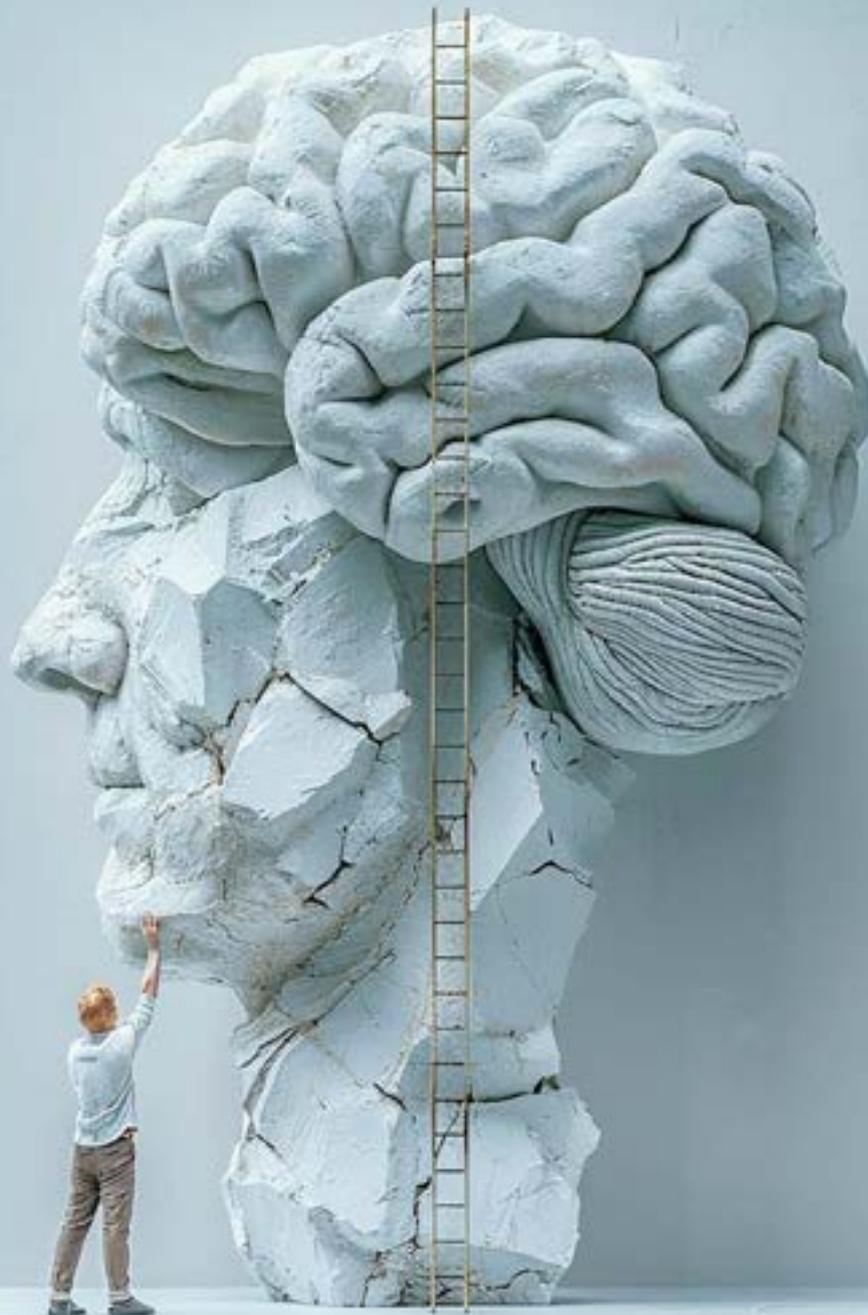




GEN AI

REVOLUTIONIZING DIGITAL ENGINEERING & ENTERPRISE IT SOLUTIONS

Earnings Press Release September 30, 2024



R SYSTEMS INTERNATIONAL LIMITED

R Systems Announces Results for Q3 2024 QoQ Revenue Grew 2.8% with 140 bps Improvement in Margins

Noida, India – November 08, 2024: R Systems International Limited (BSE- 532735; NSE- RSYSTEMS), a leading digital product engineering company that designs and builds next-gen products, platforms, and digital experiences, empowering clients across various industries to achieve revenue growth and operational efficiency.

