoQ Net profit Growth of 43.4% Excluding Exceptional Profit

Noida, India – February 10, 2017

Highlights

Consolidated results for the FY ended December 31, 2016

- Consolidated revenue for FY 2016 was Rs. 588.24 crores (US\$ 87.55 mn.) as against Rs. 605.03 crores (US\$ 94.32 mn.) in FY 2015; YoY increase of 7.5% excluding the impact of divestment of Indus Business Division during 2015.
- Earnings before interest, depreciation, taxes and allowances (“EBITDA”) for FY 2016 was Rs. 71.13 crores (US\$ 10.58 mn.) i.e. 12.1% of revenue, as against Rs. 71.51 crores (US\$ 11.15 mn.) in FY 2015 i.e. 11.8% of revenue;
- Net profit after taxes for FY 2016 was Rs. 53.69 crores (US\$ 7.99 mn) as against Rs.97.83 crores (US\$ 15.25 mn) in FY 2015. Excluding exceptional items, the Net profit after tax for FY 2016 was Rs. 50.53 crores (US\$ 7.52 mn) as against Rs. 43.82 crores (US\$ 6.83 mn) for FY 2015. YoY increase of 15.3%.

Consolidated results for the quarter ended December 31, 2016

- Consolidated revenue from operations for Q4, 2016 was Rs.153.40 crores (US\$ 22.75 mn) compared to Rs. 145.78 crores (US\$ 22.06 mn) in Q4, 2015 and Rs. 144.11 crores (US\$ 21.53 mn) in Q3, 2016. QoQ increase was 6.5%.
- EBITDA was Rs. 19.69 crores (US\$ 2.92 mn) compared to Rs. 15.08 crores (US\$ 2.27 mn) in Q4, 2015 and Rs. 15.94 crores (US\$ 2.38 mn) in Q3, 2016. QoQ increase was 23.5%.
- Net profit after taxes was Rs. 18.60 crores (US\$ 2.76 mn) compared to Rs. 23.29 crores (US\$ 3.52 mn) in Q4, 2015 and Rs. 10.77 crores (US\$ 1.61 mn) in Q3, 2016. Excluding exceptional items Net profit after tax for Q4, 2016 was Rs. 15.44 crores (US\$ 2.29 mn) compared to Rs. 12.63 crores (US\$ 1.92 mn) in Q4, 2015. QoQ increase was 43.4%.

Others

- Added 294 net associates over FY 2016 with 2,319 total associates as at December 31, 2016.
- Added 16 key customers during FY 2016.



Mr. Rekhi Singh, Managing Director stated, “During 2016, we continued to focus towards core service offerings in line with our strategy of Caring, Innovating & Transforming. The Company reported revenues of Rs. 588 crores with over 12% EBITDA margin. We added 16 marquee clients and about 300 associates into R Systems family.” He added, “We have started operations in new SEZ facility in Greater Noida during January 2017 to cater to growth.”

He further added, “Year 2017 started with geopolitical challenges for IT Industry and we are cautiously monitoring the environment, however digital transformation remains a driving force for growth in long run. R Systems, having laid the foundation, is on right path for next level of growth.”

Mr. Avirag Jain CTO, said, “During 2016, we served 21 million dollar plus accounts including 4 accounts contributing dollar three million plus revenues. Our customer centric approach has paid off encouragingly in terms of bringing innovation and value to clients by simplifying their operations.” He added, “We continue to build capabilities in digital technologies i.e. analytics, mobility, IOT and cloud around focused industry verticals.”

Key Operational Highlights for the Quarter

R Systems’ core service offerings include Outsourced Product Engineering that are 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, make customers more competitive, and increase product life spans. Our key ITES services include customer care and technical support, analytics services, and revenue and claims management. These are delivered in multiple languages through our global delivery model.

ECnet® addresses supply chain, warehousing and inventory management. ECnet also operates as Infor Gold-certified channel partner for reselling and implementing several enterprise solutions, including enterprise resource planning, warehouse management, corporate performance management, business intelligence etc., Headquartered in Singapore, ECnet’s global footprint spread across Malaysia, Thailand, China and Japan.

IBIZ is Microsoft Gold-certified partner and is specialized in deploying Microsoft business management solution suites, including enterprise resource planning, customer relationship management, point of sales, mobility, business intelligence and portals. IBIZ operates across Singapore, Malaysia, China, Indonesia, Hong Kong and India.

Our services and solutions span five major verticals including Telecom & Digital Media, Banking & Finance, Healthcare, Manufacturing & Logistics, and Government Services. We have also expanded our capabilities horizontally with Analytics, Mobility, IOT and Cloud across the key verticals.

The quarter concluded with 4 key wins. The brief of these wins is listed below:

One of the largest USA based technology companies has engaged R Systems to partner with their customers to engage and develop capability and collaboration in the areas of drone technologies and applications, depth sensing video technologies, virtual reality and software services for self-driving cars & autonomous vehicle technology.

