



R Systems Announces Results for Q1 2015

Q1 2015: Revenue: Rs. 150.79 Crores, EBITDA: Rs. 15.65 Crores and Net Profits: Rs. 8.20 Crores

New Delhi, India – April 23, 2015

Highlights

Consolidated results for the quarter ended March 31, 2015

- Consolidated revenue from operations for Q1-15 was Rs. 150.79 crores (US\$ 24.23 mn) compared to Rs. 156.27 crores (US\$ 25.31 mn) in Q1, 2014 and Rs. 163.05 crores (US\$ 26.31 mn) in Q4, 2014. YoY decrease was 3.51%. Excluding Europe BPO Business which was sold during last quarter, the consolidated revenue from operations grew 6.74% against Q1, 2014.
- EBITDA was Rs. 15.65 crores (US\$ 2.51 mn) compared to Rs. 18.67 crores (US\$ 3.03 mn) in Q1, 2014 and Rs. 22.08 crores (US\$ 3.56 mn) in Q4, 2014. YoY decrease was 16.19%.
- Net profit after taxes was Rs. 8.20 crores (US\$ 1.32 mn) compared to Rs. 14.36 crores (US\$ 2.33 mn) in Q1, 2014 and Rs. 31.63 crores (US\$ 5.14 mn) in Q4, 2014. YoY decrease was 42.92%.

Mr. Rekhi Singh, Managing Director stated “We concluded the quarter with revenues of Rs. 150 crores and net profit of Rs. 8 crores. Q1 2015 margins were mainly impacted by salary raises primarily at offshore centres, sharp decline of Euro and ramp up costs for new projects as offset by increase in license fee.”

He added, “To give momentum to growth, the Board of Directors has approved the acquisition of a Singapore based ERP company with BI competencies. It has operations mainly in South East Asia. This acquisition will strengthen our ERP and BI expertise and client base in South East Asia.”

He further added, “Our Balance sheet continues to be very strong with cash and bank balance of Rs. 107 crores and net worth of Rs. 206 crores. We are keen to invest further in research and development, and strengthening our offerings horizontally with analytics and cloud. Considering the overall performance, the Board has declared an interim dividend of 40% i.e. Re. 0.40 per share.”

Mr. Raj Swaminathan Executive Director and COO said “We are continuing our focus on disciplined execution, strengthening sales & marketing efforts and processes along with deepening our relationship with customers to deliver enhanced value proposition.”

He added, “We concluded the quarter with 2,649 associates, an increase of about 50 associates over last quarter.”

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 to accelerate their time-to-market, 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 its target BFSI market with its flagship product LSI (Lending Solutions from Indus) and its variants for the 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.

The quarter concluded with 8 key new customers with strong pipeline across the business verticals and geographies. The brief of some significant wins are listed below:

One of the leading telecom operators in Philippine has engaged R Systems' wholly owned subsidiary Computaris to implement a business support solution to empower it to launch flexible tariffs and services along with quick time to market and high scalability.

A USA based one of the leading state and local tax consultancy firms has engaged R Systems to revamp its one of the key solution to reduce dependency on third party software and enhance automation.

One of India's largest financial institutions has selected R Systems to implement Indus Retail Lending Solutions' Suite for its universal banking business.

One of India's large private sector home loan provider has selected R Systems' Indus Retail Lending Solution's suite for implementation as its global enterprise solution.

A Singapore based leading manufacturer of buses has engaged our Singapore subsidiary ECnet Limited to implement globally renowned ERP System.

Interim Dividend and Other Corporate Matters

The Board of Directors at its meeting held on April 23, 2015 has declared interim dividend of Re. 0.40 per equity shares (i.e. 40% on equity share of par value of Re. 1/-).

The Board of Directors at its meeting held on April 23, 2015, has approved the acquisition of a Singapore based ERP company having operations mainly in South East Asia through wholly owned subsidiary namely R Systems (Singapore) Pte. Limited, for a maximum consideration of SGD 7.50 million including the earn-outs over the next three years on fulfillment of certain conditions. The above said approval is subject to execution of definitive agreements and receipt of necessary corporate and regulatory approval.



Liquidity and Shareholder Funds

Total Consolidated Cash and bank balance, including bank deposits and liquid debt funds, as at March 31, 2015 was Rs. 107.24 crores compared to Rs. 109.82 crores as at December 31, 2014. Total shareholder funds as at March 31, 2015 were Rs. 206.15 crores compared to Rs. 213.11 crores as at December 31, 2014.