Highlights

Consolidated results for the quarter ended September 30, 2024

- Revenue Rs. 4,441 mn (US\$ 53.0 mn); QoQ growth of 2.8%
- Adj. EBITDA[#] Rs. 796 mn (US\$ 9.5 mn) i.e 17.9% as against 16.5% for Q2 2024
- Net profit after taxes Rs. 398 mn (US\$ 4.8 mn)
- 5 key wins during the quarter

Consolidated results for the nine months ended September 30, 2024

- Revenue Rs. 12,928 mn (US\$ 155.0 mn); YoY Growth of 1.9% (Growth of 3.5% excluding one-time fee)[^]
- Adj. EBITDA[#] Rs. 2,110 mn (US\$ 25.3 mn) i.e 16.3% as against 15.8% during similar period last year (14.5% margin net of one-time fee)[^]. YOY Growth of 16.6% excluding one-time fee.
- Net profit after taxes Rs. 922 mn (US\$ 11.1 mn)

Nitesh Bansal, Managing Director, and CEO stated, “We concluded the quarter with 2.8% QoQ revenue growth along with robust performance on margins. Further, the Board has announced second interim dividend of Rs. 6.5/- per share for the year 2024, showing our commitment to shareholders.”

He further added, “ We are deepening our engagement with customers, engaging in more value adding initiatives along with strengthening hyperscaler partnerships to offer niche solutions for long term sustainable growth. We continued to invest in emerging technologies e.g. launch of OptimaAI – a GenAI suite for enterprises and Chaos Engineering Integrated DR Model to enhance business continuity and resilience.”

Nand Sardana, CFO said, “R Systems expanded quarterly Adj. EBITDA margin to 17.9% as against 16.5% last quarter. We improved utilization from 82.8% to 83.5%, which helped us in improving margins, despite continuing our investments in sales and newer technologies.”

He added, “The Company has expanded its geographical footprints through a new entity in Mexico along with enhancing management bandwidth with the induction of Satyadeep Mishra as Chief Human Resource Officer, Srikara Rao as CTO Cloud and Security Services and Shardul Sangal as SVP- Global Delivery, among others.”

[#] Adj. EBITDA is before considering the share-based payment expense amounting to Rs. 82 mn in Q3 2024 and Rs. 226 mn in nine months ended September 30, 2024 relating to restricted stock units (“RSUs”) granted to the employees.

[^] One-time build-operate-transfer (BOT) fee of Rs. 193 mn (US\$ 2.3 mn) from Knowledge Service (KS) client received in YTD Sep 2023.



Key Deal Wins

A brief for few key wins is as follows:

A product company focusing on enterprise software for insurance industry has engaged R Systems to provide digital expertise to revamp its legacy system for operational efficiency and enhanced user experience.

A US based cutting-edge cloud platform provider for utilities industry has engaged R Systems to streamline product development and sustenance services across complex lifecycles, implementing transformative cloud-based solutions.

A leading financial decision support provider for asset-intensive companies has mandated R Systems to manage and optimize their IT support, Salesforce environment and cloud operations.

One of the largest independent digital wealth management platforms has engaged R Systems to provide comprehensive quality assurance, development services, and critical bug fixes, to ensure operational efficiency.

A Canadian-based global leader specializing in transporting and distributing coal has collaborated with R Systems to modernize their operations. This partnership focused on upgrading reporting capabilities, driving greater efficiency and innovation in global logistics.