A USA based Management Consulting organization specialized in Human Resource Software has mandated R Systems for providing maintenance services for their multi-tenancy web product. The product is a one-stop-shop for all hire-to-retire requirements of any HR organization.



A public listed Singapore-based lifestyle brand management company has engaged R Systems' Singapore subsidiary, IBIZ Consulting Services, to implement Microsoft Dynamics ERP along with retail and mobility solutions to streamline and automate their retail and supply chain operations across their subsidiaries.

A Singapore based group manufacturing wide range of springs for industrial application has engaged our subsidiary ECnet to roll out Infor Syteline ERP system for their Thailand operations after a successful implementation for their Singapore Operations.

Corporate and Other Matters

The Company has issued Public Announcement dated September 15, 2016, for buy-back of equity shares of face value of Re. 1/- each from its existing shareholders as on the record date September 30, 2016 on a proportionate basis through “Tender Offer” at a price of Rs. 65/- per equity share, payable in cash for a total consideration not exceeding Rs. 19.50 crores. Under the Buy-back offer, the Company has bought back 3,000,000 equity shares. The aforesaid buy-back has been completed on November 29, 2016.

The Company has received ‘Letter of Approval’ (LOA) from Department of Commerce, Ministry of Commerce & Industry, and Government of India on October 19, 2016 for setting up 'Special Economic Zone' (SEZ) unit measuring approx. 15,000 sq. ft. located at Greater Noida West (NCR). Subsequent to the year end, the Company has commenced its operation in SEZ premises on January 25, 2017.

Liquidity and Shareholder Funds

Total Consolidated Cash and bank balance, including bank deposits as at December 31, 2016, was Rs. 119.97 crores compared to Rs. 92.20 crores as at December 31, 2015 and Rs. 125.90 crores as at September 30, 2016. Total shareholder funds as at December 31, 2016 were Rs 277.97 crores compared to Rs. 242.86 crores as at December 31, 2015 and Rs. 281.43 crores as at September 30, 2016.

Financial Performance

Consolidated Profit & Loss Statement for the Quarter Ended December 31, 2016

(As per Indian GAAP)

(Figures in mn, except per share data)

Sr. No.	Particulars	Quarter Ended December 31,		Quarter Ended September 30, 2016
		2016	2015	
1	Income			
1.1	Income from operations	1,534.02	1,457.84	1,441.13
1.2	Other operating income	32.62	23.30	25.26
	Total	1,566.64	1,481.14	1,466.39
2	Expenditure			
2.1	Employee benefits expense	990.97	880.81	953.69
2.2	Depreciation and amortisation expense	28.94	33.01	29.83
2.3	Travelling and conveyance	52.47	63.19	55.93
2.4	Communication costs	18.24	18.10	18.97
2.5	Legal and professional expenses (including subcontracting expenses)	147.15	175.40	147.47
2.6	Provision for doubtful debts and advances (net)	-	1.29	-
2.7	Other expenditure	148.48	165.83	108.57
	Total expenditure	1,386.25	1,337.63	1,314.46
3	Profit from operations before other income and finance cost	180.39	143.51	151.93
4	Other income	20.91	12.10	14.42
5	Profit from operations before finance cost	201.30	155.61	166.35
6	Finance cost	1.68	2.82	2.58
7	Profit from operations before Exceptional Items	199.62	152.79	163.77
8	Exceptional Items	46.35	36.96	-
9	Profit before tax	245.97	189.75	163.77
10	Provision for tax			
10.1	Current tax	73.75	(55.13)	55.08
10.2	MAT Credit entitlement	(15.13)	-	-
10.3	Deferred tax charge	1.37	11.98	1.02
	Total tax expense	59.99	(43.15)	56.10
11	Net profit after tax	185.98	232.90	107.67
12	Earnings per share (Face value of Re. 1/- each)			
12.1	Basic	1.48	1.84	0.85
12.2	Diluted	1.48	1.84	0.85

Financial Performance

Consolidated Profit & Loss Statement for the Year Ended December 31, 2016

(As per Indian GAAP)

(Figures in mn, except per share data)

