



THE WORLD IS OUR OYSTER...

Revealing hidden value



Celebrating 20 Years of Innovative Growth

1993-2013

Like the "Shakespearean Oyster" in which the English Writer saw a world of great opportunity.

Telecom and
Digital Media

BFSI

Healthcare

Manufacturing
and Logistics

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Safe Harbor:

Certain Statement in this report concerning our future growth prospects are forward-looking statements, which involves a number of risks and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. The risks and uncertainties relating to these statements include, but are not limited to, risks and uncertainties regarding the success of our investments, risks and uncertainties regarding fluctuations in earnings, our ability to manage growth, intense competition in IT and ITES services and solutions including those factors which may affect our cost advantage, wage increases in India, our ability to attract and retain highly skilled professionals, time and cost overruns on fixed-price, fixed-time frame contracts, client concentration, restrictions on immigration, industry segment concentration, our ability to manage our international marketing and sales operations, reduced demand for technology and consulting services in our key focus areas, disruptions in telecommunication networks or system failures, our ability to successfully complete and integrate potential acquisitions, liability for damages on our service contracts and product warranty, the success of the companies in which the Company has made strategic investments, withdrawal of governmental fiscal incentives, political instability and regional conflicts, legal restrictions on raising capital or acquiring companies outside India, and unauthorized use of our intellectual property and general economic conditions affecting our industry. The Company may, from time to time, make additional written and oral forward-looking statements and does not undertake to update any forward-looking statements that may be made from time to time by or on behalf of the Company.

CORPORATE INFORMATION

The Board of Directors

as on April 15, 2013

1. **Mr. Satinder Singh Rekhi**
(Chairman and Managing Director)
2. **Lt. Gen. Baldev Singh (Retd.)**
(President and Senior Executive Director)
3. **Mr. Raj Swaminathan**
(Director and Chief Operating Officer)
4. **Mr. Raj Kumar Gogia**
(Non Executive Independent Director)
5. **Mr. Gurbax Singh Bhasin**
(Non Executive Independent Director)
6. **Mr. Suresh Paruthi**
(Non Executive Independent Director)
7. **Mr. Anuj Kanish**
(Non Executive Independent Alternate Director to Mr. Gurbax Singh Bhasin)

Company Secretary and Compliance Officer

Mr. Vikash Kumar Tiwari

Committees of the Board of Directors

Audit Committee

1. **Mr. Raj Kumar Gogia**
(Chairman)
2. **Mr. Gurbax Singh Bhasin**
(Member)
3. **Mr. Suresh Paruthi**
(Member)
4. **Mr. Anuj Kanish**
(Non Executive Independent Alternate Director to Mr. Gurbax Singh Bhasin)

Shareholders / Investors Grievance Committee

1. **Mr. Raj Kumar Gogia**
(Chairman)
2. **Mr. Suresh Paruthi**
(Member)
3. **Mr. Satinder Singh Rekhi**
(Member)
4. **Lt. Gen. Baldev Singh (Retd.)**
(Member)

Remuneration Committee

1. **Mr. Raj Kumar Gogia**
(Chairman)
2. **Mr. Gurbax Singh Bhasin**
(Member)
3. **Mr. Suresh Paruthi**
(Member)
4. **Mr. Anuj Kanish**
(Non Executive Independent Alternate Director to Mr. Gurbax Singh Bhasin)

Compensation Committee

1. **Mr. Raj Kumar Gogia**
(Chairman)
2. **Mr. Suresh Paruthi**
(Member)
3. **Lt. Gen. Baldev Singh (Retd.)**
(Member)

Committee of Independent Directors for Open Offer

1. **Mr. Raj Kumar Gogia**
(Chairman)
2. **Mr. Gurbax Singh Bhasin**
(Member)
3. **Mr. Suresh Paruthi**
(Member)
4. **Mr. Anuj Kanish**
(Non Executive Independent Alternate Director to Mr. Gurbax Singh Bhasin)

Registered Office

B - 104A, Greater Kailash - I,
New Delhi - 110 048, India

Corporate Office

C - 40, Sector - 59,
Noida (U.P.) - 201 307, India

Statutory Auditors

S. R. Batliboi & Co. LLP
(Formerly S. R. Batliboi & Co.)
Chartered Accountants
Golf View Corporate Tower - B,
Sector - 42, Sector Road,
Gurgaon - 122 002, Haryana, India

Registrar and Share Transfer Agent

M/s Link Intime India Private Limited
44, Community Centre, 2nd Floor,
Naraina Industrial Area, Phase- I
Near PVR Naraina,
New Delhi - 110 028, India

Bankers to the Company

1. State Bank of India
2. ICICI Bank Limited
3. HDFC Bank Limited
4. Axis Bank Limited
5. The Royal Bank of Scotland
6. Oriental Bank of Commerce
7. Vijaya Bank
8. State Bank of Bikaner and Jaipur
9. Canara Bank
10. Kotak Mahindra Bank

11. California Bank and Trust, U.S.A.
12. State Bank of India, U.K.
13. ABN Amro Bank, The Netherlands
14. Sumitomo Mitsui Banking Corporation (SMBC), Japan

Listed At

1. National Stock Exchange of India Limited
2. BSE Limited

Subsidiaries of R Systems International Limited

1. R Systems (Singapore) Pte Limited, Singapore
2. R Systems, Inc., U.S.A.
3. Indus Software, Inc., U.S.A.
4. ECnet Limited, Singapore
5. R Systems Solutions, Inc., U.S.A.
6. R Systems NV, Belgium
7. R Systems Europe B.V., The Netherlands
8. R Systems S.A.S., France
9. Computaris International Limited, U.K.
10. Systèmes R. International Ltée, Canada (became wholly owned subsidiary w.e.f. October 29, 2012)

Subsidiaries of ECnet Limited

11. ECnet (M) Sdn. Bhd., Malaysia
12. ECnet Inc., U.S.A.
13. ECnet (Hong Kong) Limited, Hong Kong
14. ECnet Systems (Thailand) Company Limited, Thailand
15. ECnet Kabushiki Kaisha, Japan
16. ECnet (Shanghai) Co. Ltd., People's Republic of China

Subsidiaries of Computaris International Limited (became wholly owned subsidiary w.e.f. January 26, 2011)

17. ICS Computaris International Srl, Moldova
18. Computaris Malaysia Sdn. Bhd., Malaysia
19. Computaris Polska Sp z o.o., Poland
20. Computaris Romania SRL, Romania
21. Computaris USA, Inc.
22. Computaris Limited, U.K.

20 YEARS OF A DAZZLING JOURNEY

*Like the **pearl** that traverses the oceans, cocooned in the **oyster**. Exploring endless opportunities. And ultimately delivering great value.*



Shakespeare, in his 'The Merry Wives of Windsor', first referred to the world as an **oyster** containing the fortune which his protagonist Pistol was determined to acquire. Over the years, this phrase has come to refer to a world packed with opportunities, to be leveraged and enjoyed. This analogy is highly apt for R Systems, which is continuously striving to open the **oyster** to seek out the precious **pearls** that are constantly adding value to the Company.

As the **oyster** is pushed by the ocean currents to produce precious **pearls**, so are we steered by the unstinted dedication, diligence and hard work of our people to grow into a valuable organizational entity!

We began our journey in 1993 as a fledgling IT consulting firm in Sacramento, California. During our 20-year journey, we have grown in depth and expanded globally the scale of our operations along with delivering exceptional value to each of our stakeholders.

In the year 2000, we emerged onto the global map through near shore and Offshore Development Services. And we realized that the world is our **oyster**... ready to nurture and nourish our growth.

Along the way, we met with encouraging responses from customers, partners and endorsements from venture capitalists.

In 2003, we extended our offering into the business process outsourcing services. Our journey picked up pace when we began acquiring like-minded firms globally that aligned with our strategy to acquire technology, domain and a strong clientele; launching us onto a growth highway.

In 2006, we completed our IPO 'Initial Public Offering' and listed on India's largest stock exchanges i.e., the NSE and BSE. The IPO proceeds were used to improve our infrastructure and systems, organic growth and strategic acquisitions, and better service to our customers.



WE STRENGTHENED...

... our footprint across the globe – acquiring companies in the US, Singapore and Europe

... our inherent quality assessments – acquiring quality assessments and certifications

... our financial base – strong shareholder funds and cash reserves to invest in future growth



In 2010, we entered our next phase of development. Sustaining our growth momentum, we consolidated our business both horizontally and vertically and have added depth to both our technology and domain strengths.

And, as we turn 20, we delight our customers across the globe with an array of services and products across our four chosen verticals for specialization.

At the threshold of our 21st year with our

specialized domain knowledge around focused verticals, geographical presence represented by 13 development and service centres spread across India, USA, Europe and Singapore along with matured quality and people practices, we are excited to grow the business with support of our satisfied customers.

And like the **pearl** in the **oyster**, to evolve into something even more precious and valuable to all our stakeholders. To emerge even brighter and more sparkling.

Through this annual report, we reveal to you the hidden value of the Company, as unveiled by the global **oyster** in which we have evolved and grown over the last two decades. We reveal the depth and the scale which is our hallmark today, as we embark onto the next phase of our journey.

CELEBRATING 2 DECADES IN BUSINESS

Revealing the real value of our entity



Just as the **oyster** opens itself to reveal the precious **pearl**, we have opened our doors, through the last two decades, to reveal to our customers the great value offered by the entity called, R Systems.

Established in 1993, we transformed from an IT consulting firm into a global Outsourced Product Development (OPD) company, which we define as Integrated Product Life Cycle Management (iPLM) services. Thereafter, we extended our offerings into business process outsourcing services and our products suite in BFSI, Telecom and Manufacturing and Logistic verticals.

In 2010, we redefined our focus to align ourselves to the transforming needs of our existing and prospective clients. We sharpened our strategic focus to become more innovative and global so as to steer our growth as a leading player in the

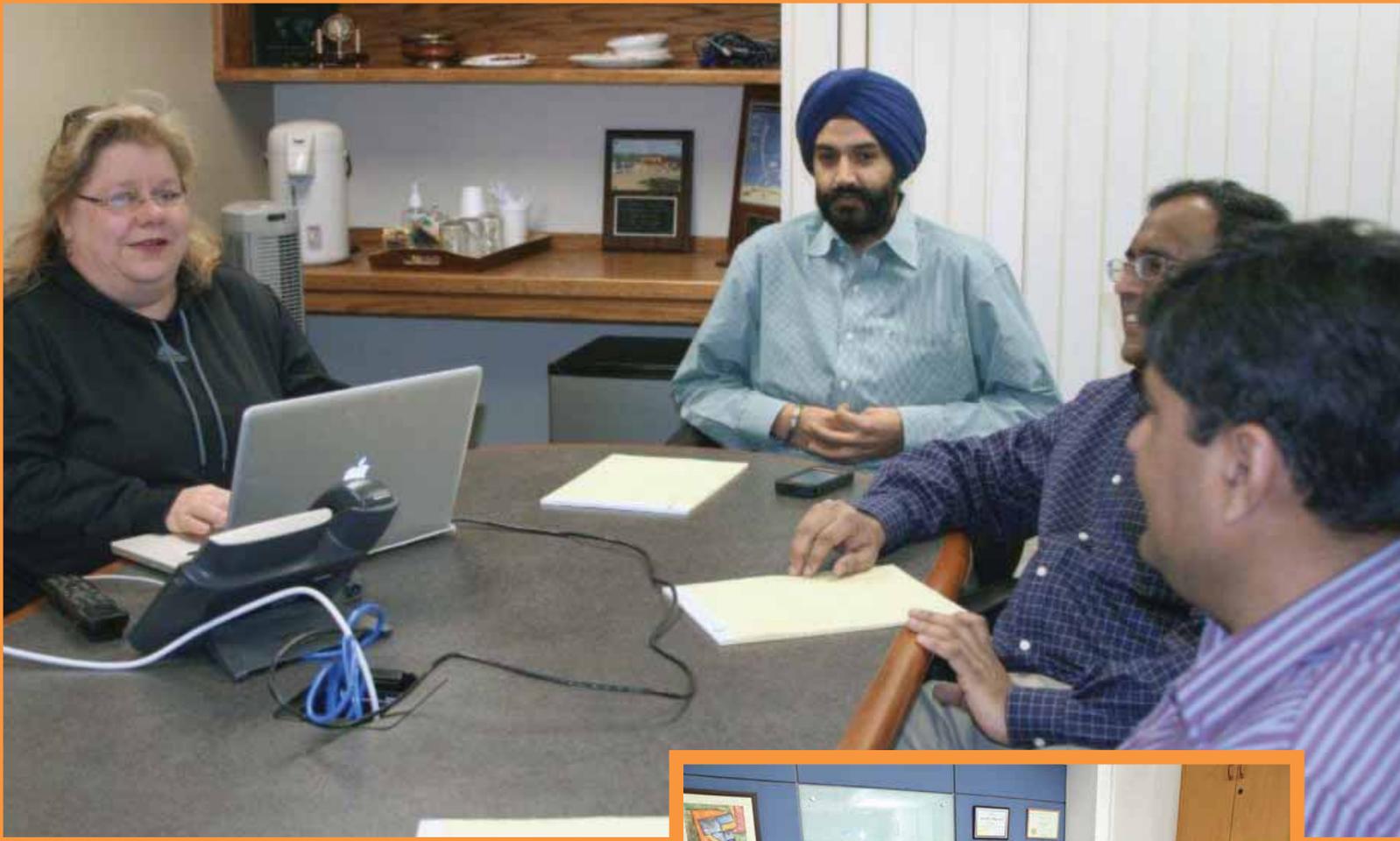
domains of our presence.

Our iPLM-led strategy across our product suite and customer-owned IP covers and focuses on our chosen and specialized four verticals – Telecom and Digital Media, BFSI, Healthcare, and Manufacturing and Logistics.

As we celebrate two decades in business, we have built a 140+ customer base, which includes Fortune 1000 companies, Government and Mid-sized organizations, worldwide. Using our global delivery model, we serve customers in the US, Europe, South America, the Far East, Middle East and Africa.

We have 2,500+ expert resources who empower our 13 development and service centres spread across India, USA, Singapore, Netherlands, France, Romania, Poland and Moldova.





Over the last 20 years, we have earned several renowned global certifications and standards, such as SEI CMMI Level 5, ISO 27001:2005, ISO 9001:2008 and PCMM Level 5. Our continuing compliance with these standards demonstrates the strength of our processes and gives us a competitive edge in offering distinctive services and products.



20 YEARS OF DELIGHTING CUSTOMERS

Revealing our precious bouquet of services and products

During our two-decade-long journey from inception to the position we have achieved today, we have traversed many phases to evolve into a growth-oriented, process-driven, and people-centric organization. Today, we are happy to reveal the expanse of our innovative IT and BPO services and end-to-end software products, which delight our customers, globally.



OUR BOUQUET OF SERVICES

iPLM Services

Under iPLM services, we deliver solutions and services in the areas of Information Technology (IT) and Information Technology Enabled Services (ITES).

Our iPLM IT services are designed to help Independent Software Vendors (ISVs) become more competitive, increase product life spans and reduce time-to-market through:

- Product conceptualization
- Product development
- Product maintenance and support
- Product testing



SERVICE OFFERINGS

New Product Development (NPD)		Product Maintenance (PM)	
		Growth Cycle	Sunset Cycle
Key Activities	<ul style="list-style-type: none"> - New Product Envision and Definition - Rapid Prototyping and Development 	<ul style="list-style-type: none"> - Enhancement to existing product - Product Maintenance and Support 	<ul style="list-style-type: none"> - Product Support - Bug Fixes - Helpdesk
RSI Offering	<ul style="list-style-type: none"> - New Product Development - Compatibility Testing - Porting and Migration 	<ul style="list-style-type: none"> - Product Re-engineering - Product Maintenance - Customization 	<ul style="list-style-type: none"> - Product Sustenance - Helpdesk Services

TESTING / QA SERVICES

Manual Testing	Automated Testing	Product Testing	Offshore Testing Labs	Quality Assurance
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BUSINESS MODELS

Fixed Bid	Time and Material	Hybrid	Dedicated ODC
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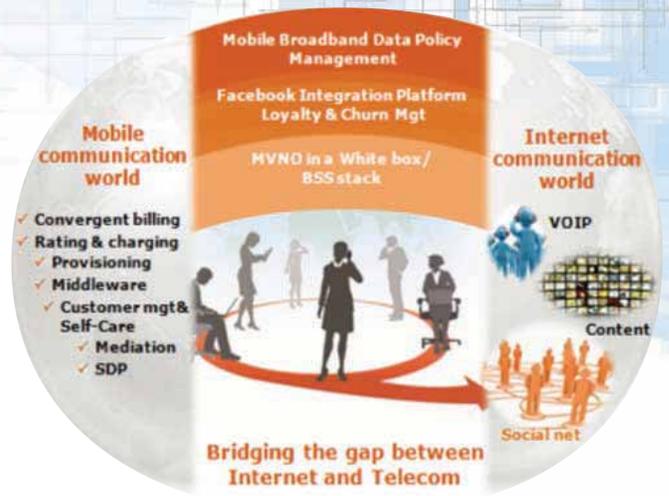
"R Systems has mature iPLM delivery capabilities in all areas of the lifecycle"

“R Systems is the preferred partner for a number of Leading Independent Software Vendors, Worldwide”

Further, under iPLM suite of services, Computaris, our European and Telecom arm, offers high-level telecom expertise in the areas of real-time rating and charging, messaging, provisioning, mediation, subscriber data management, mobile broadband data policy management, loyalty and churn management.

The project portfolio ranges from very specific telecom consultancy assignments to complete deployment and migration of mission-critical real-time systems, going through software development, customization, integration, migration, support and maintenance.

Our iPLM IT services comprise 1100+ expert resources to service 80+ customers, with a portfolio of 1500+ products.



Our ITES offering covers customer care and technical support, managed services, NOC support, high-end quality process management and revenue and claims management, using global delivery model with multi-language

support capabilities. Our 450+ expert resources in this segment are servicing 20+ customers using our global delivery model.

BUSINESS PROCESS MANAGEMENT SERVICES

North America, Europe, Asia	Customer Care	Technical Support	Managed Services	Back Office Services
Demonstrated experience	<ul style="list-style-type: none"> - Account set-up - User registration - Billing queries - Billing dispute resolution - Credit/refund process 	<ul style="list-style-type: none"> - Installation support - How to issues - Upgrades - L1, L2 and L3 support 	<ul style="list-style-type: none"> - Data analytics - Speech analytics - Compliance analysis 	<ul style="list-style-type: none"> - Payment processing - Insurance claims processing - Account reconciliation - Transaction processing
Selected client examples	<ul style="list-style-type: none"> - Customer care for leading mobile messaging application provider - 250,000+ subscribers - Customer care and support for cell personalization company - Collections process from India for a financial services company 	<ul style="list-style-type: none"> - L1 support for leading mobile messaging application provider - 400,000+ subscribers - 100 agent team - Offshore and Onshore - L1 and L2 support for leading network security solutions provider catering to SMBs 	<ul style="list-style-type: none"> - Speech analytics for large scale contact centres for healthcare utilities and banking customers - Revenue management and Fraud management services for one of the largest global telecom operators 	<ul style="list-style-type: none"> - Insurance claims processing for one of the largest healthcare service providers with monthly processing of over \$ 100 million - End-to-end revenue cycle management services for a larger chain of USA hospitals

Supporting customers across 30+ countries in 20+ languages 24/7

Through our spectrum of services and solutions, we endeavor to become a ‘one-stop-shop’ for our customers across our focused industry verticals.

20 YEARS OF DELIGHTING CUSTOMERS

OUR BOUQUET OF PRODUCTS

Leveraging our deep domain knowledge in Banking and Financial Services Industry (BFSI), Telecom and Manufacturing and Logistics domains, coupled with the expert resources that we have acquired during our

two-decade-long journey, we have an assortment of appealing products. These products are in the form of standardized solutions being offered for respective industry verticals.



BFSI

- Loan Origination
- Loan Servicing
- Debt Collections
- Collateral Management
- Commissions and Incentives
- Inventory Funding
- Renewals and Retention System (iPerSyst)
- Corporate Loan Origination



TELECOM

- Credit Management and Revenue Collections
- Dealer Management Solution
- Customer Acquisition System
- Commissions and Incentives
- Sophisticated Automatic Testing Capabilities - Computaris TOP testing Suite for IT and telecom protocols

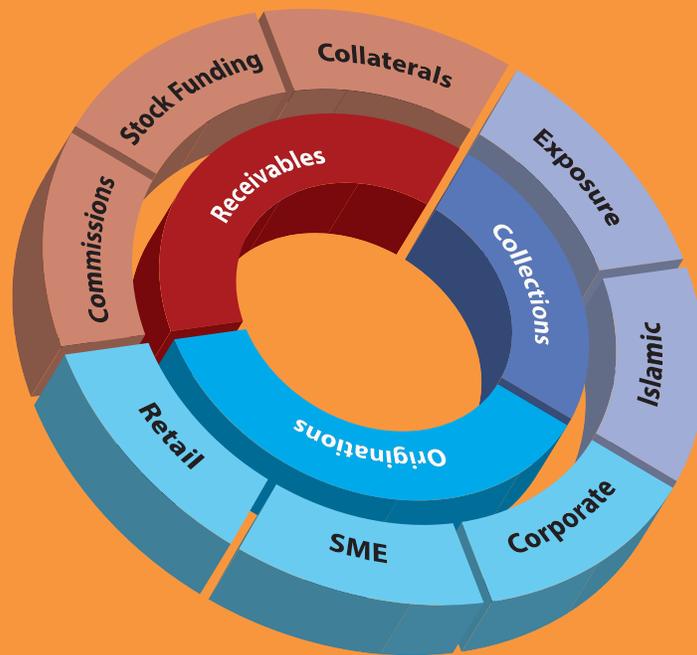


MANUFACTURING AND LOGISTICS

- Supply Chain Management Solutions
- Enterprise Solutions

In the banking, finance and insurance domains, our products are known under our brand name, INDUS. Lending solutions from Indus (LSI Suite) is a result of more than 18 years of research and experience in the banking industry. The product suite is built on contemporary technology stack and spans the complete loan cycle, from acquisition, application processing, servicing to delinquency management. Designed to be modular in nature, it can be implemented either as an integrated end-to-end solution or as independent module capable of interfacing with legacy

or existing host systems. All our solutions are designed to work seamlessly across many different types of lending portfolios. Flexible workflow, scoring and rules engine provides the much needed speed for processing retail portfolios like personal loans, credit cards, consumer loans, auto loans, mortgages, leasing and microfinance. Additionally, a comprehensive underwriting engine ensures that SME and corporate applications are processed with necessary rigor. These solutions also respect the spirit and intent of Islamic finance and provide suitable features to support this.



Renewals and Retention System (iPerSyst) is another specific solution for the insurance industry, which is designed to enhance the ability to retain customers and collect premiums. Further, we will be releasing our state-of-the-art Corporate Loan Origination product that will cover the loans to corporate banking / SME sector.

20 YEARS OF DELIGHTING CUSTOMERS

Our Telecom specific solutions are offered under Indus and Computaris brand. Under the Indus brand, Indus Credit Management and Revenue Collection (CMRC) helps telecom companies pro-actively manage their credit portfolio of post-paid subscribers. This highly scalable solution provides the power to apply various interventions based on customer risk and increase recoveries, while protecting sensitive client relationships. Support for activities from Credit Limits Management, Exposure Monitoring and Active Collections is also ensured. After all, assigning a customer's credit limit, monitoring it and revising it plays a critical role in ascertaining the typical revenue generated by the telecom company. So is, actively ensuring that customers pay on time. Apart from

active collections, constant follow-up work is to be done on non-performing accounts and also be able to create provisions for these. The systems support external collection agencies, legal collections, settlements, skip tracing and provisioning, and also help telecom companies track these processes effectively.

During the year, we also added to our portfolio CAS (Indus' Customer Acquisition System). This performs de-duplication checks to ascertain existing relationships with customers through phonetic algorithms, synonym definitions and segment based de-duplications. It uses scoring capabilities to ascertain scores for behavioral scores, acquisition scores or even collections scores.

A COMPREHENSIVE SOLUTION FOR CREDIT MANAGEMENT AND REVENUE COLLECTION

Acquisition

De-duplication

- Blacklists and Whitelists
- Data Cleansing and Manipulation
- Synonym Replacement
- Phonetic Algorithms
- Match Probabilities
- Credit Bureau Interface

Scoring

- Acquisition Scoring
- Behavioral Scoring
- Exposure Propensity Scoring
- Customer Level Scoring
- Decision Recommendation
- Credit Limit Recommendation

Servicing

Credit Limits

- Initial Credit Limit
- Automatic Periodic Revision
- Manual Revision and Authorization
- Account Change Management
- Customer Approval for Revision
- Service Level Limit Distribution

Credit Exposure

- Unbilled Exposure Tracking
- Segment Based Interventions
- Progressive Interventions
- Service Level Interventions
- Roaming Treatment
- Hourly and Daily Action Limits

Active Collections

- Collection Segments
- Collection Strategies
- Multiple Channel Support
- Auto Dialer Integration
- Exclusion Management
- Holiday Management

Recoveries

De-active Collections

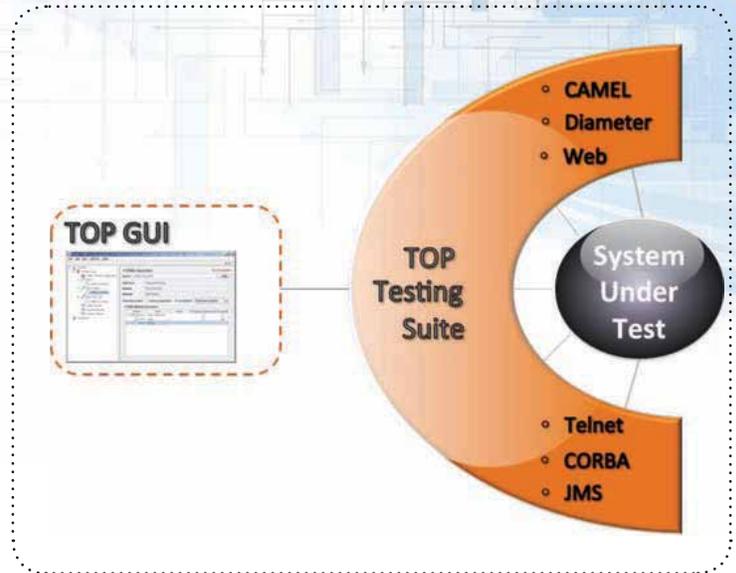
- Agency Endorsements
- Settlements
- Skip Tracing
- VIP / Special Accounts
- Agency Performance
- Agency Commissions

Bad Debt Provisions

- Escalating Provisions
- Potential Provision Tracking
- Manual Provisions
- Provision Clawback Rules
- Blacklisting
- Credit Bureau Interface

Further, the **Computaris Telecom Orchestration Platform (TOP)** is a middleware for building customized applications to complement and enhance existing systems. On top of this orchestration platform, Computaris built a comprehensive, robust, modular end-to-end telecom testing solution for a multitude of IT and telecom protocols, supporting both legacy and next generation services.

Securely and efficiently operating real-time OSS/BSS systems places stringent system verification and validation demands on entire IT and telecom infrastructures. Validation of OSS/BSS solutions is therefore a complex process targeting both individual and collective behavior of network elements. TOP Testing Suite is Computaris' complete E2E solution for creation and automatic execution of test scenarios, enabling offline and online testing of telecom services, for a large range of standard and vendor-specific IT and telecom protocols. TOP Testing Suite provides the ability to predict and verify system behavior and performance, in order to assure system stability, robustness and reliability.



Our Manufacturing and Logistics centric solutions are offered through our Singapore based subsidiary, ECnet. Our supply chain solutions allow companies to integrate and collaborate with other companies and optimize supply chain management. Furthermore, ECnet operates as a channel partner for reselling and implementing several ERP products of one of the largest ERP vendors to serve customers in a key segment: Small- to medium-sized businesses. These products present an opportunity to cross

and up-sell these solutions since these are adjunct to ECnet's own product offerings. With the recent acquisition of ERP business of Nikko Computer Systems (S) Pte Ltd. (NCS) in March 2013, we have strengthened our ERP expertise and client base in South East Asia. NCS provides ERP implementation and support services, primarily to Japanese companies located in Singapore and Malaysia.



SUPPLY CHAIN MANAGEMENT SOLUTIONS

- Supply Chain Optimization
- Enterprise Procurement Optimization
- Logistics Optimization
- Inventory Optimization
- Sourcing Optimization

ENTERPRISE SOLUTIONS

- Enterprise Resource Planning
- Warehouse Management
- Advance Planning and Scheduling
- Demand Planning
- Corporate Performance Management
- Business Intelligence

We are constantly tracking the changing needs of our global clients, constructing and devising innovative products, which drive momentum and help enhance their businesses.

20 YEARS OF TRAVERSING THE OCEANS OF CHANGE

Revealing the growth in our value chain

Starting as a simple **oyster**, we traversed the oceans of change to nurture the precious **pearl** that was to become even more valuable with the passage of time. And, as we moved on in our journey, we found our value chain growing from year to year.

Established in 1993, we started operations primarily in the USA as an IT consulting firm with predominantly onsite work. R Systems set up its global offshore development centre in 2000.

In 2002, R Systems acquired Indus Software Private Limited, a GE Capital and Intel Capital investee company which had a strong product suite in retail lending, and had built some core domain strengths in Banking and Finance.

In 2003, we started our initial IT enabled services by setting up a call and mail based support centre for Software Products under our OPD business, making the business a complete coverage of services for our customers, and hence a more comprehensive iPLM business.

In 2004, we expanded our product offerings through the acquisition of ECnet Ltd., a Singapore registered company with subsidiaries through the ASIA-PAC regions. ECnet was acquired for its products in supply chain and warehouse management for strengthening our position in the growing Far East market. ECnet Ltd. was also our initial foray into SAAS model (software as a service).



In 2006, we were listed on National Stock Exchange and Bombay Stock Exchange in India. We soon acquired Web Converse, Inc. (later on renamed as, R Systems Solutions, Inc.), a company that provides high quality tech-support for end customers for devices and servers who implement secure email services on mobile devices.

In 2008, we extended our BPO business into Europe by acquiring two businesses of Sento located in the Netherlands and France. In one stroke, R Systems had acquired a footprint in Europe, and access to the second largest market for IT and IT enabled services. The acquisition enabled us to differentiate ourselves as a highly process driven BPO business with strong multilingual capability covering 18 European languages.

In early 2011, we further extended our Telecom footprint with the acquisition of Computaris International Limited, a company headquartered in London with five centres across Europe, located in cost efficient countries like Romania and Poland. The company specializes in BSS "Business Support Systems".



Our journey over the last two decades has been nothing short of eventful and exciting. We have grown exponentially, both organically and inorganically. We have diversified in terms of products and services, and geographies. Most importantly,

we have evolved into a company that is passionate about its commitment to quality, seeks the best for its employees, aims to reward its stakeholders and delights its clients.

HIGHLIGHTS OF OUR 20-YEAR JOURNEY

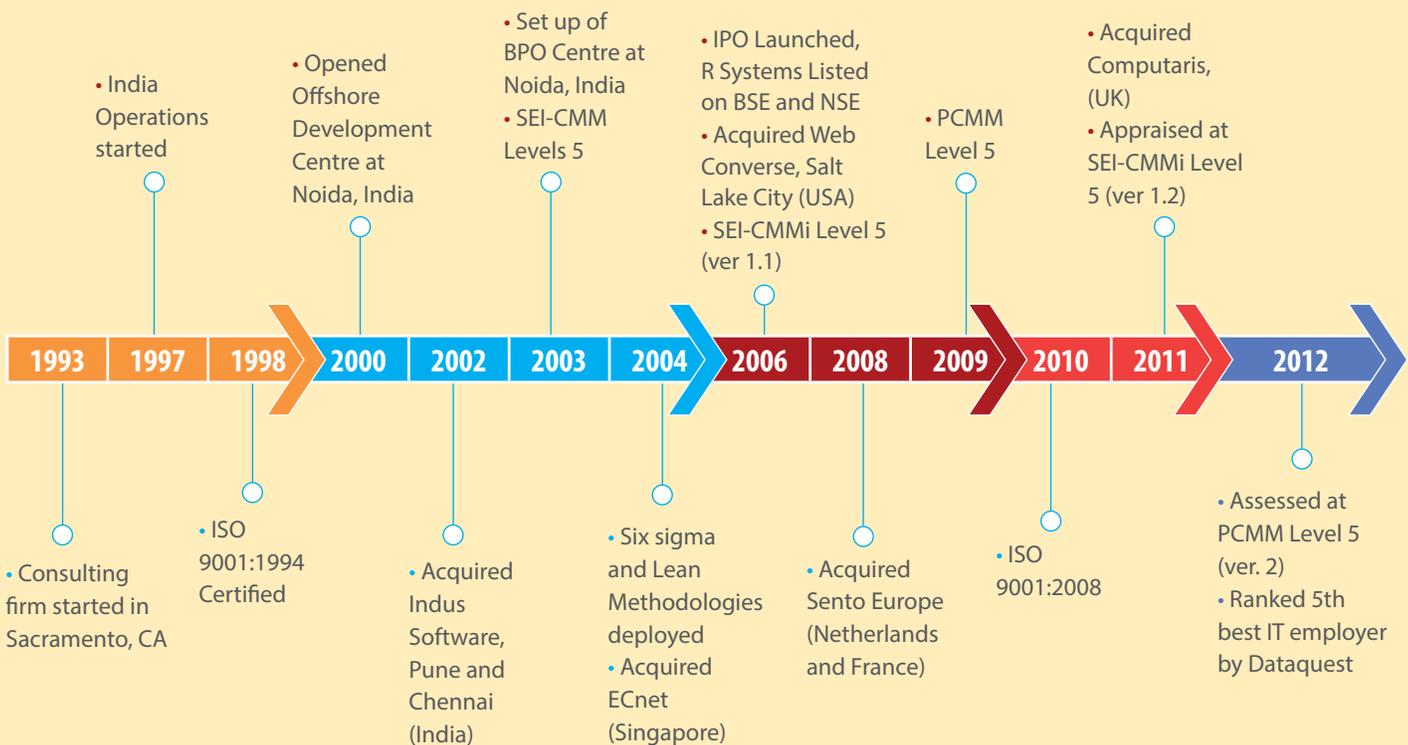
RESHAPING

TRANSFORMING

GROWING

ENABLING

SHARPENING



Very recently, in March 2013, we acquired ERP business of Nikko Computer Systems (S) Pte Ltd. (NCS) to expand our ERP expertise and client base in South East Asia. NCS provides ERP implementation and support services, primarily to Japanese companies located in Singapore and Malaysia.

A CONTINUUM OF VALUE-LED PERFORMANCE

(On the basis of Consolidated Financial Statements under Indian GAAP)

FINANCIAL PERFORMANCE

(Rs. in lakhs i.e. 100,000)

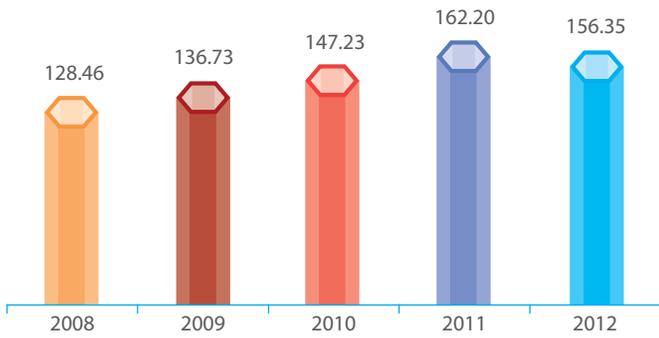
Particulars	2012	2011	2010	2009	2008
Operating Income	46,500.88	40,949.55	29,054.66	32,752.52	35,939.23
Other Income	500.44	556.43	569.95	540.90	442.39
Total Income	47,001.32	41,505.98	29,624.61	33,293.42	36,381.62
Operating Profit	2,503.50	1,689.29	984.58	2,650.64	2,688.66
EBT	2,885.37	2,091.91	1,455.80	1,052.73	3,001.76
EAT	1,836.20	1,651.25	1,677.64	772.04	2,796.64
Share Capital	1,244.68	1,224.30	1,224.30	1,224.30	1,336.25
Reserve and Surplus	18,215.30	18,634.01	16,801.04	15,515.00	15,829.01
Long-term borrowings (including current maturities)	56.32	68.81	83.49	145.20	325.65
Fixed Assets (net) (tangible and intangible assets)	3,870.69	4,001.01	4,443.39	5,302.71	5,371.73
Goodwill on Consolidation	2,739.97	2,701.01	-	-	2,094.20
Investment	0.25	0.25	0.25	0.25	0.25
Cash and Bank Balances (including non-current fixed deposit)	8,893.91	9,495.54	9,568.91	8,719.75	6,364.38
KEY RATIOS	2012	2011	2010	2009	2008
Debt - Equity Ratio	0.00	0.00	0.01	0.01	0.02
Days Sales Outstanding	72	65	61	68	67
Cash and Bank Balances / Total Assets (%)	29.89%	30.85%	41.13%	38.44%	26.33%
Cash and Bank Balances / Total Income (%)	18.92%	22.88%	32.30%	26.19%	17.49%
Operating Profit / Operating Income (%)	5.38%	4.13%	3.39%	8.09%	7.48%
EBT / Total Income (%)	6.14%	5.04%	4.91%	3.16%	8.25%
EAT / Total Income (%)	3.91%	3.98%	5.66%	2.32%	7.69%
Return on Avg. Equity (%)	9.34%	8.72%	9.65%	4.55%	17.80%
Return on Avg. Capital Employed (%)	14.67%	11.03%	8.36%	6.29%	19.14%
Earning Per Share (Rs.)					
- Basic	14.76	13.41	13.62	6.09	20.61
- Diluted	14.76	13.26	13.46	6.02	20.36
Dividend Per Share (Rs.) *	23.50	3.60	2.40	2.40	2.40
Book Value Per Share (Rs.)	156.35	162.20	147.23	136.73	128.46
Cash Per Share (Rs.)	71.46	77.56	78.16	71.22	47.63

* Final dividend of Rs. 7.50 per share for the year 2012 is subject to the approval of the shareholders in forthcoming Annual General Meeting. This is in addition to a special interim dividend of Rs. 16.00 per equity share paid in June 2012, confirmation for which will be taken in forthcoming Annual General Meeting.