Liquidity and Shareholder Funds

Cash and bank balances, net of short-term borrowing as of September 30, 2024, were Rs. 2,598 mn compared to Rs. 1,338 mn as of December 31, 2023. Total equity attributable to shareholders as of September 30, 2024, was Rs. 6,607 mn compared to Rs. 6,114 mn as of December 31, 2023.

Financial Performance

Consolidated Profit & Loss Statement for the Quarter Ended September 30, 2024

(As per Ind AS)

(Rs. in mn, except per share data)

Sr. No.	Particulars	Quarter Ended		
		September 30, 2024	June 30, 2024	September 30, 2023
1	Income			
(a)	Revenue from operations	4,440.87	4,320.43	4,573.47
(b)	Other income	15.70	31.12	1.27
	Total income	4,456.57	4,351.55	4,574.74
2	Expenses			
(a)	Employee benefits expense @	2,997.42	2,973.19	2,892.50
(b)	Finance costs	16.05	20.03	27.65
(c)	Depreciation and amortisation expense	165.70	167.41	172.44
(d)	Other expenses	760.90	722.71	857.97
	Total expenses	3,940.07	3,883.34	3,950.56
3	Share of net profit/ (loss) of associates accounted for using the equity method	-	-	(2.01)
4	Profit before tax (1-2+3)	516.50	468.21	622.17
5	Tax expense			
(a)	Current tax^	149.25	252.40	200.06
(b)	Deferred tax charge / (credit)	(30.87)	(33.02)	(17.64)
	Total tax expense	118.38	219.38	182.42
6	Net profit for the period (4-5)	398.12	248.83	439.75
7	Earnings per share (not annualized) (Equity share of par value of Re. 1/- each)			
(a)	Basic	3.37	2.10	3.72
(b)	Diluted	3.36	2.10	3.72

@ including share-based payment expense of Rs. 81.82 mn in Q3 2024 & Rs. 79.72 mn in Q2 2024 w.r.t. RSUs.

^ Q3 2024 includes Rs. 62.10 mn reversal of tax provisions related to dividend received from subsidiary pursuant to declaration of the interim dividend by the Company, which was provided in Q2 2024.

Financial Performance

Consolidated Profit & Loss Statement for the Nine Month Ended September 30, 2024

(As per Ind AS)

(Rs. in mn, except per share data)

Sr. No.	Particulars	Nine Months Ended September 30,	
		2024	2023
1	Income		
(a)	Revenue from operations	12,927.71	12,681.98
(b)	Other income	56.40	97.60
	Total income	12,984.11	12,779.58
2	Expenses		
(a)	Employee benefits expense @	8,919.94	8,494.83
(b)	Finance costs	64.50	60.56
(c)	Depreciation and amortisation expense *	498.72	374.84
(d)	Other expenses	2,152.39	2,292.04
	Total expenses	11,635.55	11,222.27
3	Share of net profit/ (loss) of associates accounted for using the equity method	-	(2.01)
4	Profit before tax (1-2+3)	1,348.56	1,555.30
5	Tax expense		
(a)	Current tax ^	533.20	615.39
(b)	Deferred tax charge / (credit)	(106.46)	(2.44)
	Total tax expense	426.74	612.95
6	Net profit for the period (4-5)	921.82	942.35
7	Earnings per share (not annualized) (Equity share of par value of Re. 1/- each)		
(a)	Basic	7.79	7.97
(b)	Diluted	7.78	7.97

@ including share-based payment expense of Rs. 226.19 mn in nine months ended September 30, 2024 w.r.t. RSUs.

* includes Rs. 186.99 mn in Jan to Sep 2024 and Rs. 62.59 mn in Jan to Sep 2023 with respect to the amortisation of intangibles such as customer contracts, non-compete capitalized under Velotio and ScaleWorx acquisitions.

^ includes Rs. 200.54 mn during Jan to Sep 23 provision for tax on dividend received from wholly owned subsidiary.

