



R Systems Announces Results for Q3 2015

Q3 2015: Revenue: Rs. 143.01 Crores and EBITDA: Rs. 16.97 Crores

Noida, India – October 29, 2015

Highlights

Consolidated results for the quarter ended Sep 30, 2015

- Consolidated revenue from operations for Q3-2015 was Rs. 143.01 crores (US\$ 21.93 mn) compared to Rs. 168.51 crores (US\$ 27.81 mn) in Q3, 2014 and Rs. 165.45 crores (US\$ 26.10 mn) in Q2, 2015. YoY decrease was 15.14% and QoQ decrease was 13.57%. Excluding Indus Business Division which was disinvested during the quarter, the consolidated revenue from operations grew 2.65% against Q2, 2015.
- EBITDA was Rs. 16.97 crores (US\$ 2.60 mn) compared to Rs. 26.87 crores (US\$ 4.43 mn) in Q3, 2014 and Rs. 23.81 crores (US\$ 3.77 mn) in Q2, 2015. YoY decrease was 36.83% and QoQ decrease was 28.74%.
- Net profit after taxes was Rs. 52.00 crores (US\$ 8.14 mn) compared to Rs. 18.21 crores (US\$ 3.00 mn) in Q3, 2014 and Rs. 14.35 crores (US\$ 2.27 mn) in Q2, 2015.
- Net profit after tax includes Rs. 43.35 crores (US\$ 6.82 mn) gain on divestment of Indus Business Division.

Mr. Rekhi Singh, Managing Director, stated “During the quarter, the company concluded the divestment of Indus Product Business, in line with our strategy to focus on core services business. Revenue for the quarter is Rs. 143 crores with EBIDTA of Rs. 17 crores which were impacted by this divestment.”

He added, “Subsequent to the quarter end, our UK subsidiary has completed the acquisition of certain customer contracts and related intellectual property rights from the subsidiary of a leading telecommunications company, effective October 01, 2015. It will help grow our telecom practice and customer base in Europe.”

He further added, “Our Balance sheet continues to be strong with cash and bank balance of Rs. 92 crores and net worth of Rs. 220 crores. Considering the overall performance, the Board has declared an interim dividend of 25% i.e. Re. 0.25 per share.”

Mr. Avirag Jain, CTO said, “We maintained billable utilization above 75% range while investing in capabilities to expand our offerings with mobility and analytics for serving our existing, as well as, prospective customers.” He added, “We concluded 5 key customer wins during the 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 accelerate their time-to-market, make our customers 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 through our global delivery model.

Further, R Systems' Singapore subsidiary 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 and business intelligence etc.

R Systems' recent acquisition, IBIZ, is a Microsoft Gold-certified partner and is specialized in Microsoft business management solution suites, including enterprise resource planning, customer relationship management, point of sales, mobility, business intelligence and portals.

Our services and solutions span five major verticals including Telecom & Digital Media, Banking & Finance, Healthcare, Manufacturing & Logistics, and Government Services.

The quarter concluded with 5 key wins with strong pipeline across the business verticals and geographies. The brief of these significant wins are listed below:

A global leader providing value driven corporate payment solutions across a wide spectrum of industries has selected R Systems through its New Zealand business unit for development of an automated testing framework to support multiple applications development in various technologies. This framework will enable client to test end-to-end functionalities.

A USA-based innovator in digital media services, specializing in event content capture and its distribution worldwide, has engaged R Systems for development of a new EVO product for capturing live events through customized workflows.

A USA-based corporation offering innovative financing solutions for renewable energy and energy efficiency projects has engaged R Systems to develop a solution that provides a single UI window to serve its customers across commercial, industrial and multifamily properties financing. This will enhance its productivity in customer handing and management and also expand its operations.

A Singapore-based listed company manufacturing customised precision machine parts and components has given a mandate to our subsidiary, ECnet Limited, for implementation of Infor Syteline ERP System to automate its key business processes.

A company operating retail businesses across Indonesia, in both duty free and duty paid, has engaged R Systems' subsidiary IBIZ to implement a retail solution to automate their retail front-end operations and business intelligence for overview of operations and decision-making.