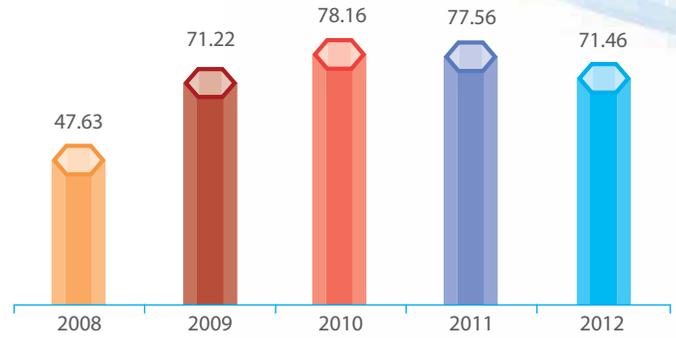
Notes : Operating Profit - Earning before interest income, interest expenses and tax excluding exceptional and prior period items; | EBT- Earnings before tax; EAT - Earnings after tax; | Debt Equity ratio = Long Term Debt / Equity; | Days Sales Outstanding = Average Trade Receivables / Net Credit Sales*360; | Return on Avg. Equity (%) = EAT/ Average Equity; | Return on Avg. Capital Employed (%) = (EBT less interest expenses) / Average Capital Employed; | Book Value Per Share = Net Shareholder Fund / Closing Outstanding No. of Shares; | Cash Per Share = Cash and Bank Balance (including non-current fixed deposit) / Closing Outstanding No. of Shares.

Previous year's figures have been regrouped or reclassified where necessary to conform to current year's classification.

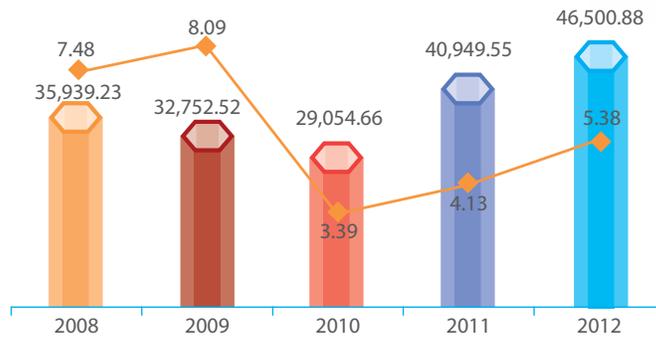
BOOK VALUE PER SHARE (Rs.)



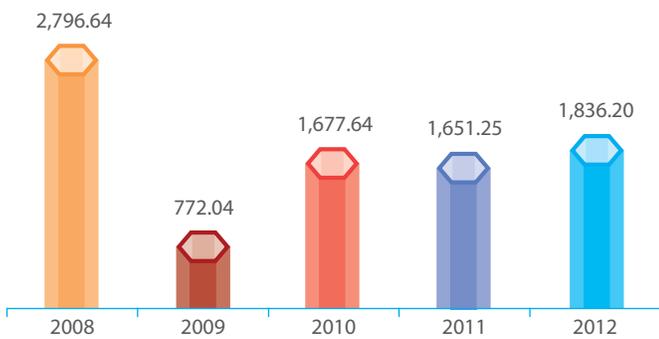
CASH PER SHARE (Rs.)



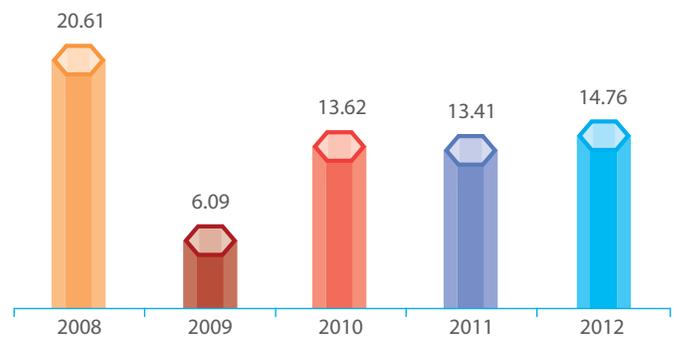
OPERATING INCOME (Rs. in lakhs) AND OPERATING PROFIT (%)



EAT (Rs. in lakhs)



BASIC EPS (Rs.)



*Graphs not to scale

CHAIRMAN'S LETTER



Dear fellow Shareholders,

Your company was established in May of 1993 as a small venture promoted by a technocrat with a vision to emerge as a significant player in the global IT solution business. As I reflect on our journey which started in Sacramento, California, I am reminded of Shakespeare's quote;

"The World is your Oyster"

The analogy being, your company started from the very beginning as a simple **oyster**. Over the past 20 years, we have traversed the oceans of growth and challenges and our business has cultivated into a **pearl**, something of high esteem and value.

As with the **pearl**, our value will continue to increase as we continue

*"The world is your oyster..." William Shakespeare
Revealing hidden value*

on our journey delivering even better and more innovative solutions to our ever increasing global clientele.

Your company is now located in various locations globally; Sacramento, California (USA), Salt Lake City, Utah (USA), London (UK), Metz (France), Enschede (Netherlands), Bialystok (Poland), Warsaw (Poland), Bucharest (Romania), Galati (Romania), Chisinau (Moldova), Noida (India), Chennai (India), Pune (India), Bangkok (Thailand), Singapore, Tokyo (Japan), Kuala Lumpur (Malaysia) and Shanghai (China).

And, like the **oyster** which can be opened with such ease to reveal the **pearl**, our customers and stakeholders as they enter the R Systems' world, find a company that is ever evolving and delivering high value to them with similar ease.

OUR BUSINESS

Year 2013, has come with challenges for the IT and ITES industry (due to its persistent global economic weakness). However, it has opened up new opportunities as we mature to become an intrinsic part of the Customers value chain to deliver end-to-end innovative services and solutions, along with creating a positive impact on business results.

“Like the oyster which can be opened with such ease to reveal the pearl, our customers and our other stakeholders when they enter the R Systems’ world, find a company that is ever evolving and delivering high value to them with similar ease”

R Systems’ core service offerings include Outsourced Product Engineering, sold under our brand of iPLM (Integrated Product Life Cycle Management) IT and ITES services. iPLM IT Services are designed to help software product development companies accelerate their time-to-market, help make our customer more competitive, and increase product life spans. The last few years, we have enhanced our industry domain expertise and have aligned our offerings to the needs of our clients with a focus on key industry verticals - Telecom and Digital Media, BFSI, Manufacturing and Logistics, and Healthcare.

In line with this strategy, Computaris, our European and Telecom arm offers high level telecom expertise in the area of BSS technical consultancy, software development and system integration services to Independent Software Vendors and Communications Service Providers. During 2012, Telecom and Digital Media continued to be our largest industry vertical with 32.60% share of revenues, followed by BFSI which accounts for 15.35%.

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 the retail lending, telecom and insurance industry. Under the Indus product offering, we will be releasing our Corporate Loan Origination product that will cover the loans to Corporate Banking / SME sector.

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 recent acquisition of the ERP business of Nikko Computer Systems in March 2013 has strengthened our ERP expertise and client base in South East Asia.

KEY DIFFERENTIATORS

Our key differentiators are:

- Our vertical focus on services and solutions. We have been investing in building and consolidating capabilities and domain knowledge around these focused verticals;
- Customer-centric approach to deliver value by focus on innovation and cost efficiency;
- Global delivery capability centres in India, USA, Europe and Singapore;
- Adherence to the highest quality certifications for our development processes, delivery models and security infrastructure;
- Industry best human resource practices such as PCMM level 5 to attract, develop, deploy and retain talent.

In a recent published report, R Systems was ranked as 1st in the “Large Scale Service Industry Category” - Rajiv Gandhi National Quality Awards for the year 2011, declared in March 2013. Also, we were ranked as the 5th “Best IT Employer” in DataQuest – CMR Best Employer Survey 2012. These awards are testimony to R Systems’ to the unique talent we have in our employees.



R SYSTEMS IN 2012

I am pleased to report that the Financial Year 2012 was a satisfactory year for your Company. This year, we added marquee clients across all key business verticals and geographies. We have 140 plus active customers, including 18, one million USD plus accounts on run rate basis.

Increase in consolidated revenues has continued to gain momentum during the year 2012 and it reached a new height of Rs. 465.01 crores – a growth of 13.56% over last year. Higher licensing revenue and depreciation of the rupee contributed positively to the overall 2012 performance. Earnings before interest, depreciation, taxes and allowances (EBITDA), a key indication of operating performance, continued to grow to Rs. 34.84 crores – a growth of 7.92% over last year. Profit after tax (PAT) has been Rs. 18.36 crores as against Rs. 16.51 crores, a growth of 11.20% over last year. We have continued to keep our focus on maintaining a strong Balance Sheet to deal with the fluctuations in the economy through judicious treasury and financial management, (while distributing a special dividend in the form of interim dividend of Rs. 16 per share). Shareholder funds stood at Rs. 194.60 crores or Rs. 156.35 per share and a cash and bank balance of Rs. 88.94

crores or Rs. 71.46 per share. The Company continues to be near debt free.

Considering the overall financial performance, I am happy to announce that the Board recommends a final dividend of Rs. 7.50 per share, subject to shareholders' approval at the ensuing Annual General Meeting.

OUTLOOK

Overall, I have a positive outlook for the Company. Our strategy for 2013 is to continue our focus towards key business verticals to achieve operational and delivery excellence. We will continue to focus on building domain expertise in cost efficiency by improving our utilization levels. We will continue our investment for future growth while leveraging our global presence for all our services and solutions. Our sales funnel is very strong while the business environment is challenging due to global economic uncertainty, but, we are optimistic.

IN CONCLUSION

I am extremely thankful to all of our stakeholders who have contributed to our success. In addition, I am placing on record my

“Over the past 20 years, we have traversed the oceans of growth and challenges and our business has cultivated into a pearl, something of high esteem and value. As with the pearl, our value will continue to increase as we continue on our journey delivering even better and more innovative solutions to our ever increasing global clientele”

very sincere gratitude to our customers, shareholders, bankers, the stock exchanges, Securities and Exchange Board of India, the Software Technology Parks of India, various government agencies and other organizations. To my colleagues worldwide at R Systems, I am equally thankful. While we all have different jobs and responsibilities, it is our mission to serve our customers and perform to our stakeholders' expectations and to contribute to the communities we live in.

As the oyster enters into its third decade, we continue to nurture the growth of our pearl in the ocean of opportunity and

challenging seas, and we are aiming for higher growth through innovative ideas and solutions. Let us pursue our worthy dream to become a world class leader in our chosen market.

Yours truly,

Satinder Singh Rekhi

Chairman and Managing Director



SUSTAINING THE MOMENTUM THROUGH VERTICAL FOCUS

Revealing our successes of FY2012

Our vertical focus helped us in sustaining the momentum of our growth during 2012, with several prestigious projects coming our way. We continued to invest in building, consolidating capabilities and domain knowledge around these focused verticals to provide innovative and competitive services and solutions to delight our customers.

TELECOM AND DIGITAL MEDIA

2012 was the year when, for the first time, worldwide spending on smart phones exceeded that of PCs. As per IDC's Worldwide Black Book Query Tool, worldwide spending on smart phones crossed the \$300 billion mark, whereas the spending on PCs only totaled \$233 billion.

As per the NASSCOM Strategic Review 2012, from an IT industry perspective, the market for enterprise mobility solutions alone is expected to grow to USD 17 billion by 2015. This will offer an enormous opportunity to increase revenue from this segment at a pace of triple-digit growth.

Telecom and Digital Media continues to be our largest industry vertical with 32.60% share of revenues. Our Telecom and Digital Media customer profile covers Independent Software Vendors (ISVs), Original Equipment Manufacturers (OEMs), System Integrators (SIs) and Communication Service Providers (CSPs).



R SYSTEMS' TELECOM AND DIGITAL MEDIA OFFERINGS UNDER iPLM SUITE, INDUS AND COMPUTARIS BRAND:

Business Support Systems (BSS)	<ul style="list-style-type: none"> ○ Credit Management and Revenue Collection (CMRC) ○ Customer Relationship Management (CRM) ○ Charging and Revenue Management ○ MVNO Solutions
Digital Media Platforms	<ul style="list-style-type: none"> ○ IPTV (Middleware, Set Top Boxes, VoD Servers, DRM and Security Solutions) ○ DVB (Various OTT Platforms for delivery of digital video over IP based network)
Value Added Services (VAS)	<ul style="list-style-type: none"> ○ Messaging Solutions ○ Service Delivery Platform and Service Management Solutions ○ Device Management ○ Location Based Services
Core Network Systems	<ul style="list-style-type: none"> ○ Subscriber Data Management ○ Policy Control ○ Legacy and Next Generation IN Systems
Mobile Applications	<ul style="list-style-type: none"> ○ Android Platform ○ iOS Platform ○ Blackberry Platform ○ Window Phone Platform ○ Symbian Platform



Key new wins during FY2012

- One of the global leaders in management consulting, technology services and solutions has engaged R Systems for providing development and maintenance services for its IPTV product customers.
- Indus division of the Company has completed implementation of Credit Management and Revenue Collections (CMRC) and Customer Acquisition System (CAS) at three telecom operators located in the Middle East and Philippines during the year. In one implementation, the solution integrated with sophisticated credit scoring models to deliver a robust and dynamic credit management system to the operator.
- A European telecom operator offering fixed line, broadband and cable TV services, has chosen R Systems subsidiary, Computaris, for the implementation of SAP convergent charging as their convergent rating engine which will provide pricing design capabilities, high performance rating and convergent balance management to cover their current and future needs.

SUSTAINING THE MOMENTUM THROUGH VERTICAL FOCUS

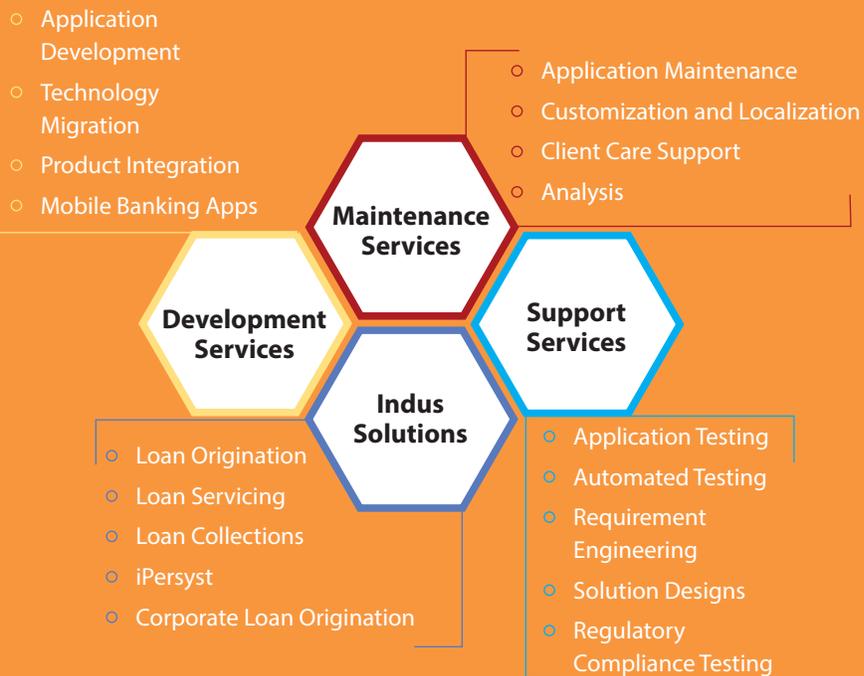
BFSI

Whether in Retail, Corporate Banking or Consumer Finance, our products and services enhance the efficiency and serviceability of banking and financial institutions, worldwide.

BFSI continues to be our second largest industry vertical

accounting for 15.35% share of revenues. With customers spread across the world, key users of these solutions are financial institutions across 25 countries. We also serve ISVs catering to BFSI domain with our OPD services using our time-tested model of iPLM.

R SYSTEMS' BFSI OFFERINGS:



Key new wins during FY2012

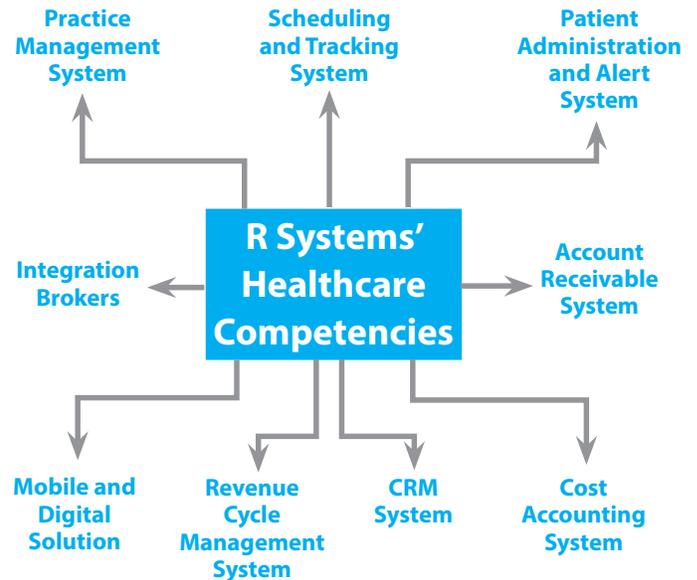
- India's largest systems integrator and R Systems' business partner has selected Indus Collection for a multi-country integrated implementation along with its banking solution for one of Turkey's oldest and largest banks.
- R Systems has won a multi-year engagement from one of India's largest credit card operations to manage its IT support operations covering application and infrastructure support.

HEALTHCARE

As the healthcare industry is endeavoring all the time to deliver superior and more efficient healthcare, it will rely more on technology to achieve its goals. Healthcare providers and vendors alike will invest in technology that facilitates more effective exchange of patient-related information between various stakeholders in the healthcare community; use of mobile technology and devices will especially be the areas of prime focus among others. However, the growing amount of digitized patient information will push the demand for more intelligent tools to leverage the clinical information for better results.

R Systems, with its focused approach and deep expertise in healthcare space, offers a broad spectrum of innovative healthcare solutions and services. Our healthcare offerings are based on a deep understanding of today's complex and dynamic healthcare industry. Our healthcare centre of excellence deploys best practices, deep technology expertise, and a global delivery model to deliver clients unparalleled services and solutions in tune with their diverse and unique needs.

R SYSTEMS' HEALTHCARE COMPETENCIES:



Key new wins during FY2012

- A UK-based healthcare company which operates highly regarded private hospitals selected R Systems to revamp its hospital administration system with new architecture, user interface and work flows to address the current and future requirements of its expanding hospital operations.
- In the US, one of the leaders in providing cost containment, program integrity and coordination of benefits solutions for government-funded and commercial healthcare entities has selected R Systems to re-engineer their Account Receivable System.

SUSTAINING THE MOMENTUM THROUGH VERTICAL FOCUS

MANUFACTURING AND LOGISTICS

The need to deploy cutting-edge technology is needed more than ever before in the manufacturing and logistics industry. This is because technology can immensely help these industry players to become more competitive, enhance productivity, sustain costs, and become more global in their dealings.

To facilitate this broad vertical, we offer solutions in the domains of Supply Chain Solutions, Enterprise Solutions and Custom-Built Solutions. These enable our customers from various industries to streamline their business processes and achieve greater efficiency and competitive value. We cater to clients dealing in manufacturing and logistics vertical through our subsidiary ECnet in Singapore, Malaysia, Thailand, China and other countries in the Asia-Pacific.





Key Wins during FY2012

- One of Malaysia's largest public enterprises selected R Systems subsidiary, ECnet Limited, to implement a financial consolidation and reporting solution along with corporate performance management solution.
- One of the leading manufacturer and suppliers of laminates in Malaysia has selected ECnet as their solutions provider to implement globally renowned and comprehensive ERP System to manage its complex manufacturing and distribution requirements.

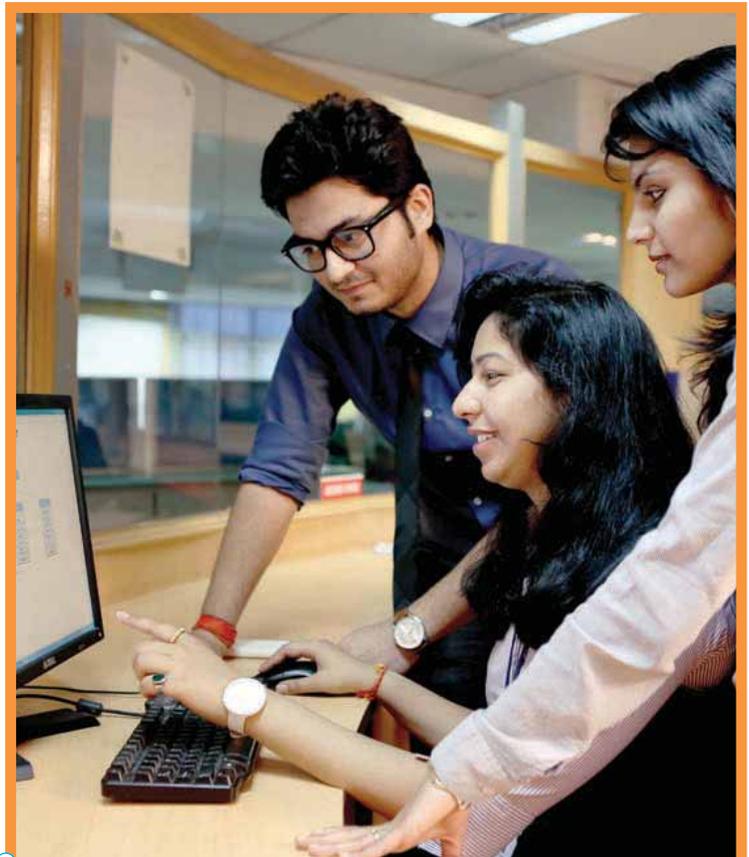
ENABLING CLIENTS TO STAY AHEAD THROUGH CONSTANT INNOVATION

Revealing our inherent strengths

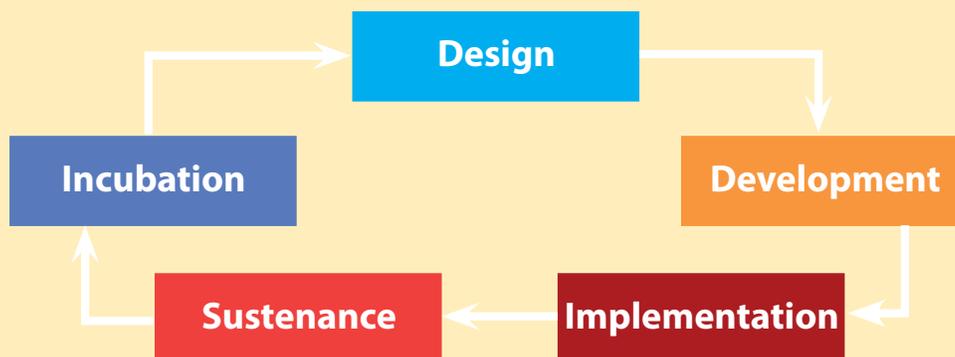
At R Systems, innovation is our key focus area. It is not simply a practice but an elemental component embedded within our organizational DNA. We believe innovation can enable clients to stay ahead and prepare them for the challenges of tomorrow.

We are constantly generating value for our customers through constant innovation and research and development. We have dedicated and well-resourced product and quality labs for research and development. In addition, we deploy strong training and competency development processes to spearhead projects in next-generation technologies.

We frequently engage with our existing and new clients to incubate, design, develop, implement and sustain products and applications for complex business challenges.

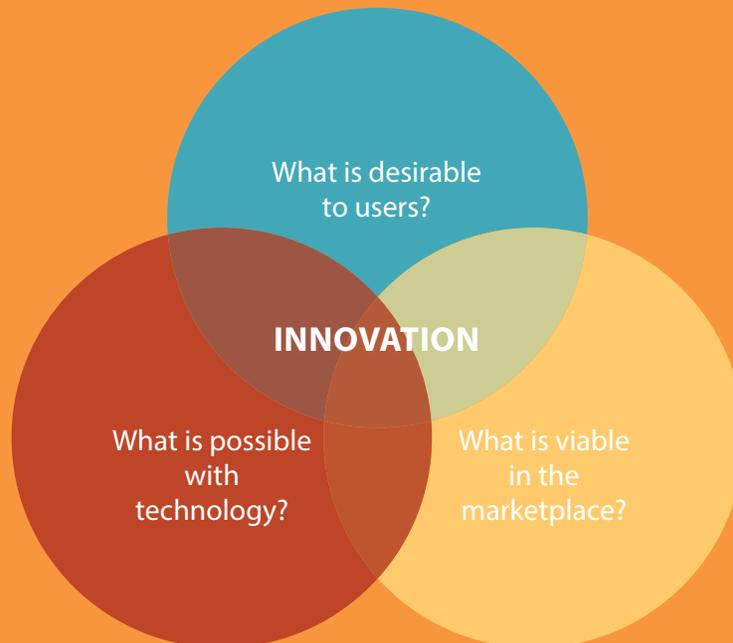


BRINGING INNOVATION THROUGH CONTINUOUS COLLABORATION



The Innovation Group at R Systems focuses on the following areas:

- **Technologies:** To explore emerging and niche technologies and create next-generation solutions for businesses to help them achieve competitive advantage
- **Business Opportunities:** To explore new business opportunities for R Systems through market intelligence and create value propositions for customers
- **Innovation in Delivery:** To provide exceptional value to customers through ensured delivery excellence



REVEALING OUR 20-YEAR QUALITY JOURNEY

We take pride in our ability to deliver world class services and products to our global customers. A combination of Six-Sigma practices and world class quality standards ensure that we deliver impeccable quality to our clients.

Our quality commitment is endorsed by the certifications we have earned: SEI CMMI Level 5, PCMM Level 5 (we are one of only two companies assessed in 2012 and the assessment has been accepted by the SEI, Carnegie Mellon University, Pittsburgh, USA), ISO 27001:2005, and ISO 9001:2008. Our continuing compliance with these standards demonstrates the strength of our processes and gives us a competitive edge in service and product offerings.



R SYSTEMS' QUALITY JOURNEY



2006
SEI-CMMI
Level 5 (Ver 1.1)

2004
Six Sigma
Roll-out

2003
SEI-CMM
Level 5

2002
SEI-CMM
Level 4

2002
ISO 9001:2000

1998
ISO 9001:1994

We look forward to our onward journey with the same unwavering pursuit of excellence.



This strong quality focus is also vindicated by the various awards and recognitions we received during the last two decades:

- Winner of **Rajiv Gandhi National Quality Awards** for the year 2011 in “**Large Scale Service Industry**” category. Awards declared in March 2013.
- Ranked as 5th “**Best IT Employer**” in DataQuest - CMR Best Employer Survey 2012.
- Ranked 5th in “**Exciting Emerging Companies to work for**”, a survey conducted in 2008 by NASSCOM, India.
- Ranked as 6th “**Best Employer**” by DataQuest-IDC.
- Awarded the “**HR Excellence Award**” at the “**Global HR Summit 2006**,” organized by Amity International Business School, Noida.
- Included amongst “**America’s 500 Fastest-Growing Private Companies**” for three consecutive years.
- Featured amongst “**India-Abroad Ventures International 100**”.
- Listed among “**Sacramento Business Journal’s Fastest Growing Companies**” for four consecutive years.

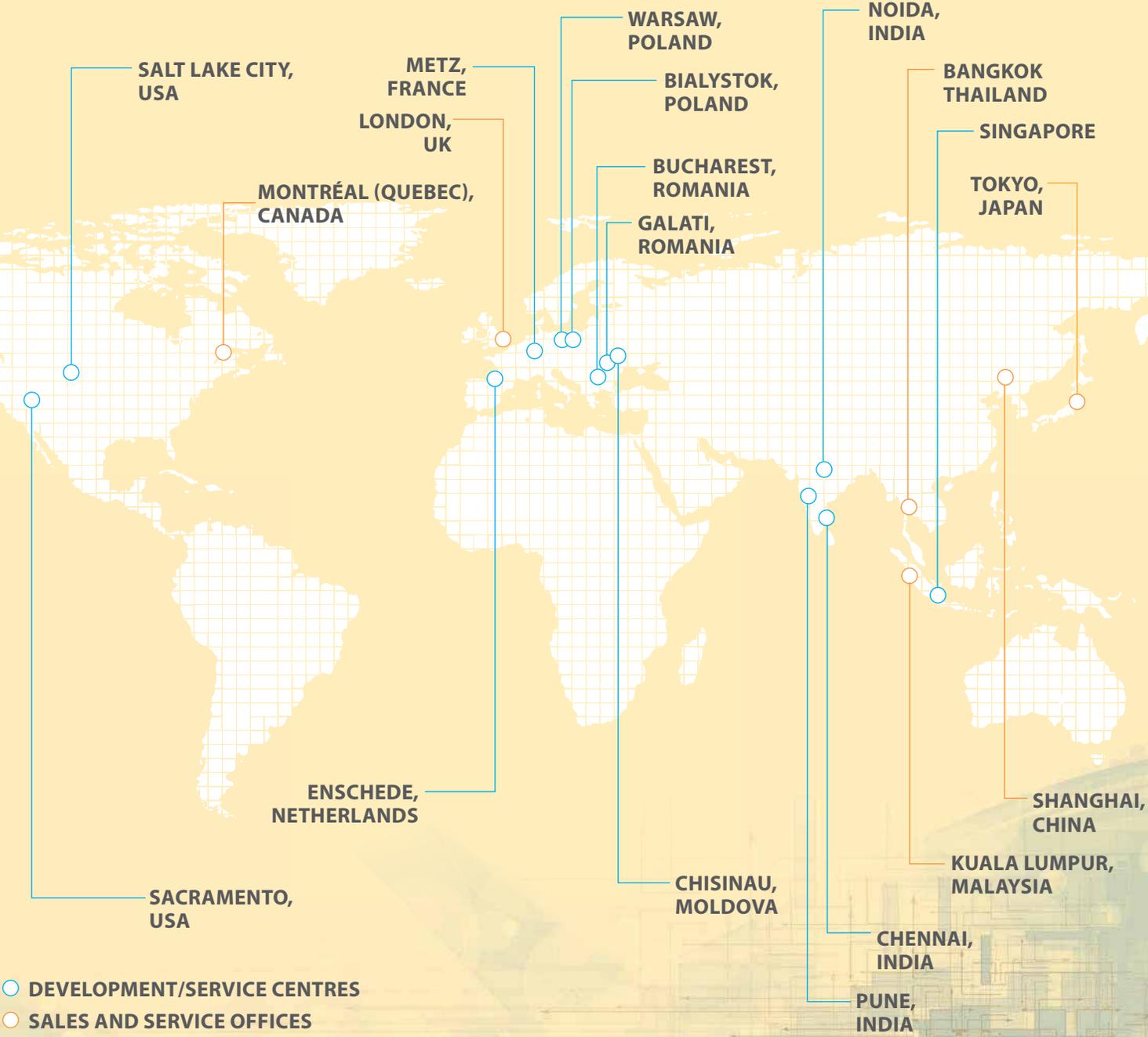
REVEALING OUR JOURNEY OF EXPANDING OUR GLOBAL FOOTPRINT

R Systems has been constantly expanding its global footprint over the years. We currently operate from 13 development and service centres spread across Noida, Chennai and Pune in India; Sacramento, California and Salt Lake City, Utah in USA; Singapore; Enschede in Netherlands; Metz in France; Bucharest and Galati in Romania; Warsaw and Bialystok in Poland and Chisinau in Moldova.



Using our global delivery model, we serve customers in the US, Europe, South America, the Far East, Middle East and Africa. Our expanded global reach enables us to optimize our services and solutions using near-shore and offshore delivery models, to the best interest of our ever-increasing clientele.

OUR GLOBAL FOOTPRINT COVERS 14 COUNTRIES ACROSS 3 CONTINENTS



*Map not to scale

REVEALING OUR PEOPLE CULTURE – NURTURED OVER 20 YEARS

At R Systems, we have initiated a work culture which “**offers boundless professional growth**” because we realize that our people are the foundation of our business. We endeavor to nurture our people and offer them opportunities to grow as individuals within the Company.



To facilitate a conducive work environment for our staff, which comprises engineers, non-technical resources and BPO specialists, we are constantly investing in improving our standard of people practices, quality standards, training, information security, frameworks, tools and methodologies. We are also proud of our open-door policy, which encourages employees to walk up to any level of management on any issues they feel strongly about.

In the year 2012, we initiated an employee development program to help in building strong professional and personal skills required for individual and organizational growth.

In June 2012, our largest IT and BPO centre at Noida was re-assessed at Level 5 of the People Capability Maturity Model (PCMM), a maturity framework that focuses on continuously improving the management and development of the human assets of an organization.

At the end of December 2012, our knowledge organization had a staff strength exceeding 2500. Our delivery team largely comprises qualified professionals and specialists, most of them being Engineers and Post Graduates.



REVEALING OUR WAY OF SERVING THE COMMUNITY AROUND US!

Corporate Social Responsibility (CSR) lies at the heart of our vision. Since inception, R Systems is constantly endeavoring to bring about a positive difference to communities where we exist. We believe in sharing the fruits of our success with less-privileged members of our communities, while ensuring that our CSR initiatives are meaningful, sustainable and have far-reaching benefits. Our CSR initiatives are spread across diverse geographies.

One of our largest initiatives is our popular community program called SAKSHAM. This program addresses the basic needs of



the needy, physically disabled and abandoned children. The SAKSHAM program thrives on the goal of promoting child development into healthy, educated, empowered and self-driven individuals. The program meets the basic needs of food, housing, sanitation and hygiene, education, and clothing for children, as well as college students in different regions of India.



SAKSHAM has an open source model and is sustained with the help of local NGOs, educational institutions, hospitals, orphanages and voluntary organizations. Following are the activities of the SAKSHAM program:

- Through a monthly contribution, SAKSHAM fund provides support to the Annapurna Pariwar in Pune, to support the needy children through their Child Development Program.
- 10 brilliant students coming from financially challenged families are supported every year by SAKSHAM fund. The students are selected and adopted for the program from the Friends of Children (FOC) NGO in Pune.
- We have contributed to the Good Life Centre, Chennai Housing, which supports the educational needs of 45 intellectual and disabled children studying in the Tenth standard.
- Warm clothing was distributed during winters to the needy children of the Pediatric wards of Sassoon General Hospital. The ward was also supported by contributions to purchase medical equipment and renovation of the wards.
- Hermann Gmeiner Social Centre provides education and food to abandoned children, who resort to begging or selling on the streets. We support the Mid-Day Meals for these children.



The Saksham team also reviews requests for financial support in needy cases and alleviates some of the financial burden of medical treatment. During the year, four patients were supported.

Our initiatives with engineering colleges help students to connect their academic education with the actual use of technology in the industry. We established three centres of Excellence in different regions of India, to provide engineering students with the required skills, tools and techniques to succeed in the constantly changing business environment. The following engineering colleges have partnered with us in this initiative:

- RD Engineering College in Ghaziabad, Uttar Pradesh (Mobility Domain)

- Hi Tech Engineering College in Ghaziabad, Uttar Pradesh (Telecom Domain)
- Doaba Engineering College in Mohali, Punjab (.Net Domain)

Engineering students in these colleges are offered exposure to real-time software development projects under the able guidance of our project managers. Such practical exposure enables engineering students to increase their employability index, quickly adapt to IT organizations when they join employers, and also get prepared for the emerging challenges of the industry. R Systems is in the process of expanding this association to more educational institutions.



REVEALING OUR WAY OF SERVING THE COMMUNITY AROUND US!

R Systems' largest development centre at Noida organized a large blood donation camp in October 2012. The blood camp was organized in association with the premier All India Institute of Medical Sciences (AIIMS), New Delhi. Appreciating the success of the blood camp, AIIMS has already worked out a roadmap for organizing similar blood camps in coordination with R Systems.

Computaris, our company based in Europe, undertook several CSR initiatives. The Computaris team implemented a recycling system for recycling paper, depreciated equipment and plastic bottles. In addition, they have also been regularly participating in tree plantation drives.





In a move to help the needy and orphan children, Computaris also organized a charitable auction in our Bucharest office on the occasion of International Children's day. The proceeds of the auction of toys, jewelry, postcards, paintings, books and photographs were used to buy sweets, clothes, shoes, toys, and TVs for the children of Pinocchio Orphanage in Bucharest.