Financial Performance

Consolidated Profit & Loss Statement for the Quarter Ended September 30, 2024 (Contribution Analysis Format – Non-GAAP)

(Figures in mn)

Particulars	Q3 2024		Q2 2024		Q3 2023 @	
	INR	US\$	INR	US\$	INR	US\$
Revenues	4,440.87	53.03	4,320.43	51.80	4,573.47	55.34
Cost of revenues	2,828.32	33.77	2,786.31	33.40	2,822.41	34.14
Gross margin	1,612.55	19.26	1,534.12	18.40	1,751.06	21.20
	36.31%		35.51%		38.29%	
SG & A Expenses	816.51	9.75	820.26	9.84	891.99	10.80
	18.39%		18.99%		19.50%	
Adj. EBITDA	796.04	9.51	713.86	8.56	859.07	10.40
	17.93%		16.52%		18.78%	
Cost of RSUs	81.82	0.98	79.72	0.95	-	-
EBITDA	714.22	8.53	634.14	7.61	859.07	10.40
	16.08%		14.68%		18.78%	
Depreciation and amortisation	165.70	1.98	167.41	2.01	172.44	2.09
EBIT before non-recurring cost	548.52	6.55	466.73	5.60	686.63	8.31
Non-recurring cost [#]	8.77	0.10	-	-	36.46	0.44
EBIT	539.75	6.45	466.73	5.60	650.17	7.87
Interest expense	(16.05)	(0.19)	(20.03)	(0.24)	(27.65)	(0.33)
Other income (net)	(7.20)	(0.09)	21.51	0.26	1.66	0.02
Income before income tax and share of profit / (loss) in associates	516.50	6.17	468.21	5.62	624.18	7.56
Share of net profit/ (loss) of associates accounted for using the equity method	-	-	-	-	(2.01)	(0.03)
Income before income tax	516.50	6.17	468.21	5.62	622.17	7.53
Tax expense ^	118.38	1.41	219.38	2.64	182.42	2.21
Net earnings	398.12	4.76	248.83	2.98	439.75	5.32

@ Excluding onetime BOT Fee of ₹ 193.07 mn (US\$ 2.3 mn) for a Knowledge Service Customer in Q3 2023, Revenue would be ₹ 4,380.40 mn (US\$ 53.04 mn) with EBITDA of ₹ 666.0 mn (US\$ 8.1 mn) i.e. 15.2% of revenue.

Q3 2024 consists of professional fee incurred w.r.t. merger of the Company with Velotio and ScaleWorx and for Q3 2023 consists of professional fee paid w.r.t. acquisition of Velotio and charges paid to Noida Authority due to change in shareholding of the Company.

^ Q3 2024 includes Rs. 62.10 mn reversal of tax provisions related to dividend received from subsidiary pursuant to declaration of the interim dividend by the Company, which was provided in Q2 2024,.

Financial Performance

Consolidated Profit & Loss Statement for the Nine Month Ended September 30, 2024 (Contribution Analysis Format – Non-GAAP)

Particulars	Jan to Sep 2024		Jan to Sep 2023 @	
	INR	US\$	INR	US\$
Revenues	12,927.71	155.00	12,681.98	154.01
Cost of revenues	8,376.38	100.43	8,155.02	99.03
Gross margin	4,551.33	54.57	4,526.96	54.98
	35.21%		35.70%	
SG & A Expenses	2,441.69	29.28	2,524.71	30.66
	18.89%		19.91%	
Adj. EBITDA	2,109.64	25.29	2,002.25	24.32
	16.32%		15.79%	
Cost of RSUs	226.19	2.71	-	-
EBITDA	1,883.45	22.58	2,002.25	24.32
	14.57%		15.79%	
Depreciation and amortisation *	498.72	5.98	374.84	4.55
EBIT before non-recurring cost	1,384.73	16.60	1,627.41	19.77
Non-recurring cost [#]	8.77	0.10	106.80	1.30
EBIT	1,375.96	16.50	1,520.61	18.47
Interest expense	(64.50)	(0.77)	(60.56)	(0.74)
Other income (net)	37.10	0.44	97.26	1.18
Income before income tax and share of profit / (loss) in associates	1,348.56	16.17	1,557.31	18.91
Share of net profit/ (loss) of associates accounted for using the equity method	-	-	(2.01)	(0.03)
Income before income tax	1,348.56	16.17	1,555.30	18.88
Tax expense [^]	426.74	5.12	612.95	7.44
Net earnings	921.82	11.05	942.35	11.44