Financial Performance

Consolidated Profit & Loss Statement for the Quarter Ended March 31, 2015

(As per Indian GAAP)

Figures in mn, except per share data

Sr. No.	Particulars	Quarter Ended March 31,		Quarter Ended December 31, 2014
		2015	2014	
1	Income			
1.1	Income from operations	1,507.86	1,562.65	1,630.48
1.2	Other operating income	9.80	33.87	4.75
	Total	1,517.66	1,596.52	1,635.23
2	Expenses			
2.1	Employee benefits expense	961.13	985.85	975.35
2.2	Depreciation and amortisation expense	45.89	26.99	28.61
2.3	Traveling and conveyance	106.07	93.81	92.69
2.4	Communication costs	19.02	21.80	21.11
2.5	Legal and professional expenses (including subcontract expenses)	150.34	161.80	188.89
2.6	Provision for doubtful debts and advances (net)	2.93	-	-
2.7	Other expenses	110.46	115.56	128.91
	Total expenses	1,395.84	1,405.81	1,435.56
3	Profit from operations before other income, Finance cost and exceptional items	121.82	190.71	199.67
4	Other income	10.79	11.38	12.53
5	Profit from operations before finance cost and exceptional items	132.61	202.09	212.20
6	Finance cost	2.23	2.06	2.29
7	Profit from ordinary before exceptional items	130.38	200.03	209.91
8	Exceptional items #	-	-	224.02
9	Profit before tax	130.38	200.03	433.93
10	Tax expense			
10.1	Current tax	59.86	40.62	115.48
10.2	Deferred tax charge / (credit)	(11.47)	15.78	2.12
	Total tax expense	48.39	56.40	117.60
11	Net profit after tax	81.99	143.63	316.33
12	Earnings per share (Face value of Re. 1/- each)			
12.1	Basic	0.64	1.13	2.48
12.2	Diluted	0.64	1.13	2.48

Exceptional Items in quarter ended December 31, 2014 represents profit on sale of Europe BPO Business.

Financial Performance

Consolidated Profit & Loss Statement for the Quarter Ended March 31, 2015 (Contribution Analysis Format; Basis Indian GAAP)

(Figures in mn, except per share data)

Particulars	Q1 2015		Q1 2014		Q4 2014	
	INR	US\$	INR	US\$	INR	US\$
Revenues	1,507.86	24.23	1,562.65	25.31	1,630.48	26.31
Cost of revenues	994.35	15.98	1,014.07	16.42	1,049.73	16.94
Gross margin	513.51	8.25	548.58	8.89	580.75	9.37
	34.06%		35.11%		35.62%	
SG & A						
Expenses	357.04	5.74	361.89	5.86	359.90	5.81
	23.68%		23.16%		22.07%	
EBITDA	156.47	2.51	186.69	3.03	220.85	3.56
	10.38%		11.95%		13.54%	
Depreciation and amortization	45.89	0.73	26.99	0.44	28.61	0.46
Income from operations before exceptional items	110.58	1.78	159.70	2.59	192.24	3.10
Exceptional items #	-	-	-	-	224.02	3.67
Income from operations	110.58	1.78	159.70	2.59	416.26	6.77
Interest expense	(0.22)	(0.00)	(0.42)	(0.01)	(0.27)	(0.01)
Other income (net)	20.02	0.32	40.75	0.66	17.94	0.29
Income before income tax	130.38	2.10	200.03	3.24	433.93	7.05
Income tax provision	48.39	0.78	56.40	0.91	117.60	1.91
Net earnings	81.99	1.32	143.63	2.33	316.33	5.14
Earnings per share (Face value of Re. 1/- each)						
Basic	0.64	0.01	1.13	0.02	2.48	0.04
Diluted	0.64	0.01	1.13	0.02	2.48	0.04

Exceptional Items in quarter ended December 31, 2014 represents profit on sale of Europe BPO Business.

Consolidated Balance Sheet as at March 31, 2015 (As per Indian GAAP)

(Rs. in mn)

Particulars	As at		
	Mar 31, 2015	Mar 31, 2014	Dec 31, 2014
	(Unaudited)	(Unaudited)	(Audited)
EQUITY & LIABILITIES			
Shareholders' Funds			
Share capital	126.47	126.63	126.72
Reserves and Surplus	1,934.98	2,307.38	2,004.33
Sub-Total Shareholder's Funds	2,061.45	2,434.01	2,131.05
Minority interest	-	-	-
Non-current liabilities			
Long-term borrowings	5.67	7.24	6.29
Deferred tax liabilities (Net)	-	-	0.66
Other long term liabilities	4.83	4.37	4.99
Long-term provisions	102.91	75.61	95.22
Subtotal - Non-current liabilities	113.41	87.22	107.16
Current liabilities			
Trade payables	420.83	465.15	508.89
Other current liabilities	317.75	333.95	590.25
Short-term provisions	386.20	307.11	392.73
Subtotal- Current Liabilities	1,124.78	1,106.21	1,491.87
TOTAL - EQUITY AND LIABILITIES	3,299.64	3,627.44	3,730.08
ASSETS			
Non-current assets			
Fixed assets	378.57	468.56	415.82
Goodwill on consolidation	263.55	283.84	280.20
Non-current investments	0.03	18.03	0.03
Deferred tax assets (net)	55.52	39.29	38.30
Long-term loans and advances	66.58	75.04	68.84
Other non-current assets	76.25	74.45	58.57
Subtotal - Non- current assets	840.50	959.21	861.76
Current assets			
Current Investment	18.00	10.00	18.00
Trade receivables	1,110.81	1,089.00	1,250.77
Cash and bank balance	995.62	1,137.65	1,363.83
Short-term loans and advances	163.90	167.78	118.57
Other current assets	170.81	263.80	117.15
Subtotal - Current Assets	2,459.14	2,668.23	2,868.32
TOTAL - ASSETS	3,299.64	3,627.44	3,730.08