To support medical innovations for children, Computaris employees participated in a very challenging competition organized by the Action Medical Research. The competition involved ascending and descending the three highest mountains in Scotland, England and Wales – Ben Nevis, Scafel Pike, and Mount

Snowdon. Computaris has been at the forefront of many such interesting CSR initiatives, which include celebrating cake days and civic beautification.

R Systems, along with its subsidiaries, is on its way to bring a positive change in this world to make it a better place for individuals to live and grow. In the coming years, R Systems endeavors to sustain its CSR efforts and meaningfully expand its collaboration with charitable organizations, NGOs, partners and employees. As a global organization, we remain strongly committed to Corporate Social Responsibility to bring about a positive change in the communities around us.

ACCOLADES, IN WORDS, AT THIS 20-YEAR JUNCTURE

Voice of our Global Clients

“Very encouraging words about Recoveries. Nice job! Great news, thank you for the effort. This would not have happened without your hard work and dedication.”

**Leading IT Company offering
healthcare solutions**

“I would like to thank each of you for all the effort and support and for creating a brilliant collection system. Really appreciate all the efforts taken to ensure such a smooth and timely implementation.”

**Leading Automobile Company
for consumer lending product**

“Excellent work and please keep it up!! Our end customer is impressed with our professionalism and we need to build on this (even if we all know they are difficult at times.)”

**A leading IT Company offering solutions
to telecommunication service providers**



“We had a rather high profile issue with a complex WAS8 installation. The Convergence team provided fantastic 3rd level support to get us back on line. If you could please pass on my thanks, that would be appreciated.”

**Leading Financial Client
for support**

“Congratulations to the IPTV and ITV teams for reaching this major milestone! Well done!!!”

**Software Company offering digital
rights management systems**

DIRECTORS' REPORT

Dear Shareholders,

Your directors take great pleasure in presenting the Nineteenth Annual Report on the business and operations of R Systems International Limited ("R Systems" or the "Company") together with the audited statements of accounts for the year ended December 31, 2012.

1. FINANCIAL RESULTS

a. Standalone financial results of R Systems

(Rs. in lakhs)

Particulars	Financial Year ended	
	31.12.2012	31.12.2011
Total income	23,314.88	19,768.03
Profit before depreciation, exceptional items and tax	3,696.62	1,671.59
Less : Depreciation and amortisation	624.01	881.24
Profit before tax	3,072.61	790.35
Less : Current tax (net of MAT credit)	954.02	477.24
Less : Deferred tax	65.82	(333.40)
Profit after tax	2,052.77	646.51
Surplus in the statement of profit and loss		
Balance as per last financial statements	8,050.09	7,982.43
Add: Profit for the current year	2,052.77	646.51
Less: Appropriations		
Proposed dividend	939.05	443.41
Tax on proposed dividend	152.34	70.79
Final dividend*	3.50	-
Tax on final dividend*	0.57	-
Interim dividend	1,991.95	-
Tax on interim dividend	323.14	-
Transfer to general reserve	595.29	64.65
Total appropriations	4,005.84	578.85
Net surplus in the statement of profit and loss	6,097.02	8,050.09

*It relates to final dividend paid for the year 2011, on account of 97,220 additional equity shares issued under ESOP after the approval of previous year accounts but before the book closure dates.

b. Consolidated financial results of R Systems and its subsidiaries

(Rs. in lakhs)

Particulars	Financial Year ended	
	31.12.2012	31.12.2011
Total income	47,001.32	41,505.98
Profit before depreciation, exceptional items and tax	3,894.30	3,403.76
Less : Depreciation and amortisation	1,008.94	1,311.85
Profit before tax	2,885.36	2,091.91
Less : Current tax (net of MAT credit)	949.86	857.44
Less : Deferred tax	99.30	(416.78)
Profit after tax	1,836.20	1,651.25
Surplus in the statement of profit and loss		
Balance as per last financial statements	7,991.05	6,918.65
Add: Profit for the current year	1,836.20	1,651.25
Less: Appropriations		
Proposed dividend	939.05	443.41
Tax on proposed dividend	152.34	70.79
Final dividend*	3.50	-
Tax on final dividend*	0.57	-
Interim dividend	1,991.95	-
Tax on interim dividend	323.14	-
Transfer to general reserve	595.29	64.65
Total appropriations	4,005.84	578.85
Net surplus in the statement of profit and loss	5,821.41	7,991.05

Previous Year figures have been regrouped / recasted, wherever necessary.

2. RESULTS OF OPERATIONS

Standalone Accounts

- Total income during the year 2012 increased to Rs. 23,314.88 lakhs as against Rs. 19,768.03 lakhs during the year 2011, a growth of 17.94%.
- Profit after tax was Rs. 2,052.77 lakhs during the year 2012 as compared to Rs. 646.51 lakhs during 2011, a growth of 217.51%.
- Basic earnings per share was Rs. 16.50 for the year 2012 as compared to Rs. 5.25 for the year 2011, a growth of 214.35%.

Consolidated Accounts

- Consolidated total income during the year 2012 increased to Rs. 47,001.32 lakhs as against Rs. 41,505.98 lakhs during the year 2011, a growth of 13.24%.
- Profit after taxes was Rs. 1,836.20 lakhs during the year 2012 as compared to Rs. 1,651.25 lakhs during 2011, a growth of 11.20%.
- Basic earnings per share were Rs. 14.76 for the year 2012 as compared to Rs. 13.41 for the year 2011, a growth of 10.12%.

3. APPROPRIATIONS AND RESERVES

Dividend

The Board of Directors on the occasion of Company having entered into 20th year of its business since incorporation, at its meeting held on May 18, 2012 declared the special dividend in the form of interim dividend at the rate of Rs. 16/- (Rupees Sixteen only) per equity share of Rs. 10/- each.

Taking into consideration the operating profits for the year 2012 and a positive outlook for the future, the Board of Directors (the "Board") is pleased to recommend a final dividend of Rs. 7.50 per equity share, being 75% on the par value of Rs. 10 per share (previous year Rs. 3.60 per share, being 36% on the par value of Rs. 10 per share), to be appropriated from the profits of the Company for the financial year 2012 subject to the approval of the shareholders at the ensuing Annual General Meeting. The dividend, if approved, will be paid to all the equity shareholders whose names appear in the Register of Members of the Company as of the opening business hours on May 03, 2013 after giving effect to all valid share transfers in physical form which would be received by the Company's registrar and share transfer agent M/s Link Intime India Private Limited up to the end of business hours on, May 02, 2013 and to those whose names appear as beneficial owners in the records of National Securities Depository Limited ("NSDL") and Central Depository Services (India) Limited ("CDSL") as of the said date.

The register of members and share transfer books shall remain closed from May 03, 2013 to May 11, 2013, both days inclusive.

Transfer to Reserves

It is proposed to transfer a sum of Rs. 20,527,701/- (Rupees Two Crore Five Lakhs Twenty Seven Thousand Seven Hundred and One only) from the current year profit and Rs. 39,001,591/- (Rupees Three Crore Ninety Lakh One Thousand Five Hundred and Ninety One only) from the carried forward surplus in Statement of Profit and Loss to the

General Reserve in compliance with the Companies (Transfer of Profits to Reserves) Rules, 1975.

4. BUSINESS

R Systems is a leading provider of outsourced product development services, business process outsource services and also offers own product suite in BFSI, Manufacturing & Logistic verticals. R Systems diversified offering includes:

iPLM Services Group

Under IPLM Services, R Systems delivers solutions and services in the area of Information Technology and Information Technology enabled services. The IT services cover application development, systems integration and support and maintenance of applications. Under the ITES we cover managed services, BPO services covering both technical support for IT and Hi-Tech electronic gadgets, high-end Quality Process Management and Revenue and Claims Management using our global delivery model in 18 languages.

Products Group

R Systems products group consists of Indus solutions and ECnet Supply Chain products.

Indus solutions offerings include an integrated enterprise multi-portfolio lending suite for banking and financial services, credit management and revenue collection for telecom companies, iPerSyst for insurance companies which helps in timely policy renewal and customer retention along with other IT services to banking and financial service clients.

ECnet Supply Chain products provide solutions for holistic management of the complex interaction between an organisation and its trading partners. The integrated solution aims to reduce all supply chain costs through improved collaboration and optimisation.

R Systems is focused on key business verticals - Telecommunication and Digital Media, BFSI, Hi-Tech Manufacturing and Logistics, Government and Health Care and invested in building capabilities and domain knowledge around these focused verticals. This has helped in providing innovative and cost efficient solutions or services under chosen verticals.

Customers and Delivery Centres

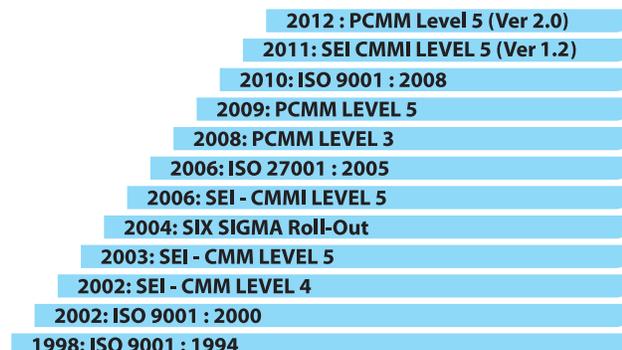
R Systems rapidly growing customer list includes a variety of Fortune 1000, government and mid-sized organizations across a wide range of industry verticals including Banking and Finance, High Technology, Independent Software

Vendors, Telecom and Digital Media, Government, HealthCare, Manufacturing and Logistic Industries. R Systems maintains thirteen 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.

There were no changes in the nature of the Company's business and generally in the classes of business in which the Company has an interest and in the business carried on by the subsidiaries during the year under review. For details of Company's subsidiaries please refer note number 14 relating to subsidiaries.

5. QUALITY

R Systems has continuously invested in processes, people, training, information systems, quality standards, frameworks, tools and methodologies to mitigate the risks associated with execution of projects. Adoption of quality models and practices such as the Software Engineering Institute's - Capability Maturity Model Integrated (SEI-CMMi) and Six Sigma practices for processes have ensured that risks are identified and mitigated at various levels in the planning and execution process. R Systems journey for various quality certifications / standards for the development and service centres in India is provided below:



In the year 2012, Noida centre of the Company is appraised at PCMM Level 5 (Ver 2.0).

As of the date of this report, Noida IT centre is SEI-CMMi level 5, PCMM Level 5, ISO 9001 : 2008 and ISO 27001 : 2005 certified; Noida BPO centre is PCMM Level 5, ISO 9001 : 2008 and ISO 27001 : 2005 certified. Pune and Chennai development centres are SEI-CMM Level 5, ISO 9001 : 2008 and ISO 27001 : 2005 certified. The continuing compliance with these standards demonstrates the rigor of R Systems processes and differentiates us to keep our competitive edge in service and product offerings.

To maintain and strengthen competitive strengths, R Systems continues to make investments in its unique and proprietary



with best practices, tools and methodologies for flawless execution and consistent delivery of high quality software. The pSuite framework offers services along the entire software lifecycle that includes technology consulting, architecture, design and development, professional services, testing, maintenance, customer care and technical support. R Systems expects that its technology focus, investment in processes, talent and methodologies will enable it to distinguish itself from competition as it seeks to provide services to technology / product companies.

6. ACQUISITION

During the year under review, ECnet Limited, Singapore, a 99.56% subsidiary of the Company has entered into definitive agreement with Nikko Computer Systems (s) Pte Ltd. (NCS) for acquisition of its ERP business. This acquisition has been completed by ECnet Limited, Singapore on March 13, 2013.

NCS provides ERP implementation and support services primarily to Japanese companies located in Singapore and Malaysia. This business acquisition will strengthen our ERP business and customer base in South East Asia under our subsidiary ECnet Limited, Singapore. The acquisition will provide a good Japanese client base and help to grow our business in the South East Asia region.

7. DIRECTORS

During the year under review, the following changes took place in the office of directors of the Company.

Lt. Gen. Baldev Singh (Retd.) and Mr. Raj Swaminathan were reappointed as directors liable to retire by rotation and Lt. Gen. Baldev Singh (Retd.) was further re-appointed as President & Senior Executive Director of the Company for a period of three years w.e.f. April 01, 2012 at the previous Annual General Meeting held on May 04, 2012.

The Board of Directors at its meeting held on July 28, 2012 has appointed Mr. Anuj Kanish as an alternate Director to Mr. Gurbax Singh Bhasin. Further, at the meeting of Board of Directors held on September 16, 2012 Mr. Raj Swaminathan has been re-appointed as Director & Chief Operating Officer of the Company for a period of three years i.e. w.e.f. September 29, 2012 to September 29, 2015 subject to the approval of the Central Government, if applicable and the shareholders at the ensuing Annual General Meeting of the Company.

At the ensuing Annual General Meeting, Mr. Raj Kumar Gogia and Mr. Gurbax Singh Bhasin directors of the Company are liable to retire by rotation in accordance with the provisions of Section 255 and 256 of the Companies Act, 1956 read

with the Articles of Association of the Company and being eligible, offer themselves for reappointment as directors of the Company.

None of the directors of the Company are disqualified as per the provisions of Section 274(1)(g) of the Companies Act, 1956. The directors of R Systems have made necessary disclosures, as required under various provisions of the Act and Clause 49 of the Listing Agreement.

8. EMPLOYEES STOCK OPTION PLANS / SCHEMES

The industry in which R Systems operates is people intensive and R Systems believes that human resources play a pivotal role in the sustainability and growth of the Company. R Systems has always believed in rewarding its employees with competitive compensation packages for their dedication, hard work, loyalty and contribution towards better performance of the Company. To enable more and more employees to be a part of the financial success of the Company, retain them for future growth and attract new employees to pursue growth, R Systems has set up employees stock option plans / schemes from time to time for its employees and for the employees of its subsidiaries. As on the date of this report, the prevailing stock option plans of R Systems are as follows:

(a) R Systems International Ltd. - Year 2004 Employee Stock

Option Plan : For the employees of R Systems and its subsidiaries other than ECnet Limited.

(b) R Systems International Ltd. - Year 2004 Employee Stock Option Plan – ECnet : For the employees of ECnet Limited, a subsidiary of R Systems.

(c) Indus Software Employees Stock Option Plan - Year 2001 : Initially formulated for the employees of Indus Software Private Limited which got amalgamated with R Systems and the plan continues as per the scheme of amalgamation approved by the Hon'ble High Courts of Delhi and Mumbai. As on the date of this report, no stock options are in force under this plan.

(d) R Systems International Limited Employee Stock Option Scheme 2007 : For the employees of R Systems and its subsidiaries.

As required under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme), Guidelines, 1999 as amended, details relating to options approved, granted, vested, exercised, lapsed, in force etc. under the prevailing employees stock option plans / schemes during the year ended December 31, 2012 are as follows:

S. No.	Particulars	R Systems International Ltd. Year - 2004 Employee Stock Option Plan	R Systems International Ltd. - Year 2004 Employee Stock Option Plan - ECnet	Indus Software Employees Stock Option Plan Year 2001	R Systems International Limited Employee Stock Option Scheme 2007
		(a)	(b)	(c)	(d)
a.	Total number of shares covered under the plan	199,500	200,000	73,898	650,000
b.	Pricing Formula	Prevailing Price once the Company's shares are listed and at the Fair Market Value as per the terms of R Systems International Ltd. - Year 2004 Employees Stock Option Plan on the date such option is granted when the Company's shares are not listed.	Prevailing Price once the Company's shares are listed and at the Fair Market Value as per the terms of R Systems International Ltd. - Year 2004 Employees Stock Option Plan - ECnet on the date such option is granted when the Company's shares are not listed.	As approved under the "Scheme of Amalgamation" of Indus Software Private Limited with the Company by the Hon'ble High Courts of Delhi and Mumbai.	"Exercise Price" means the market price which is payable for exercising the options and "Market Price" means the latest available closing price, prior to the date of the meeting of the Board of Directors / Compensation Committee, in which options are granted, on the stock exchange on which the shares of the Company are listed. If the shares are listed on more than one stock exchange, then the stock exchange where there is highest trading volume on the said date shall be considered.
c.	Options granted during the year	Nil	Nil	Nil	Nil
d.	Options vested during the year	Nil	Nil	Nil	Nil

S. No.	Particulars	R Systems International Ltd. Year - 2004 Employee Stock Option Plan	R Systems International Ltd. - Year 2004 Employee Stock Option Plan - ECnet	Indus Software Employees Stock Option Plan Year 2001	R Systems International Limited Employee Stock Option Scheme 2007
		(a)	(b)	(c)	(d)
e.	Options exercised during the year	Nil	Nil	Nil	203,822
f.	The total number of shares arising as a result of exercise of options during the year	Nil	Nil	Nil	203,822
g.	Options lapsed during the year	5,890	600	Nil	15,500
h.	Variation of terms of options during the year	Nil	Nil	Nil	Nil
i.	Money realised by exercise of options during the year (Rs.)	Nil	Nil	Nil	24,601,315.40
j.	Total number of options in force at the end of the year	56,035	6,200	Nil	255,678
k.	Employee wise details of options granted to (during the year)				
(i)	Senior managerial personnel	Nil	Nil	Nil	Nil
(ii)	Any other employee who receives a grant in any one year of options amounting to 5% or more of options granted during that year	Nil	Nil	Nil	Nil
(iii)	Identified employees who were granted options, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	Nil	Nil	Nil	Nil
l.	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of options	N.A.	N.A.	N.A.	16.50

Please note that the details given above for plan (a), (b) and (c) are after making the required adjustments in relation to consolidation of each of the 5 equity shares of Rs. 2 each into 1 equity share of Rs. 10 each as approved by the shareholders in the year 2006.

During the year ended December 31, 2012, R Systems had not granted any options under any of the aforementioned plans.

All options granted under Indus Software Employees Stock Option Plan - Year 2001 have already been vested

and exercised or lapsed and no options were in force as on December 31, 2012.

For options granted during the earlier years under plan (a), (b) and (c), R Systems used the fair value of the stock options for calculating the employees compensation cost.

For the purpose of valuation of the options granted during earlier years, the management obtained fair value of the options at the date of grant under respective schemes from a firm of Chartered Accountants, to determine accounting impact, if any, of options granted over the periods. In the considered opinion of the valuer, the fair value of option determined using 'Black Scholes Valuation Model' under each of above schemes is "Nil" and thus no accounting thereof is required.

The assumptions used for the purpose of determination of fair value are stated below:

Assumptions	Unit	Scheme (a) *	Scheme (b) **	Scheme (c)***	Comments by the valuer
Strike price	Rs.	42	154	26	
Current share price	Rs.	16	140	16	Taken on the basis of NAV and PECV method of valuation.
Expected option life	No. of Years	5	2.5	5	Being half of the maximum option life.
Volatility	%	1	0.5	1	In case of unlisted shares, the volatility may be taken as zero. Verma committee also recommends this.
Risk free return	%	7	11.3	7	Zero coupon rate estimated from trading government securities for a maturity corresponding to expected life of option - taken from sites of NSE and / or BSE.
Expected dividend Yield	%	-	15	-	Company has no set policy so dividend taken as zero. In case of Indus plan, as the dividend had been paid by the erstwhile company, it has been assumed at 15%.

* R Systems International Ltd. - Year 2004 Employee Stock Option Plan under which the price was based on Rs. 2 per share.

** Indus Software Employees Stock Option Plan - Year 2001 under which originally the price was based on Rs. 10 per share for 21,967 shares. As a result of amalgamation of Indus Software Private Limited into R Systems, R Systems had issued 206,822 equity shares of Rs. 2 each pursuant to the swap ratio approved by Hon'ble High Courts of Delhi and Mumbai.

*** R Systems International Ltd. - Year 2004 Employee Stock Option Plan - ECnet under which the price was based on Rs. 2 per share.

The above information is based on Rs. 2 per share prior to consolidation of 5 equity shares of Rs. 2 each into one equity share of Rs. 10 and subsequent allotment of bonus shares in the ratio of 1 : 1.

Further, for the purpose of valuation of the options granted during the year 2005 under R Systems International Ltd. - Year 2004 Employee Stock Option Plan, the management obtained fair value of the options at the date of grant from a firm of Chartered Accountants, to determine accounting impact, if any, of options granted. In the considered opinion of the valuer, the fair value of these options determined using 'Black Scholes Valuation Model' is "Nil" and thus no accounting thereof is required.

The assumptions used by the valuer for the purpose of determination of fair value are stated below:

Assumptions	Unit	Scheme	Comments by the valuer
Strike price	Rs.	42	
Current share price	Rs.	13.58	Taken on the basis of NAV and PECV method of valuation.
Expected option life	No. of Years	5	Being half of the maximum option life.
Volatility	%	1	In case of unlisted shares, the volatility may be taken as zero. Verma committee also recommends this.
Risk free return	%	7.42	Zero coupon rate estimated from trading government securities for a maturity corresponding to expected life of option - taken from sites of NSE.
Expected dividend Yield	%	-	Company has no set policy so dividend taken as zero.

The above information is based on Rs. 2 per share prior to consolidation of 5 equity shares of Rs. 2 each into one equity share of Rs. 10 and subsequent allotment of bonus shares in the ratio of 1 : 1.

For the purpose of valuation of the options granted during the year ended December 31, 2007 under R Systems International Limited Employee Stock Option Scheme 2007, the compensation cost relating to Employee Stock Options, calculated as per the intrinsic value method is nil.

The management obtained fair value of the options at the date of grant from a firm of Chartered Accountants. In the considered opinion of the valuer, the fair value of these

options determined using 'Black Scholes Valuation Model' is "Rs. 50.73" per option.

The assumptions used by the valuer for the purpose of determination of fair value are stated below:

Assumptions	Unit	Scheme	Comments by the valuer
Strike price	Rs.	120.70	
Current share price	Rs.	118.50	Price on the date of grant by Board of Directors i.e. closing price on July 11, 2007.
Expected option life	No. of Years	4	Being the vesting period.
Volatility	%	44	On the basis of industry average.
Risk free return	%	7	Zero coupon rate estimated from trading government securities for a maturity corresponding to expected life of option - taken from site of NSE.
Expected dividend Yield	%	0.86	Company has declared Dividends of 12% in the past. Assuming that it will continue declaring similar dividends in future.

The stock based compensation cost calculated as per the intrinsic value method for the financial year 2011 and 2012 was nil. If the stock based compensation cost was calculated as per fair value method prescribed by SEBI, the total cost to be recognised in the financial statements for the year 2012 would be Rs. (-)786,296/- (Previous year Rs. (-)585,874/-). The effect of adopting the fair value method on the net income and earnings per share is presented below:

Pro Forma adjusted Net Income and Earnings Per Share

(Amount in Rs.)

Particulars	Year ended December 31, 2012	Year ended December 31, 2011
Net Income as reported	205,277,009	64,651,348
Add : Intrinsic Value Compensation Cost	-	-
Less : Fair Value Compensation Cost*	(786,296)	(585,874)
Adjusted Pro-forma Net Income	206,063,305	65,237,222
Earnings Per Share		
Basic		
- As reported	16.50	5.25
- Proforma	16.57	5.30
Diluted		
- As reported	16.50	5.19
- Proforma	16.57	5.24

*Figures in brackets represent income due to options lapsed during the year.

Weighted average exercise price of options granted during the year

S. No.	Particulars	Scheme (a)	Scheme (b)	Scheme (c)	Scheme (d)
1.	Exercise price equals market price	N.A.	N.A.	N.A.	N.A.
2.	Exercise price is greater than market price	N.A.	N.A.	N.A.	N.A.
3.	Exercise price is less than market price	N.A.	N.A.	N.A.	N.A.

Weighted average fair value of the options granted during the year

S. No.	Particulars	Scheme (a)	Scheme (b)	Scheme (c)	Scheme (d)
1.	Exercise price equals market price	N.A.	N.A.	N.A.	N.A.
2.	Exercise price is greater than market price	N.A.	N.A.	N.A.	N.A.
3.	Exercise price is less than market price	N.A.	N.A.	N.A.	N.A.

Scheme (a): R Systems International Ltd. - Year 2004 Employee Stock Option Plan.

Scheme (b): Indus Software Employees Stock Option Plan -Year 2001.

Scheme (c): R Systems International Ltd. - Year 2004 Employee Stock Option Plan -ECnet.

Scheme (d): R Systems International Limited Employee Stock Option Scheme 2007.

As no options are granted during the year under Scheme (a), Scheme (b), Scheme (c) and Scheme (d), hence the required information is not applicable.

9. LIQUIDITY AND BORROWINGS - CONSOLIDATED FINANCIAL STATEMENT

Cash and bank balance, including bank deposits as of December 31, 2012 was Rs. 8,893.91 lakhs against Rs. 9,495.54 lakhs as of December 31, 2011. Decrease was mainly on account of payment of special dividend in the form of interim dividend along with the first earn out payment to the ex-shareholder of subsidiary as offset by cash generated from operations during the year. The cash and bank balance per share as of December 31, 2012 was Rs. 71.46 against Rs. 77.56 as of December 31, 2011.

The consolidated cash and cash equivalent as at December 31, 2012 were Rs. 5,241.42 lakhs as against Rs. 5,719.82 lakhs as on December 31, 2011. Net cash generated from operating activities was Rs. 3,451.84 lakhs for the year ended

December 31, 2012 compared to Rs. 3,391.84 lakhs for the year ended December 31, 2011.

Cash flow generated from operating activities is the significant source of funding for investing and financing activities.

During the year, R Systems paid Rs. 1,121.47 lakhs deferred compensation to the ex-shareholder of a subsidiary, Rs. 858.73 lakhs for the purchase of fixed assets. The interest received during the year 2012 was Rs. 445.91 lakhs against Rs. 552.05 lakhs during the year 2011.

Cash used in financing activities during the year 2012 was Rs. 2,603.18 lakhs mainly due to payment of dividend of Rs. 2,432.90 lakhs (including special dividend in the form of interim dividend) and Rs. 395.64 lakhs for dividend distribution tax as offset by proceeds from issuance of share capital pursuant to exercise of employee stock options amounting to Rs. 246.01 lakhs.

R Systems' policy is to maintain sufficient liquidity to fund the anticipated capital expenditures, operational expenses and investments for strategic initiatives.

R Systems has a credit facility from the Axis Bank amounting to Rs. 1,850 lakhs (including non-fund based credit limit of Rs. 1,050 lakhs). As at December 31, 2012, the total credit balance was nil under the said line of credit. The total liability of R Systems for motor vehicles purchased against the loan was Rs. 56.32 lakhs as at December 31, 2012. R Systems primary bankers in India are Axis Bank, State Bank of India, ICICI Bank Limited and HDFC Bank Limited. In U.S.A., U.K., Singapore, Netherland and Japan, the primary bankers are California Bank & Trust, Natwest Bank, Citibank N.A., ABN Amro Bank N.V. and Sumitomo Mitsui Banking Corporation respectively.

10. CHANGES IN THE CAPITAL STRUCTURE

As of December 31, 2012, the authorised share capital of the Company was Rs. 200,000,000 divided into 20,000,000 equity shares of Rs. 10 each and the issued, subscribed and paid up share capital was Rs. 125,207,080/- divided into 12,520,708 equity shares of Rs. 10 each. During the year under review, the Company has allotted 203,822 equity shares of Rs. 10/- each pursuant to exercise of Stock Options under R Systems International Limited Employee Stock Options Scheme 2007, at an exercise price of Rs. 120.70 per share.

Further subsequent to the year end, the Company has allotted 50,100 equity shares of Rs. 10/- each on February 22, 2013 at a price of Rs. 120.70 per equity share pursuant to exercise of options by employees of the Company in terms of R Systems

International Limited Employee Stock Option Scheme 2007. With the said allotment, the paid-up capital of the Company stands increased to Rs. 125,708,080/- divided into 12,570,808 fully paid up equity shares of Rs. 10/- each.

11. CORPORATE RESTRUCTURING

Pursuant to the scheme of corporate restructuring of its two subsidiaries based in Singapore for their revival and growth namely, ECnet Limited and R Systems (Singapore) Pte Limited as was approved by the Board of your company, loan given by the Company to ECnet Limited has been converted into equity investment during the previous year i.e. 2011. Further implementation of the said corporate restructuring is under process.

Following the corporate restructuring strategy for growth, earlier the Board has also approved liquidation of R Systems NV, Belgium (wholly owned subsidiary) and closure of Branch Office of the Company in London, United Kingdom, subject to required statutory and corporate approvals in India and the respective countries and the same is under process.

12. MATERIAL CHANGES AFFECTING THE FINANCIAL POSITION OF THE COMPANY

Further to the year-end 2012, the Company has allotted 50,100 equity shares of Rs. 10/- each at a price of Rs. 120.70 per share pursuant to the exercise of stock option by employees under "R Systems International Limited Employee Stock option Scheme 2007". With this allotment, the paid-up equity capital of the Company has increased to Rs. 125,708,080/- divided into 12,570,808 fully paid up equity shares of Rs. 10/- each.

Except as detailed above, there were no other significant events subsequent to the balance sheet date till the date of this report which would materially affect the financial position of the Company.

13. PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars as prescribed under Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 for the year ended December 31, 2012 are as follows:

A. Conservation of Energy

During the year ended December 31, 2012 R Systems continued its' action plans to curtail the energy bills by adopting various energy conservation options / technologies as identified by Federation of Indian Chambers of Commerce & Industry ("FICCI") through a detailed Energy Audit carried

out by FICCI for R Systems Noida operations in the year 2007. Significant measures were taken to reduce energy consumption by using energy efficient equipment and devices. R Systems constantly evaluates new technologies and makes appropriate investments to be energy efficient. Currently, the Company uses CFL fittings and electronic ballasts to reduce power consumption of fluorescent tubes. The air is conditioned with energy efficient compressors for central air conditioning and with split air conditioning for localized areas. R Systems is always in search of innovative and efficient energy conservation technologies and applies them prudently. However, R Systems being in the software industry, its operations are not energy intensive and energy costs constitute a very small portion of the total cost, therefore, the financial impact of these measures is not material.

Form A of the said Rules is not applicable to the software industry.

B. Technology Absorption

The particulars with respect to technology absorption are given below:

(a) Research and Development (R & D)

1. Specific areas in which R & D carried out by the Company

R Systems continues to invest in developing new versions of its proprietary products to operate in different environments and in developing new tools in CRM, RMA and other processes to serve the customers. In addition, R Systems carries out research, makes investment in developing new prototypes in varied areas like digital media, mobility, WiMax etc. to demonstrate to its clients.

2. Benefits derived as a result of the above R & D

Research and development has helped R Systems in fulfilling clients' needs, winning new engagements from existing clients, winning new customers, growing revenues and enhancing the quality of services. We have been benefitted in product improvement, cost reduction, better product development, import substitution etc. which has resulted in high product quality and increased business potential.

3. Future plan of action

The Company continues to focus its efforts on innovations in software development processes, methodologies and tools.

4. Expenditure on R & D

The Company's R & D activities are part of its normal software development process. There is no separate R & D department and hence there is no specific capital or recurring R & D expenditure. It is not practical to identify R & D expenditure out of the total expenditure incurred by the Company.

(b) Technology absorption, adaptation and innovation

1. Efforts made towards technology absorption, adaptation and innovation

The Company has established practice streams in specific technologies to analyze their implications and the benefits they can provide to the Company's customers. These steps enable the Company to find and execute the most appropriate solutions for its clients.

2. Benefits derived as a result of the above efforts

The benefits derived from the above mentioned efforts are fulfilling customer needs, efficiency in operations, improvement in quality and growth in revenues.

3. Technology imported during the last 5 years

Not applicable, as no technology has been imported by the Company.

C. Foreign Exchange Earnings and Outgo (Accrual Basis)

A significant percentage of R Systems revenues are generated from exports. The development and service centres in Noida, Pune and Chennai are registered with the Software Technology Park of India in their respective areas as 100% Export Oriented Undertakings. All efforts of the Company are geared to increase the business of software exports in different products and markets. We have made investments in sales and marketing activities in various growing markets.

The total foreign exchange used and earned by R Systems during the year as compared with the previous year is as follows:

(Rs. in lakhs)

Particulars	Financial Year ended	
	31.12.2012	31.12.2011
(a) Earnings (Accrual Basis)	20,822.06	17,626.93
(b) Expenditure (Accrual Basis)	3,776.85	3,637.97
(c) CIF value of imports	91.16	158.19

14. SUBSIDIARIES

During the year under review, the Company has set up a wholly owned subsidiary in Canada i.e. Systèmes R. International Ltée, Canada.

As on December 31, 2012, R Systems has twenty two subsidiaries. The names and country of incorporation of those subsidiaries are as follows:

S. No.	Name of the Subsidiaries	Country of Incorporation
1.	R Systems (Singapore) Pte Limited	Singapore
2.	R Systems, Inc.	U.S.A.
3.	Indus Software, Inc.	U.S.A.
4.	ECnet Limited	Singapore
5.	R Systems Solutions, Inc.	U.S.A.
6.	R Systems NV	Belgium
7.	R Systems Europe B.V.	The Netherlands
8.	R Systems S.A.S.	France
9.	Computaris International Limited	U.K.
10.	Systèmes R. International Ltée	Canada
11.	ECnet (M) Sdn. Bhd. #	Malaysia
12.	ECnet, Inc. #	U.S.A.
13.	ECnet (Hong Kong) Limited #	Hong Kong
14.	ECnet Systems (Thailand) Company Limited#	Thailand
15.	ECnet Kabushiki Kaisha #	Japan
16.	ECnet (Shanghai) Co. Ltd. #	People's Republic of China
17.	ICS Computaris International Srl @	Moldova
18.	Computaris Malaysia Sdn.Bhd. @	Malaysia
19.	Computaris Polska sp z o.o. @	Poland
20.	Computaris Romania SRL @	Romania
21.	Computaris USA, Inc. (formerly known as Computaris USA, LLC) @	U.S.A.
22.	Computaris Limited @	U.K.

wholly owned subsidiaries of ECnet Limited, Singapore being 99.56% (previous year 99.55%) subsidiary of R Systems.

@ wholly owned subsidiaries of Computaris International Limited being 100% subsidiary of R Systems.

All the aforementioned twenty two subsidiaries are incorporated and based outside India. In addition to providing services to various international clients these subsidiaries also help to generate revenues for R Systems. The Board of Directors of the Company regularly reviews the affairs of these subsidiaries.

As per Section 212 of the Companies Act, 1956, we are required to attach the Directors' Report, Balance Sheet and Profit and Loss Account (referred to as Financial Statements) of our subsidiaries. The Ministry of Corporate Affairs, Government of India vide its General Circular No. 2/2011

dated 8th February, 2011 has provided an exemption to companies from complying with Section 212, provided such companies publish the audited consolidated financial statement in the Annual Report. Accordingly, the Annual Report 2012 does not contain the Financial Statements of our twenty two subsidiaries. As directed under the said Circular, information in aggregate in respect of each subsidiaries including subsidiaries of subsidiaries i.e. (a) capital (b) reserves (c) total assets (d) total liabilities (e) details of investments (except in case of investment in subsidiaries) (f) turnover (g) profit before taxation (h) provisions for taxation (i) profit after taxation and (j) proposed dividend for each subsidiary has been disclosed in brief abstract forming part of the consolidated balance sheet.

Further, the audited annual accounts and related detailed information of our subsidiaries, where applicable, will be made available to shareholders seeking such information at any point of time. The annual accounts of the subsidiary companies will also be available for inspection by any shareholder at Registered Office of R Systems i.e. B-104 A, Greater Kailash-I, New Delhi – 110 048 and Corporate Office of R Systems i.e. C-40, Sector 59, Noida – 201 307 and Registered Offices of the subsidiary companies concerned during business hours. The same will also be hosted on R Systems' website, www.rsystems.com.

15. PARTICULARS OF EMPLOYEES

As required under the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended by notification dated March 31, 2011, the names and other particulars of employees are set out in Annexure A to this report.

16. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to directors' responsibility statement, your directors hereby confirm that:

- (i) In the preparation of the annual accounts for the financial year ended December 31, 2012, the applicable accounting standards had been followed along with proper explanation relating to material departures, wherever applicable;
- (ii) The directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;

- (iii) The directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) The directors had prepared the annual accounts for the financial year ended December 31, 2012 on a going concern basis.

17. AUDITORS

M/s S. R. Batliboi & Co. LLP (formerly M/s S. R. Batliboi & Co.), Chartered Accountants, the statutory auditors of the Company will retire at the ensuing Annual General Meeting and are eligible for reappointment. The Company has received letter from Auditors to the effect that their appointment, if made, shall be in accordance with Section 224(1B) of the Companies Act, 1956 and that they are not dis-qualified for such re-appointment within the meaning of Section 226 of the said Act.

Further, the auditors' report being self-explanatory, does not call for any further comments by the Board of Directors.

18. AUDIT COMMITTEE

R Systems has a qualified and independent Audit Committee. During the year under review there was no change in composition of the Audit Committee except that Mr. Anuj Kanish was appointed as a member of the Audit Committee as an Alternate Director to Mr. Gurbax Singh Bhasin on August 05, 2012.

The constitution of the Committee is in compliance with the provisions of the Companies Act, 1956 and the Listing Agreement entered into with the stock exchanges.

The terms of reference and role of the Committee are as per the guidelines set out in the Listing Agreement with the stock exchanges read with Section 292A of the Companies Act, 1956 and includes such other functions as may be assigned to it by the Board from time to time. The Committee has adequate powers to play an effective role as required under the provisions of the statute and Listing Agreement.