Other Corporate Matters and Interim Dividend

On June 27, 2015, the Company has entered into a Business Transfer Agreement (BTA) for transfer of Indus Business Unit to a wholly owned subsidiary namely, R Systems Products & Technologies Private Limited (“RSPTPL”), on a going concern basis by way of slump sale, for consideration of Rs. 78.39 crores to be discharged by RSPTPL through issuance of 60,000,003 equity shares of Re. 1/- each at a premium of Rs. 6.23 per share and 35,026 compulsorily redeemable debentures of Rs. 10,000 each, on the terms and conditions agreed in BTA. The Company also entered into ‘Share Purchase Agreement’ (SPA) with BD Capital Partners Ltd. (“BDC”), a Mauritius-based company on June 27, 2015, to sell 93% of its equity share in RSPTPL to BDC for a consideration of Rs 44.32 crores (USD 7 million). Subject to the satisfaction of certain conditions, BDC has also agreed to purchase the balance 7% equity shares for a consideration up to Rs 6.55 crores (USD 1 mn). The Company will continue to hold the compulsorily redeemable debentures having an aggregate face value of Rs 35.03 crores, in accordance with the terms of the BTA. The Company has closed the BTA and SPA on July 07, 2015.

The gain on sale of Indus Business Unit including the gain on sale of aforesaid equity share in RSPTPL, amounting to Rs. 56.61 crores, is disclosed as 'Exceptional Item' for the quarter and the nine months ended September 30, 2015. The income tax attributable to aforesaid gains amounting to Rs. 13.26 crores is included in 'Current Tax'.

On August 07, 2015, Computaris International Limited, a UK subsidiary of the Company, has entered into an Assets Purchase Agreement for acquisition of certain customer contracts and related intellectual property rights from the subsidiary of a leading European telecommunication company for a maximum consideration of Euro 0.70 million on fulfilment of certain conditions. Subsequent to the quarter ended September 30, 2015, Computaris International Limited has completed the aforesaid business acquisition, effective October 1, 2015.

The Board of Directors at its meeting held on October 29, 2015, has declared third interim dividend of Rs. 0.25 per equity share (i.e. 25% on equity share of par value of Re. 1/-).

Liquidity and Shareholder Funds

Total Consolidated Cash and bank balance, including bank deposits and liquid debt funds, as on September 30, 2015, was Rs. 92.22 crores, compared to Rs. 116.77 crores as on June 30, 2015. Total shareholder funds as on September 30, 2015, were Rs. 220.20 crores compared to Rs. 171.33 crores as on June 30, 2015.

Financial Performance

Consolidated Profit & Loss Statement (Un-audited) for the Quarter Ended September 30, 2015

(As per Indian GAAP)

(Figures in mn, except per share data)

Sr. No.	Particulars	Quarter Ended Sep 30,		Quarter Ended June 30, 2015
		2015	2014	
1	Income			
1.1	Income from operations	1,430.09	1,685.15	1,654.53
1.2	Other operating income	6.08	9.43	8.34
	Total	1,436.17	1,694.58	1,662.87
2	Expenditure			
2.1	Employee benefits expense	852.09	994.68	954.78
2.2	Depreciation and amortisation expense	26.88	28.48	34.45
2.3	Traveling and conveyance	70.45	86.10	100.91
2.4	Communication costs	19.96	22.31	20.63
2.5	Legal and professional expenses (including subcontract expenses)	153.58	197.74	165.87
2.6	Provision for doubtful debts and advances (net)	(0.55)	-	4.54
2.7	Other expenditure	162.82	115.82	167.73
	Total expenditure	1,285.23	1,445.13	1,448.91
3	Profit from operations before other income and finance cost	150.94	249.45	213.96
4	Other income	17.04	7.73	11.25
5	Profit from operations before finance cost	167.98	257.18	225.21
6	Finance cost	2.33	2.67	2.20
7	Profit from ordinary activities before exceptional items	165.65	254.51	223.01
8	Exceptional items	566.14	26.09	-
9	Profit before tax	731.79	280.60	223.01
10	Provision for tax			
10.1	Current tax	197.76	99.01	87.59
10.2	Deferred tax charge / (credit)	14.07	(0.51)	(8.03)
	Total tax expense	211.83	98.50	79.56
11	Net profit after tax	519.96	182.10	143.45
12	Earnings per share (Face value of Re. 1/- each)			
12.1	Basic	4.10	1.43	1.13
12.2	Diluted	4.10	1.43	1.13

Financial Performance

Consolidated Profit & Loss Statement (Un-audited) for the Nine Months Ended September 30, 2015

(As per Indian GAAP)

(Figures in mn, except per share data)