@ Excluding onetime BOT Fee of ₹ 193.07 mn (US\$ 2.3 mn) for a Knowledge Service Customer in Jan to Sep 2023, Revenue would be ₹ 12,488.91 mn (US\$ 151.71 mn) with EBITDA of ₹ 1,809.18 mn (US\$ 22.02 mn) i.e. 14.5% of revenue.

* includes Rs. 186.99 mn in Jan to Sep 2024 and Rs. 62.59 mn in Jan to Sep 2023 with respect to the amortisation of intangibles such as customer contracts, non-compete capitalized under Velotio and ScaleWorx acquisitions.

Jan to Sep 2024 consists of professional fee incurred w.r.t. merger of the Company with Velotio and ScaleWorx and Jan to Sep 2023 consists professional fee w.r.t. acquisition of Velotio, charges to Noida Authority due to change in shareholding of the Company, recruitment fee paid for hiring of new CEO and one time joining fee paid to CEO.

[^] includes Rs. 200.54 mn during Jan to Sep 2023 provision for tax on dividend received from wholly owned subsidiary.

Financial Performance

Consolidated Balance Sheet as at September 30, 2024 (As per Ind AS)

		(Rs. in million)	
Particulars		As at September 30, 2024	As at December 31, 2023
ASSETS			
A.	Non-current assets		
	(a) Property, plant and equipment	522.87	607.41
	(b) Capital work in progress	-	1.64
	(c) Investment property	14.85	15.96
	(d) Right-of-use assets	548.50	628.55
	(e) Goodwill	2,840.72	2,836.58
	(f) Other Intangible assets	1,988.01	2,181.20
	(g) Intangible assets under development	30.48	-
	(h) Financial assets		
	(i) Investments	0.03	0.03
	(ii) Other financial assets	105.23	115.14
	(i) Deferred tax assets (net)	418.71	313.44
	(j) Non-current tax assets (net)	38.15	58.12
	(k) Other non-current assets	42.05	126.59
	Total non-current assets (A)	6,549.60	6,884.66
B.	Current assets		
	(a) Financial assets		
	(i) Trade receivables	2,374.15	2,503.99
	(ii) Cash and cash equivalents	2,474.49	1,573.50
	(iii) Bank balances other than cash and cash equivalents	2.61	943.69
	(iv) Other financial assets	829.05	805.52
	(b) Other current assets	558.52	435.06
	Total current assets (B)	6,238.82	6,261.76
	Total assets (A+B)	12,788.42	13,146.42
EQUITY AND LIABILITIES			
A.	Equity		
	(a) Equity share capital	118.31	118.31
	(b) Other equity	6,489.00	5,996.06
	(c) Non controlling interests	2,407.00	2,407.00
	Total equity (A)	9,014.31	8,521.37
	Liabilities		
B.	Non-current liabilities		
	(a) Financial liabilities		
	(i) Borrowings	14.61	16.94
	(ii) Lease liabilities	580.86	631.14
	(iii) Other financial liabilities	11.95	12.01
	(b) Provisions	324.39	282.00
	Total non-current liabilities (B)	931.81	942.09
C.	Current liabilities		
	(a) Financial liabilities		
	(i) Borrowings	11.04	562.24
	(ii) Lease liabilities	103.77	101.45
	(iii) Trade payables		
	- total outstanding dues of micro enterprises and small enterprises	0.40	-
	- total outstanding dues of creditors other than micro enterprises and small enterprises	394.40	370.76
	(iv) Other financial liabilities	1,136.64	1,535.15
	(b) Other current liabilities	535.99	634.21
	(c) Provisions	402.58	342.15
	(d) Current tax liabilities (net)	257.48	137.00
	Total current liabilities (C)	2,842.30	3,682.96
	Total liabilities (B+C)	3,774.11	4,625.05
	Total equity and liabilities (A+B+C)	12,788.42	13,146.42