19. DETAILS OF UTILISATION OF IPO PROCEEDS

Pursuant to the Initial Public Offer, the Company collected Rs. 7,062.50 lakhs (net of selling shareholders' proceeds). For details of utilisation of IPO proceeds, please refer note no. 35 under Notes to the standalone financial statements and note no. 34 under Notes to the consolidated financial statements for the year ended December 31, 2012.

Please note that entire proceeds of the IPO has already been fully utilized by the Company before the year under review and as on December 31, 2012 the Company has no balance of unutilized IPO proceeds.

20. CORPORATE GOVERNANCE

As required under Clause 49 of the Listing Agreement entered into with the stock exchanges, the detailed report on corporate governance is given as Annexure B to this report and the certificate obtained from a practicing company secretary regarding compliance of the conditions of corporate governance as stipulated in the said clause is annexed as Annexure C to this report.

Further, the disclosure as required pursuant to Section II Clause C of Part II of Schedule XIII to the Companies Act, 1956 and in terms of Clause 49 of the Listing Agreement entered into with the stock exchanges for all the directors is given in the detailed report on corporate governance which forms part of this report and annexed as Annexure B to this report.

21. DEPOSITS

The Company has neither invited nor accepted any deposits from the public within the meaning of Section 58A of the Companies Act, 1956 and as such, no amount of principal or interest was outstanding on the date of the balance sheet.

22. CUSTOMER RELATIONS

R Systems recognises that the customers have a choice of service providers and the directors would like to place on record their gratitude on behalf of the Company for the business provided by them. The Company's quality policy mandates that the Voice of the Customer is obtained on a regular basis. We constantly review the feedback and incorporate its impact into our delivery systems and communications.

23. EMPLOYEE RELATIONS

R Systems is inspired by its customers and its employees transform that inspiration and customers' needs into value for all stakeholders. We thank all R Systems employees worldwide for their hard work, commitment, dedication and discipline that enables the Company to accomplish its customer commitments and commitments to all its stakeholders. R Systems conducts regular employee satisfaction surveys, and open house meetings to get employee feedback. R Systems is constantly validating key employee data with industry and peer group business. These practices have helped the Company achieve many of its business goals and have been recognised in many industry surveys over the last few years. The open door policy of our senior management team ensures that the feedback loop is completed promptly.

We thank our shareholders for their continuous support and confidence in R Systems. We are aware of our responsibilities to our shareholders to provide full visibility of operations, corporate governance and creating superior shareholder value and we promise to fulfill the same.

24. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

In terms of Clause 49 of the Listing Agreement entered into with the stock exchanges, management discussion and analysis report is given as Annexure D to this report.

25. ACKNOWLEDGMENTS

Your directors once again take this opportunity to thank the employees, investors, clients, vendors, banks, business

associates, regulatory authorities including stock exchanges, Software Technology Park of India, the Central Government, State Government of Delhi, Uttar Pradesh, Maharashtra, Tamil Nadu for the business support, valuable assistance and co-operation continuously extended to R Systems. Your directors gratefully acknowledge the trust and confidence and look forward for their continued support in the future.

On behalf of the Board
For R Systems International Limited

Sd/-

Satinder Singh Rekhi

(Chairman and Managing Director)

Place : CA, U.S.A.

Date : April 15, 2013

Annexure 'A' to the Directors' Report
Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of employees) Rules, 1975 and forming part of the Directors' Report for the year ended December 31, 2012

A. Employed throughout the year

S. No	Name	Designation / nature of duties	Qualification	Age (Years)	Date of Joining	Experience (Years)	Gross Remuneration (Rs.)	Previous employment & designation
1	Ashok Bhatia	Vice President - Client Operations	B.Sc. PGDMM and Certified Project Manager (SAPM) from Stanford University, USA	46	January 1, 2006*	21	12,415,610	ACT Inc., Pittsburgh, PA Vice President - Marketing
2	Avirag Jain	Executive Vice President and Chief Technology Officer	B.Sc., MBA specialization in Finance and International Marketing, Post Graduate Diploma in Cyber Law	47	September 15, 1997	25	6,140,289	Modi Olivitti Ltd. Project Manager
3	Debraj Ganguly@	Director - Sales	MBA - IIM Calcutta, B Tech - IIT Kharagpur	40	February 3, 2005	17	7,674,211	i Healthcare Services India Ltd. Vice President - Business Development
4	Gurpreet Saini	Sales Account Manager	BS Computer Science, MBA - Nagpur University in Marketing and Finance	38	January 1, 2008*	15	6,740,200	FCS Software Sales Manager
5	Harsh Verma	Vice President (Global Innovative Research) & Head, Mobility Solutions	BE (Hons) in Electrical & Electronics Engineering, MS PHD in Computer Science from BITS, Pilani, Executive Mgmt Prog from IIM, Ahmedabad, Post-Doctoral Res Prog, UC Berkeley.	53	February 19, 2007	28	7,905,579	Glocol, Inc., California, USA Vice President, R&D
6	Mandeep Singh Sodhi	Vice President - Sales	Bachelors degree in Electronics Engineering from Marathwada University and MBA from University of California, Davis	45	January 1, 2008*	20	19,503,471	Sark Synertek; Noida Senior Marketing Engineer
7	Ravi Madugala@	Director - Information Systems	M.Sc. in Computer Science, University of Dayton, Ohio, Bachelors in Mechanical Engineering	47	July 1, 2007*	19	6,746,140	University of Dayton Student Assistant
8	Satinder Singh Rekhi	Chairman & Managing Director	Bachelor of Technology from IIT, Kharagpur; MBA California State University, Sacramento; Senior Management programs from University of Berkeley and Harvard Business School	62	January 1, 2006*	30	17,844,292	Digital Information Systems Corporation Senior Management Personnel

B. Employed for the part of the year

S. No	Name	Designation / nature of duties	Qualification	Age (Years)	Date of Joining	Experience (Years)	Gross Remuneration (Rs.)	Previous employment & designation
1	Thiru Dorai #	Vice President- Strategic Solutions	Bachelors in Engineering (BE) - Bangalore University, MBA - University of California, Davis	51	January 1, 2006*	28	3,279,100	HCL Delux Pvt. Ltd. (Renamed as e-funds) Head - Electronic Payment Services
2	Leilani Hammock@ #	Director - Government Service	BS Information Technology	40	July 2, 2012	22	570,975	M Corp - VP Business Development
3	Stacey Gann	Engagement Manager	Bachelors of Science in Nursing	44	January 30, 2012	23	5,916,676	Harris Health Plan- Training Manager

Resigned during the year

@ Not a member of the Board of Director of the Company.

* Prior to joining R Systems International Limited "the Company" these employees were working with R Systems, Inc the USA subsidiary of the Company. The date of joining in the subsidiary, of these employees is given hereunder:

Name	Date of Joining
Ashok Bhatia	December 11, 2000
Gurpreet Saini	May 2, 2006
Mandeep Singh Sodhi	April 1, 1993
Ravi Madugula	February 16, 1996
Satinder Singh Rekhi	April 1, 1993
Thiru Dorai	July 6, 1999

Notes:

- The gross remuneration includes basic salary, allowances and taxable value of perquisites other than the perquisites on exercise of Employee Stock Option Plan.
- Mr. Satinder Singh Rekhi, Chairman & Managing Director, Lt. Gen. Baldev Singh (Retd.), President & Sr. Executive Director and Mr. Mandeep Singh Sodhi, Vice President - Sales are related to each other. None of the other employee is related to any director of the Company.
- None of the employee owns more than 2% of the outstanding shares of the Company as on December 31, 2012.
- Nature of employment is contractual in all the above cases.

On behalf of the Board
For R Systems International Limited

Sd/-
Satinder Singh Rekhi
(Chairman and Managing Director)

Place : C.A, U.S.A.
Date : April 15, 2013

Annexure 'B' to the Director's Report

Corporate Governance

REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

R Systems International Limited ("R Systems" or the "Company") is committed to conduct its business in compliance with the applicable laws, rules and regulations and with the highest standards of business ethics. We, at R Systems, believe that good Corporate Governance is a key contributor to sustainable corporate growth and creating superior value for our stakeholders. It is primarily concerned with transparency, accountability, fairness, professionalism, social responsiveness, complete disclosure of material facts and independence of Board. R Systems endeavours its best to constantly comply with these aspects in letter and spirit, in addition to the statutory compliances as required under Clause 49 of the Listing Agreements with the Stock Exchanges.

2. BOARD OF DIRECTORS

R Systems has an optimum combination of executive and non-executive directors on its Board. During the year under review, the Board comprised of six directors, i.e. the executive chairman, two executive directors and three

non-executive independent directors and also one non-executive independent director as Alternate Director for one of the non-executive independent directors. The independent directors have been at least 50% of the total strength of the Board at all times during the year under review.

None of the directors of the Company is a director or a committee member or a chairperson of any committee in any other company in India except Mr. Anuj Kanish who is an Alternate Director to Mr. Gurbax Singh Bhasin and holds directorship in three Indian companies as on the date of this report. Necessary disclosures regarding directorship and committee positions in other companies as of December 31, 2012 have been made by the directors.

Except the Chairman & Managing Director, all other directors are liable to retire by rotation as per Articles of Association of the Company read with the provisions of the Companies Act, 1956.

The names and categories of the directors on the Board and their attendance at the Board meetings held during the year under review are as follows:

Name of Director	Category of Director	Designation	No. of Board Meetings attended out of 10 meetings held during the year	Attendance at the last AGM	No. of directorship in other bodies corporate #
Mr. Satinder Singh Rekhi	Promoter & Executive Director	Chairman & Managing Director	3+7*	No	11
Lt. Gen. Baldev Singh (Retd.)	Executive Director	President & Senior Executive Director	8+1*	Yes	Nil
Mr. Raj Swaminathan	Executive Director	Director & Chief Operating Officer	4 + 5*	Yes	Nil
Mr. Raj Kumar Gogia	Non- Executive Independent Director	Director	10	Yes	Nil
Mr. Gurbax Singh Bhasin	Non-Executive Independent Director	Director	07*	No	09
Mr. Suresh Paruthi	Non-Executive Independent Director	Director	10	Yes	02
Mr. Anuj Kanish**	Non-Executive Independent Director	Alternate Director to Mr. Gurbax Singh Bhasin	04	NA	04

Includes the offices of CEO, President, Managing Member and Partner.

* Attendance by teleconference.

** Mr. Anuj Kanish was appointed as an Alternate Director to Mr. Gurbax Singh Bhasin on July 28, 2012 and attended all the four meetings of board of directors held since then.

During the year ended December 31, 2012, Mr. Satinder Singh Rekhi was also appointed as a Director on the board of Systèmes R. International Ltée, Canada, wholly owned subsidiary of R Systems w.e.f. October 29, 2012.

The expression 'independent director' has the meaning as defined under Clause 49 of the Listing Agreement.

Out of the seven Directors, two Directors namely, Mr. Satinder Singh Rekhi, Chairman & Managing Director and Lt. Gen. Baldev Singh (Retd.), President and Senior Executive Director are relatives of each other in the manner indicated in Schedule IA of the Companies Act, 1956, as latter is former's sister's husband.

(i) Board Functioning & Procedures

The Board meets at least once a quarter to review the quarterly performance and financial results. Board meetings are generally held at the Corporate Office of the Company in Noida and are governed by a structured agenda. The agenda, along with the explanatory notes are sent to all the directors well in advance of the date of Board meeting to enable the Board to take informed decisions. The Board is also free to recommend the inclusion of any matter for discussion in consultation with the Chairman. The Chief Financial Officer is normally invited to the Board meetings to provide financial insights, status of internal controls in the working of the Company and for discussing corporate strategies. All relevant information required to be placed before the Board, as required under Clause 49 of the Listing Agreement, are considered and taken on record / approved by the Board.

The minutes of the Board meetings are circulated to all directors and confirmed at the subsequent Board meeting. The minutes of the various committees of the Board are also circulated to the members of the Board and thereafter tabled at the subsequent Board meeting for the Board's view thereon. During the financial year 2012, the Board met Ten times i.e. on January 16, 2012, February 09, 2012, March 02, 2012, April 03, 2012, April 27, 2012, May 18, 2012, July 28, 2012, August 05, 2012, September 16, 2012 and October 27, 2012.

The gap between any two consecutive Board meetings did not exceed four months.

The Board periodically reviews compliance reports in respect of laws and regulations applicable to the Company.

Code of Conduct

The Board has laid down a Code of Conduct for all Board

members and senior management personnel of the Company, which is available on R Systems' website at <http://www.rsystems.com/investors/corporategovernance.aspx>

The Company has obtained confirmations for the compliance with the said code from all its Board members and senior management personnel for the year ended December 31, 2012. A declaration to this effect given by the Chairman & Managing Director of the Company, Mr. Satinder Singh Rekhi, is reproduced below:

CODE OF CONDUCT DECLARATION

I, Satinder Singh Rekhi, Chairman and Managing Director of R Systems International Limited, to the best of my knowledge and belief, hereby declare that all the Board members and senior management personnel have affirmed compliance with the Company's Code of Conduct for the year ended December 31, 2012.

Sd/-

Place: Noida

Satinder Singh Rekhi

Date: February 09, 2013

(Chairman and Managing Director)

Appointment / Reappointment of Directors

Details with respect to the directors whose appointment or reappointment is proposed at the ensuing Annual General Meeting are as follows:

A. Mr. Raj Kumar Gogia (Non-Executive Independent Director)

Mr. Raj Kumar Gogia, aged about 73 years, has a rich and vast experience of 50 years serving various Indian, multinational and foreign concerns. Mr. Gogia completed his B. Tech Honors (First Class First) in Electrical Engineering from IIT, Kharagpur in 1961. He joined the Board of R Systems on July 09, 2002. Since then, he is continuously providing his guidance and advice to the Board of R Systems International Limited.

As on the date of this report

- Mr. Raj Kumar Gogia does not hold the office of director / member in any other company's board committee.
- No stock options have been granted to him under the prevailing employee stock option plans / schemes of the Company.
- He does not hold any shares in R Systems.
- Mr. Raj Kumar Gogia is not related to any other director of the Company.

B. Mr. Gurbax Singh Bhasin (Non-Executive Independent Director)

Mr. Gurbax Singh Bhasin aged about 56 years is Bachelor of Engineering. He has been involved in the textile / fashion apparel industry and import / export for over 31 years and understands well the intricacies of international business. Mr. Bhasin's wide diversification and experience helps R Systems to attain even higher levels in customer satisfaction by constantly striving to be the best in all it does through a combination of product excellence, creativity and technological innovation.

As on the date of this report

- Mr. Gurbax Singh Bhasin holds the following offices in bodies corporate outside India i.e. Prego, Inc. (U.S.A.) as President, Agro Foods, Inc. (U.S.A.) as President, Newlands Capital, Inc. (U.S.A.) as President, Quinby Willshire, LLC as Managing Member, Shivam Investments, LLC (U.S.A.) as Managing Member, Suraj Victorville, LLC (U.S.A.) as Managing Member, Corporativo Alberdy S.A. DE C.V. (Mexico) as Partner, Comercializadora Y Distribuidora Sauces S.A. (Mexico) as Partner and Bonneville Holdings Ltd. (Belize) as President.
- On July 28, 2012 Mr. Anuj Kanish was appointed as an Alternate Director to Mr. Gurbax Singh Bhasin.
- No stock options have been granted to him under the prevailing stock option plans of the Company.
- He doesn't hold any shares in R Systems.

C. Mr. Raj Swaminathan (Executive Director & Chief Operating Officer)

Mr. Raj Swaminathan aged about 53 years has over 28 years experience in IT & Financial Services Industry. He has done his MBA from Xavier Labour Relations Institute, Jamshedpur after his Bachelor of Engineering from Bangalore University. Prior to joining R Systems, Raj has had a distinguished 11 years career at GE where he was Vice President and CIO at GE-Countrywide, India and part of the senior Global Consumer Finance corporate IT team. Earlier in his career, Raj also headed the IT function at Standard Chartered Bank for the consumer, corporate banking and treasury businesses.

As on the date of this report

- Mr. Raj Swaminathan is not a director on the board of any other company.
- 60,000 stock options had been granted to him under R Systems International Limited Employees Stock Option Scheme 2007 on July 11, 2007. These options

are exercisable at a price at par with other employees covered under the plan. The granted options has vested over a period of 4 years in equal installments and vested options can be exercised over a period of 10 years from the date of grant. During the financial year ended December 31, 2012, Mr. Raj Swaminathan exercised 50,000 of the total options granted and vested and accordingly 50,000 equity shares of Rs. 10/- each of the Company in aggregate were allotted to him i.e. 30,000 equity shares on March 02, 2012, 15,000 equity shares on August 05, 2012 & 5,000 equity shares on December 24, 2012 at an exercise price of Rs. 120.70 per share. Balance 10,000 options granted and vested are in force.

- He holds 20,000 equity shares of the Company as on the date of this report.
- Mr. Raj Swaminathan is not related to any other directors of the Company.

R Systems has formulated the following committees of its directors:

- Audit Committee
- Remuneration Committee
- Compensation Committee
- Shareholders / Investors Grievance Committee
- Committee of Independent Directors for Open Offer

One of the shareholders of the Company namely, Mr. Bhavook Tripathi had made a public announcement on December 15, 2011 for open offer to the shareholders for acquisition of 26% share capital of the Company in accordance with the provisions of Securities & Exchange Board of India (Substantial Acquisition of Shares & Takeovers) Regulations, 2011.

Accordingly, pursuant to the provisions of Securities & Exchange Board of India (Substantial Acquisition of Shares & Takeovers) Regulations, 2011, the Board of Directors of the Company by passing necessary resolutions on January 10, 2012 constituted a Committee of Independent Director for Open Offer, comprising of independent directors namely, Mr. Raj Kumar Gogia (Chairman), Mr. Suresh Paruthi, Mr. Gurbax Singh Bhasin and Mr. Anuj Kanish*, to provide reasoned recommendation on the open offer given by Mr. Bhavook Tripathi. The said open offer has been completed by Mr. Bhavook Tripathi pursuant to Post Offer Public Announcement dated January 21, 2013, by acquisition of 590 equity shares under the open offer.

(*Mr. Anuj Kanish was appointed as a member of Committee of

Independent Directors for Open Offer as an Alternate Director to Mr. Gurbax Singh Bhasin on August 05, 2012)

3. AUDIT COMMITTEE

R Systems has a qualified and independent Audit Committee. During the year under review there was no change in composition of the Audit Committee except that Mr. Anuj Kanish was appointed as a member of the Audit Committee as an Alternate Director to Mr. Gurbax Singh Bhasin on August 05, 2012.

The Audit Committee met Six times during the year i.e. on February 09, 2012, April 03, 2012, April 27, 2012, May 18, 2012, July 28, 2012 and October 27, 2012.

Composition of the Audit Committee as on December 31, 2012, its meetings and attendance during the year ended December 31, 2012

Composition of the Audit Committee	Category of Director	Chairman / Member	No. of meetings attended out of 6 meetings held during the year
Mr. Raj Kumar Gogia	Non-Executive Independent Director	Chairman	6
Mr. Gurbax Singh Bhasin	Non-Executive Independent Director	Member	5*
Mr. Suresh Paruthi	Non-Executive Independent Director	Member	6
Mr. Anuj Kanish [#]	Non-Executive Independent Director	Alternate Director to Mr. Gurbax Singh Bhasin	1 [#]

*Attendance by teleconference

[#]Mr. Anuj Kanish was appointed as a member of Audit Committee as an Alternate Director to Mr. Gurbax Singh Bhasin on August 05, 2012 and attended all the meeting(s) of the Committee held since then.

The Audit Committee invites such executives as it considers appropriate to be present at its meetings. The Chief Financial Officer, representatives of the Statutory Auditors and Internal Auditors are invited to these meetings. The Company Secretary of the Company acts as the Secretary of the Audit Committee.

Powers of the Audit Committee

The Audit Committee has adequate powers to play an effective role as required under the provisions of the

Companies Act, 1956 and Listing Agreement and to review the mandatory applicable information. The Audit Committee shall have powers which shall include the following:

1. To investigate any activity within its terms of reference.
2. To seek information from any employee.
3. To obtain outside legal or other professional advice.
4. To secure attendance of outsiders with relevant expertise, if it considers necessary.

Terms of reference of the Audit Committee

The terms of reference and role of the Audit Committee are as per the provisions set out in the Listing Agreement entered into with the stock exchanges read with Section 292A of the Companies Act, 1956 and includes such other functions as may be assigned to it by the Board from time to time.

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
2. Recommending to the Board, the appointment, reappointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - (a) Matters required to be included in the Directors' Responsibility Statement to be included in the Board's Report in terms of Clause (2AA) of Section 217 of the Companies Act, 1956;
 - (b) Changes, if any, in accounting policies and practices and reasons for the same;
 - (c) Major accounting entries involving estimates based on the exercise of judgment by the management;
 - (d) Significant adjustments made in the financial statements arising out of audit findings;
 - (e) Compliance with listing and other legal requirements relating to financial statements;
 - (f) Disclosure of any related party transactions;
 - (g) Qualifications in the draft audit report.

5. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
6. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
7. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
8. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
9. Discussion with internal auditors on any significant findings and follow-up thereon.
10. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
11. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
12. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
13. To review the functioning of the Whistle Blower mechanism.
14. Approval of appointment of CFO (i.e. the whole time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate.
15. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

4. REMUNERATION COMMITTEE

Brief description and terms of reference

The Remuneration Committee consists of only non-executive independent directors. During the year under review, there has been no change in the composition of the Remuneration Committee except that Mr. Anuj Kanish was appointed as a member of the Remuneration Committee as an Alternate Director to Mr. Gurbax Singh Bhasin on August 05, 2012.

The Committee among other things evaluates and finalises compensation and benefits of the Company's executive directors. The Committee recommends / approves the remuneration package of the executive directors to the Board, after taking into consideration the financial position of the Company, the executive director's performance, qualifications and experience, comparable industry compensation packages, trend in the industry, past remuneration drawn and the proposed compensation package of the appointee, with a view to provide a package which is appropriate for the responsibilities involved.

During the year under review, Remuneration Committee met three times i.e. on February 09, 2012, April 03, 2012 and September 16, 2012.

Composition of the Remuneration Committee, its meetings and attendance during the year ended December 31, 2012

Composition of the Remuneration Committee	Category of Director	Chairman / Member	No. of meetings attended out of 3 meetings held during the year
Mr. Raj Kumar Gogia	Non-Executive Independent Director	Chairman	3
Mr. Gurbax Singh Bhasin	Non-Executive Independent Director	Member	2*
Mr. Suresh Paruthi	Non-Executive Independent Director	Member	3
Mr. Anuj Kanish [#]	Non-Executive Independent Director	Alternate Director to Mr. Gurbax Singh Bhasin	1 [#]

* Attendance by teleconference.

[#] Mr. Anuj Kanish was appointed as a member of Remuneration Committee as an Alternate Director to Mr. Gurbax Singh Bhasin on August 05, 2012 and attended all the meeting(s) of the Committee held since then.

Remuneration policy

Remuneration policy of R Systems is based on the following objectives:

- To determine and recommend to the Board the remuneration package of the Managing Director and Whole Time Directors;
- To approve, in the event of loss or inadequate profits in any year, the minimum remuneration payable to the Managing Director and Whole Time Directors, considering the limits and subject to the parameters as prescribed under the provisions of the Companies Act, 1956;
- To create a performance-oriented culture in R Systems, which is beneficial to its employees and the business as well;
- To ensure that reward, benefit and increment system is performance-based and motivational to employees;
- To encourage and support learning and development by identifying the scope and need of the same;
- Such other functions as required or recommended by the Board or under the provisions of the Listing Agreement.

Brief terms of employment and details of remuneration paid to the executive directors during the year ended December 31, 2012

(Amount in Rs.)

1.	Name of the Director	Mr. Satinder Singh Rekhi
(a)	Salary, benefits and allowances (fixed)	17,344,292
(b)	Incentive (fixed)*	500,000
(c)	Stock options granted	Nil
(d)	Pension	As per the applicable policy for employees
(e)	Service contract	5 years
(f)	Notice period	36 months
(g)	Severance fees	Compensation in lieu of notice
(h)	Shareholding in R Systems as on December 31, 2012	90,600 equity shares of Rs. 10 each in his own name & 1,921,718 equity shares of Rs. 10/- each as trustee of Satinder & Harpreet Rekhi Family Trust

*Incentive payable is based on the fixed percentage of Profit After Tax (PAT).

(Amount in Rs.)

2.	Name of the Director	Lt. Gen. Baldev Singh (Retd.)
(a)	Salary, benefits and allowances (fixed)	3,412,296
(b)	Incentive (fixed) [§]	1,544,190
(c)	Provident fund	192,960
(d)	Stock options granted	As detailed below [#]
(e)	Pension	As per the applicable policy for employees
(f)	Service contract	3 years
(g)	Notice period	6 months
(h)	Severance fees	Compensation in lieu of notice
(i)	Shareholding in R Systems as on December 31, 2012	65,000 equity shares of Rs. 10 each

[§]Incentive payable is based on the fixed percentage of revenue of Noida Unit.

[#]Lt. Gen. Baldev Singh (Retd.) was awarded with 27,700 stock options of Rs. 2 per share on September 01, 2004 under R Systems International Ltd. - Year 2004 Employee Stock Option Plan, exercisable at a price at par with other employees covered under the plan. The granted options shall vest over a period of 4 years in equal installments and vested options can be exercised over a period of 10 years from the date of grant. On January 30, 2006, R Systems had consolidated each of its 5 equity shares of Rs. 2 each into 1 equity share of Rs. 10 each. Consequently, the balance options also stand revised from Rs. 2 each to Rs. 10 each. As on December 31, 2012, entire options granted (i.e. 5,540 stock options) were already vested. 50% of the total options granted (i.e. 2,770 stock options) were already exercised and balance 50% of the total options granted (i.e. 2,770 stock options) of Rs. 10 each are in force.

(Amount in Rs.)

3.	Name of the Director	Mr. Raj Swaminathan
(a)	Salary, benefits and allowances (fixed)	4,570,435
(b)	Incentive (fixed)	1,100,000
(c)	Provident fund	9,360
(d)	Stock options granted	As detailed below*
(e)	Pension	As per the applicable policy for employees
(f)	Service contract	3 years
(g)	Notice period	2 months
(h)	Severance fees	Compensation in lieu of notice
(i)	Shareholding in R Systems as on December 31, 2012	20,000 equity shares of Rs. 10 each

*60,000 stock options had been granted to him under R Systems International Limited Employees Stock Option Scheme 2007 on July 11, 2007. These options are exercisable at a price at par with other employees covered under the plan. The granted options have vested over a period of 4 years in equal installments and vested options can be exercised over a period of 10 years from the date of grant. During the financial year ended December 31, 2012, Mr. Raj Swaminathan exercised 50,000 of the total options granted and vested and accordingly 50,000 equity shares of Rs. 10/- each of the Company in aggregate were allotted to him i.e. 30,000 equity shares on March 02, 2012; 15,000 equity shares on August 05, 2012 & 5,000 equity shares on December 24, 2012 at an exercise price of Rs. 120.70 per share. Balance 10,000 options granted and vested are in force.

The aforementioned directors' remuneration has been submitted for approval / approved, by the Remuneration Committee, the Board, the shareholders in the General Meeting and by the Central Government, wherever applicable, as required under the provisions of the Companies Act, 1956.

Details of remuneration paid to the non-executive directors during the year ended December 31, 2012

Non-executive directors are not entitled to any remuneration except the sitting fees for attending the directors' meetings. The sitting fees paid to the non-executive directors during the year ended December 31, 2012 is as follows:

S. No.	Name of the Director	Sitting fees paid (Rs.)
1.	Mr. Raj Kumar Gogia	240,000
2.	Mr. Suresh Paruthi	240,000
3.	Mr. Gurbax Singh Bhasin	NIL
4.	Mr. Anuj Kanish*	90,000
	Total	570,000

(*Mr. Anuj Kanish was appointed as an Alternate Director to Mr. Gurbax Singh Bhasin on July 28, 2012)

As on December 31, 2012, none of the existing non-executive independent directors of the Company holds any shares, options or any other convertible instruments in R Systems.

5. COMPENSATION COMMITTEE

During the year under review, there has been no change in the composition of Compensation Committee and it comprised of three directors including two non-executive independent directors and one executive director.

The Compensation Committee is responsible for the formulation, implementation and administration of all the stock option plans, which, inter alia, includes determination of eligibility criteria, maximum number of options or shares to be offered to each employee, the aggregate number of options or shares to be offered during the period covered under each scheme, identification of classes of employees entitled to participate in the scheme, framing a detailed pricing formula, mode or process of exercise of the option, conditions under which the options may lapse etc. for the employees, directors and senior management personnel of R Systems and its subsidiaries.

The Compensation Committee met once during the year i.e. on October 27, 2012.

Composition of the Compensation Committee, its meetings and attendance during the year ended December 31, 2012

Composition of the Compensation Committee	Category of Director	Chairman/ Member	No. of meeting(s) attended out of 1 meeting held during the year
Mr. Raj Kumar Gogia	Non-Executive Independent Director	Chairman	1
Mr. Suresh Paruthi	Non-Executive Independent Director	Member	1
Lt. Gen. Baldev Singh (Retd.)	Executive Director	Member	1

6. SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE

The Shareholders / Investors Grievance Committee of R Systems is comprised of four directors, with non-executive independent director as its Chairman. The Shareholders / Investors Grievance Committee investigates and provides resolution of shareholders' grievances relating to transfer, transmission, dematerialisation and rematerialisation of shares, issue of duplicate share certificates, non-receipt of annual report, declared dividend and other matters relating to the shareholders / investors.

The Shareholders / Investors Grievance Committee met Seventeen times during the year i.e. on February 09, 2012, February 29, 2012, March 06, 2012, March 13, 2012, March 22, 2012, April 27, 2012, May 08, 2012, June 12, 2012, June 18, 2012, June 28, 2012, July 10, 2012, July 28, 2012, August 01, 2012, August 30, 2012, September 06, 2012, October 27, 2012 and November 05, 2012.

Composition of the Shareholders / Investors Grievance Committee, its meetings and attendance during the year ended December 31, 2012

Composition of the Shareholders / Investors Grievance Committee	Category of Director	Chairman / Member	No. of meetings attended out of 17 meetings held during the year
Mr. Raj Kumar Gogia	Non-Executive Independent Director	Chairman	17
Mr. Suresh Paruthi	Non-Executive Independent Director	Member	17
Mr. Satinder Singh Rekhi	Executive Director	Member	02 + 15*
Lt. Gen. Baldev Singh (Retd.)	Executive Director	Member	14 + 01*

* Attendance by teleconference

Name and designation of the Compliance Officer

Mr. Vikash Kumar Tiwari
Company Secretary & Compliance Officer
C - 40, Sector - 59, Noida (U.P.) 201 307
Tel No.: 0120 - 430 3500
Email: investors@systems.com

Shareholders grievances / complaints received and resolved during the year

(i)	Number of shareholders' complaints received during the year ended December 31, 2012	16
(ii)	Number of complaints not resolved to the satisfaction of shareholders	Nil
(iii)	Number of pending complaints	Nil

Share Transfers in Physical Mode

In order to expedite the process of share transfers, the members of the Shareholders / Investors Grievance Committee conduct their meetings more frequently, to the extent of weekly meetings of the Committee.

7. COMMITTEE OF INDEPENDENT DIRECTORS FOR OPEN OFFER

Pursuant to the provisions of Securities & Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, the Board of Directors at its meeting held on January 16, 2012 constituted Committee of Independent Directors for Open Offer, comprising of independent directors of the Company namely, Mr. Raj Kumar Gogia, Mr. Suresh Paruthi and Mr. Gurbax Singh Bhasin, to review and give reasoned recommendations for the open offer given by Mr. Bhavook Tripathi for acquisition of additional 26% equity shares of R Systems International Limited pursuant

to Public Announcement dated December 15, 2011, Detailed Public Statement dated December 22, 2011. Further, Mr. Anuj Kanish was also nominated as a member of the Committee as an alternate Director to Mr. Gurbax Singh Bhasin on August 05, 2012.

The Committee met four times during the year i.e. on January 16, 2012, March 02, 2012, August 05, 2012 and December 26, 2012.

Composition of the Committee of Independent Directors for Open Offer as on December 31, 2012, its meetings and attendance during the year ended December 31, 2012

Composition of the Committee of Independent Directors for Open Offer	Category of Director	Chairman / Member	No. of meetings attended out of 4 meetings held during the year
Mr. Raj Kumar Gogia	Non-Executive Independent Director	Chairman	4
Mr. Gurbax Singh Bhasin	Non-Executive Independent Director	Member	2*
Mr. Suresh Paruthi	Non-Executive Independent Director	Member	4
Mr. Anuj Kanish [#]	Non-Executive Independent Director	Alternate Director to Mr. Gurbax Singh Bhasin	2 [#]

* Attendance by teleconference

[#] Mr. Anuj Kanish was appointed as a member of Committee of Independent Directors for Open Offer as an Alternate Director to Mr. Gurbax Singh Bhasin on August 05, 2012 and attended all the meetings held since then.

8. SUBSIDIARY COMPANIES

During the year under review, the company after taking Board of Directors approval in the Board of Directors meeting held in October 27, 2012 has incorporated a subsidiary in Canada (i.e. Systèmes R. International Ltée). Hence now R Systems has in aggregate twenty two subsidiaries all of which are incorporated and based outside India. R Systems does not have any material non-listed Indian subsidiary company. The Audit Committee reviewed the financial statement, in particular, the investments made by the unlisted subsidiary bodies corporate. The management periodically brings to the attention of the board of directors of R Systems, a statement of all significant transactions and arrangements entered into by the unlisted subsidiary bodies corporate.

9. GENERAL BODY MEETINGS

I. Details for the last three Annual General Meetings (“AGM”)

AGM Date and Time	Venue	Special Resolutions passed
16th AGM May 20, 2010 10:00 A.M.	Air Force Auditorium, Subroto Park, New Delhi - 110 010	<ul style="list-style-type: none"> Reappointment of and payment of remuneration to Mr. Raj Swaminathan as Director and Chief Operating Officer of the Company Extension of time for utilisation of Initial Public Offer proceeds
17th AGM May 25, 2011 09:30 A.M.	Air Force Auditorium, Subroto Park, New Delhi - 110 010	<ul style="list-style-type: none"> Reappointment of and payment of remuneration to Mr. Satinder Singh Rekhi as Chairman and Managing Director of the Company Alteration of the Articles of Association of the Company
18th AGM May 04, 2012 09:00 A.M.	Air Force Auditorium, Subroto Park, New Delhi - 110 010	<ul style="list-style-type: none"> Reappointment of and payment of remuneration to Lt. Gen. Baldev Singh (Retd.) as President & Senior Executive Director of the Company Appointment of and payment of remuneration to Mr. Ramneet Singh Rekhi, son of Mr. Satinder Singh Rekhi, Chairman and Managing Director of the Company, as an Assistant Manager - Strategy in R Systems International Limited’s wholly owned subsidiary company, R Systems, Inc. U.S.A.

- II. No Extra Ordinary General Meeting of the Company was held during the last three years.
- III. The special resolutions moved at the last AGM were passed on a show of hands by the shareholders present at the meeting.
- IV. No special resolution was passed through Postal Ballot during last year.
- V. The Company has followed the procedure as prescribed under Section 192A of the Companies Act, 1956 read with the Companies (Passing of the resolutions by Postal Ballot) Rules, 2001 and the Companies (Passing of the Resolution by Postal Ballot) Rules, 2011 for conducting the postal ballot, wherever applicable.
- VI. No special resolution is proposed to be conducted through Postal Ballot.

statutory authority on matters related to capital markets during the last three years.

Whistle Blower Policy

R Systems has in place a mechanism for employees to report concerns about unethical behaviour, actual or suspected fraud, violation of Code of Conduct of the Company etc. The mechanism also provides for adequate safeguards against victimisation of employees who avail the mechanism and also provides for direct access to the Whistle Blower to the Chairman of the Audit Committee. We affirm that during the financial year ended December 31, 2012, no employee has been denied access to the Audit Committee.

Risk Management Policy

The Company has formulated a risk management policy to identify the present and potential risks involved in the business. The same is periodically reviewed and considered by the Audit Committee and the Board. The Risk Management Report forms part of this Annual Report and is provided elsewhere.

Compliance with mandatory requirements and adoption of non-mandatory requirements of Clause 49 of the Listing Agreement

The Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement. As required under Clause 49, a certificate signed by CEO and CFO of the Company has been placed before the Board and the same has been provided elsewhere in this report.

Further a certificate obtained from the Practicing Company Secretary, certifying compliance with the conditions of Corporate Governance under Clause 49 has been annexed with the Directors’ Report.

10. DISCLOSURES

Related Party Transactions

Related Party Transactions are defined as transactions of the Company of material nature, with Company’s subsidiaries, promoters, directors or the management or their relatives or companies controlled by them etc., which may have potential conflict with the interest of the Company at large.

Details on materially significant Related Party Transactions are shown in note number 23 in the standalone and in note number 24 in the consolidated financial results for the financial year ended December 31, 2012.

Statutory Compliance, Penalties and Strictures

There were no penalties imposed on R Systems for any non-compliance by Stock Exchanges, SEBI or any other

Clause 49 also requires disclosures of adoption by the Company of non-mandatory requirements specified in the said Clause, the implementation of which is discretionary on the part of the Company. The details of compliance with non-mandatory requirements are as follows:

Remuneration Committee

The Company has a Remuneration Committee consisting of only non-executive independent directors. The Chairman of the Remuneration Committee had attended the Annual General Meeting held on May 04, 2012 to answer the shareholders' queries. A detailed note on the Remuneration Committee is provided elsewhere in this report.