Sr. No.	Particulars	Nine Month Ended September 30	
		2015	2014
1	Income		
1.1	Income from operations	4,592.48	4,854.48
1.2	Other operating income	23.65	43.95
	Total	4,616.13	4,898.43
2	Expenditure		
2.1	Employee benefits expense	2,767.99	2,959.87
2.2	Depreciation and amortisation expense	107.22	83.84
2.3	Traveling and conveyance	277.43	255.08
2.4	Communication costs	59.61	66.35
2.5	Legal and professional expenses (including subcontract expenses)	469.79	533.83
2.6	Provision for doubtful debts and advances (net)	6.92	-
2.7	Other expenditure	440.44	358.15
	Total expenditure	4,129.40	4,257.12
3	Profit from operations before other income and finance cost	486.73	641.31
4	Other income	39.08	29.49
5	Profit from operations before finance cost	525.81	670.80
6	Finance cost	6.77	6.62
7	Profit from ordinary activities before exceptional items	519.04	664.18
8	Exceptional items	566.14	26.09
9	Profit before tax	1,085.18	690.27
10	Provision for tax		
10.1	Current tax	345.21	209.81
10.2	Deferred tax charge / (credit)	(5.43)	15.46
	Total tax expense	339.78	225.27
11	Net profit after tax	745.40	465.00
12	Earnings per share (Face value of Re. 1/- each)		
12.1	Basic	5.87	3.66
12.2	Diluted	5.87	3.66

Financial Performance

Consolidated Profit & Loss Statement (Un-Audited) for the Quarter Ended September 30, 2015 (Contribution Analysis Format; Basis Indian GAAP)

(Figures in mn, except per share data)

Particulars	Q3 2015		Q3 2014		Q2 2015	
	INR	US\$	INR	US\$	INR	US\$
Revenues	1,430.09	21.93	1,685.15	27.81	1,654.53	26.10
Cost of revenues	929.06	14.25	1,047.14	17.28	1,058.84	16.70
Gross margin	501.03	7.68	638.01	10.53	595.69	9.40
	35.03%		37.86%		36.00%	
SG & A						
Expenses	331.33	5.08	369.36	6.10	357.55	5.63
	23.17%		21.92%		21.61%	
EBITDA	169.70	2.60	268.65	4.43	238.14	3.77
	11.87%		15.94%		14.39%	
Depreciation and amortization	26.88	0.41	28.48	0.47	34.45	0.54
Income from operations before exceptional items	142.82	2.19	240.17	3.96	203.69	3.23
Exceptional items	566.14	8.91	26.08	0.43	-	-
Income from operations	708.96	11.10	266.25	4.39	203.69	3.23
Interest expense	(0.29)	(0.01)	(0.26)	(0.00)	(0.27)	(0.01)
Other income (net)	23.12	0.36	14.60	0.24	19.59	0.31
Income before income tax	731.79	11.45	280.60	4.63	223.01	3.53
Income tax provision	211.83	3.31	98.50	1.63	79.56	1.26
Net earnings	519.96	8.14	182.10	3.00	143.45	2.27
Earnings per share (Face value of Re. 1/- each)						
Basic	4.10	0.06	1.43	0.02	1.13	0.02
Diluted	4.10	0.06	1.43	0.02	1.13	0.02

Financial Performance

Consolidated Profit & Loss Statement (Un- audited) for the Nine Months Ended September 30, 2015 (Contribution Analysis Format; Basis Indian GAAP)

(Figures in mn, except per share data)

Particulars	Jan to Sep 15		Jan to Sep 14	
	INR	US\$	INR	US\$
Revenue	4,592.48	72.26	4,854.48	79.97
Cost of revenue	2,982.26	46.92	3,082.69	50.78
Gross margin	1,610.22	25.34	1,771.79	29.19
	35.06%		36.50%	
SG & A				
Expenses	1,045.91	16.46	1,092.17	17.99
	22.77%		22.50%	
EBITDA	564.31	8.88	679.62	11.20
	12.29%		14.00%	
Depreciation and amortization	107.22	1.69	83.84	1.39
Income from operations before exceptional items	457.09	7.19	595.78	9.81
Exceptional items	566.14	8.91	26.08	0.43
Income from operations	1,023.23	16.10	621.87	10.24
Interest expense	(0.79)	(0.01)	(0.90)	(0.01)
Other income (net)	62.74	0.99	69.31	1.14
Income before income tax	1,085.18	17.08	690.27	11.37
Income tax provision	339.78	5.35	225.27	3.71
Net earnings	745.40	11.73	465.00	7.66
Earnings per share (Face value of Re. 1/- each)				
Basic	5.87	0.09	3.66	0.06
Diluted	5.87	0.09	3.66	0.06

Consolidated Balance Sheet as at September 30, 2015 (As per Indian GAAP)