Consolidated Operational Data (Un-audited)

Profitability in Percentage	Quarter ended		
	Mar 31, 15	Mar 31, 14	Dec 31, 14
Revenues	100.00	100.00	100.00
Gross margin	34.06	35.11	35.62
SG & A	23.68	23.16	22.07
EBITDA	10.38	11.95	13.54
EBT	8.65	12.80	26.61
PAT	5.44	9.19	19.40

Revenue from Top 10 Clients	Quarter ended		
	Mar 31, 15	Mar 31, 14	Dec 31, 14
Top 10 Clients	32.98%	33.94%	32.26%
Top 5 Clients	21.16%	20.29%	21.53%
Top 3 Clients	15.07%	13.75%	15.78%
Largest Client	6.91%	5.25%	6.67%

Revenues by Geographies	Quarter ended		
	Mar 31, 15	Mar 31, 14	Dec 31, 14
USA	57.22%	55.82%	55.68%
Europe	17.04%	26.23%	23.75%
SEAC (South East Asia)	12.61%	9.31%	8.70%
India	8.41%	5.29%	7.12%
Others	4.72%	3.35%	4.75%
Total	100.00%	100.00%	100.00%

Utilization (excluding trainees)	Quarter ended		
	Mar 31, 15	Mar 31, 14	Dec 31, 14
Onsite	82.88%	74.95%	78.58%
Offshore	74.67%	72.55%	73.72%
Blended	76.14%	73.13%	74.87%

Utilization (including trainees)	Quarter ended		
	Mar 31, 15	Mar 31, 14	Dec 31, 14
Onsite	82.88%	74.95%	78.58%
Offshore	69.80%	69.07%	68.75%
Blended	72.01%	70.43%	70.96%

Consolidated Operational Data (Un-audited)

Human resources	As at		
	Mar 31, 15	Mar 31, 14	Dec 31, 14
Technical	2,302	2,188	2,245
Software services			
Onsite	311	305	318
Offshore	1,552	1,366	1,428
BPO			
Offshore	295	244	289
Onsite	34	192	82
Trainees	110	81	128
Support	347	377	353
Total count	2,649	2,565	2,598

Mar 31, 2014 includes 156 associates pertaining to Europe BPO Business.

(Rs. in mn, except DSO)

Key Balance Sheet Data	As At		
	Mar 31, 15	Mar 31, 14	Dec 31, 14
Receivable	1,110.81	1,089.00	1,250.77
Receivable in days (“DSO”)	59	52	51
Total cash and bank balance	1,072.41	1,238.97	1,098.24
Fixed assets	378.57	468.56	415.82
Shareholders’ funds	2,061.45	2,434.01	2,131.05

Development/Service Centres Location	As on March 31, 2015	
	Covered areas in sq ft.	No. of seats
India		
Noida	76,980	1,434
Pune	30,635	536
Chennai	18,315	276
	125,930	2,246
USA		
Sacramento, CA	9,500	60
Salt Lake City, Utha	13,800	117
	23,300	177
South East Asia		
Singapore	5,544	56
Malaysia	3,365	31
Thailand	592	6
	9,501	93
Europe		
Romania	14,090	129
Poland	6,734	56
Moldova	3,398	46
	24,222	231
Total	182,953	2,747



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 to accelerate the 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 to 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, High Technology, Independent Software Vendors, Telecom and Digital Media, Government, HealthCare, Manufacturing and Logistic Industries. R Systems maintains eleven development and service centres and using our global delivery model we serve customers in USA, Europe, South America, the Far East, the Middle East and Africa.

Safe Harbor:

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For further information please contact:

Nand Sardana
Chief Financial Officer
Tel # 0120 – 4303506
Fax # 0120 – 4082699
Email: nand.sardana@rsystems.com

Kumar Gaurav
GM Finance & Accounts
Tel # 0120 – 4082650
Fax # 0120 – 4082699
Email: kumar.gaurav@rsystems.com

Ashish Thakur
Company Secretary & Compliance Officer
Tel # 0120 – 4082633
Fax # 0120 – 4082699
Email: ashish.thakur@rsystems.com