Audit Qualifications

During the period under review, there is no audit qualification in the financial statements. The Company continues to adopt best practices to ensure unqualified financial statements.

Whistle Blower Policy

The Company has formulated a Whistle Blower Policy for establishing a mechanism for employees to report concerns about unethical behaviour, actual or suspected fraud, violation of Code of Conduct of the Company etc. and the same has been put on Company's website. A detailed note on the Whistle Blower Policy is provided elsewhere in this report.

11. MEANS OF COMMUNICATION

Quarterly results

- The quarterly and full year audited / unaudited financial results have been published in Business Standard (English and Hindi) except for first quarter ended March 31, 2012 and fourth quarter and year ended December 31, 2012 which was published in The Financial Express (English) and Jansatta (Hindi), as statutorily required.
- The financial results and other corporate information are available on R Systems' website www.rsystems.com. The website also displays official news releases.

- The presentations made to the institutional investors or to the industry analysts are also available on the Company's website www.rsystems.com
- Financial results updates are also sent to all the shareholders whose email address is registered / made available to us.

12. GENERAL SHAREHOLDER INFORMATION

i) Annual General Meeting

Date and Time : May 11, 2013, at 9.00 A.M.

Venue : Air Force Auditorium,
Subroto Park, New Delhi - 110 010

ii) Financial year

R Systems follows January 01 to December 31 as its financial year. The results for every quarter are declared in the month following each quarter, except for the last quarter in which case the results are declared along with the annual financial results within sixty days from the end of the financial year.

iii) Date of Book Closure

May 03, 2013 to May 11, 2013 (both days inclusive)

iv) Dividend Payment Date

The dividend, if declared, will be paid within 30 days from the date of Annual General Meeting.

v) Listing on Stock Exchanges

The equity shares of R Systems are listed and traded on the following Stock Exchanges:

Name of Stock Exchanges	Stock / Scrip Code
National Stock Exchange of India Limited ("NSE") Exchange Plaza, Bandra Kurla Complex, Bandra - (E), Mumbai - 400 051	RSYSTEMS
BSE Limited ("BSE") Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001	532735

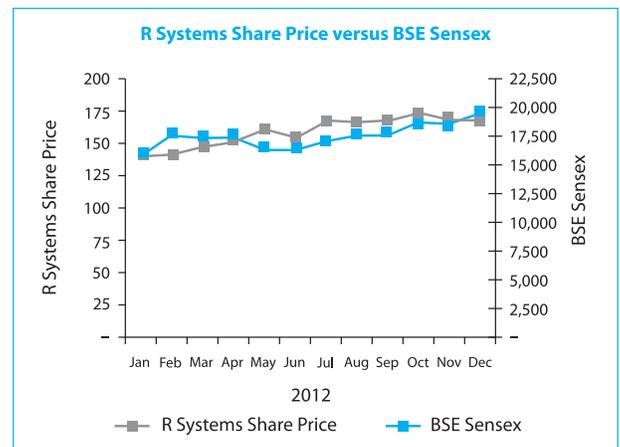
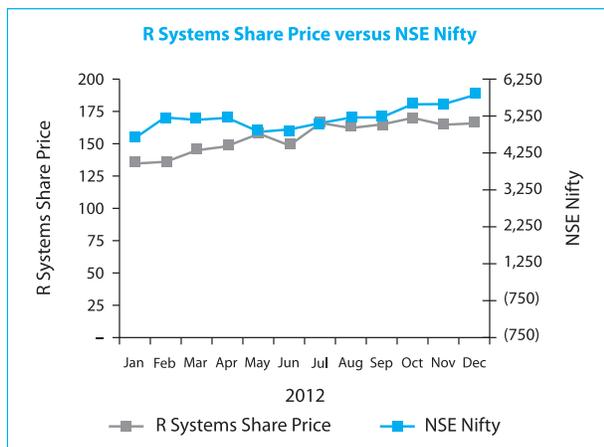
The annual listing fee for the year 2013-14 has been paid within the scheduled time to NSE and BSE.

vi) Market Price Data: High, Low during each month in last financial year

The monthly high and low quotations of R Systems' equity shares traded on NSE and BSE during each month in the previous financial year ended December 31, 2012, in comparison with NSE Nifty and BSE Sensex, are as follows:

Month 2012	NSE				BSE			
	Share Price		Nifty		Share Price		Sensex	
	High (Rs.)	Low (Rs.)	High	Low	High (Rs.)	Low (Rs.)	High	Low
January	152.80	135.10	5,204.70	4,636.75	152.65	135.85	17,233.98	15,517.92
February	156.00	136.15	5,607.15	5,235.70	156.90	135.90	18,428.61	17,300.58
March	160.95	145.00	5,463.90	5,178.85	161.00	144.00	17,919.30	17,052.78
April	163.95	148.25	5,358.50	5,189.00	163.90	148.60	17,597.42	17,094.51
May	191.40	158.35	5,239.15	4,835.65	191.35	158.00	17,301.91	15,948.10
June	188.30	148.75	5,278.90	4,841.60	187.75	149.10	17,429.98	15,965.16
July	191.85	166.00	5,345.35	5,043.00	190.60	164.55	17,618.35	16,639.82
August	169.95	163.00	5,421.00	5,215.70	169.00	163.05	17,885.26	17,197.93
September	179.75	164.55	5,703.30	5,225.70	179.00	165.00	18,762.74	17,313.34
October	187.10	170.00	5,787.60	5,597.90	185.85	170.00	19,058.15	18,430.85
November	170.90	165.10	5,879.85	5,571.40	171.00	165.05	19,339.90	18,309.37
December	224.75	165.90	5,930.90	5,847.70	225.45	165.80	19,486.80	19,229.26

The aforesaid table is based on the closing price of the shares of R Systems and closing of NSE Nifty and BSE Sensex at NSE and BSE website.



The aforesaid chart is based on the monthly low of closing price of the shares of R Systems and monthly low of closing NSE Nifty.

The aforesaid chart is based on the monthly low of closing price of the shares of R Systems and monthly low of closing BSE Sensex.

vii) Registrar and Share Transfer Agent

M/s Link Intime India Private Limited
44, Community Centre, 2nd Floor,
Naraina Industrial Area, Phase- I
Near PVR Naraina,
New Delhi 110 028

viii) Share Transfer System

Applications for transfer of shares held in physical form are received at the office of the registrar and share transfer agent of the Company, M/s Link Intime India Private Limited. They attend to share transfer formalities at least once a week and forward the same to the Company for the Shareholders / Investors Grievance Committee's approval. In order to expedite the process of share transfers in physical mode, the members of the Shareholders / Investors Grievance Committee conduct their meetings more frequently, to the extent of weekly meetings of the Committee.

Shares held in dematerialized form are electronically traded in the depository and the registrar and share transfer agent of R Systems periodically receives from the depository the details of beneficiary holdings so as to update the records for sending all corporate communications and other matters.

Physical shares received for dematerialization are processed and completed within a period of 15 days from the date of receipt, provided they are duly completed. Bad deliveries are

immediately returned to the depository participants under advice to the shareholders.

ix) Transfer of unclaimed dividend to Investor Education and Protection Fund

Pursuant to the provisions of Section 205A (5) of the Companies Act, 1956, dividend which remains unpaid or unclaimed for a period of seven years from the date of its transfer to unpaid dividend account, is required to be transferred by the Company to the Investor Education and Protection Fund ('IEPF'), established by the Central Government under the provisions of Section 205C of the Companies Act, 1956. Shareholders are advised to claim the unclaimed dividend lying in the unpaid dividend account of the Company before the due date. Given below are the dates of declaration of dividend and corresponding dates when unclaimed dividend is due for transfer to IEPF:

Date of declaration / payment of dividend	Dividend for the year	Due date for transfer to IEPF
May 01, 2007	2006	May 31, 2014
May 02, 2008	2007	June 01, 2015
April 27, 2009	2008	May 27, 2016
May 20, 2010	2009	June 19, 2017
May 25, 2011	2010	June 24, 2018
May 04, 2012	2011	June 03, 2019
May 18, 2012	Interim Dividend 2012	June 17, 2019

x) Distribution of Shareholding as on December 31, 2012*

Shareholding of nominal value of (Rs.)	Shareholders		Share Capital	
	Number	% to total	Amount in Rs.	% to total
1 - 2,500	12,723	94.24	7,286,050	5.82
2,501 - 5,000	427	3.16	1,658,980	1.33
5,001 - 10,000	167	1.24	1,292,590	1.03
10,001 - 20,000	78	0.58	1,207,680	0.97
20,001 - 30,000	23	0.17	573,850	0.46
30,001 - 40,000	15	0.11	554,290	0.44
40,001 - 50,000	13	0.10	615,090	0.49
50,001 - 1,00,000	17	0.13	1,206,830	0.96
Above 1,00,000	37	0.27	110,811,720	88.50
TOTAL	13,500	100.00	125,207,080	100.00

*During the year under review, the Company has allotted 203,822 equity shares of Rs. 10/- pursuant to exercise of stock options under R Systems International Limited Employee Stock Options Scheme 2007.

xi) Category wise Shareholding as on December 31, 2012

Category	Category of Shareholder	No. of shares	Percentage
(A)	Promoters & Promoter Group		
1	Indian	2,329,240	18.60
2	Foreign	4,045,341	32.31
	Sub Total (A)	6,374,581	50.91
(B)	Public Shareholding		
1	Institutions		
(a)	Mutual Funds / UTI	0.00	0.00
(b)	Financial Institutions / Banks	0.00	0.00
(c)	Foreign Institutional Investors	0.00	0.00
	Sub Total (B)(1)	0.00	0.00
2	Non-institutions		
(a)	Bodies Corporate	157,184	1.26
(b)	Individual shareholders holding nominal share capital up to Rs. 1 lakh	1,325,013	10.58
(c)	Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	4,566,927	36.47
(d)	Any Other (Clearing Member)	22,105	0.18
(e)	Any Other (Trust)	74,898	0.60
	Sub Total (B)(2)	6,146,127	49.09
	Total Public Shareholding (B)(1) + (B)(2)	6,146,127	49.09
	Grand Total	12,520,708	100.00

xii) Dematerialisation of shares and liquidity

Procedure for dematerialisation of shares:

Shareholders seeking dematerialisation of their shares need to approach their Depository Participants (DP) with whom they maintain a demat account. The DP will generate an electronic request and will send the physical share certificate and demat request form to the Registrar and Share Transfer Agent (the "Registrar") of the Company. Upon receipt of the request and share certificate, the Registrar will verify the same and approval of the Company is being sought. Thereafter, the Registrar will confirm the demat request. On confirmation, the demat account of the respective shareholder will be credited with equivalent number of shares. In case of rejection of the request, the same shall be communicated to the shareholder through their respective DPs.

About 98.75% of the issued and paid up share capital of the Company has been dematerialised up to December 31, 2012. The International Securities Identification Number (ISIN) of the Company is INE411H01024.

The equity shares of the Company are traded on NSE and BSE.

xiii) Outstanding GDRs / ADRs / Warrants or any Convertible instruments, conversion date and likely impact on equity

R Systems has not issued any GDRs / ADRs. There were no outstanding convertible warrants as on December 31, 2012, except stock options granted under the prevailing employee stock option plans / schemes, as detailed elsewhere in the Directors' Report.

xiv) Development Centres

1. Noida Office

C - 40 & C - 1, Sector - 59,
Noida (U.P.) - 201 307

2. Pune Offices

- (a) S. No. 303/2/2, Bavdhan (BK)
Mumbai Bangalore Highway (Bypass)
Pune - 411 021, Maharashtra
- (b) Survey No. 127/1B/1, Plot A - 1,
3rd & 5th Floor, Gopal House,
Above Hotel Kimaya, Kothrud,
Pune - 411 029, Maharashtra

3. Chennai Office

Rayala Techno Park,
3rd Floor, 144/7 Rajiv Gandhi Salai,
Kottivakkam, Chennai - 600 041

Development / Technical Support centres at the offices of R Systems' subsidiaries

4. R Systems, Inc.
5000, Windplay Drive, Suite # 5,
El Dorado Hills, CA 95762, U.S.A.
5. R Systems Solutions, Inc.
Metro Annex Building 9, Suite B,
1193 West 2400 South, Suite # 9c,
West Valley City, UT 84119, U.S.A.
6. ECnet Limited
15, Changi Business Park, Central 1, #02-01,
Singapore - 486 057
7. R Systems Europe B.V.
Brammelerstraat 8,
7511 JG Enschede, The Netherlands
8. R Systems S.A.S.
9, rue Thomas Edison,
57070 Metz, France
9. Computaris Romania SRL
 - (a) Bucharest office
Str. Gheorghe Manu, Nr. 5, Parter,
Camera 2, Sector 1, Bucuresti,
Cod. 010442, Romania
 - (b) Galati office
19A Portului Str.,
4th Floor, Room 403,
800025, Galati, Romania
10. Computaris Polska sp z o.o.
 - (a) Warsaw office
Okopowa 47,
01-059 Warszawa, Poland
 - (b) Białystok office
Ul. Świętojanska 2
15-082 Białystok, Poland
11. ICS Computaris International SRL
Vlaicu Pircalab Street, No 63, Et. 8,
Oficiu A,B,C, MD – 2012,
Chisinau, Republica Moldova

Other Offices of R Systems and its subsidiaries

12. U.S.A. Branch Office
5000, Windplay Drive, Suite 5,
El Dorado Hills, CA 95762, U.S.A.
13. EU Branch Office
Brammelerstraat 8,
7511 JG Enschede, The Netherlands
14. Japan Branch Office
2-21-7-703, Kiba, Koto-ku,
Tokyo 135-0042
15. U. K. Branch Office
75, Westow Hill,
London, SE 19 1 TX, U.K.
16. R Systems NV
Diestseweg 32 C, B - 2440, Geel,
Belgium
17. Indus Software, Inc.
5000, Windplay Drive, Suite 5,
El Dorado Hills, CA 95762, U.S.A.
18. Systèmes R. International Ltée,
417, Rue Saint-Pierre, Porte 604
Montréal (Quebec) H2Y 2M4, Canada
(Subsidiary w.e.f. October 29, 2012)
19. R Systems (Singapore) Pte Limited
15, Changi Business Park, Central 1, #02-01,
Singapore - 486 057
20. ECnet (M) Sdn. Bhd.
Level 12, Suite 12.05 Menara Summit,
Persiaran Kewajipan, USJ1,
47600 UEP Subang Jaya,
Selangor Darul Ehsan, Malaysia
21. ECnet, Inc.
Corporation Trust Centre 1209 Orange Street,
Wilmington, New Castle, DE 19801, U.S.A.
22. ECnet (Hong Kong) Limited
Room 1903, 19/F, World-Wide House,
19 Des Voeux Road Central, Hong Kong
23. ECnet Systems (Thailand) Company Limited
2/3 Moo 14, Bangna Tower - A, 2nd Floor,
Room No. 205 Bangna - Trad Rd. K.M. 6.5,
Bangkaew, Bangplee, Samutprakarn,
Thailand - 10540

24. ECnet Kabushiki Kaisha
1-6-17 Godo Build. 6 F,
Kaji-cho, Chiyoda-ku,
Tokyo, Japan 101-0044
25. ECnet (Shanghai) Co. Ltd.
Rm H, 20th Floor, Foresight Mansion, No. 768,
Xie Tu Rd, Shanghai - 200 023,
People's Republic of China
26. Computaris International Limited
11 Queens Road
Brentwood
Essex, CM14 4HE, United Kingdom
27. Computaris Limited
11 Queens Road
Brentwood
Essex, CM14 4HE, United Kingdom
28. Computaris Malaysia Sdn. Bhd.
No. 52, 1st Floor, Jalan SS21/58
Damansara Utama,
47400 Petaling Jaya,
Selangor, Malaysia
29. Computaris USA, Inc.
5000, Windplay Drive, Suite 5,
El Dorado Hills, CA 95762, U.S.A.

xv) Address for correspondence

For any assistance regarding dematerialisation of shares, share transfers, transmissions, change of address, non-receipt of dividend or any other query relating to shares:

Registrar and Share Transfer Agent

M/s Link Intime India Private Limited

44, Community Centre, 2nd Floor,
Naraina Industrial Area, Phase- I
Near PVR Naraina,
New Delhi 110 028
Phone : 011 - 414 10592, 93, 94 Fax : 011 - 414 10591
Email: delhi@linkintime.co.in

For general correspondence:

R Systems International Limited

Corporate Office
C - 40, Sector - 59,
Noida (U.P.) - 201 307, India
Phone : 0120 - 430 3500
Fax : 0120 - 258 7123
Email : investors@rsystems.com

CERTIFICATION BY THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER OF R SYSTEMS INTERNATIONAL LIMITED

We, Satinder Singh Rekhi, Chairman and Managing Director and Nand Sardana, Chief Financial Officer, hereby certify that:

- a. We have reviewed the financial statements and the cash flow statement of the Company for the year ended December 31, 2012 and that to the best of our knowledge and belief:
 - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
- c. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d. We have indicated wherever applicable, to the auditors and to the Audit Committee
 - i) significant changes in internal control over financial reporting during the year;
 - ii) significant changes in accounting policies during the year, if any, and that the same have been disclosed in the notes to the financial statements; and
 - iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Sd/-
Satinder Singh Rekhi
 (Chairman and Managing Director)
 Place : NOIDA
 Date : February 09, 2013

Sd/-
Nand Sardana
 (Chief Financial Officer)
 Place : NOIDA
 Date : February 09, 2013

Annexure 'C' to the Director's Report

CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

To,
 The Members,
 R Systems International Limited,
 B - 104A, Greater Kailash - I,
 New Delhi - 110 048

We have examined all relevant records of R Systems International Limited (the "Company") for the purpose of certifying compliance of the conditions of Corporate Governance under Clause 49 of the Listing Agreement with National Stock Exchange of India Limited and BSE Limited (the "Stock Exchanges") for the financial year ended on December 31, 2012. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of certification.

The compliance of the conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to the procedures and implementation thereof. This certificate is neither an assurance as to the future viability of the Company, nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in abovementioned Listing Agreement with the Stock Exchanges and that no investor complaints / grievances remain unattended for a period exceeding 21 days against the Company.

For **SKP & Co.**,
 Company Secretaries

(CS Sundeep Kumar Parashar)
 Prop.
 Membership No. FCS 6136
 Certificate of Practice No. 6575

Place : Vaishali
 Date : 25.03.2013

Management's Discussion and Analysis

OVERVIEW

The financial statements have been prepared in compliance with the requirements of revised Schedule VI notified under the Companies Act 1956, guidelines issued by the Securities and Exchange Board of India (SEBI) and Generally Accepted Accounting Principles (GAAP) in India as notified under Accounting Standards by Companies (Accounting Standards) Rules, 2006, (as amended). The management accepts responsibility for the integrity and objectivity of these financial statements, as well as for various estimates and judgments used therein. The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, so that the financial statements reflect in a true and fair manner the form and substance of transactions, and reasonably present the state of affairs, profits and cash flows for the year.

A. INDUSTRY STRUCTURE AND DEVELOPMENTS

Indian IT-BPM performance as per NASSCOM Strategic Review 2013

FY 2013 has been a year of transition and transformation for the Indian IT-BPM industry as it toiled hard to continue its growth trajectory albeit at a slower pace despite global economic uncertainty.

The industry is estimated to aggregate revenue of USD 108 billion in FY2013, with the IT software and service sector (excluding hardware) accounting for USD 95 billion of revenues.

Export revenues (excluding hardware) are estimated to gross USD 75.8 billion in FY2013, growing by 10.2 percent over FY2012, and contributing nearly 80 percent of the total IT-BPM Revenues (excluding hardware), employing over 2.3 million employees.

The IT services segment aggregated export revenues of USD 43.9 billion, accounting for nearly 58 percent of total exports and a growth of 9.9 percent over FY2012. Indian IT service offerings have evolved from application development and maintenance, to emerge as full service players providing

testing services, infrastructure services, consulting and systems integration. Within that, IT outsourcing exhibited strong growth, in line with global trends, driven by increased spend in the remote infrastructure management, application management, testing and SOA segments, Cloud computing, mobile computing gained credence this year as it offered client access to best-in-class process management at reduced capital expenditure levels.

The BPM Segment that has been reinventing itself in the past few years is expected to be the fastest growing at 12.2 percent and estimated to gross USD 17.8 billion in FY2013. Increased acceptance of platform BPM solutions was the key highlight, as providers increasingly focused on transforming client businesses through a mix of re-engineering skills, technology enablement, and new service delivery method.

Engineering & R&D Services (ER&D), Outsource Product Development (OSPD) and software products segments are estimated to generate exports of USD 14.1 billion, a growth of nearly 9 percent over FY2012. ER&D firms are increasingly developing capabilities that, are enabling them to participate across all stages of development, thereby delivering high-end services to customers. Disruptive technologies-cloud, mobility, social media and big data/analytics, are playing a significant role in driving growth of OSPD and software products.

Geography Focus: The year was characterised by healthy growth in Europe (including UK) and APAC, US, the biggest market for IT-BPM exports also continued its growth momentum albeit at a slower pace. As the European market is becoming more amenable to offshoring, growth in this region is expected to firm up further.

Vertical market: The industry vertical market mix is well balanced across several mature and emerging sectors. Growth this year was driven by emerging verticals of healthcare, retail and utilities growing at a consolidated 12 percent, even as the traditional verticals BFSI and manufacturing recorded above industry average growth.

B. COMPANY OVERVIEW

R Systems International Limited (the 'Company') and its subsidiaries (collectively referred to as 'R Systems') is a leading global provider of IT solutions and Business Process Outsourcing ("BPO") services. The parent Company, R Systems International Limited is registered under the Companies Act, 1956 with its Registered Office at New Delhi and has following subsidiaries:

Name of Subsidiary	Year of Incorporation	Location	Subsidiary Since	Holding
R Systems (Singapore) Pte Limited	1997	Singapore	September 19, 2000	100%
R Systems, Inc.	1993	USA	January 2, 2001	100%
Indus Software, Inc.	1996	USA	April 1, 2002	100%
ECnet Limited	1996	Singapore	January 8, 2004	99.56%
R Systems Solutions, Inc.	2000	USA	August 24, 2006	100%
R Systems N.V.	2007	Belgium	August 28, 2007	100%
R Systems Europe B.V.	1999	The Netherlands	January 23, 2008	100%
R Systems S.A.S.	2000	France	January 23, 2008	100%
Computaris International Limited	2006	UK	January 26, 2011	100%
Systèmes R. International Ltée	2012	Canada	October 29, 2012	100%

ECnet Limited, Singapore has following wholly owned subsidiaries:

Name	Holding	Country of Incorporation
ECnet (M) Sdn. Bhd.	100%	Malaysia
ECnet Systems (Thailand) Company Ltd.	100%	Thailand
ECnet (Shanghai) Co. Ltd.	100%	China
ECnet (Hong Kong) Ltd.	100%	Hong Kong
ECnet, Inc.	100%	USA
ECnet Kabushiki Kaisha	100%	Japan

Computaris International Limited, UK has following wholly owned subsidiaries:

Name	Holding	Country of Incorporation
ICS Computaris International Srl	100%	Moldova
Computaris Malaysia Sdn. Bhd.	100%	Malaysia
Computaris Polska sp z.o.o.	100%	Poland
Computaris Romania SRL	100%	Romania
Computaris Inc.	100%	USA
Computaris Limited	100%	UK

As at December 31, 2012, R Systems has thirteen global development and service centres in India, USA, Europe and Singapore. R Systems diversified offering includes:



R Systems defines its OPD business as Integrated Product Life Cycle Management (iPLM) Services where R Systems help ISV and other companies to 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 and global delivery model.

Under iPLM Services, R Systems delivers solutions and services in the area of Information Technology and Information Technology enabled services. The IT services cover application development, systems integration and support and maintenance of applications. Under the ITES we cover managed services, BPO services covering both technical support and customer care for IT and Hi-Tech electronic manufacturers, high-end Quality Process Management and Revenue and Claims Management using our global delivery model in 20 languages.

R Systems competitive advantage in iPLM Services is further enhanced by its industry specific domain expertise, global delivery capabilities, multi-language support capabilities, industry best quality and security certification and agile development methodologies supported by R Systems' proprietary pSuite Framework.

Products Group

R Systems products group consists of two units. Indus® which address the retail lending, telecommunication and insurance industry and ECnet® which addresses supply chain, warehousing and inventory management.

Indus® offerings include an integrated enterprise multi-portfolio lending suite for banking and financial services, credit management and revenue collection for telecom companies, iPerSyst for insurance companies which helps in timely policy renewal and customer retention along with other IT services to banking and financial service clients. Indus Product Business offerings are:

- Indus Solutions for Banks and Non-Banking Finance companies
- Indus Credit Management and Revenue Collection for Telecom Sector
- Indus iPerSyst for Insurance Companies

Further, we will be releasing state of art Corporate Loan Origination product that will cover the loans to Corporate Banking / SME sector. Indus has over 40 clients worldwide for its Indus Products / Services. These clients are large banking, financial services, telecom and insurance companies.

ECnet® Supply Chain products provide solutions for holistic management of the complex interaction between an organisation and its trading partners. The integrated solution aims to reduce all supply chain costs through improved collaboration and optimisation. The solutions are robust and scalable and give measurable ROI to clients within one year.

Further, ECnet also operates as a channel partners for reselling and implementing several ERP products of one of the largest business software company to serve customers in a key customer segment: Small- to medium-sized businesses. These products present an opportunity to cross and up sell these solutions since these are adjunct to ECnet's own product offerings. R Systems has over 30 global manufacturing and logistics companies as referable clients. With the recent acquisition of ERP business of Nikko Computer Systems (S) Pte Ltd. (NCS) in March 2013, we have strengthened our ERP expertise and client base in South East Asia.

R Systems is focused on key verticals i.e. Telecommunication & Digital Media, BFSI, Manufacturing and Logistics and Health Care. During the year ended December 31, 2012, Telecommunication and Digital Media contributed 32.60% and BFSI contributed 15.35% of the total consolidated revenues.

R Systems rapidly growing customer list includes a variety of Fortune 1000, government and mid-sized organisations across a wide range of industry verticals including eighteen million \$ plus accounts as at December 31, 2012.

C. OPPORTUNITIES AND THREATS

As per NASSCOM Strategic Review 2013, IT services is expected to grow by 4.2 percent in 2013 as firms work at ways to reduce cost and increase profitability, realising the inimitable need for information technology to create competitive advantage. Global IT-BPM spend is expected to grow between 5-6 percent over the next two years and global sourcing is set to grow faster- at about 7-8 percent during 2013.

India continues to be the global sourcing leader but the total global sourcing (IT+BPM) market of USD 124-130 billion accounts for only a little over 10 percent of global IT-BPM spend – highlighted the still large, untapped market opportunity. India IT-BPM firms are well set to take advantage of this opportunity by working towards enhancing their existing capabilities, developing new capabilities and expanding their focus to new service, technologies, verticals and geographies.

The market is competitive and R Systems has to reckon with threats from competitors including their disruptive tactics, intense demand for global talent, attrition of employees, technological obsolescence, adverse changes in foreign currency rates and changes in Government policies related to restrictions to outsource services to other countries. R Systems is cognizant of risks and uncertainties which are managed proactively through risk mitigation processes and strategies.

D. SEGMENT-WISE AND PRODUCT-WISE PERFORMANCE

Detailed information about segment-wise and product-wise performance has been given in the Consolidated Financial Statements and Standalone Financial Statements.

E. PERFORMANCE AND OUTLOOK

R Systems reported record consolidated revenue of Rs. 46,500.88 lakhs during the year 2012 as against revenue of Rs. 40,949.55 lakhs for the year 2011 representing a year on year (YOY) increase of 13.56 %.

Net consolidated profits during the year 2012 were Rs. 1,836.20 lakhs as against net profit of Rs. 1,651.25 lakhs in the year 2011.

The basic earnings per share (based on consolidated financial statement) during the year 2012 was Rs. 14.76 per share as against Rs. 13.41 per share in 2011.

Cash and bank balance, including non-current bank deposits as at December 31, 2012 was Rs. 8,893.91 lakhs against Rs. 9,495.54 lakhs as at December 31, 2011. Decline Cash and bank balance in 2012, was mainly on account of payment of special interim dividend along with the first earn out payment to the ex-shareholder of Computaris International Limited as offset by cash generated from operations during the year.

The consolidated shareholder's funds as at December 31, 2012 amount to Rs. 19,459.98 lakhs.

R Systems is well positioned to leverage the following factors which are key to its differentiated strategy for growth in the marketplace:

- Focused key verticals i.e. Telecommunication & Digital Media, BFSI, Health Care and Manufacturing & Logistics. Further we have invested in building or consolidating capabilities and domain knowledge around these focused verticals;
- Customer centric approach to deliver continuous value by focus on innovation, cost efficiency and ability to manage high end complex engagements;
- Long term relationship with world class clients including global 1000 companies;
- Global delivering capabilities through thirteen development and service centres in India, USA, Europe and Singapore;
- Multi-language support capabilities;
- Adherence to the highest quality certification for our development processes, delivery models and security infrastructure;
- Industry best human resource practices such as PCMM level 5 to attract, develop, deploy and retain talent;
- Strong financial position as at December 31, 2012 to invest in future growth.

F. RISK AND CONCERNS

At R Systems risk management is a dynamic process with an attempt to constantly identify all the emerging risks and propose solutions to manage these. This is further explained in detail in Risk Management Report.

G. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

R Systems has adequate internal control systems and procedures commensurate with its size and nature of

business. All areas of the Company's operations are covered by such internal control systems including revenue from rendering services, sale of products, purchase of fixed assets and other equipments, treasury management, statutory compliances, expenditures such as payroll, travel, utility and insurance etc. An Independent firm of Chartered Accountants has been appointed as the Internal Auditors of the Company for all the business units in India and the Audit Committee has considered their reports and accepted their recommendations; wherever feasible the same have been implemented.

Further, R Systems has taken the initiative to have critical non financial areas such as security infrastructure, quality models, development processes and delivery models reviewed and certified by independent organisations. R Systems has continued its investment in organisation behavior and management processes to ensure that these certified industry standards are continually adhered to. As of the date of this report, Noida IT centre is SEI-CMMi level 5, PCMM Level 5, ISO 9001 : 2008 and ISO 27001 : 2005 certified; Noida BPO centre is PCMM Level 5, ISO 9001 : 2008 and ISO 27001 : 2005 certified. Pune and Chennai development centres are SEI-CMM Level 5, ISO 9001: 2008 and ISO 27001: 2005 certified. The continuing compliance with these standards demonstrates the rigor of R Systems processes and differentiates us to keep our competitive edge in service and product offerings.

H. MATERIAL DEVELOPMENT IN HUMAN RESOURCES / INDUSTRIAL RELATIONS FRONT, INCLUDING NUMBER OF PEOPLE EMPLOYED

Our employees are most precious assets and we value their commitment in building R Systems. In the IT and ITES industry attracting, developing, deploying and retaining talent is critical and R Systems has defined and implemented a People Management Initiative which is in line with industry best practices and People CMM. It effectively manages the Employee Life Cycle so that the individuals are committed, have pride and show pro-activeness on the job. In the year 2012, Noida centre of the Company is appraised at PCMM Level 5 (Ver 2.0).

R Systems concluded the year 2012 with 2,566 associates including 383 sales and support staff.

I. DISCUSSION ON FINANCIAL POSITION AND FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

Analysis and Discussions of Financial Position as at December 31, 2012.

1. Share Capital

(Rs. in lakhs)

Particulars	As at December 31,	
	2012	2011
Authorised share capital	2,000.00	2,000.00
Issued, subscribed and paid up capital	1,252.07	1,231.69
Less: advance to Indus software employee welfare trust	7.39	7.39
Total	1,244.68	1,224.30

The Company has only one class of shares i.e. equity shares of par value of Rs. 10 each. R Systems authorised share capital is Rs. 2,000 lakhs, divided into 200 lakhs equity shares of Rs. 10 each and remained unchanged from the previous year.

The issued, subscribed and paid up capital was Rs. 1,244.68 lakhs as at December 31, 2012 and Rs. 1,224.30 lakhs as at December 31, 2011. This is after adjusting Rs. 7.39 lakhs advance to Indus Software Employee Welfare Trust in compliance with guidance note issued by the Institute of Chartered Accountant of India.

During the year ended December 31, 2012, the Company has issued 203,822 equity shares of Rs. 10 each pursuant to exercise of employee stock options under the R Systems International Limited Employee Stock Option Scheme 2007.

Detailed information about the movements in ESOP plan has been given in Note no 29 of notes to the Consolidated Financial Statements.

2. Reserve and Surplus

(Rs. in lakhs)

Particulars	Consolidated		Standalone	
	2012	2011	2012	2011
Capital Redemption Reserve	126.58	126.58	126.58	126.58
Securities Premium Account	9,346.26	9,120.63	9,346.26	9,120.63
General Reserve	1,209.30	614.01	1,209.30	614.01
Surplus in the statement of profit and loss	5,821.41	7,991.05	6,097.02	8,050.09
Capital Reserve	0.32	0.32		
Foreign Currency Translation Reserve	1,711.43	781.42		
Total	18,215.30	18,634.01	16,779.16	17,911.31

The increase in Securities Premium Account during the year ended December 31, 2012, is on account of issue of 203,822 equity shares @ a premium of Rs. 110.70 per share, pursuant

to exercise of employee stock options under the R Systems International Limited Employee Stock Option Scheme 2007.

The increase in the General Reserve is on account of statutory transfer from Surplus in the statement of profit and loss on recommendation of final dividend and interim dividend in compliance with the Companies (Transfer of Profits to Reserve) Rules, 1975.

The Foreign Currency Translation Reserve is increased during the year 2012 by Rs. 930.01 lakhs mainly as a result of the depreciation of Rupee against USD, Euro, GBP and other foreign currencies on consolidation of overseas subsidiaries.

3. Minority Interest

During the year, there is no change in the minority interest in the consolidated financial statement.

4. Long-Term Borrowings

Long-term borrowing consists of loans obtained for purchase of motor vehicle and assets obtained on finance lease. Non-current portion of long-term borrowings as at December 31, 2012 amounts to Rs. 34.47 lakhs as against Rs. 38.39 lakhs as at December 31, 2011 in consolidated as well as standalone books.

Current portion of long-term borrowings as clubbed under the other current liabilities as at December 31, 2012 amounts to Rs. 21.85 lakhs as against Rs. 30.43 lakhs as at December 31, 2011 in consolidated books. Whereas current portion of long-term borrowings as at December 31, 2012 amounts to Rs. 21.85 lakhs as against Rs. 20.72 lakhs as at December 31, 2011 in standalone books.

5. Other Long-Term Liabilities

The liabilities which are due for payment after 12 months from reporting date are considered under the other long-term liabilities.

(Rs. in lakhs)

Particulars	Consolidated		Standalone	
	2012	2011	2012	2011
Security deposits	32.49	31.33	32.18	31.03
Deferred payable others	40.36	9.18	33.52	–
Deferred payment compensation to the erstwhile shareholders of subsidiary	–	709.95	–	709.95
Total	72.85	750.46	65.70	740.98

Increase in the deferred payable other was on account of increase in deferred payable to creditors for the purchase

of fixed assets and deferred payment compensation to the erstwhile shareholder has been grouped under the head other current liability as the same was due within next 12 months from the reporting date.

6. Long-Term Provisions

Long-term provisions under consolidate financial statement and standalone financial statement of Rs. 712.41 lakhs and Rs. 612.89 as at December 31, 2012 and December 31, 2011 respectively, represents the provision towards the employees benefits due after 12 months from reporting date.

7. Other Current Liabilities

The liabilities which are due for payment within next 12 months from reporting date are considered under other current liabilities.

(Rs. in lakhs)

Particulars	Consolidated		Standalone	
	2012	2011	2012	2011
Trade payables	3,961.19	3,821.35	1,188.02	1,078.15
Payable to subsidiary companies			173.34	225.23
Current maturities of long-term borrowing	21.85	30.43	21.85	20.72
Deferred payment compensation to the erstwhile shareholders of subsidiaries	328.25	1,273.02	328.25	1,273.02
Deferred revenue	1,081.08	908.46	589.13	469.51
Book overdraft	13.13	10.61	-	-
Investor education and protection fund (not due) - Unclaimed dividend	11.94	5.98	11.94	5.98
Payable for purchase of fixed assets	40.79	31.92	25.43	31.92
Other payables :				
Tax deducted at source	96.40	79.44	96.40	74.79
Service tax / GST / VAT	79.33	382.48	11.80	26.54
Others	331.80	474.02	43.57	42.58
Total	5,965.76	7,017.71	2,489.73	3,248.44

8. Short-Term Provisions

(Rs. in lakhs)

Particulars	Consolidated		Standalone	
	2012	2011	2012	2011
Provision for employee benefits				
-Gratuity	69.02	16.49	69.02	16.49
-Compensated absences	1,002.88	861.37	663.24	576.52
-Bonus	268.33	82.39	268.33	-
Income tax	601.22	466.27	574.86	-
Provision for claim	476.83	-	-	-
Proposed dividend	939.05	443.41	939.05	443.41
Tax on proposed dividend	152.34	71.93	152.34	71.93
Mark-to-market losses on derivative instruments	-	559.43	-	563.76
Total	3,509.67	2,501.29	2,666.84	1,672.11

Here provision for claim pertains to a claim for penalty received by one of the subsidiary from one of its customer. The subsidiary had subcontracted certain part of its scope of services to one of its vendors and basis the contractual terms has claimed an equivalent amount from such vendor. However, pending acceptance of the claim, the recoverable for the amount claimed from the vendor has not been recorded in the consolidated financial statement.