Consolidated Operational Data (Un-audited)

Profitability in Percentage	Quarter ended		
	Sept 30, 2024	Jun 30, 2024	Sept 30, 2023
Revenues	100.00	100.00	100.00
Gross margin	36.31	35.51	38.29
SG & A	18.39	18.99	19.50
Adj. EBITDA	17.93	16.52	18.78
EBITDA #	16.08	14.68	18.78
EBIT #	12.35	10.80	15.01
EAT	8.97	5.76	9.62

Before non-recurring cost.

Revenue from Top 10 Clients	Quarter ended		
	Sep 30, 2024	Jun 30, 2024	Sep 30, 2023
Top 10 Clients	22.45%	21.86%	25.75%
Top 5 Clients	14.79%	14.11%	19.17%
Top 3 Clients	10.29%	10.50%	15.18%
Largest Client	4.97%	5.16%	6.54%

Revenues by Geographies	Quarter ended		
	Sep 30, 2024	Jun 30, 2024	Sep 30, 2023
North America	74.06%	75.13%	74.74%
Europe	8.11%	8.27%	9.44%
Southeast Asia	14.24%	12.87%	12.51%
India	2.50%	2.36%	2.09%
Others	1.09%	1.37%	1.22%
Total	100.00%	100.00%	100.00%

Utilization (including trainees)	Quarter ended		
	Sep 30, 2024	Jun 30, 2024	Sep 30, 2023
Onsite	97.33%	97.28%	97.20%
Offshore	80.99%	80.13%	75.90%
Blended	83.50%	82.80%	78.69%

Consolidated Operational Data (Un-audited)

Human resources	As at		
	Sep 30, 2024	Jun 30, 2024	Sep 30, 2023
Technical	3,746	3,705	3,740
Software services			
Onsite	548	570	536
Offshore	2,390	2,365	2,550
KS			
Offshore	791	756	628
Trainees	17	14	26
Support	527	534	557
Total count	4,273	4,239	4,297

(Rs. in mn, except DSO)

Key Balance Sheet Data	As at	
	Sep 30, 2024	Dec 31, 2023
Receivable including unbilled	3,192	3,223
Receivable in days (“DSO”) including unbilled	59	64
Cash and bank balance #	2,598	1,338
Total equity attributable to shareholders	6,607	6,114

net of short-term borrowing

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 wherever applicable, to the extent possible, to conform to the current period presentation.



About R Systems

R Systems is a leading digital product engineering company that designs and builds next-gen products, platforms, and digital experiences, empowering clients across various industries to overcome digital barriers, put their customers first, and achieve higher revenues and operational efficiency. Further, our knowledge service offerings cover revenue cycle management, back-office service, technical support, and customer care using multi-lingual capabilities and global delivery platform.

We constantly innovate and bring fresh perspectives to harness the power of the latest technologies like cloud, automation, AI, ML, analytics, Mixed Reality, etc. Our 4,200+ technology expeditioners across eighteen (18) development and service centres are driven to explore new digital paths, leaving no stone unturned in our quest to deliver services and solutions that drive meaningful impact.

Our product mindset and engineering capabilities allow us to partner with the key players in the Tech industry, including ISVs (independent software vendors), SaaS companies, and product companies in Telecom, Media, Fintech, Insurtech, and Healthtech verticals.

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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