Sr. No.	Particulars	December 31	
		2016	2015
1	Income		
1.1	Income from operations	5,882.37	6,050.32
1.2	Other operating income	63.86	46.95
	Total	5,946.23	6,097.27
2	Expenditure		
2.1	Employee benefits expense	3,797.89	3,648.80
2.2	Depreciation and amortisation expense	115.12	140.23
2.3	Travelling and conveyance	243.33	340.62
2.4	Communication costs	72.19	77.71
2.5	Legal and professional expenses (including subcontracting expenses)	588.63	645.19
2.6	Provision for doubtful debts and advances (net)	-	8.21
2.7	Other expenditure	473.84	606.27
	Total expenditure	5,291.00	5,467.03
3	Profit from operations before other income and finance cost	655.23	630.24
4	Other income	63.21	51.18
5	Profit from operations before finance cost	718.44	681.42
6	Finance cost	7.92	9.59
7	Profit from operations before Exceptional Items	710.52	671.83
8	Exceptional Items	46.35	603.10
9	Profit before tax	756.87	1,274.93
10	Provision for tax		
10.1	Current tax	244.03	290.08
10.2	MAT Credit entitlement	(15.13)	-
10.3	Deferred tax charge / (credit)	(8.91)	6.55
	Total tax expense	219.99	296.63
11	Net profit after tax	536.88	978.30
12	Earnings per share (Face value of Re. 1/- each)		
12.1	Basic	4.24	7.70
12.2	Diluted	4.24	7.70

Financial Performance

Consolidated Profit & Loss Statement for the Quarter Ended December 31, 2016 (Contribution Analysis Format; Basis Indian GAAP)

(FIGURES IN MN)

Particulars	Q4 2016		Q4 2015		Q3 2016	
	INR	US\$	INR	US\$	INR	US\$
Revenues	1,534.02	22.75	1,457.84	22.06	1,441.13	21.53
Cost of revenues	998.17	14.80	975.76	14.78	949.80	14.19
Gross margin	535.85	7.95	482.08	7.28	491.33	7.34
	34.93%		33.07%		34.09%	
SG & A						
Expenses	339.00	5.03	331.33	5.01	331.89	4.96
	22.10%		22.73%		23.03%	
EBITDA	196.85	2.92	150.75	2.27	159.44	2.38
	12.83%		10.34%		11.06%	
Depreciation and amortization	28.94	0.42	33.01	0.50	29.83	0.44
Income from operations before exceptional items	167.91	2.50	117.74	1.77	129.61	1.94
Exceptional items	46.35	0.69	36.96	0.49	-	-
Income from operations	214.26	3.19	154.70	2.26	129.61	1.94
Interest expense	(0.41)	(0.01)	(0.35)	(0.01)	(0.33)	(0.01)
Other income (net)	32.12	0.47	35.40	0.54	34.49	0.52
Income before income tax	245.97	3.65	189.75	2.80	163.77	2.45
Income tax provision	59.99	0.89	(43.15)	(0.72)	56.10	0.84
Net earnings	185.98	2.76	232.90	3.52	107.67	1.61

Financial Performance

Consolidated Profit & Loss Statement for the Year Ended December 31, 2016

(Contribution Analysis Format; Basis Indian GAAP)

(Figures in mn)

Particulars	Year 2016		Year 2015	
	INR	US\$	INR	US\$
Revenue	5,882.37	87.55	6,050.32	94.32
Cost of revenue	3,832.28	57.04	3,958.02	61.70
Gross margin	2,050.09	30.51	2,092.30	32.62
	34.85%		34.58%	
SG & A				
Expenses	1,338.79	19.93	1,377.24	21.47
	22.76%		22.76%	
EBITDA	711.30	10.58	715.06	11.15
	12.09%		11.82%	
Depreciation and amortization	115.12	1.71	140.23	2.19
Income from operations before exceptional items	596.18	8.87	574.83	8.96
Exceptional items	46.35	0.69	603.10	9.40
Income from operations	642.53	9.56	1,177.93	18.36
Interest expense	(1.36)	(0.02)	(1.13)	(0.02)
Other income (net)	115.70	1.72	98.13	1.53
Income before income tax	756.87	11.26	1,274.93	19.87
Income tax provision	219.99	3.27	296.63	4.62
Net earnings	536.88	7.99	978.30	15.25

Consolidated Balance Sheet as at December 31, 2016 (As per Indian GAAP)

(Rs. in mn)

Particulars	As at		
	December 31, 2016	December 31, 2015	September 30, 2016
EQUITY & LIABILITIES			
Shareholders' Funds			
Share capital	123.13	126.13	126.13
Reserves and Surplus	2,656.60	2,302.43	2,688.13
Sub-Total Shareholder's Funds	2,779.73	2,428.56	2,814.26
Minority interest	-	-	-
Non-current liabilities			
Long-term borrowings	19.15	7.77	7.67
Other long term liabilities	57.20	100.61	64.95
Long-term provisions	89.43	63.46	79.77
Subtotal - Non-current liabilities	165.78	171.84	152.39
Current liabilities			
Trade payables	438.94	485.38	414.43
Other current liabilities	270.26	303.43	280.08
Short-term provisions	174.90	166.03	190.87
Subtotal- Current Liabilities	884.10	954.84	885.38
TOTAL - EQUITY AND LIABILITIES	3,829.61	3,555.24	3,852.03
ASSETS			
Non-current assets			
Fixed assets	347.94	320.19	326.37
Goodwill on consolidation	452.21	477.97	491.91
Non-current investments	201.40	290.45	201.77
Deferred tax assets (net)	46.14	37.03	47.66
Long-term loans and advances	89.11	63.27	81.57
Other non-current assets	61.58	74.49	126.94
Subtotal - Non- current assets	1,198.38	1,263.40	1,276.22
Current assets			
Current Investment	87.57	118.01	118.01
Trade receivables	1,082.22	1,046.31	948.55
Cash and bank balance	1,143.24	851.47	1,137.03
Short-term loans and advances	151.58	143.75	184.58
Other current assets	166.62	132.30	187.64
Subtotal - Current Assets	2,631.23	2,291.84	2,575.81
TOTAL - ASSETS	3,829.61	3,555.24	3,852.03