Increase in short-term provisions was mainly on account provision for claim, provision for employee benefits and increase in provision for proposed dividend & tax thereon. This was offset by decline in the M2M loss on forward contracts.

9. Fixed Assets

Fixed assets includes tangible fixed assets such as land, building, computer hardware, furniture & fixture, vehicle, office and electrical equipment etc, intangible assets covering computer software & product development cost (internally generated software) and intangible assets under development.

(Rs. in lakhs)

Particulars	Consolidated		Standalone	
	2012	2011	2012	2011
Net tangible assets	3,365.06	3,533.68	2,782.25	3,027.65
Net intangible assets	382.46	467.33	140.89	248.51
Intangible assets under development	123.17	-	123.17	-
Total	3,870.69	4,001.01	3,046.31	3,276.16

Details of Addition during the year:

Particulars	(Rs. in lakhs)			
	Consolidated		Standalone	
	2012	2011	2012	2011
Total addition to gross block-tangible assets	556.95	457.37	206.92	244.32
Total addition to gross block-intangible assets	209.73	135.74	93.05	47.89

The additions in gross block - tangible assets were mainly on account of purchases of computer hardware including networking equipments and office and electrical equipments.

The estimated amount of contracts remaining to be executed on capital account and not provided for as on December 31, 2012 was Rs. 91.61 lakhs as against Rs. 27.53 lakhs as on December 31, 2011.

10. Goodwill on Consolidation

Goodwill on consolidation in consolidated financial statement is Rs. 2,739.97 lakhs in December 31, 2012 as against Rs. 2,701.01 in December 31, 2011.

11. Non-Current Investments

Particulars	(Rs. in lakhs)			
	Consolidated		Standalone	
	2012	2011	2012	2011
Investment in subsidiaries	-	-	7,669.94	8,137.42
Other investment	0.25	0.25	0.25	0.25
Total	0.25	0.25	7,670.19	8,137.67

As at December 31, 2012, the management has reassessed the investment in Computaris International Limited and decreased the investment value by Rs. 455.61 lakhs basis the final earn out amount payable to the erstwhile share holders of Computaris.

12. Deferred Tax Assets (net)

Deferred tax reflects the timing differences between financials and tax books arising mainly from provision for gratuity, leave encashment, doubtful debts and advances (deferred tax assets) and differences in books base and tax base of fixed assets (deferred tax liability).

Particulars	(Rs. in lakhs)			
	Consolidated		Standalone	
	2012	2011	2012	2011
Deferred tax assets	885.35	1,002.01	804.91	916.80
Deferred tax liability	337.07	367.68	317.00	363.07
Deferred Tax Assets (net)	548.28	634.33	487.91	553.73

Decrease in deferred tax assets was mainly on account of deferred tax assets released on reversal of provision for doubtful debts and advances.

13. Long-Term Loans and Advances

Particulars	(Rs. in lakhs)			
	Consolidated		Standalone	
	2012	2011	2012	2011
Capital advances	15.16	12.92	15.16	12.92
Advances recoverable in cash or in kind or for value to be received	28.01	48.51	13.74	45.81
Security deposit	255.78	253.56	167.78	182.57
MAT credit entitlement	377.05	446.61	377.05	446.61
Advance fringe benefit tax	1.68	1.68	1.68	1.68
Advance income taxes	370.20	141.43	319.43	141.43
Total	1,047.88	904.71	894.84	831.02

Increase in long-term loans and advance was mainly on account of advance income tax payments.

14. Other Non-Current Assets

Other non-current assets includes the long term fixed deposits with banks due for maturity after twelve months from reporting date , margin money deposits and accrued interest there on.

Particulars	(Rs. in lakhs)			
	Consolidated		Standalone	
	2012	2011	2012	2011
Non-current bank balances	748.35	1,204.40	658.69	1,095.58
Interest accrued on deposits	54.62	27.95	54.62	27.95
Total	802.97	1,232.35	713.31	1,123.53

Decrease in other non-current assets was mainly on account of reduction in fixed deposits due for maturity after twelve months from reporting date and margin money deposits.

15. Trade Receivables

Particulars	(Rs. in lakhs)			
	Consolidated		Standalone	
	2012	2011	2012	2011
Trade receivables Gross	11,533.84	12,545.60	5,338.71	6,365.45
Less : Provision for doubtful debts	1,727.51	2,014.05	710.05	1,140.23
Trade Receivables (net)	9,806.33	10,531.55	4,628.66	5,225.22
Days Sales Outstanding (DSO)	72	65	70	78

16. Cash and Bank Balance

Particulars	(Rs. in lakhs)			
	Consolidated		Standalone	
	2012	2011	2012	2011
Cash in Hand	8.10	5.86	1.63	1.32
Cheques on hand	-	1.32	-	1.32
Balances with scheduled banks				
On current accounts	128.81	146.38	128.81	146.38
On cash credit / overdraft accounts	0.98	270.54	0.98	270.54
On EEFC accounts	463.94	419.20	463.94	419.20
On deposit accounts	4,795.83	5,041.23	4,795.83	5,041.23
On unclaimed dividend accounts	11.94	5.98	11.94	5.98
Balances with other banks				
On current accounts	3,104.82	3,329.53	737.18	350.12
On cash credit / overdraft accounts	-	34.37	-	-
On deposit accounts	379.49	241.13	-	-
	8,893.91	9,495.54	6,140.31	6,236.09
Less Non-current bank balances	748.35	1,204.40	658.69	1,095.58
Total Cash and Bank Balance	8,145.56	8,291.14	5,481.62	5,140.51

Decrease in total cash and bank balance (including non-current balance) was mainly on account of payment of special interim dividend along with the first earn out payment to the ex-shareholder of subsidiary as offset by cash generated from operations during the year.

17. Short-Term Loans and Advances

Short-term loans and advances includes the amount recoverable in cash and kind or for value to be received within twelve months from reporting date.

Particulars	(Rs. in lakhs)			
	Consolidated		Standalone	
	2012	2011	2012	2011
Advances recoverable in cash or in kind or for value to be received	989.15	787.32	317.22	278.29
Advances to related parties	-	-	33.10	118.78
Security deposit	11.50	0.12	11.37	-
Mark-to-market gains on derivative instruments	58.14	-	58.14	-
Balances with customs, excise, etc.	14.66	7.84	14.66	7.84
Total	1,073.45	795.28	434.49	404.91

18. Other Current Assets

Particulars	(Rs. in lakhs)			
	Consolidated		Standalone	
	2012	2011	2012	2011
Interest accrued	72.75	84.36	72.75	84.36
Unbilled revenue	1,647.01	1,603.06	562.92	671.31
Total	1,719.76	1,687.42	635.67	755.67

Interest accrued represents interest income recognised but not due on fixed deposits which will be realised within twelve months from the reporting date.

Unbilled revenue constitutes amounts not billed to customers at year end which are expected to be billed in due course in accordance with the contracts with the customers.

19. Liquidity

The consolidated cash and cash equivalent as at December 31, 2012 were Rs. 5,241.42 lakhs as against Rs. 5,719.82 lakhs as on December 31, 2011.

Net cash generated from operating activities was Rs. 3,451.84 lakhs for the year ended December 31, 2012 compared to Rs. 3,391.84 lakhs for the year ended December 31, 2011.

Cash flow generated from operating activities is the significant source of funding for investing and financing activities.

During the year, R Systems paid Rs. 1,121.47 lakhs deferred compensation to the ex-shareholder of a subsidiary, Rs. 858.73 lakhs for the purchase of fixed assets. The interest received during the year 2012 was Rs. 445.91 lakhs against Rs. 552.05 lakhs during the year 2011.

Cash used in financing activities during the year 2012 was Rs. 2,603.18 lakhs mainly due to payment of dividend of Rs. 2,432.90 lakhs (including special interim dividend) and Rs. 395.64 lakhs for dividend distribution tax as offset by proceeds from issuance of share capital pursuant to exercise of employee stock options amounting to Rs. 246.01 lakhs.

R Systems' policy is to maintain sufficient liquidity to fund the anticipated capital expenditures, operational expenses and investments for strategic initiatives.

Analysis and Discussions of Operating Performance for the Year Ended December 31, 2012

The following section discusses in detail the composition of different items in the Consolidated and Standalone Statement of Profit and Loss Account.

Consolidated Statement of Profit and Loss for the year:

	(Rs. in lakhs)				
	2012	% of Total income	2011	% of Total income	Change %
Income					
Revenue from operations	46,500.88	98.94	40,949.55	98.66	13.56
Other income	500.44	1.06	556.43	1.34	(10.06)
Total income	47,001.32	100.00	41,505.98	100.00	13.24
Expenses					
Employee benefits expense	31,332.44	66.66	26,228.30	63.19	19.46
Operational and other expense	11,707.11	24.91	11,793.08	28.41	(0.73)
Depreciation and amortisation expense	1,008.94	2.15	1,311.85	3.16	(23.09)
Finance cost	67.47	0.14	80.84	0.19	(16.53)
Total expenses	44,115.96	93.86	39,414.07	94.96	11.93
Net profit before tax	2,885.36	6.14	2,091.91	5.04	37.93
Tax expense	1,049.16	2.23	440.66	1.06	138.09
Net profit after tax	1,836.20	3.91	1,651.25	3.98	11.20

Standalone Statement of Profit and Loss for the year:

	(Rs. in lakhs)				
	2012	% of Total income	2011	% of Total income	Change %
Income					
Revenue from operations	22,892.73	98.19	19,168.61	96.97	19.43
Other income	422.15	1.81	599.42	3.03	(29.57)
Total income	23,314.88	100.00	19,768.03	100.00	17.94
Expenses					
Employee benefits expense	15,031.11	64.47	13,006.45	65.80	15.57
Operational and other expense	4,559.81	19.56	5,047.32	25.53	(9.66)
Depreciation and amortisation expense	624.01	2.68	881.24	4.46	(29.19)
Finance cost	27.34	0.12	42.67	0.22	(35.92)
Total expenses	20,242.27	86.82	18,977.68	96.00	6.66
Net profit before tax	3,072.61	13.18	790.35	4.00	288.77
Tax expense	1,019.84	4.37	143.83	0.73	609.04
Net profit after tax	2,052.77	8.80	646.51	3.27	217.51

1. INCOME

1.1 Operating Income

R Systems derives operating income principally from software development & customisation services and business process

outsourcing services. Income is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

1.1.1 Based on Consolidated Financial Statement

During the year ended December 31, 2012, consolidated operating income increased by 13.56 % to Rs. 46,500.88 lakhs compared to Rs. 40,949.55 lakhs during 2011.

Particulars	(Rs. in lakhs)				
	Year ended December 31, 2012	%	Year ended December 31, 2011	%	change %
Software development and customisation services	37,603.24	80.87	34,099.29	83.27	10.28
Business process outsourcing services	8,897.64	19.13	6,850.26	16.73	29.89
Total	46,500.88	100.00	40,949.55	100.00	13.56

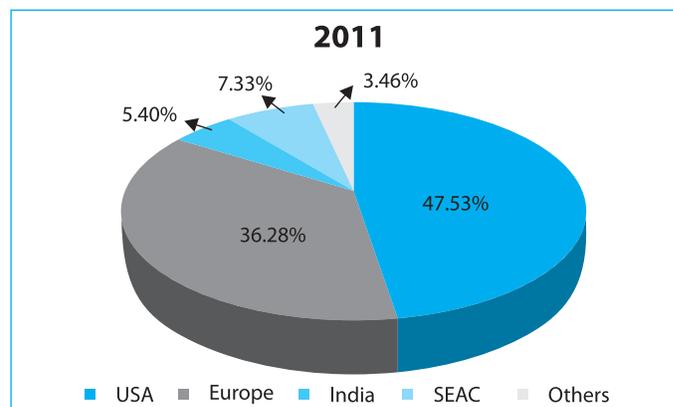
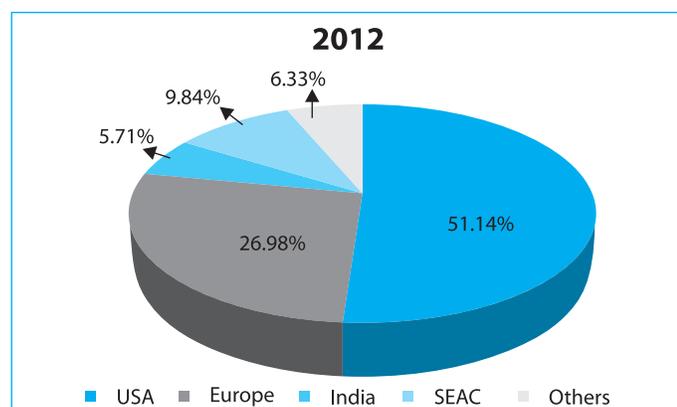
1.1.2 Based on Standalone Financial Statement

During the year ended December 31, 2012, standalone operating income increased by 19.43 % to Rs. 22,892.73 lakhs compared to Rs. 19,168.61 lakhs during 2011.

Particulars	(Rs. in lakhs)				
	Year ended December 31, 2012	%	Year ended December 31, 2011	%	change %
Software development and customisation services	19,904.51	86.95	16,828.72	87.79	18.28
Business process outsourcing services	2,988.22	13.05	2,339.89	12.21	27.71
Total	22,892.73	100.00	19,168.61	100.00	19.43

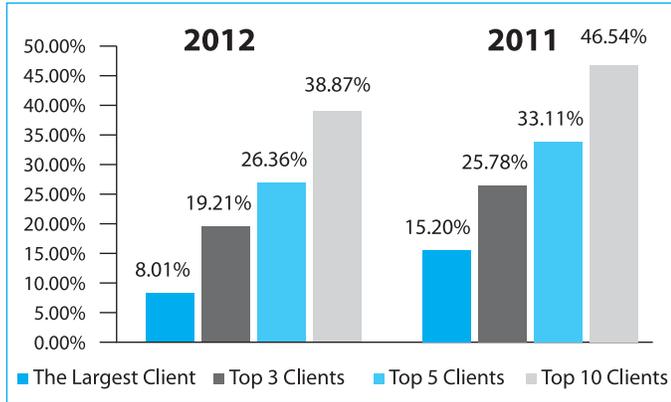
1.1.3 Consolidated Operating Income by Geography

R Systems earns income from five principal geographic territories, namely the United States of America, Europe, South East Asian countries ("SEAC"), India and others. A significant proportion of the revenues were derived from clients located in the United States of America and Europe. The geographic break-down of the operating income is given below:



1.1.4 Consolidated Operating Income by Client Concentration

The breakdown of R Systems consolidated operating income on the basis of client concentration for the year ended December 31, 2012 and 2011 is as follows:



1.2 Other Income

Other income consists of interest; write back of creditors' no longer required and other miscellaneous income.

1.2.1 Based on Consolidated Financial Statement

Other income amounted to Rs. 500.44 lakhs during the year ended December 31, 2012 as compared to Rs. 556.43 lakhs for the year ended 2011. In 2011 there was a write back of creditors' no longer required which was offset by increase in interest income.

1.2.2 Based on Standalone Financial Statement

Other income amounted to Rs. 422.15 lakhs during the year ended December 31, 2012 as compared to Rs. 599.42 lakhs for the year ended 2011.

2. EXPENDITURES

2.1 Personnel Expenses

Personnel expenses consist primarily of salaries, wages, bonus, commissions, perquisites, provision for long term

compensated absences, gratuity benefits, contribution towards provident and other funds and staff welfare expenses.

2.1.1 Based on Consolidated Financial Statement:

(Rs. in lakhs)					
Particulars	2012	% of Total income	2011	% of Total income	Change %
Salaries, wages and bonus	28,329.85	60.27	23,732.05	57.18	19.37
Gratuity	227.00	0.48	112.28	0.27	102.17
Contribution to provident fund and other payments	2,484.58	5.29	2,127.18	5.12	16.80
Staff welfare expenses	291.01	0.62	256.79	0.62	13.33
Total	31,332.44	66.66	26,228.30	63.19	19.46

2.1.2 Based on Standalone Financial Statement:

(Rs. in lakhs)					
Particulars	2012	% of Total income	2011	% of Total income	Change %
Salaries, wages and bonus	14,096.63	60.46	12,281.33	62.13	14.78
Gratuity	227.00	0.97	112.28	0.57	102.17
Contribution to provident fund and other payments	479.83	2.06	421.02	2.13	13.97
Staff welfare expenses	227.65	0.98	191.82	0.97	18.68
Total	15,031.11	64.47	13,006.45	65.80	15.57

2.2 Operational and Other Expense

Operational and other expenses includes expenses on traveling and conveyance, legal and professional expenses including sub-contractors costs, cost of third party hardware and software, recruitment and training, communication, provision for doubtful debts and advances, provision for claim, foreign exchange fluctuation movement, rent of premises, equipment rental, audit fees, repairs and maintenance, commission, insurance premium and other miscellaneous items.

2.2.1 Based on Consolidated Financial Statement:

Particulars	(Rs. in lakhs)			
	2012	% of Total income	2011	% of Total income
Travelling and conveyance	2,962.72	6.30	2,720.63	6.55
Legal and professional expenses including audit fees	3,436.17	7.31	3,275.15	7.89
Communication costs	711.81	1.51	658.58	1.59
Repair and maintenance	893.01	1.90	684.97	1.65
Recruitment and training expenses	237.39	0.51	185.29	0.45
Power and fuel	466.18	0.99	401.02	0.97
Rent - premises and equipments	1,283.10	2.73	1,168.96	2.82
Advertising and sales promotion	242.19	0.52	215.85	0.52
Provision for doubtful debts and advances (net)	209.41	0.45	579.24	1.40
Bad debts and advances written off (net)	7.48	0.02	106.40	0.26
Provision for claim	443.12	0.94	-	-
Contract cost	148.70	0.32	855.58	2.06
Cost of third party hardware and software	179.62	0.38	2.23	0.01
Foreign exchange fluctuation (net)	(213.33)	(0.45)	373.93	0.90
Others	699.56	1.49	565.24	1.36
Total	11,707.11	24.91	11,793.07	28.43

Decrease in the operational expenses during the year 2012 was mainly on account of decline in foreign exchange loss on mark to market of forwards contracts as offset by provision for claim.

2.2.2 Based on Standalone Financial Statement:

Particulars	(Rs. in lakhs)			
	2012	% of Total income	2011	% of Total income
Travelling and conveyance	1,863.53	7.99	1,685.07	8.52
Legal and professional expenses including audit fees	535.64	2.30	590.99	2.99
Communication costs	424.87	1.82	443.00	2.24
Repair and maintenance	490.54	2.10	375.57	1.90
Recruitment and training expenses	73.85	0.32	81.89	0.41
Power and fuel	405.51	1.74	344.89	1.74
Rent - premises and equipments	350.30	1.50	348.05	1.76
Advertising and sales promotion	93.60	0.40	74.33	0.38
Provision for doubtful debts and advances (net)	106.77	0.46	465.17	2.35
Provision for diminution in value of long term investments	67.11	0.29	-	-
Bad debts and advances written off	0.19	0.00	0.40	0.00
Cost of third party hardware and software	179.62	0.77	2.23	0.01
Foreign exchange fluctuation (net)	(399.78)	(1.71)	289.80	1.47
Others	368.07	1.58	345.94	1.75
Total	4,559.82	19.56	5,047.32	25.53

2.3 Depreciation and Amortisation Expense

Particulars	(Rs. in lakhs)			
	Consolidated		Standalone	
	2012	2011	2012	2011
Depreciation and amortisation	1,008.94	1,311.85	624.01	881.24
% of gross block (tangible and intangible)	7.64	10.39	8.36	11.72
% of total income	2.15	3.16	2.68	4.46

Decrease in the depreciation and amortisation was mainly on account of decline in the amortisation expenses of computer software.

2.4 Finance Cost

(Rs. in lakhs)

Particulars	Consolidated		Standalone	
	2012	2011	2012	2011
Interest on loans	8.60	6.69	6.81	6.26
Bank charges	58.87	74.15	20.53	36.41
Total Finance Charges	67.47	80.84	27.34	42.67
% of total income	0.14	0.19	0.12	0.22

2.5 Tax Expense

Tax expense comprises of current tax and deferred tax.

(Rs. in lakhs)

Particulars	Consolidated		Standalone	
	2012	2011	2012	2011
Profit Before Tax	2,885.36	2,091.91	3,072.61	790.35
Current tax net of MAT credit	949.86	857.44	954.02	477.24
Deferred tax charge / (credit)	99.30	(416.78)	65.82	(333.41)
Total Tax Expense	1,049.16	440.66	1,019.84	143.83
Effective Tax %	36.36	21.07	33.19	18.20

Effective tax percentage is higher in 2012 as against 2011 as during last year there was recognition of deferred tax assets

mainly over the increased provision for doubtful debt and advances.

2.6 Dividend

The Board of Directors has recommended a final dividend of Rs. 7.50 per share, subject to the approval of the shareholders in forthcoming Annual General Meeting. This is in addition to a special interim dividend of Rs. 16.00 per equity shares paid in June 2012, confirmation for which will be taken in forthcoming Annual General Meeting.

2.7 Applicability of Revised Schedule VI

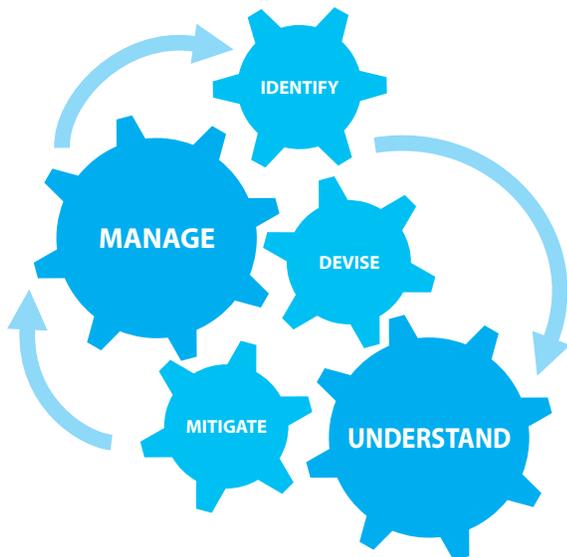
During the year ended December 31, 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the Financial Statements. However, it has significant impact on presentation and disclosures made in the Financial Statements. Previous year has also being reclassified in accordance with the requirements applicable in the current year.

RISK MANAGEMENT REPORT

The Management cautions readers that the risks outlined in this report are not exhaustive, are for information purposes only and may contain forward looking statements, the results of which may differ materially from those reflected. Investors and readers are requested to exercise their own judgment in assessing various risks associated with the Company.

OVERVIEW

Risk Management is a dynamic process which should constantly be able to identify all the emerging risks and propose solutions to manage them. The risk perception also constantly varies depending on the size of the business, business segment, location, scale of business. The essence of risk management strategy at R Systems' lies in maximising areas of control over outcome and minimising areas where the Company has no control over outcome. R Systems' recognizes that business conditions are constantly changing, evolving, and entering into cycles. Following is the model adopted by the Company for managing risk:



ENTERPRISE RISK MANAGEMENT STRUCTURE

Risk management is an integral part of the charter of the Board of Directors at R Systems. The Board is responsible for monitoring risk levels on various parameters and to suggest measures to address the same. The day to day management of the risk is entrusted to the management team of R Systems. Based on the philosophy of "No risks, no rewards", our management continuously keeps monitoring the level of our existence on the path of growth and within R Systems management structure, certain personnel

are designated with responsibility of managing risks including ensuring compliance with laws, rules and regulations with the assistance of both internal and external resources. Further, formal reporting, escalation of risk events and control mechanisms ensure timely communication, response and proactive management of the risks.

RISK MANAGEMENT AT R SYSTEMS

1. CUSTOMER CONCENTRATION

R Systems revenues are dependent to a considerable extent upon relationships with a limited number of customers and retaining those customers. The percentage of total consolidated revenues during fiscal year 2012 and 2011 that R Systems derived from contracts with its top line customers is as follows:

Customer	Year Ended	
	Dec 31, 2012 (%)	Dec 31, 2011 (%)
Top 10	38.87	46.54
Top 5	26.36	33.11
Top 3	19.21	25.78
The Largest Customer	8.01	15.20

Concentration of revenues from a limited number of customers deepens our relationship with those customers but at the same time imposes a risk of dependence. Customer's vendor management strategies and business risks radiate on to R Systems through fluctuations in utilization, pricing for services and service level demands. All these factors could potentially impact revenues and profitability of R Systems.

INITIATIVES: The business model and strategy followed by R Systems involves serving the customers in a manner that they get measurable tangible benefits. When customers see value in the services / solutions that R Systems provides, we believe that customer's relationship can be nurtured into the long term. Further, with our proactive strategy of adding new customers, we attempt to reduce our dependency on a smaller number of customer relationships. During the year ended 2012, we have increased revenues from other customers and reduced dependence on revenues from top line customers.

2. GEOGRAPHICAL CONCENTRATION

R Systems has traditionally derived most of its revenues from the US, given the technology focus and specialized

outsourced product development services offered by it. The geographic break-up of the revenue is given below:

Revenue by Geographies	Year Ended	
	Dec 31, 2012 (%)	Dec 31, 2011 (%)
U.S.A.	51.14	47.53
Europe	26.98	36.28
ASEAN	9.84	7.33
India	5.71	5.40
Others	6.33	3.46
Total	100.00	100.00

INITIATIVES: In order to mitigate the risk of geographical concentration, R Systems has stepped up its business activities in other geographic areas like Europe and South East Asia.

3. RISKS ASSOCIATED WITH FIXED PRICE CONTRACTS

Under our IPLM services most of our assignments are on the basis of time and material task orders, some proportion of the services provided by us is in the nature of fixed bid assignments. Under fixed bid assignments, in the event of cost overruns our profitability will be adversely affected.

INITIATIVES: We have our internal processes to ensure accuracy in the estimation of the time required to execute fixed price projects and processes to implement and monitor the progress of such projects. Further the experience gained from such projects is also used for new projects. However given the very nature of the fixed price projects, cost overruns and delayed deliveries cannot be ruled out.

4. COMPETITION

The IT & ITES sector is a highly competitive sector. Our competitors include IT outsourcing firms in India as well as in other countries, national and multinational consulting and technology firms, Indian IT services firms, software firms and in-house IT departments of large companies. The competition in the IT industry is very intense and our competitors are aggressive in winning new business and customers that may drive a harder bargain.

INITIATIVES: We believe that R Systems is well positioned and enjoys following competitive advantages:

- Experience in providing end-to-end solutions and services to customers;
- Unique and proprietary  &  with best practices, tools and methodologies for flawless execution;

- Investment in processes, talent and methodologies;
- Strong customer franchise consisting of large and mid-sized corporations;
- Strong financial position;
- Proven global delivery model;
- Our vertical focus for services and solutions;
- Industry best human resource practices to attract, develop, deploy and retain talent.

5. DISASTER PREVENTION AND RECOVERY

The IT industry is very sensitive to security risk and a real or perceived threat of a risk to the security and integrity of information available to us may adversely affect customer perception, give rise to litigation and reduce our customer base, thereby negatively affecting R Systems revenues and profit margins. The contracts entered into by R Systems typically hold us solely responsible for maintaining satisfactory standards of personnel competency, conduct and integrity and for taking required disciplinary action.

INITIATIVES: R Systems has adopted industry-standard security precautions such as ensuring that our employees and strategic partners enter into non-disclosure and confidentiality agreements with us, verifying that there is no information leakage through test procedures, carrying out background checks and verifications, creating and maintaining data back-ups and maintaining an adequate disaster recovery plan.

R Systems makes continual investments in organisation behavior and management processes to ensure that these certified industry standards are continually adhered to. As of the date of this report, Noida IT centre is SEI-CMMi level 5, PCMM Level 5, ISO 9001 : 2008 and ISO 27001 : 2005 certified; Noida BPO centre is PCMM Level 5, ISO 9001 : 2008 and ISO 27001 : 2005 certified. Pune and Chennai development centres are SEI-CMM Level 5, ISO 9001 : 2008 and ISO 27001 : 2005 certified. The continuing compliance with these standards demonstrates the rigor of R Systems processes and differentiates us to keep our competitive edge in service and product offerings.

Further, our distributed offshore and near shore infrastructure is seamlessly connected through a strong infrastructure design and appropriate bandwidth that provides us the capability to initiate and maintain uninterrupted support across the world.

6. TALENT ACQUISITION & RETENTION

The IT and BPO sector is highly competitive in terms of hiring strategy and incentives. R Systems is highly dependent on its employees at various levels of the organisation to provide leadership, manage the business, to provide services and execute complex projects for the clients. These skilled professionals are in high demand by other organisations and if R Systems is unable to attract and retain the skilled people, it will affect R Systems ability to grow and provide services to its customers.

INITIATIVES: At R Systems we follow industry best human resource practices such as PCMM level 5 to attract, develop, deploy and retain talent.

7. KEY MANAGERIAL ROLE & SUCCESSION PLANNING

Succession planning is one of the most critical functions of an organization. This is the process that identifies the critical and core roles of an organization and identifies and assesses the suitable candidates for the same. The process ramps up potential candidates with appropriate skills and experiences in an effort to train them to handle future responsibilities in their respective roles. Succession planning is applicable for all critical roles in any organization. The upper management of each practice or department is responsible for coming up with a suitable succession plan for each core position under his or her department.

INITIATIVES: R Systems being a CMMI Level 5 and PCMM Level 5 company has put in practice a well-documented and defined policy on Succession Planning. This applies to all key roles in the organization as agreed upon by the Senior Management. Mission critical and key roles include Chief Executive Officer, Senior Management Team comprising of VPs and other roles critical to business operations continuity. Succession planning at R Systems occurs at least on an annual basis during annual performance appraisal cycle.

Further, R Systems has extensive recruitment teams in the markets that operate to continuously recruit skilled personnel at various levels in the organisation. In addition, R Systems conducts a rigorous training program at the entry level to train new professionals and develop next generation of managers and leaders. R Systems deploys modern HR practices by offering competitive compensation and benefit packages and exciting work environment to attract and retain talent. Further, R Systems tries to mitigate the impact of attrition in the continuity of services to the clients by using its proprietary **pSuite Framework** that allows the project teams to seamlessly share knowledge and collaborate on projects.

8. TECHNOLOGICAL OBSOLESCENCE

The IT and ITES sector is characterised by technological changes at a rapid rate, evolution of existing products and introduction of new products. R Systems makes investments in R&D, with a view to keep pace with the latest developments in the technology space. Further, R Systems regularly hires, trains and nurtures domain and market specialists and continuously evaluates increasing the portfolio of technology alliances and partnerships to enrich our product and service mix. However, this risk cannot be fully mitigated despite the proactive investments made by R Systems.

INITIATIVES: While we continuously upgrade our product suite to deliver effectively by keeping our technology up-to-date, in our iPLM business, our technologies are influenced by our client's choice of technology.

9. ACQUISITIONS

R Systems growth strategy involves future strategic acquisitions, partnerships and exploration of mutual interests with other parties. These future acquisitions may not contribute to our profitability, and we may be required to incur or assume debt, or assume contingent liabilities, as part of any acquisition. We could have difficulty in assimilating the personnel, operations, software assets and technology of the acquired company. These difficulties could disrupt our ongoing business, distract our management and employees and increase our expenses.

INITIATIVES: R Systems will remain sharply focused on those acquisitions and partnerships that add to the competitive strengths of our business. Specific transactions are evaluated in detail with experienced internal personnel and external advisors, wherever relevant, before consummating any transaction. Deal teams conduct technical, operational, marketing due diligence and build detailed financial model to evaluate the risks and benefits of any transaction. Further, contractual agreements are negotiated with the advice of legal counsel to protect Company's interests.

10. CREDIT RISK

As a matter of business practice, the payment collection process may extend over a period of time. Customers budgeting constraints can impact their ability to make the required payments. In addition, the creditworthiness of our clients may deteriorate and we can be adversely affected by bankruptcies or other business failures of our customers.

INITIATIVES: R Systems' credit terms are standard and there is rigorous process in following up with customers for

payments as and when the invoices fall due for payment. The Company has suitably streamlined its processes to develop a more focused and aggressive receivables management systems to ensure timely collections as a result of the global liquidity crunch.

11. FOREIGN CURRENCY RATE FLUCTUATIONS

Managing an equilibrium state in the light of the unfavourable movements in exchange rates involved in earnings and expenditure in foreign currency continues to be one of the challenges when exposed to global markets. A significantly large percentage of R Systems consolidated revenues are either foreign currency denominated or derived from export earnings. Whereas a major portion of the R Systems expenses in India are incurred in Indian rupees. As a result, operating profits will be highly impacted by foreign currency rate fluctuations. While depreciation of the Indian rupee would have a favorable bottom-line impact, an appreciation would affect R Systems profitability adversely.

INITIATIVES: R Systems cannot directly influence exchange rates, it is incumbent upon management to follow a well thought out policy to hedge the risk associated with foreign currency without taking speculative positions. R Systems attempts to minimize currency fluctuation risks on export earnings by taking forward covers on Rupee - USD/EURO exchange rate based on anticipated revenues and debtors at periodic intervals. R Systems has laid down appropriate policies and processes for the use of financial derivative instruments consistent with its risk management strategy. The Company does not use the foreign exchange forward contracts for trading or speculation purposes.

12. INFLATION AND COST STRUCTURE

R Systems' cost structure consists of salary and other compensation expenses, overseas travel and other general selling and administrative costs. Rapid economic development in India and increasing demand for global delivery may have a significant impact on these costs and the rate of inflation as relevant to the IT & ITES services industry. This is compounded by the fact that overseas competitors may treat their India strategy as a cost centre and develop the same regardless of the cost incurred and its impact on their profitability.

INITIATIVES: R Systems' major costs are salary and benefit cost that it incurs on employees. These costs may have a tendency to escalate faster than the rate of inflation because of the demand for skilled and experienced professionals. R Systems attempts to mitigate the risks associated with wage inflation by obtaining increased price from clients, increasing

bench mark prices for new business, enhancing productivity, increasing utilisation and inducting fresh graduates and training them. Further, R Systems has implemented robust processes and information systems to enable personnel to make the right decisions for revenue realisation and cost optimisation to minimise the risks of changes in salary cost structure.

13. INTELLECTUAL PROPERTY RIGHTS

As a part of R Systems' business, there are risks associated with intellectual property of the Company, intellectual property of R Systems' customers who may be end users or even the intellectual property of the end user.

INITIATIVES: R Systems' information security arrangements are managed under international standard ISO 27001 : 2005 series and are being audited by both internal and experts from third parties assessors who periodically audit and certify R Systems compliance.

R Systems has not registered some of its intellectual property under the relevant intellectual property laws and is in the process of applying for the same. We have applied for the registration of the following three marks and their corresponding words as R Systems' trade marks

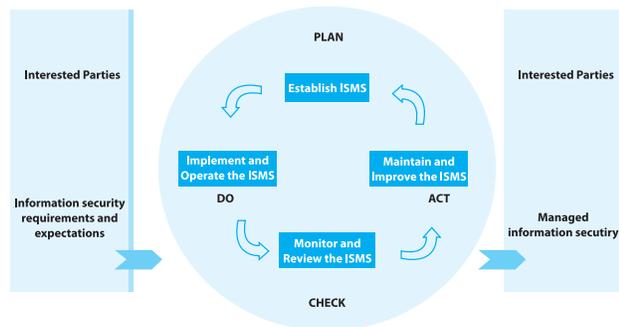
	PSuite Framework
	PRODUCTS FOREMOST
	IPLM

Out of the aforesaid trademarks three logos and two words are already registered w.e.f. January 30, 2006 and the word "IPLM" is awaiting approval. Further during the year 2012, R Systems has also applied for registration of the word "R SYSTEMS" and logo  as trademarks under certain additional classes and approvals for the same are awaited.

14. INFORMATION SECURITY MANAGEMENT

R Systems being an IT and Software service provider company focusses on maintaining the confidentiality, integration and availability of business data and information to the exclusive but optimum use for the accomplishment of organizational objective. The task of maintaining the confidentiality of business data and information not only faces threat from outside the organization but also within the organization where the business data and information are put to use.

INITIATIVES: For ensuring the effectiveness of Information security, it is important that information security can be effective only if it is addressed at people, process and technology levels and is integrated in the way an organization operates. R Systems has established, documented and implemented Information Security Management Systems (ISMS) and shall continually improve its effectiveness in accordance with requirements of ISO IEC 27001:2005. The approach applied to the ISMS is given in Figure below:



R Systems security policy provides a framework for protecting confidentiality, integrity and ensuring availability of organization's Information assets. This is to safeguard the interest of customer, business continuity and continual improvement of ISMS at R Systems. The security policy of R Systems has been designed to safeguard the risk associated with information security management.

15. CONTRACTUAL RISK

The primary contractual risks that R Systems faces pertain to obligations of R Systems to provide services with full adherence to contracted terms of quality, time deadlines, output per hour, protection of confidential information, protection of intellectual property rights, patents and copyrights. R Systems has a rigorous process to evaluate the legal risks involved in a contract, ascertains its legal responsibilities under the applicable law of the contract and tries to restrict its liabilities to the maximum extent possible.