Particulars	(Rs. in mn)		
	As at		
	Sep 30, 2015	Sep 30, 2014	June 30, 2015
	(Unaudited)	(Unaudited)	(Unaudited)
EQUITY & LIABILITIES			
Shareholders' Funds			
Share capital	126.13	126.63	126.13
Reserves and Surplus	2,075.88	2,246.35	1,587.15
Sub-Total Shareholder's Funds	2,202.01	2,372.98	1,713.28
Minority interest	-	-	-
Non-current liabilities			
Long-term borrowings	8.84	5.62	5.08
Other long term liabilities	161.88	4.48	158.42
Long-term provisions	67.79	85.32	64.74
Subtotal - Non-current liabilities	238.51	95.42	228.24
Current liabilities			
Trade payables	462.29	486.83	499.83
Other current liabilities	323.33	225.13	523.36
Short-term provisions	308.03	389.01	748.76
Subtotal- Current Liabilities	1,093.65	1,100.97	1,771.95
TOTAL - EQUITY AND LIABILITIES	3,534.17	3,569.37	3,713.47
ASSETS			
Non-current assets			
Fixed assets	304.00	446.95	370.51
Goodwill on consolidation	565.43	285.82	530.31
Non-current investments	290.82	0.03	0.03
Deferred tax assets (net)	49.01	39.86	63.62
Long-term loans and advances	60.42	73.67	63.73
Other non-current assets	70.09	73.22	77.63
Subtotal - Non- current assets	1,339.77	919.55	1,105.83
Current assets			
Current Investment	118.01	18.00	-
Trade receivables	887.35	1,121.87	1,081.28
Cash and bank balance	855.66	1,081.29	1,097.94
Short-term loans and advances	198.60	163.93	242.24
Other current assets	134.78	264.73	186.18
Subtotal - Current Assets	2,194.40	2,649.82	2,607.64
TOTAL - ASSETS	3,534.17	3,569.37	3,713.47

Consolidated Operational Data (Un-audited)

Profitability in Percentage	Quarter ended		
	Sep 30, 15	Sep 30, 14	June 30, 15
Revenues	100.00	100.00	100.00
Gross margin	35.03	37.86	36.00
SG & A	23.17	21.92	21.61
EBITDA	11.87	15.94	14.39
EBT #	51.17	16.65	13.48
PAT #	36.36	10.81	8.67

#. including exceptional items

Revenue from Top 10 Clients	Quarter ended		
	Sep 30, 15	Sep 30, 14	June 30, 15
Top 10 Clients	34.35%	32.18%	29.52%
Top 5 Clients	21.95%	20.78%	18.67%
Top 3 Clients	15.34%	15.35%	13.09%
Largest Client	7.12%	6.62%	5.72%

Revenues by Geographies	Quarter ended		
	Sep 30, 15	Sep 30, 14	June 30, 15
USA	61.21%	58.47%	51.49%
Europe	13.82%	21.11%	16.19%
SEAC (South East Asia)	17.91%	8.76%	17.18%
India	2.28%	7.12%	8.00%
Others	4.78%	4.54%	7.14%
Total	100.00%	100.00%	100.00%

Utilization (excluding trainees)	Quarter ended		
	Sep 30, 15	Sep 30, 14	June 30, 15
Onsite	81.50%	79.44%	79.24%
Offshore	74.73%	75.99%	72.52%
Blended	76.15%	76.84%	73.57%

Utilization (including trainees)	Quarter ended		
	Sep 30, 15	Sep 30, 14	June 30, 15
Onsite	81.50%	79.44%	79.24%
Offshore	70.49%	70.84%	67.63%
Blended	72.69%	72.83%	69.33%

Consolidated Operational Data (Un-audited)

Human resources	As at		
	Sep 30, 15	Sep 30, 14	June 30, 15 [^]
Technical	1,748	2,334	2,428
Software services			
Onsite	326	333	318
Offshore	1,009	1,360	1,657
BPO			
Offshore	325	297	304
Onsite	9	205	10
Trainees	79	139	139
Support	286	386	369
Total count	2,034	2,720	2,797

[^] Includes 755 technical and 83 support associates pertaining to Indus Business Unit.

(Rs. in mn, except DSO)

Key Balance Sheet Data	As At		
	Sep 30, 15	Sep 30, 14	June 30, 15
Receivable	887.35	1,121.87	1,081.28
Receivable in days (“DSO”)	43	52	43
Total cash and bank balance	922.24	1,169.80	1,167.71
Fixed assets	304.00	446.95	370.51
Shareholders’ funds	2,202.01	2,372.98	1,713.28

Development/Service Centres Location	As on Sep 30, 2015	
	Covered areas in sq ft.	No. of seats
India		
Noida	76,980	1,432
Chennai	1,100	26
	78,080	1,458
USA		
Sacramento, CA	9,500	60
Salt Lake City, Utha	13,800	117
	23,300	177
South East Asia		
Singapore	8,054	91
Malaysia	6,048	52
Thailand	592	6
Indonesia	1,109	12
	15,803	161
Europe		
Romania	14,090	126
Poland	7,908	65
Moldova	3,398	48
	25,396	239
Total	142,579	2,035



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 fourteen 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:

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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