Consolidated Operational Data (Un-audited)

Profitability in Percentage	Quarter ended			Year ended	
	Dec 31, 16	Dec 31, 15	Sep 30, 16	Dec 31, 16	Dec 31, 15
Revenues	100.00	100.00	100.00	100.00	100.00
Gross margin	34.93	33.07	34.09	34.85	34.58
SG & A	22.10	22.73	23.03	22.76	22.76
EBITDA	12.83	10.34	11.06	12.09	11.82
EBT #	13.01	10.48	11.36	12.08	11.10
PAT #	10.07	8.67	7.47	8.59	7.24

excluding exceptional profit.

Revenue from Top 10 Clients	Quarter ended			Year ended	
	Dec 31, 16	Dec 31, 15	Sep 30, 16	Dec 31, 16	Dec 31, 15
Top 10 Clients	32.98%	33.89%	32.95%	32.56%	31.14%
Top 5 Clients	21.28%	22.22%	20.96%	20.83%	19.54%
Top 3 Clients	14.80%	16.13%	14.61%	14.63%	14.18%
Largest Client	6.84%	7.62%	6.70%	6.67%	6.81%

Revenues by Geographies	Quarter ended			Year ended	
	Dec 31, 16	Dec 31, 15	Sep 30, 16	Dec 31, 16	Dec 31, 15
USA	57.47%	62.98%	60.14%	59.17%	57.98%
Europe	18.55%	12.02%	18.21%	17.98%	14.84%
SEAC (South East Asia)	19.70%	19.87%	17.15%	17.68%	16.86%
India	1.32%	1.85%	1.68%	1.61%	5.27%
Others	2.96%	3.28%	2.82%	3.56%	5.05%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

Utilization (excluding trainees)	Quarter ended		
	Dec 31, 16	Dec 31, 15	Sep 30, 16
Onsite	88.87%	80.02%	83.31%
Offshore	76.53%	76.26%	74.22%
Blended	78.57%	77.05%	75.74%

Utilization (including trainees)	Quarter ended		
	Dec 31, 16	Dec 31, 15	Sep 30, 16
Onsite	88.87%	80.02%	83.31%
Offshore	71.49%	70.95%	68.98%
Blended	74.21%	72.76%	71.24%

Consolidated Operational Data (Un-audited)

Human resources	As at		
	Dec 31, 16	Dec 31, 15	Sep 30, 16
Technical	1,974	1,727	1,973
Software services			
Onsite	307	319	301
Offshore	1,167	990	1,165
BPO			
Offshore	400	324	396
Trainees	100	94	111
Support	345	298	330
Total count	2,319	2,025	2,303

(Rs. in mn, except DSO)

Key Balance Sheet Data	As At		
	Dec 31, 16	Dec 31, 15	Sep 30, 16
Receivable	1,082.22	1,046.31	948.55
Receivable in days (“DSO”)	49	49	53
Total cash and bank balance	1,199.70	921.95	1,258.99
Fixed assets	347.94	320.19	326.37
Shareholders’ funds	2,779.73	2,428.56	2,814.26

Development/Service Centres Location	As on Dec 31, 2016	
	Covered areas in sq ft.	No. of seats
India		
Noida	93,679	1,772
Chennai	5,905	65
	99,584	1,837
USA		
Sacramento, CA	9,500	60
South East Asia		
Singapore	8,054	91
Malaysia	6,048	52
Thailand	592	6
Indonesia	1,109	12
	15,803	161
Europe		
Romania	19,795	178
Poland	7,908	65
Moldova	3,398	48
	31,101	291
Total	155,988	2,349



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 providers of outsourced product development and business process outsourcing services. We help companies accelerate speed to market 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 to support their customers worldwide for products and services using our global delivery model. 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, Independent Software Vendors, Telecom and Digital Media, Government, Healthcare, and Manufacturing and Logistic Industries. R Systems maintains fifteen development and service centres to serve customers in USA, Europe and the Far East.

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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