INITIATIVES: R Systems attempts to protect itself with "no consequential losses" and "maximum liability" clauses. R Systems also ensures that risks are protected through various insurances like professional liability, workers compensation, directors' and officers' liability insurance. The Company's past record in this regard has been good and there has been no significant damages awarded against the Company that has resulted in material adverse impact on our financial position. R Systems also has an escalation process to immediately involve senior management personnel in case R Systems customers or contractors make any assertion of breach of contract.

R Systems has employed professionals with adequate legal expertise who plays handy role in finalizing the various terms under written contracts on behalf of the Company. The experience gained from past contracts and transaction entered into by the Company are also analyzed and implemented for the new contracts envisaged by the Company. As a matter of practice depending upon the criticality of the transactions, contractual agreements are well discussed within the organization in coordination with technical team as well as legal professionals and are also negotiated with the advice of legal counsel to protect Company's interests.

16. EXECUTION RISK

A significant number of R Systems clients are software product, large banking and manufacturing companies. These clients need high quality and timely delivery of services with very stringent services level agreements. Any failure in delivery, quality, meeting service level bench agreements, product features and functionalities could adversely affect R Systems relationship with its clients, which could potentially impact R Systems revenues and profitability.

INITIATIVES: R Systems has continuously invested in processes, people, training, information systems, quality standards, frameworks, tools and methodologies to mitigate the risks associated with execution of projects. Adoption of quality models and practices such as ISO, Software Engineering Institute's - Capability Maturity Model (SEI-CMM) and Six Sigma have ensured that risks are identified and mitigated at various levels in the planning and execution process. Further, senior management personnel, project managers and process leaders are entrusted with the responsibility to meet the project and service level expectations on various engagements. Planned intervention and escalation systems are further deployed to minimise risks.

17. DIRECTORS' AND OFFICERS' LIABILITY RISKS

The directors and officers of R Systems are required to take material decisions in the best interest of the Company. Such decisions might result in errors and omission and R Systems might be sued by the other counterpart.

INITIATIVES: To mitigate this risk, the directors and officers take legal and expert advice when required and have taken various insurance policies outlined earlier including professional liability and directors' and officers' liability insurance. The Company attempts to limit its contractual liability for damages arising from negligent acts, errors, mistakes or omissions by directors and officers in rendering services, there can be no assurance that the limitations of liability set forth in its service contracts will be enforceable

in all instances or will otherwise protect the Company from liability for damages. Though the Company maintains general liability insurance coverage, including coverage for errors or omissions, going forward, there can be no assurance that such coverage will be available on reasonable terms and in sufficient amount to cover one or more large claims, or that the insurer will not disclaim coverage as to any future claim. The successful assertion of one or more large claims against the Company could adversely affect the Company's results of operations and financial condition.

18. STATUTORY COMPLIANCE

R Systems has trans-national operations. R Systems operates in various geographies and it has to ensure compliance of various applicable rules and regulations in those countries. R Systems is exposed to penalties and other liabilities related to non-compliance or inadequate compliance in those countries.

INITIATIVES: R Systems uses independent legal counsel to advise the Company on compliance issues with respect to the laws of various countries in which the Company has its business activities and to ensure that R Systems is not in violation of the laws applicable. R Systems has a compliance management system with qualified managers entrusted with compliance of various laws including the listing laws and regulations applicable to public companies in India.

19. VISA REGULATIONS / RESTRICTIONS

The majority of employees of R Systems are Indian nationals. The ability of R Systems to render its services in the US,

Europe and other countries depends on the ability to obtain visas and work permits. Immigration to US, Europe and other countries are subject to legislative changes as well as variations in standards of application and enforcement due to political forces and economic conditions. It is difficult to predict the political and economic events that could affect immigrations laws or the restrictive impact they could have on obtaining or monitoring work visas. The reliance on visas makes R Systems vulnerable to such changes and variations as it affects the ability of the Company to staff projects with employees who are not citizens of the country where the work is to be performed. As a result, R Systems may not be able to get a sufficient number of visas for employees or may encounter delays or additional costs all of which may affect profitability.

INITIATIVES: R Systems monitors the status of visa availability and requirements on a regular basis in consultation with external legal counsel. In house legal personnel are entrusted with the responsibility for compliance with the immigrations laws which is validated by periodic independent audit.

20. POLITICAL RISK

The Government of India has been favorably disposed towards the IT and BPO industry in India. Further, we operate in multiple countries of which the US is a major market. While most governments in the countries where we operate are in favor of free trade, we cannot be immune to changes in policies that may discourage off-shoring to protect local employment.

Auditor's Report

On Standalone Financial Statements

To

The Members of R Systems International Limited

1. We have audited the attached Balance Sheet of R Systems International Limited ('the Company') as at December 31, 2012 and also the Statement of profit and loss and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books
 - iii. The balance sheet, statement of profit and loss and cash flow statement dealt with by this report are in agreement with the books of account
 - iv. In our opinion, the balance sheet, statement of profit and loss and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - v. On the basis of the written representations received from the directors, as on December 31, 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on December 31, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - a) in the case of the balance sheet, of the state of affairs of the Company as at December 31, 2012;
 - b) in the case of the statement of profit and loss, of the profit for the year ended on that date; and
 - c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For S.R. Batliboi & Co.

Firm registration number: 301003E

Chartered Accountants

Sd/-

per Yogender Seth

Partner

Membership No.: 94524

Place : NOIDA

Date : February 09, 2013

Annexure to Auditors' Report

Annexure referred to in paragraph 3 of our report of even date Re: R Systems International Limited

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
- (c) There was no disposal of a substantial part of fixed assets during the year.
- (ii) The Company has no inventory and therefore, the provisions of clause 4(ii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (iii) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii)(a) to (d) of the Order are not applicable to the Company and hence not commented upon.
- (e) According to information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii)(e) to (g) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- (v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Act that need to be entered into the register maintained under Section 301 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in

pursuance of such contracts or arrangements exceeding value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.

- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the Company.
- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the information and explanation given to us, there are no dues of income tax, wealth tax, service tax, sales tax, cess, excise duty and customs duty, which have not been deposited on account of any dispute except for income tax as below:

Name of the Statute	Nature of Dues	Amount *	Period to which amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	1,808,941	A/Y 2004-05	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Income Tax	8,399,040	A/Y 2008-09	Income Tax Appellate Tribunal

* Net of Rs 2,000,000 paid under protest

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.

- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to any bank. The Company did not have any dues to any financial institution or any outstanding debentures during the year.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) Based on the information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or Companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) We have verified that the end use of money raised by public issue, in earlier years, is as disclosed in the notes to the financial statements.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For S.R. Batliboi & Co.Firm registration number: 301003E
Chartered Accountants**Sd/-****per Yogender Seth**

Partner

Membership No.: 94524

Place : NOIDA
Date : February 09, 2013

Balance Sheet as at December 31, 2012

	Notes	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	124,468,100	122,429,880
Reserves and surplus	4	1,677,916,157	1,791,131,304
		1,802,384,257	1,913,561,184
Non-current liabilities			
Long-term borrowings	5	3,446,849	3,838,949
Other long-term liabilities	6	6,570,081	74,097,702
Long-term provisions	7	71,241,150	61,288,514
		81,258,080	139,225,165
Current liabilities			
Trade payables	8	118,801,532	107,814,834
Other current liabilities	8	130,171,030	217,029,338
Short-term provisions	7	266,685,249	167,211,073
		515,657,811	492,055,245
TOTAL		2,399,300,148	2,544,841,594
ASSETS			
Non-current assets			
Fixed assets (net)			
Tangible assets	9	278,224,678	302,764,931
Intangible assets	10	14,088,876	24,851,048
Intangible assets under development		12,317,456	–
Non-current investments	11	767,019,223	813,766,941
Deferred tax assets (net)	12	48,791,291	55,373,268
Long-term loans and advances	13	89,483,644	83,101,641
Other non-current assets	14.2	71,331,409	112,352,183
		1,281,256,577	1,392,210,012
Current assets			
Trade receivables	14.1	462,866,154	522,522,018
Cash and bank balances	15	548,161,768	514,051,309
Short-term loans and advances	13	43,448,759	40,491,288
Other current assets	14.2	63,566,890	75,566,967
		1,118,043,571	1,152,631,582
TOTAL		2,399,300,148	2,544,841,594
Summary of significant accounting policies	2.1		

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

For **S.R. Batliboi & Co.** For and on behalf of the Board of Directors of R Systems International Limited

Firm registration number: 301003E

Chartered Accountants

Sd/-
per Yogender Seth
Partner
Membership No. 94524

Place : NOIDA
Date : February 09, 2013

Sd/-
Satinder Singh Rekhi
[Chairman & Managing
Director]

Place : NOIDA
Date : February 09, 2013

Sd/-
Lt. Gen. Baldev Singh (Retd.)
[President & Senior
Executive Director]

Place : NOIDA
Date : February 09, 2013

Sd/-
Raj Swaminathan
[Director & Chief
Operating Officer]

Place : NOIDA
Date : February 09, 2013

Sd/-
Nand Sardana
[Chief Financial Officer]

Place : NOIDA
Date : February 09, 2013

Sd/-
Vikash Kumar Tiwari
[Company Secretary &
Compliance Officer]

Place : NOIDA
Date : February 09, 2013

Statement of Profit and Loss for the year ended December 31, 2012

	Notes	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
INCOME			
Revenue from operations	16	2,289,273,096	1,916,860,873
Other income	17	42,215,310	59,941,999
Total revenue		2,331,488,406	1,976,802,872
EXPENSES			
Employee benefits expense	18	1,503,110,824	1,300,645,293
Operational and other expense	19	455,981,739	504,732,121
Depreciation and amortisation expense	20	62,400,827	88,123,921
Finance costs	21	2,734,250	4,266,782
Total expenses		2,024,227,640	1,897,768,117
Profit before tax		307,260,766	79,034,755
Tax expense			
Current tax		95,401,780	54,779,970
MAT credit entitlement [Including Rs. Nil (Previous year Rs. 8,155,877) related to earlier years]		–	(7,055,877)
Deferred tax charge / (credit) {Including Rs. Nil [Previous year Rs. (2,059,841)] related to earlier years}		6,581,977	(33,340,686)
Total tax expense		101,983,757	14,383,407
Profit for the year		205,277,009	64,651,348
Earnings per equity share:			
Basic [Nominal value of share Rs. 10 (Previous year: Rs. 10)]	31	16.50	5.25
Diluted [Nominal value of share Rs. 10 (Previous year: Rs. 10)]		16.50	5.19
Summary of significant accounting policies	2.1		

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

For S.R. Batliboi & Co.

Firm registration number: 301003E

Chartered Accountants

For and on behalf of the Board of Directors of R Systems International Limited

Sd/-
per Yogender Seth

Partner
Membership No. 94524

Place : NOIDA
Date : February 09, 2013

Sd/-
Satinder Singh Rekhi

[Chairman & Managing
Director]

Place : NOIDA
Date : February 09, 2013

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[Chief Financial Officer]

Place : NOIDA
Date : February 09, 2013

Sd/-
Vikash Kumar Tiwari

[Company Secretary &
Compliance Officer]

Place : NOIDA
Date : February 09, 2013

Cash Flow Statement for the year ended December 31, 2012

	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before taxation	307,260,766	79,034,755
Adjustments for:		
Depreciation and amortisation expense	62,400,827	88,123,921
Provision for doubtful debts (net)	23,810,629	23,110,491
Provision for doubtful advances (net)	(13,133,412)	23,406,259
Bad debts and advances written off	18,783	40,000
Provision for diminution in value of long-term investments	6,711,440	–
Loss on sale / discard of fixed assets (net)	1,363,574	617,990
Unrealised foreign exchange loss	3,471,587	4,193,006
Unrealised loss / (gain) on derivative instruments	(62,190,361)	62,748,844
Interest income	(40,126,671)	(47,717,542)
Excess provisions written back	(159,590)	(1,332,503)
Interest expense	680,937	625,837
Operating profit before working capital changes	290,108,509	232,851,058
Movements in working capital:		
(Increase) / Decrease in trade receivables	22,126,804	(109,398,356)
(Increase) / Decrease in other current assets	24,043,943	18,395,362
(Increase) / Decrease in loans and advances	3,020,377	11,352,062
(Increase) / Decrease in margin money deposits	16,203,235	93,815,901
Increase / (Decrease) in short-term and long-term provision	50,711,415	11,746,718
Increase / (Decrease) in trade payables, other current liabilities and other long-term liabilities	17,079,878	12,301,964
Cash generated from operations	423,294,161	271,064,709
Direct taxes paid, net of refunds	(48,759,325)	(36,118,117)
Net cash flow from operating activities (A)	374,534,836	234,946,592
B. CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of fixed assets	(39,771,873)	(52,487,073)
Proceeds from sale of fixed assets	1,535,165	2,112,700
Increase in non-current investments	(5,525,000)	(319,043,900)
Payment of deferred consideration to erstwhile shareholders of subsidiaries	(112,146,923)	–
Interest received	42,386,235	61,992,469
Investment in long-term fixed deposits with scheduled banks	(532,294,996)	(456,496,667)
Proceeds from long-term fixed deposits with scheduled banks	523,391,000	532,009,438
Net cash used in investing activities (B)	(122,426,392)	(231,913,033)

	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
C. CASH FLOWS USED IN FINANCING ACTIVITIES		
Proceeds from long-term borrowings	2,037,675	2,716,828
Repayment of long-term borrowings	(2,316,881)	(1,828,041)
Proceeds from margin money deposits against short-term borrowings	–	26,400,000
Proceeds from issuance of share capital	24,601,315	–
Interest paid	(636,858)	(625,837)
Dividends paid	(243,289,813)	(29,443,797)
Tax on dividend paid	(39,564,369)	(4,795,456)
Net cash used in financing activities (C)	(259,168,931)	(7,576,303)
Net increase / (decrease) in cash and cash equivalents during the year (A+B+C)	(7,060,487)	(4,542,744)
Add: Cash and cash equivalents at the beginning of the year	260,026,083	259,933,948
Add: Effect of exchange differences on cash and cash equivalent held in foreign currency	4,782,572	4,634,879
Cash and cash equivalents at the end of the year (refer note 15)	257,748,168	260,026,083

Notes:

- Figures in brackets indicate cash out flow.
- The cash flow statement has been prepared under the indirect method as set out in the Accounting Standard 3 "Cash Flow Statement" notified under the Companies (Accounting Standard) Rules, 2006 (as amended).
- Cash and cash equivalents includes Rs. 1,193,738 (previous year Rs. 597,793) which are not available for use by the Company as they represent corresponding unpaid dividend liabilities.

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

For S.R. Batliboi & Co. For and on behalf of the Board of Directors of R Systems International Limited

Firm registration number: 301003E

Chartered Accountants

Sd/-
per Yogender Seth

Partner
Membership No. 94524

Place : NOIDA
Date : February 09, 2013

Sd/-
Satinder Singh Rekhi

[Chairman & Managing
Director]

Place : NOIDA
Date : February 09, 2013

Sd/-
Lt. Gen. Baldev Singh (Retd.)

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[Director & Chief
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Place : NOIDA
Date : February 09, 2013

Sd/-
Nand Sardana

[Chief Financial Officer]

Place : NOIDA
Date : February 09, 2013

Sd/-
Vikash Kumar Tiwari

[Company Secretary &
Compliance Officer]

Place : NOIDA
Date : February 09, 2013

Notes to the Financial Statements for the year ended December 31, 2012

1. CORPORATE INFORMATION

R Systems International Limited (the 'Company') is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956. Its shares are listed on National Stock Exchange of India Limited and BSE Limited. The Company is a leading global provider of IT solutions and Business Process Outsourcing (BPO) services. The Company's primary focus is to provide full service IT solutions, software engineering services, technical support, customer care and other IT enabled services to the high technology sector, independent software vendors (ISV's), banks, financial services companies, telecom and digital media technology companies and services providers, insurance and health care sector. The Company develops and markets a suite of applications under the brand name "Indus" for the retail lending to banks and non-banking finance companies, insurance and telecom segment.

2. BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual and going concern basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year, except for the change in the accounting policy explained below.

All figures are in Rupees except where expressly stated.

2.1. Summary of significant accounting policies

(a) Change in accounting policy

Presentation and disclosure of the Financial Statements:

During the year ended December 31, 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the Company, for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The Company has also reclassified

the previous year figures in accordance with the requirements applicable in the current year.

(b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting year end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(c) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

(d) Depreciation on tangible fixed assets

Depreciation is provided on Straight Line method over the estimated useful lives of the tangible fixed assets which result in depreciation rates being greater than or equal to the corresponding rates prescribed in Schedule XIV of the Companies Act, 1956.

The estimated useful lives of the tangible fixed assets followed by the Company in preparing the financial statements are described as below:

Category of tangible fixed assets	Estimated useful life
Land – leasehold	Lease period
Buildings – freehold	61 years
Buildings – leasehold	Lower of lease period or 61 years
Leasehold improvements	Lower of lease period or useful life
Plant and machinery - office and electrical equipments other than (i) UPS systems, (ii) standalone air conditioners and (iii) telephone instruments	20 years
UPS systems	12 years
Standalone air conditioners and telephone instruments	6 years

Category of tangible fixed assets	Estimated useful life
Computer hardware and network installations	6 years
Furniture and fittings	15 years
Vehicles	10 years

In the following cases, the estimated useful lives of the assets followed by the Company result in depreciation rates to be higher than that provided under Schedule XIV.

	Rates (SLM)	Schedule XIV Rates (SLM)
UPS systems	8.33%	4.75%
Standalone air conditioners and telephone instruments	16.66%	4.75%

Individual assets costing up to Rs. 5,000 are fully depreciated in the year of purchase.

(e) Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal / external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

After impairment, fixed assets / intangibles are depreciated / amortised on the revised carrying amount over its remaining useful life.

(f) Intangibles assets

Product development costs (Internally generated software)

Product development cost represents direct cost incurred by the Company for developing new product.

Research costs are expensed as incurred.

Development expenditure incurred on an individual project is recognised as an intangible asset when the Company can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;

- its intention to complete the asset and use or sell it;
- its ability to use or sell the asset;
- how the asset will generate probable future economic benefits;
- the availability of adequate resources to complete the development and to use or sell the asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during development.

Any expenditure so capitalised is amortised over the period of expected useful life of product as estimated by the management at 48 months beginning in the month when product is available for use.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, and otherwise when events or changes in circumstances indicate that the carrying value may not be recoverable.

Computer software

Computer softwares are stated at cost less accumulated amortisation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Costs relating to acquired software are capitalised and amortised on a straight-line basis over their useful lives as estimated by the management at 3 years or below in specific cases.

(g) Expenditure on new projects

Expenditure directly relating to construction activity is capitalised. Indirect expenditure incurred during construction period is capitalised to the extent allocable. Other indirect expenditure incurred during the construction period which is not related to the construction activity nor is incidental thereto is charged to the Statement of Profit and Loss.

(h) Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognised as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term.

(i) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Non-current investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the Non-current investments.

(j) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Rendering of services

Revenue from software development and maintenance services projects comprise income from time-and-material and fixed-price contracts.

Revenue associated with software development and maintenance services / customisation of products and business process outsourcing services rendered on time and materials basis is recognised when services are rendered. The same is calculated based on man-hours incurred for rendering services.

Fixed-price contracts vary in duration depending on the terms of the work being performed. Revenue from fixed price contracts (including maintenance and support contracts) is recognised using the percentage of completion method, when reasonable progress has been made on the milestones achieved as specified in the contracts. The stage of completion of project is determined by the proportion that contract efforts incurred for work performed up to the balance sheet date bear to the estimated total contract effort. Changes in contract performance, estimated profitability and final contract settlements may result in revision to costs and revenue and are recognised in the period in which the revisions are determined. If a loss is projected on any contract in process, the entire projected loss is recognised immediately.

In terms of contracts excess / shortfall of revenue over the billed as at the year-end is carried in financial statement as unbilled revenue / deferred revenue separately.

Management fees from the customers for managing projects are being recognised on time basis over the

estimated life of the project.

Sale of products

Revenue from the sale of product (software and hardware) is recognised when the sale has been completed with the transfer of title.

Interest

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

(k) Foreign currency translation

Foreign currency transactions

(i) Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

(iii) Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expense in the year in which they arise.

(iv) Forward exchange contracts not intended for trading or speculation purposes

The premium or discount arising at the inception of forward exchange contracts (except outstanding against firm commitments and highly probable forecast transaction) is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

(v) Translation of Integral foreign operation

The financial statements of an integral foreign operation are translated as if the transactions of the foreign operation have been those of the Company itself.

(l) Retirement benefits

(i) Retirement benefits mainly in the form of Provident Fund are a defined contribution scheme and the contributions are charged to the Statement of Profit and Loss of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective funds.

(ii) Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation made at the end of each financial year on projected unit credit method. The gratuity plan is not funded.

(iii) Long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method. The Company presents the entire leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for 12 months after the reporting date.

(iv) Actuarial gains / losses are immediately taken to Statement of Profit and Loss and are not deferred.

(m) Income taxes

Tax expense comprises of current and deferred tax.

Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the relevant tax regulations applicable to the Company.

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The Company claims exemption under Section 10A of the Income Tax Act, 1961 in respect of taxable income

upto March 31, 2011. Deferred tax is recognised after eliminating timing differences, which reverse during the tax holiday period.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises the unrecognised deferred tax assets to the extent that it has become reasonably certain that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain, that sufficient future taxable income will be available.

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified year. In the year in which the Minimum Alternative Tax (MAT) credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the Statement of Profit and Loss and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal income tax during the specified period.

(n) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs incurred in connection with the borrowing of funds.

(o) Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The weighted

average numbers of equity shares outstanding during the year are adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders, share split and reverse share split (consolidation of shares).

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

(p) Provision

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the management's current estimates.

(q) Segment reporting

Identification of segments:

The Company's operating businesses are organised and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which the major customers of the Company operate and / or the area in which the assets are located.

Intersegment transfers:

The Company generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties at current market prices.

Allocation of common costs:

Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

Unallocated items:

The corporate and other segment includes general corporate income and expense items which are not allocated to any business segment.

Segment Policies:

The Company prepares its segment information in

conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company as a whole.

(r) Accounting for derivatives

The Company uses foreign exchange forward contracts (derivative financial instrument) to hedge its exposure to movements in foreign exchange rates against firm commitment or highly probable forecast transactions. The use of these foreign exchange forward contracts reduces the risk or cost to the Company and the Company does not use the foreign exchange forward contracts or options for trading or speculation purposes.

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value on a mark-to-market basis at each balance sheet date. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting and the ineffective portion of an effective hedge, are taken directly to the Statement of Profit and Loss.

The mark-to-market is the difference between the forward exchange rate and the contract rate. The forward exchange rate is referenced to current forward exchange rates for contracts with similar maturity profiles.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The

documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges

The change in the fair value of a hedging derivative is recognised in the Statement of Profit and Loss. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognised in the Statement of Profit and Loss.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while any ineffective portion is recognised immediately in the Statement of Profit and Loss. Amounts taken to equity are transferred to the Statement of Profit and Loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in equity are transferred to the Statement of Profit and Loss. If the hedging instrument expires or is sold, terminated or exercised without replacement

or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

(s) **Cash and cash equivalents**

Cash and cash equivalents for the purpose of cash flow statement on balance sheet date comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

(t) **Employee stock compensation cost**

Measurement and disclosure of the employee share-based payment plans is done in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India. The Company measures compensation cost relating to employee stock options using the intrinsic value method. Compensation expense is amortised over the vesting period of the option on a straight line basis.

(u) **Contingent liabilities**

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The company does not recognize a contingent liability but discloses its existence in the financial statements.

3. SHARE CAPITAL

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Authorised shares		
20,000,000 (Previous year 20,000,000) equity shares of Rs. 10 each	200,000,000	200,000,000
Issued, subscribed and fully paid up- shares		
12,520,708 (Previous year 12,316,886) equity shares of Rs. 10 each fully paid-up	125,207,080	123,168,860
Less: Advance to Indus Software Employees Welfare Trust	738,980	738,980
Total	124,468,100	122,429,880

A. Reconciliation of the shares outstanding at the beginning and at the end of the reporting year

Particulars	As at December 31, 2012		As at December 31, 2011	
	No.	Rs.	No.	Rs.
Shares outstanding at the beginning of the year	12,316,886	123,168,860	12,316,886	123,168,860
Add: Shares issued during the year #	203,822	2,038,220	–	–
Shares outstanding at the end of the year	12,520,708	125,207,080	12,316,886	123,168,860

The Company has issued 203,822 equity shares of Rs. 10 each at an exercise price of Rs. 120.70 per share pursuant to exercise of employee stock options under the R Systems International Limited Employee Stock Option Scheme 2007.

B. Terms / rights attached to the equity share

As per secretarial records, the Company has only one class of equity shares having a par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in forthcoming Annual General Meeting, except in case of interim dividend.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

C. Shares held by holding / ultimate holding company and / or their subsidiaries / associates

The Company does not have any holding / ultimate holding company as defined under Companies Act, 1956.

D. Aggregate number of bonus shares issued, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date:

The Board of Directors of the Company at its meeting held on September 07, 2008, had approved the Buy-back of the equity shares. Under the Buy-Back program, the Company had bought back 1,265,820 equity shares up to August 27, 2009 (including 146,346 equity shares up to December 31, 2008) at an average price of Rs. 63.20 per share for an aggregate amount of Rs. 80,000,000 by utilising the Securities Premium Account to the extent of Rs. 67,341,773 and General Reserve to the extent of Rs. 12,658,200. The Capital Redemption Reserve has been created out of General Reserve for Rs.12,658,200 being the nominal value of equity shares bought back in terms of Section 77AA of the Companies Act, 1956. The Offer for Buy-back was successfully completed on August 27, 2009.

E. Details of shareholders holding more than 5% shares in the Company

Particulars	As at December 31, 2012		As at December 31, 2011	
	No.	% holding in the class	No.	% holding in the class
GM Solutions Private Limited	810,763	6.48	717,486	5.83
GMU Infosoft Private Limited	730,465	5.83	684,809	5.56
U Infosoft Private Limited	779,766	6.23	655,120	5.32
Rightmatch Holdings Limited	927,200	7.41	927,200	7.53
Satinder & Harpreet Rekhi Family Trust (Trustee: Satinder Singh Rekhi & Harpreet Rekhi)	1,921,718	15.35	1,921,718	15.60
Bhavook Tripathi	3,993,227	31.89	3,984,640	32.35

As per secretarial records of the Company, including its register of shareholders / members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

F. Shares reserved for issue under options

For details of shares reserved for issue under the Employee Stock Option Plans (ESOP) of the Company, please refer note 30.

4. RESERVES AND SURPLUS

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Capital redemption reserve	12,658,200	12,658,200
Securities premium account	914,345,795	914,345,795
Add: Addition on exercise of vested options as per ESOP plan [refer note 30 (d)]	22,563,095	–
Less: Advance to Indus Software Employees Welfare Trust [also refer note 30 (b)]	2,282,728	2,282,728
Closing balance	934,626,162	912,063,067
General reserve		
Balance as per last financial statements	61,400,531	54,935,396
Add: Amount transferred from surplus balance in the statement of profit and loss	59,529,292	6,465,135
Closing balance	120,929,823	61,400,531
Surplus in the statement of profit and loss		
Balance as per last financial statements	805,009,506	798,243,089
Add: Profit for the current year	205,277,009	64,651,348
Less: Appropriations		
Proposed dividend [amount per share Rs. 7.50 (Previous year Rs. 3.60)] (refer note 1 below)	93,905,310	44,340,790
Tax on proposed dividend	15,233,789	7,079,006
Final dividend (refer note 2 below)	349,992	–
Tax on final dividend (refer note 2 below)	56,777	–
Interim dividend [amount per share Rs. 16.00 (Previous year Rs. Nil)] (refer note 1 below)	199,194,976	–
Tax on interim dividend	32,314,407	–
Transfer to general reserve (refer note 1 below)	59,529,292	6,465,135
Total appropriations	400,584,543	57,884,931
Net surplus in the statement of profit and loss	609,701,972	805,009,506
Total	1,677,916,157	1,791,131,304

Notes:

- For the year ended December 31, 2012, the Board of Directors has recommended a final dividend of Rs. 7.50 per share, subject to the approval of the shareholders in forthcoming Annual General Meeting. This is in addition to a special interim dividend of Rs. 16.00 per equity shares paid in June 2012, confirmation for which will be taken in forthcoming Annual General Meeting. Based on expert legal advice the Company has transferred Rs. 20,527,701 from the current year profit and Rs. 39,001,591 from the carried forward surplus in Statement of Profit and Loss in compliance with the Companies (Transfer of Profits to Reserve) Rules, 1975.
Further for the year ended December 2011, the Board of Directors had recommended a dividend of Rs. 3.60 per share which had been approved by the shareholders at the Annual General Meeting held on May 04, 2012.
- The Company has issued 97,220 shares pursuant to exercise of employee stock options under the R Systems International Limited Employee Stock Option Scheme 2007 up to book closure date for distribution of dividend, for the year ended December 31, 2011 and accordingly increased the appropriation by Rs. 349,992 and Rs. 56,777 as dividend and tax on dividend respectively.

5. LONG-TERM BORROWINGS

Particulars	Non-current portion		Current maturities	
	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Term loans				
For motor vehicles				
From non banking financial corporation	3,446,849	3,838,949	2,185,357	2,072,463
Total	3,446,849	3,838,949	2,185,357	2,072,463
The above amount includes				
Secured borrowings	3,446,849	3,838,949	2,185,357	2,072,463
Amount shown under other current liabilities (also refer note 8)	–	–	(2,185,357)	(2,072,463)
Total	3,446,849	3,838,949	–	–

Term loans are secured by hypothecation of underlying motor vehicles and carries interest rate ranging from 9% to 13.5% per annum repayable in equated monthly installments ranging from 34 to 60 months from the date of loan.

6. OTHER LONG-TERM LIABILITIES

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Security deposits	3,218,326	3,102,797
Deferred payable for purchase of fixed assets	3,351,755	–
Deferred payment compensation to the erstwhile shareholders of subsidiary [also refer note 29 (b)]	–	70,994,905
Total	6,570,081	74,097,702

7. PROVISIONS

Particulars	Long-term		Short-term	
	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Provision for employee benefits				
Gratuity	71,241,150	61,288,514	6,902,472	1,648,865
Compensated absences	–	–	66,323,969	57,652,133
Bonus	–	–	26,833,336	–
Sub total (A)	71,241,150	61,288,514	100,059,777	59,300,998
Other provisions				
Income tax (net of advance tax amounting to Rs. 28,813,627)			57,486,373	–
Proposed dividend			93,905,310	44,340,790
Tax on proposed dividend			15,233,789	7,193,185
Mark-to-market losses on derivative instruments (also refer note 33)			–	56,376,100
Sub total (B)			166,625,472	107,910,075
Total (A+B)	71,241,150	61,288,514	266,685,249	167,211,073

8. OTHER CURRENT LIABILITIES

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Trade payables		
Trade payables (also refer note 28 for details of dues to micro and small enterprises)	118,801,532	107,814,834
Sub total (A)	118,801,532	107,814,834
Other liabilities		
Payable to subsidiary companies	17,334,418	22,522,526
Current maturities of long-term borrowing (also refer note 5)	2,185,357	2,072,463
Deferred payment compensation to the erstwhile shareholders of subsidiaries [also refer note 29 (a) and 29 (b)]	32,824,569	127,301,943
Deferred revenue	58,912,999	46,950,872
Investor education and protection fund (not due) - Unclaimed dividend	1,193,738	597,793
Payable for purchase of fixed assets	2,542,588	3,192,004
Tax deducted at source	9,639,838	7,478,844
Service tax	1,180,279	2,654,655
Others	4,357,244	4,258,238
Sub total (B)	130,171,030	217,029,338
Total (A+B)	248,972,562	324,844,172

(Amount in Rs.)

Particulars	Land - freehold	Land - leasehold	Building - freehold	Building - leasehold ⁽¹⁾	Leasehold improvements	Computers	Office and electrical equipments	Furniture and fittings	Vehicles ⁽²⁾	Total
Gross block										
As at January 1, 2011	4,765,674	10,005,968	31,198,298	88,983,200	1,640,632	234,094,468	90,045,390	84,098,196	21,453,253	566,285,079
Additions	-	-	-	30,000	142,884	17,140,929	1,868,144	347,678	4,902,594	24,432,229
Deletions	-	-	-	-	-	2,696,635	600,290	240,864	2,010,460	5,548,249
At December 31, 2011	4,765,674	10,005,968	31,198,298	89,013,200	1,783,516	248,538,762	91,313,244	84,205,010	24,345,387	585,169,059
Additions	-	-	-	-	-	12,824,011	2,998,984	764,971	4,103,692	20,691,658
Deletions	-	-	-	-	-	21,269,235	4,027,752	1,615,347	2,173,184	29,085,518
At December 31, 2012	4,765,674	10,005,968	31,198,298	89,013,200	1,783,516	240,093,538	90,284,476	83,354,634	26,275,895	576,775,199
Depreciation										
As at January 1, 2011	-	1,094,305	4,707,256	8,701,745	649,732	158,336,974	28,464,647	33,201,798	5,251,425	240,407,882
Charge for the year	-	157,818	513,504	1,450,718	735,413	29,699,602	5,229,937	4,877,150	2,149,663	44,813,805
Deletions	-	-	-	-	-	1,467,845	338,540	142,522	868,652	2,817,559
At December 31, 2011	-	1,252,123	5,220,760	10,152,463	1,385,145	186,568,731	33,356,044	37,936,426	6,532,436	282,404,128
Charge for the year	-	158,251	514,911	1,454,890	398,371	26,895,619	5,172,925	5,262,073	2,476,149	42,333,189
Deletions	-	-	-	-	-	20,766,490	2,944,493	1,385,275	1,090,538	26,186,796
At December 31, 2012	-	1,410,374	5,735,671	11,607,353	1,783,516	192,697,860	35,584,476	41,813,224	7,918,047	298,550,521
Net block										
At December 31, 2011	4,765,674	8,753,845	25,977,538	78,860,737	398,371	61,970,031	57,957,200	46,268,584	17,812,951	302,764,931
At December 31, 2012	4,765,674	8,595,594	25,462,627	77,405,847	-	47,395,678	54,700,000	41,541,410	18,357,848	278,224,678

Notes:

(1) Includes Rs. 21,155,390 (Previous year Rs. 21,155,390) paid towards land and building under a composite lease taken for which no separate values are assignable.

(2) Vehicles amounting to Rs. 17,398,129 (Previous year Rs. 11,206,796) are hypothecated against terms loans for vehicle finance from non banking financial corporation.

10. INTANGIBLE ASSETS

(Amount in Rs.)

Particulars	Softwares	Product development costs (Internally generated software)	Total
Gross block			
As at January 1, 2011	127,451,051	34,580,899	162,031,950
Additions	4,789,099	–	4,789,099
Deletions	–	–	–
At December 31, 2011	132,240,150	34,580,899	166,821,049
Additions	9,305,483	–	9,305,483
Deletions	6,175,762	–	6,175,762
At December 31, 2012	135,369,871	34,580,899	169,950,770
Amortisation			
As at January 1, 2011	80,154,708	18,505,177	98,659,885
Charge for the year	35,679,187	7,630,929	43,310,116
Deletions	–	–	–
At December 31, 2011	115,833,895	26,136,106	141,970,001
Charge for the year	16,314,401	3,753,237	20,067,638
Deletions	6,175,745	–	6,175,745
At December 31, 2012	125,972,551	29,889,343	155,861,894
Net block			
At December 31, 2011	16,406,255	8,444,793	24,851,048
At December 31, 2012	9,397,320	4,691,556	14,088,876

11. NON-CURRENT INVESTMENTS

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Non-trade, unquoted (valued at cost unless stated otherwise)		
2,500 (Previous year 2,500) equity shares of Rs. 10 each fully paid up in The Saraswat Co-operative Bank Limited	25,000	25,000
Sub total (A)	25,000	25,000
In subsidiary companies:		
Trade, unquoted, fully paid up (valued at cost)		
(i) Investment in R Systems (Singapore) Pte. Ltd. 4,070,000 (Previous year 4,070,000) ordinary shares of "no par" value	104,173,570	104,173,570
(ii) Investment in R Systems, Inc., USA 2,000 (Previous year 2,000) shares of "no par" value [also refer note 29 (c)]	223,358,532	223,358,532
(iii) Investment in Indus Software Inc., USA 243,750 (Previous year 243,750) common stock of US\$1 each fully paid up Less: Provision for diminution in the value of investment	10,785,738 (10,784,738)	10,785,738 (10,784,738)
(iv) Investment in ECnet Limited, Singapore [also refer note 29 (a)] 17,651,502 (Previous year 17,651,502) ordinary shares of "no par" value 38,306,451 (Previous year 38,306,451) ordinary shares of "no par" value 1,260,081 (Previous year Nil) ordinary shares of "no par" value Less : Adjustment with securities premium as per order of High Court	34,938,958 – 5,525,000 (24,495,721) 15,968,237	34,938,958 – – (24,495,721) 10,443,237
Less: Amounts adjusted on settlement of liabilities towards certain erstwhile shareholders Less: Provision for diminution in the value of investment	(10,442,237) (5,525,000)	(10,442,237) –
(v) Investment in R Systems Solutions, Inc., USA 8,666,884 (Previous year 8,666,884) Series A convertible preferred stock of "no par" value 10,335,833 (Previous year 10,335,833) common stock of "no par" value 1,000,000 (Previous year 1,000,000) common stock of "no par" value	128,825,090 43,852,500 172,677,590	128,825,090 43,852,500 172,677,590
Less: Provision for diminution in the value of investment	(172,676,590)	(172,676,590)
(vi) Investment in R Systems NV, Belgium 200 (Previous year 200) shares of Euro 310 each fully paid up [also refer note 29 (d)] Less: Provision for diminution in the value of investment	3,471,640 (3,036,745) 434,895	3,471,640 (1,850,305) 1,621,335

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
(vii) Investment in R Systems Europe B.V., Netherlands 3,170 (Previous year 3,170) ordinary shares of Euro 100 each fully paid up Less: Provision for diminution in the value of investment	42,053,275 (42,052,275) 1,000	42,053,275 (42,052,275) 1,000
(viii) Investment in R Systems S.A.S., France 10,000 (Previous year 10,000) ordinary shares of Euro 15.24 each fully paid up Less: Provision for diminution in the value of investment	32,593,766 (32,592,766) 1,000	32,593,766 (32,592,766) 1,000
(ix) Investment in Computaris International Limited, UK [also refer note 29 (b)] 80,000 (Previous year 80,000) ordinary shares of GBP 0.01 each fully paid up	439,022,226	484,583,504
Sub total (B)	766,994,223	813,741,941
Total (A+B)	767,019,223	813,766,941
Aggregate amount of unquoted investments (net of provision)	767,019,223	813,766,941
Aggregate amount of quoted investments	–	–
Aggregate provision for diminution in the value of investments	266,668,114	259,956,674

12. DEFERRED TAX ASSETS (NET)

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Deferred tax assets		
Provision for gratuity	25,353,698	20,420,033
Provision for compensated absences	21,518,812	18,705,235
Provision for doubtful debts and advances	24,881,246	46,559,618
Other timing differences	8,737,840	5,995,456
Gross deferred tax assets	80,491,596	91,680,342
Deferred tax liability		
Differences in depreciation / amortisation and other differences in block of fixed assets as per tax books and financial books	31,700,305	36,307,074
Gross deferred tax liability	31,700,305	36,307,074
Deferred tax assets (net)	48,791,291	55,373,268

13. LOANS AND ADVANCES

Particulars	Non-current		Current	
	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Capital advances				
Unsecured, considered good	1,515,815	1,292,352		
Sub total (A)	1,515,815	1,292,352		
Advances recoverable in cash or in kind or for value to be received				
Unsecured, considered good	1,373,732	4,580,676	31,722,357	27,829,034
Doubtful	-	-	48,661	4,923,200
	1,373,732	4,580,676	31,771,018	32,752,234
Provision for doubtful advances	-	-	(48,661)	(4,923,200)
Sub total (B)	1,373,732	4,580,676	31,722,357	27,829,034
Loans and advances to related parties				
Unsecured, considered good				
Advance recoverable from subsidiaries:				
R Systems, Inc., USA	-	-	3,119,202	6,495,382
ECnet Limited, Singapore	-	-	-	4,087,207
R Systems Solutions, Inc., USA	-	-	58,059	1,219,519
R Systems (Singapore) Pte Ltd, Singapore	-	-	108,743	4,008
R Systems Europe B.V., Netherlands	-	-	-	72,116
Computaris International Limited, U.K.	-	-	23,628	-
Sub total (C)	-	-	3,309,632	11,878,232
Security deposit				
Unsecured, considered good	16,778,349	18,256,783	1,136,660	-
Doubtful	-	-	3,000,000	3,000,000
	16,778,349	18,256,783	4,136,660	3,000,000
Provision for doubtful advances	-	-	(3,000,000)	(3,000,000)
Sub total (D)	16,778,349	18,256,783	1,136,660	-
Other loans and advances				
Unsecured, considered good				
MAT credit entitlement	37,705,072	44,661,282	-	-
Mark-to-market gains on derivative instruments (also refer note 33)	-	-	5,814,261	-
Balances with customs, excise, etc.	-	-	1,465,849	784,022
Advance fringe benefit tax [net of provisions amounting to Rs. 7,082,336 (Previous year Rs. 7,082,336)]	167,664	167,664	-	-
Advance income taxes [net of provisions amounting to Rs. 190,739,986 (Previous year Rs. 188,981,213)]	31,943,012	14,142,884	-	-
Sub total (E)	69,815,748	58,971,830	7,280,110	784,022
Total (A+B+C+D+E)	89,483,644	83,101,641	43,448,759	40,491,288

14. TRADE RECEIVABLES AND OTHER ASSETS**14.1 Trade receivables**

Particulars	Current	
	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	9,689,149	14,361,523
Doubtful	67,003,763	104,979,040
	76,692,912	119,340,563
Provision for doubtful receivables	(67,003,763)	(104,979,040)
Sub total (A)	9,689,149	14,361,523
Other receivables		
Unsecured, considered good	453,177,005	508,160,495
Doubtful	4,000,909	9,043,782
	457,177,914	517,204,277
Provision for doubtful receivables	(4,000,909)	(9,043,782)
Sub total (B)	453,177,005	508,160,495
Total (A+B)	462,866,154	522,522,018

Trade receivables include:

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
From subsidiary companies		
R Systems, Inc., USA	4,176,280	11,288,018
ECnet Limited, Singapore	16,993,095	28,431,965
Computaris International Limited, U.K.	3,692,895	–
R Systems (Singapore) Pte. Ltd., Singapore	342,306	1,917,113
R Systems Europe B.V., Netherlands	461,847	420,199

14.2 Other assets

Particulars	Non-current		Current	
	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Non-current bank balances (also refer note 15)	65,869,014	109,556,627		
Interest accrued on deposits	5,462,395	2,795,556	7,215,668	8,335,799
Interest accrued on staff advances	–	–	59,004	100,271
Unbilled revenue	–	–	56,292,218	67,130,897
Total	71,331,409	112,352,183	63,566,890	75,566,967

15. CASH AND BANK BALANCES

Particulars	Non-current		Current	
	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Cash and cash equivalents				
Cash on hand			162,599	131,910
Cheques in hand			–	132,440
Balances with scheduled banks:				
On current accounts			12,881,205	14,637,843
On cash credit / overdraft accounts*			97,958	27,054,026
On EEFC accounts			46,393,575	41,920,457
On deposit accounts with original maturity of less than 3 months			123,300,000	140,541,000
On unclaimed dividend			1,193,738	597,793
Balance with other banks:				
On current account with California Bank & Trust			72,128,880	33,364,239
On current account ABN Amro Bank N.V., Netherlands			1,026,181	506,932
On current account with Sumitomo Mitsui Banking Corporation			564,032	1,139,443
			257,748,168	260,026,083
Other bank balances				
Deposits with original maturity for more than 12 months	–	27,484,378	185,709,600	19,800,000
Deposits with original maturity for more than 3 months but less than 12 months			104,704,000	234,225,226
Margin money deposits (refer detail below)	65,869,014	82,072,249		
	65,869,014	109,556,627	290,413,600	254,025,226
Amount disclosed under non-current assets (also refer note 14.2)	(65,869,014)	(109,556,627)		
Total	–	–	548,161,768	514,051,309

* Cash credit limit / Bank guarantee / Loan equivalent risk / Letter of credit is secured by first charge by way of hypothecation of entire current assets and collateral over the immovable property situated in Pune.

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Margin money deposit against performance guarantees	28,284,350	36,122,552
Margin money deposit against credit / derivative facilities	37,584,664	45,949,697
Total	65,869,014	82,072,249

16. REVENUE FROM OPERATIONS

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Sale of services	2,265,972,254	1,916,564,160
Sale of third party hardware and software	23,300,842	296,713
Total	2,289,273,096	1,916,860,873

17. OTHER INCOME

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Interest income on:		
Bank deposits	40,126,671	39,854,884
Loan to subsidiary	–	7,862,658
Excess provisions written back	159,590	1,332,503
Miscellaneous income	1,929,049	10,891,954
Total	42,215,310	59,941,999

18. EMPLOYEE BENEFIT EXPENSE

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Salaries, wages and bonus	1,409,662,582	1,228,133,368
Gratuity (also refer note 32)	22,700,216	11,228,082
Contribution to provident and other funds	47,982,995	42,101,763
Staff welfare expenses	22,765,031	19,182,080
Total	1,503,110,824	1,300,645,293

19. OPERATIONAL AND OTHER EXPENSE

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Power and fuel	40,551,024	34,488,629
Rent - premises	32,980,238	32,112,110
Rent - equipments	2,050,117	2,692,726
Rates and taxes	1,793,141	2,396,489
Insurance	6,984,207	6,592,315
Repair and maintenance		
- Buildings	1,809,025	105,842
- Others	47,245,075	37,451,379
Advertising and sales promotion	9,360,406	7,432,631
Commission-others	9,542,907	8,316,386
Traveling and conveyance	186,352,508	168,506,605
Communication costs	42,487,119	44,300,493
Printing and stationery	1,913,071	2,681,506
Legal and professional fees	48,386,108	53,854,170
Cost of third party hardware and software	17,961,512	223,250
Directors' sitting fee	570,000	300,000
Auditors' remuneration (refer detail below)	5,177,555	5,244,750
Foreign exchange fluctuation (net)	(39,977,733)	28,979,836
Provision for doubtful debts	23,810,629	23,110,491
Provision for doubtful advances	(13,133,412)	23,406,259

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Bad debts and advances written off [net of Rs. 73,255,191 (previous year Rs. 9,045,672) utilisation from provision for doubtful debts and advances]	18,783	40,000
Loss on sale / discard of fixed assets (net)	1,363,574	617,990
Recruitment and training expenses	7,384,751	8,189,087
Security expenses	6,164,569	5,543,671
Membership and subscription	5,354,503	4,494,020
Provision for diminution in value of long term investments	6,711,440	–
Miscellaneous expenses	3,120,622	3,651,486
Total	455,981,739	504,732,121

Note:

Figures in brackets represent gain / written back.

Detail of auditors remuneration

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
As auditor:		
- Audit fee		
- Statutory audit fee	1,350,000	1,350,000
- Quarterly audit fee	1,950,000	1,950,000
- Limited Review	525,000	525,000
- Out-of-pocket expenses	302,555	369,750
In other capacity:		
- Certification	800,000	800,000
- Other services	250,000	250,000
Total	5,177,555	5,244,750

20. DEPRECIATION AND AMORTISATION EXPENSE

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Depreciation on tangible assets	42,333,189	44,813,805
Amortisation on intangible assets	20,067,638	43,310,116
Total	62,400,827	88,123,921

21. FINANCE COST

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Interest on vehicle loans	680,937	625,837
Bank charges	2,053,313	3,640,945
Total	2,734,250	4,266,782

22. SEGMENT INFORMATION*Business segments :*

The Company considers business segment as the basis for primary segmental reporting. The Company is organised into two business segments – software development and customisation services and BPO services. Costs and expenses which cannot be allocated to any business segment are reflected in the column 'corporate and others'. Segments have been identified and reported based on the nature of the services, the risks and returns, the organisation structure and the internal financial reporting system.

Geographical segments :

The Company reports secondary segmentation information on the basis of the geographical location of the customers / assets. Although the Company's major operating divisions are managed on a worldwide basis, they operate in five principal geographical areas of the world which are: India, United States of America, South East Asian countries, Europe and Other areas.

The following table provides required information for the primary segments for the year ended December 31, 2012 and December 31, 2011:

Particulars	Software development & customisation services		Business process outsourcing services		Corporate and others		Total	
	Year ended December 31,		Year ended December 31,		Year ended December 31,		Year ended December 31,	
	2012	2011	2012	2011	2012	2011	2012	2011
REVENUE								
External sales	1,990,450,611	1,682,872,195	298,822,485	233,988,678			2,289,273,096	1,916,860,873
Total revenue	1,990,450,611	1,682,872,195	298,822,485	233,988,678			2,289,273,096	1,916,860,873
RESULT								
Segment result	267,509,209	76,043,177	40,220,024	(10,503,130)	-	-	307,729,233	65,540,047
Unallocated corporate expenses					(39,914,201)	(37,958,796)	(39,914,201)	(37,958,796)
Operating profit							267,815,032	27,581,251
Interest expenses					(680,937)	(625,837)	(680,937)	(625,837)
Interest income					40,126,671	39,854,884	40,126,671	39,854,884
Other income					-	12,224,457	-	12,224,457
Income taxes expense					(101,983,757)	(14,383,407)	(101,983,757)	(14,383,407)
Net profit							205,277,009	64,651,348

The following table provides required information for the primary segments as at December 31, 2012 and December 31, 2011:

Particulars	Software development & customisation services		Business process outsourcing services		Eliminations		Corporate and others		Total	
	December 31,		December 31,		December 31,		December 31,		December 31,	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
OTHER INFORMATION										
Segment assets	1,775,617,639	2,013,800,938	60,977,268	77,301,641	196,090,105	307,466,473	640,188,307	646,860,390	1,640,504,802	1,783,636,106
Unallocated corporate assets									640,188,307	646,860,390
Income tax assets	1,775,617,639	2,013,800,938	60,977,268	77,301,641	196,090,105	307,466,473	118,607,039	114,345,098	118,607,039	114,345,098
Total assets	410,371,285	560,426,293	214,815,501	326,188,822	196,090,105	307,466,473	758,795,346	761,205,488	2,399,300,148	2,544,841,594
Segment liabilities	39,936,983	28,832,144	2,601,077	1,481,536	-	-	-	-	429,096,681	579,148,642
Unallocated corporate liabilities	54,662,523	76,765,383	7,738,304	11,358,538	196,090,105	307,466,473	95,099,048	44,938,583	95,099,048	44,938,583
Income tax liabilities	6,711,440	-	-	-	-	-	72,720,162	7,193,185	72,720,162	7,193,185
Total liabilities	410,371,285	560,426,293	214,815,501	326,188,822	196,090,105	307,466,473	167,819,210	52,131,768	596,915,891	631,280,410
Capital expenditures	39,936,983	28,832,144	2,601,077	1,481,536	-	-	-	-	42,538,060	30,313,680
Depreciation and amortisation	54,662,523	76,765,383	7,738,304	11,358,538	-	-	-	-	62,400,827	88,123,921
Provision for diminution in value of long-term investments	6,711,440	-	-	-	-	-	-	-	6,711,440	-
Other non-cash expenses	9,143,914	41,141,826	2,915,660	6,032,914	-	-	-	-	12,059,574	47,174,740

Geographical segments:

The Company reports secondary segment information on the basis of the geographical location of the customers / assets. The management views the domestic and export markets as distinct geographical segments.

The following is the distribution of the Company's revenue by geographical area in which customers are located:

	For the year ended December 31,	
	2012 Rs.	2011 Rs.
India	260,552,837	221,095,052
USA	1,355,007,908	1,121,059,105
South East Asia	143,688,771	86,306,953
Europe	330,925,649	391,182,968
Others	199,097,931	97,216,795
Total	2,289,273,096	1,916,860,873

Assets and additions to tangible and intangible fixed assets by geographical area:

The following table shows the carrying amount of assets and additions to tangible assets and intangible assets (including capital advances) by geographical area in which assets are located:

	Carrying amount of assets as at December 31,		Additions to tangible assets and intangible assets for the year ended December 31,	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
India	1,105,188,009	1,188,481,716	42,237,985	30,112,303
USA	567,382,278	560,230,301	300,075	154,099
South East Asia	137,010,025	166,697,778	–	47,278
Europe	545,747,492	605,074,296	–	–
Others	43,972,344	24,357,503	–	–
Total	2,399,300,148	2,544,841,594	42,538,060	30,313,680

23. RELATED PARTY DISCLOSURES

(i) Names of related parties:

Names of related parties where control exists:

Subsidiaries	R Systems (Singapore) Pte Ltd, Singapore R Systems, Inc., USA Indus Software, Inc., USA R Systems Solutions, Inc., USA R Systems N.V., Belgium R Systems Europe B.V., Netherlands R Systems S.A.S., France ECnet Ltd, Singapore Computaris International Limited, U.K. (date of acquisition January 26, 2011) Systèmes R. International Ltée, Canada (date of incorporation October 29, 2012)
	Following are the subsidiaries of ECnet Ltd, Singapore <ul style="list-style-type: none"> • ECnet (M) Sdn Bhd, Malaysia • ECnet Systems (Thailand) Co. Ltd., Thailand • ECnet (Shanghai) Co. Ltd., People's Republic of China • ECnet (Hong Kong) Ltd., Hong Kong • ECnet, Inc., USA • ECnet Kabushiki Kaisha, Japan
	Following are the subsidiaries of Computaris International Limited, U.K. <ul style="list-style-type: none"> • Computaris Romania Srl, Romania • Computaris Polska sp z o.o., Poland • ICS Computaris International Srl, Moldova • Computaris Malaysia Sdn. Bhd., Malaysia • Computaris USA, Inc., USA • Computaris Limited, U.K.
	Names of other related parties with whom transactions have taken place during the year:
Key management personnel (directors) and their relatives	Satinder Singh Rekhi, Chairman and Managing Director Lt. Gen. Baldev Singh (Retd.), President and Senior Executive Director Raj Swaminathan, Director and Chief Operating Officer Mandeep Singh Sodhi [related to Lt. Gen. Baldev Singh (Retd.)], Vice President –Sales Amrita Kaur [related to Satinder Singh Rekhi], Assistant Business Manager

(ii) Details of transactions with related parties for year ended December 31, 2012 and December 31, 2011:

(Amount in Rs.)

	Year ended December 31,	
	2012	2011
Software development and IT enabled services rendered to		
ECnet Ltd, Singapore	21,066,897	24,501,641
R Systems, Inc., USA	19,577,810	23,663,540
R Systems (Singapore) Pte Ltd, Singapore	287,434	1,935,789
R Systems Europe B.V., Netherlands	3,668,350	1,215,347
Computaris International Limited, U.K.	4,769,281	–
Total	49,369,772	51,316,317
Software development and IT enabled services received from		
ECnet Ltd, Singapore	305,584	2,433,689
Computaris International Limited, U.K.	–	8,032,812
ECnet Systems (Thailand) Co. Ltd., Thailand	648,069	2,417,778
Total	953,653	12,884,279
Commission income		
R Systems, Inc., USA	–	7,669,751
Telecommunication, commission on sales and other expenses paid to		
R Systems Solutions, Inc., USA	1,949,892	8,356,291
Interest received from		
ECnet Ltd, Singapore	–	7,862,658
Travel and other expenses reimbursed to		
ECnet Ltd, Singapore	1,906,655	1,613,992
R Systems, Inc., USA	51,449,190	74,808,931
R Systems (Singapore) Pte Ltd, Singapore	6,239,013	5,598,507
R Systems Europe B.V., Netherlands	324,610	457,677
ECnet Systems (Thailand) Co. Ltd., Thailand	26,038	121,597
Total	59,945,506	82,600,704

	Year ended December 31,	
	2012	2011
Travel and other expenses paid by the Company on behalf of		
ECnet Ltd, Singapore	1,120,246	4,668,854
R Systems, Inc., USA	10,515,596	6,629,319
R Systems (Singapore) Pte Ltd, Singapore	53,665	125,740
R Systems Solutions, Inc., USA	353,416	1,238,574
R Systems Europe B.V., Netherlands	206,808	235,380
Computaris International Limited, U.K.	1,048,374	–
Total	13,298,105	12,897,867
Reimbursement for purchase of assets from		
R Systems, Inc., USA	792,425	–
ECnet Ltd, Singapore	22,238	–
Total	814,663	–
Reimbursement for purchase of assets to		
R Systems, Inc., USA	62,918	–
Assets obtained free of cost on returnable basis		
R Systems, Inc., USA	–	113,928
Assets returned, earlier obtained free of cost on returnable basis		
R Systems, Inc., USA	663,463	–
Remuneration to key management personnel and their relatives		
Satinder Singh Rekhi	17,844,292	18,113,373
Lt. Gen. Baldev Singh (Retd.)	5,149,445	4,643,502
Raj Swaminathan	5,679,795	4,706,579
Mandeep Singh Sodhi	19,503,471	16,073,251
Amrita Kaur	–	233,331
Total	48,177,003	43,770,036
Rent		
Satinder Singh Rekhi	5,605,709	4,248,713

(Amount in Rs.)

Balance outstanding	As at December 31,	
	2012	2011
Receivable-trade		
ECnet Ltd, Singapore	16,993,095	28,431,965
R Systems, Inc., USA	4,176,280	11,288,018
R Systems (Singapore) Pte. Ltd, Singapore	342,306	1,917,113
R Systems Europe B.V., Netherlands	461,847	420,199
Computaris International Limited, U.K.	3,692,895	–
Total	25,666,423	42,057,295
Receivable-others		
ECnet Ltd, Singapore	–	4,087,207
R Systems, Inc., USA	3,119,202	6,495,382
R Systems (Singapore) Pte Ltd, Singapore	108,743	4,008
R Systems Solutions, Inc., USA	58,059	1,219,519
R Systems Europe B.V., Netherlands	–	72,116
Computaris International Limited, U.K.	23,628	–
Total	3,309,632	11,878,232
Payable		
ECnet Ltd, Singapore	953,321	3,236,750
R Systems, Inc., USA	16,344,292	14,442,004
R Systems Solutions, Inc. USA	–	690,365
R Systems (Singapore) Pte Ltd, Singapore	–	50,282
R Systems Europe B.V., Netherlands	36,805	5,224
Computaris International Limited, U.K.	–	2,390,592
ECnet Systems (Thailand) Co. Ltd., Thailand	–	1,707,309
Total	17,334,418	22,522,526
Assets obtained free of cost on returnable basis		
R Systems, Inc., USA	18,367,267	19,030,730
R Systems (Singapore) Pte Ltd, Singapore	157,573	157,573
Total	18,524,840	19,188,303

24. CAPITAL AND OTHER COMMITMENTS

	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
(i) Capital commitments:		
Estimated amount of unexecuted capital contracts (net of advances)	9,160,705	2,752,785

(ii) Other commitments:

The Company has undertaken to provide continual financial support to its following subsidiaries to enable such subsidiaries to meet its working capital and other financial requirements:

- R Systems (Singapore) Pte Ltd, Singapore
- R Systems, Inc., USA
- Indus Software, Inc., USA
- R Systems Solutions, Inc., USA
- ECnet Ltd, Singapore
- Computaris International Limited, U.K.

25. CONTINGENT LIABILITIES:

	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Performance guarantees given to Department of Telecommunication for Domestic and International 'Other Service Provider' licenses	20,000,000	20,000,000
Performance bank guarantee issued to a customer	4,408,736	13,010,725
Claims not acknowledged as debts	15,751,926	15,751,926
Total	40,160,662	48,762,651

26. OPERATING LEASE - COMPANY AS LESSEE

The Company has operating lease for office premises, etc. The future minimum payments required under non-cancelable operating lease at year-end are as follows:

	Year ended December 31, 2012 Rs.	Year ended December 31, 2011 Rs.
Lease payments for the year	32,902,422	32,112,110
Non-cancellable operating lease obligation:		
Not later than one year	31,336,529	22,572,601
Later than one year but not later than five years	73,165,410	4,442,713
Later than five years	6,688,176	–

The operating lease arrangements extend for a maximum of 9 years from their respective dates of inception. Some of the operating lease arrangements have price escalation clause at various periodic levels ranging from 0 to 10%, includes option of renewal from 1 to 6 years and there are no restrictions imposed on lease arrangements.

27. SUPPLEMENTARY STATUTORY INFORMATION

27.1(a) Directors' remuneration

	Year ended December 31, 2012 Rs.	Year ended December 31, 2011 Rs.
Salaries, wages and bonus (including non-separation fees of Rs. Nil (Previous year Rs. 296,658)	28,471,212	27,293,294
Contribution to provident fund	202,320	170,160
Total	28,673,532	27,463,454

Note:

As the future liability for gratuity and long term compensated absences is provided on an actuarial basis for the Company as a whole, the amount pertaining to the directors is not ascertainable and, therefore, not included above.

27.1 (b) Computation of net profit under Section 349 of the Companies Act, 1956 for calculation of managerial remuneration under Section 198 of the Companies Act, 1956.

(Amount in Rs.)

Sl. No.	Particulars	Year ended December 31, 2012	Year ended December 31, 2011
	Profit after tax and before appropriation	205,277,009	64,651,348
	Add:		
(i)	Loss on fixed assets sold / discarded	1,363,574	617,990
(ii)	Provision for doubtful debts / advances	10,677,217	46,516,750
(iii)	Tax for the year	101,983,757	14,383,407
(iv)	Depreciation and amortisation as per books of accounts	62,400,827	88,123,921
(v)	Provision for diminution in value of long-term investments	6,711,440	–
	Less:		
(i)	Depreciation and amortisation as envisaged under Section 350 of the Companies Act* Net Profit as per Section 349 of the Companies Act, 1956	62,400,827	88,123,921
	Add:	326,012,997	126,169,495
	Remuneration paid to the whole time directors	28,673,532	27,166,796
	Net Profit for the purpose of managerial remuneration as per Section 198 of the Companies Act, 1956	354,686,529	153,336,291
	Overall maximum remuneration to all managerial personnel at 10% of the net profits as calculated above	35,468,653	15,333,629
	Overall maximum remuneration to individual managerial personnel at 5% of the net profits as calculated above	17,734,326	7,666,815

* The Company depreciates fixed assets based on estimated useful lives that are lower than those implicit in Schedule XIV of the Companies Act, 1956. Accordingly, the rates of depreciation used by the Company are higher or equal than the minimum prescribed under Schedule XIV.

27.1 (c) The remuneration paid in excess of the limits specified in 27.1 (b) above has been approved by the Central Government.

27.2 Earnings in foreign currency (on accrual basis)

	Year ended December 31, 2012 Rs.	Year ended December 31, 2011 Rs.
Exports at F.O.B. Value (sale of product and services)	2,028,720,259	1,699,494,032
Interest on loan	–	7,862,658
Reimbursement of travel, communication and other costs*	53,486,019	47,666,274
Commission income	–	7,669,751
Total	2,082,206,278	1,762,692,715

* Out of this Rs. 42,892,076 (previous year Rs. 47,250,955) is reimbursement for expenses which have been netted off from the respective expenses in the Statement of Profit and Loss and balance Rs. 10,593,943 (previous year Rs. 415,319) is reimbursement for purchase of assets.

27.3 Expenditure in foreign currency (on accrual basis)

	Year ended December 31, 2012 Rs.	Year ended December 31, 2011 Rs.
Traveling and conveyance	144,499,175	133,191,072
Commission-others	9,527,464	8,316,386
Salaries, wages and bonus	144,753,550	144,648,766
Communication expenses	19,116,003	21,528,482
Cost of third party hardware and software	16,725,656	–
Other miscellaneous expenses	43,063,396	56,112,624
Total	377,685,244	363,797,330

27.4 Value of imports calculated on CIF basis

	Year ended December 31, 2012 Rs.	Year ended December 31, 2011 Rs.
Capital goods	7,886,711	14,330,738
Equipments received free of cost on returnable basis	1,229,587	1,488,667
Total	9,116,298	15,819,405

27.5 Remittance in foreign currency on account of dividend

Sl. No.	Particulars	Number of non-resident shareholders	Number of equity shares	Amount remitted (Rs.)		Amount remitted (USD)	
				2012	2011	2012	2011
(a)	Final dividend for the year ended December 31, 2010	26	4,652,272	–	–	11,165,453	245,711
(b)	Final dividend for the year ended December 31, 2011	17	4,223,370	15,204,132	279,664	–	–
(c)	Interim dividend for the year ended December 31, 2012	17	4,223,370	67,573,920	1,186,757	–	–

28. During the year ended December 31, 2006, Government of India has promulgated an Act namely The Micro, Small and Medium Enterprises Development Act, 2006 which comes into force with effect from October 2, 2006. As per the Act, the Company is required to identify the Micro, Small and Medium suppliers and pay interest to micro and small enterprises on overdue beyond the specified period irrespective of the terms agreed with the suppliers. For the purpose of identification of such suppliers, the Company has sent confirmations to all its suppliers. Based upon the confirmations received so far and the supplier profile available with the Company, the management believes that there are no dues to such suppliers.

Details of dues to Micro, Small and Medium Enterprises as per MSMED Act, 2006	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year	Nil	Nil
The amount of interest paid by the buyer in terms of Section 16 of the Micro Small and Medium Enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	Nil	Nil
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro Small and Medium Enterprise Development Act, 2006.	Nil	Nil
The amount of interest accrued and remaining unpaid at the end of each accounting year; and	Nil	Nil
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under Section 23 of the Micro Small and Medium Enterprise Development Act, 2006	Nil	Nil

29. (a) During earlier years, the Company had acquired 98.59% shares in ECnet Limited, a Company incorporated in Singapore at total consideration of Rs. 34,938,958. During the year ended December 31, 2005, the Company had based upon an order of High Court of Delhi written down the investment value to Rs. 10,443,237 and adjusted the write off of Rs. 24,495,721 against the Securities Premium Account as this had not been represented by available assets.

During the year ended December 31, 2007, the Company had

settled the liabilities towards certain erstwhile shareholders. As a result thereof, the deferred payment compensation of Rs. 14,452,222 was released, as considered appropriate by the management. Out of above, Rs.10,442,237 had been adjusted against the value of the investment. The reassessed amount payable Rs. 12,117,859 (reinstated as at December 31, 2012) [Previous year Rs. 11,068,991 (reinstated as at December 31, 2011)] is shown under 'Other current liabilities'.

During the year ended December 31, 2010, the Board of Directors had approved a Scheme for corporate restructuring of its two subsidiaries based in Singapore viz ECnet Limited and R Systems (Singapore) Pte Limited 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.

During the year ended December 31, 2011, pursuant to the above restructuring plan, the loan to ECnet Limited amounting to Rs. 152,000,000 (SGD 3,800,000) has been converted into equity investment at the fair value of Rs Nil. Post conversion the shareholding of the Company in ECnet Limited has increased from 98.59% to 99.55% (38,306,451 number of shares issued post conversion). The Company is in the process of obtaining relevant regulatory approvals for the amalgamation of both the subsidiaries.

During the year ended December 31, 2012, the Company has made further equity investment amounting to Rs. 5,525,000 (SGD 1,25,000) for long term purposes and increased its shareholding from 99.55% to 99.56%. The Company, based on internal assessment of performance of the subsidiary has considered provision towards long-term diminution in the value of this investment.

- (b) During the year ended December 31, 2011, the Company had acquired 100% shares of Computaris International Limited, UK (Computaris) on January 26, 2011 for a maximum consideration of GBP 9 million out of which GBP 4.25 million is the initial payout and balance is based on earn outs as well as fulfillment of certain condition by the erstwhile shareholders of Computaris over the next two years. As at December 31, 2011, the management assessed investment value at Rs. 484,583,504 which represented consideration assessed as probable to be paid as on that date.

As at December 31, 2012, the management has reassessed the investment value at Rs. 439,022,226 basis the final earn out amount payable to the erstwhile shareholders of Computaris.

As at December 31, 2012 amount payable to the erstwhile

shareholders of Computaris, within one year from the year-end is shown under 'Other current liabilities' of Rs. 20,706,710 (reinstated as at December 31, 2012) [previous year Rs. 116,232,952 (reinstated as at December 31, 2011)] and balance amount is payable after one year which has been disclosed under 'Other long-term liabilities' of Rs. Nil [previous year Rs. 70,994,905 (reinstated as at December 31, 2011)].

- (c) R Systems, Inc., USA has net book value of Rs. 156,166,002 as at December 31, 2012, as against the investment value of Rs. 223,358,532. The management based on future business plans of the subsidiary as well as its continuing financial support does not consider there to be diminution other than temporary.
- (d) During the year ended December 31, 2010, the Board of Directors of the Company and R Systems NV, Belgium (wholly owned subsidiary of the Company) had approved the liquidation of R Systems NV, Belgium subject to the required statutory and corporate approvals in India and Belgium. The Company is in the process of obtaining relevant regulatory approvals.

30. (a) R Systems International Limited - Year 2004 Employee Stock Option Plan ('the plan')

During the year 2004, the Company had instituted the plan for all eligible employees as specified in the rules in pursuance of the special resolution duly approved by the shareholders. The plan provides for the issuance of 997,500 options to eligible employees as recommended by the Compensation Committee constituted for this purpose.

The plan is administered by a Compensation Committee and exercise price is "1.60 times the book value of the share as per the audited balance sheet as on December 31, 2003 i.e. Rs. 42 per Share or 1.60 times of the book value as per immediate previous accounting year audited balance sheet rounded off to nearest rupee as on the date of exercise whichever is higher", till the time equity shares of the Company are not listed. Once the equity shares are listed, the exercise price is prevailing price or stock price i.e. the latest available closing price, prior to the date of the meeting of the Board of Directors in which options are granted / shares are issued, on the stock exchange on which the shares of the Company are listed.

During the year ended December 31, 2006, the Company had consolidated each of its five equity shares of Rs. 2 each into one equity share of Rs. 10 each and then issued 1:1 bonus share to each of the then existing shareholder (excluding the option holders) by utilisation of Securities Premium Account in terms of the provisions of Section 78 of the Companies Act,

1956. Considering these changes in the capital structure, the management had adjusted the number of options vesting to its employees and exercise price to preserve the benefits intended to be made available under the plan i.e. instead of five options of Rs. 2 per share, the employees' entitlement had been adjusted to one option of Rs. 10 per share and instead of earlier exercise price of Rs. 42 per share for each Rs. 2 share, the exercise price had been accordingly adjusted to Rs. 105 per equity share. During the year ended December 31, 2008, the Company had obtained a legal opinion confirming that the adjustments undertaken to the number of options vesting to its employees and exercise price, pursuant to the consolidation and subsequent bonus issue during the year ended December 31, 2006, does not tantamount to modification and no additional benefit was offered to the existing option holders.

The vesting period is 4 years (25% in each year) commencing from the date of grant under the plan. The eligible employees have an option to exercise it over a period of 10 years from the date of grant under the plan. The movement in the options during the year ended December 31, 2012 and year ended December 31, 2011 is set out below:

	Year ended December 31, 2012 (Nos.)	Year ended December 31, 2011 (Nos.)
<u>At the beginning</u>		
- Grants outstanding under the plan (Rs. 10 per share)	61,925	73,380
- Grants pending determination by the Compensation Committee (Rs. 10 per share)	82,740	71,285
<u>During the year</u>		
- Options granted (Rs. 10 per share)	-	-
- Options exercised (Rs. 10 per share)	-	-
- Options lapsed or surrendered (Rs. 10 per share)	5,890	11,455
<u>At the end</u>		
- Grants outstanding under the plan (Rs. 10 per share)	56,035	61,925
- Grants pending determination by the Compensation Committee (Rs. 10 per share)	88,630	82,740

(b) Indus Software Employees Stock Option Plan – Year 2001 ('the plan'):

Indus Software Private Limited ('Indus') had outstanding options aggregating 21,967 equity shares as on March 31, 2002, to be issued to the eligible employees under the Indus Software Employees Stock Option Plan – Year 2001 under various vesting periods as specified in the said Plan, duly approved by the erstwhile shareholders. Indus had established "Indus Software Employees Welfare Trust" ('the Indus Trust') to administer the plan, as approved by the members, for the benefits of the Company's employees and had provided an interest free loan of Rs. 3,382,792. Consequently, Indus had allotted 21,967 equity shares of Rs. 10 each at a premium of Rs. 144 per equity share to the Indus Trust to be further issued to the Indus' eligible employees on the exercise of the underlying options granted to them.

As a result of the merger of Indus with the Company, all employees had surrendered their options in favour of the Indus Trust to enable them to obtain options for shares in R Systems International Limited after the merger. Also, the Company had issued 206,822 equity shares of Rs. 2 each at a premium of Rs. 113.42 per share to the Indus Trust in exchange of 21,967 equity shares of Indus, apropos to the agreed swap ratio. During the earlier years out of the said 206,822 shares 22,079 shares were issued to the employees on exercise of options.

The Company had consolidated each of its five equity shares of Rs. 2 each into one equity share of Rs. 10 each on January 30, 2006 and then issued 1:1 bonus share to each of the then existing shareholder by utilisation of Securities Premium Account in terms of the provisions of Section 78 of the Companies Act, 1956, consequently total number of shares issued are now 73,898 equity shares of Rs. 10 each. Accordingly an amount of Rs. 738,980 and Rs. 2,282,728 is shown as deduction from Issued, subscribed and paid-up capital and Securities Premium Account respectively as suggested by the "Guidance Note on Accounting for Employee Share-based Payments" issued by The Institute of Chartered Accountants of India.

The movement in the options (in equivalent number of shares of the Company) held by the Trust during the year ended December 31, 2012 and the year ended December 31, 2011 is set out below:

	Year ended December 31, 2012 (Nos.)	Year ended December 31, 2011 (Nos.)
At the beginning		
- Grants outstanding under the plan (Rs. 10 per share)		
- Grants pending determination by the Compensation Committee (Rs. 10 per share)	73,898	73,898
During the year		
- Options granted (Rs. 10 per share)	-	-
- Options exercised (Rs. 10 per share)	-	-
- Options lapsed or surrendered (Rs. 10 per share)	-	-
At the end		
- Grants outstanding under the plan (Rs. 10 per share)	-	-
- Grants pending determination by the Compensation Committee (Rs. 10 per share)	73,898	73,898

(c) R Systems International Limited – Year 2004 Employees Stock Option Plan ECnet ('the plan')

The Company had instituted the plan for all eligible employees in pursuance of the special resolution duly approved by the shareholders. The plan provides for the issuance of 1,000,000 options to eligible employees as recommended by the Compensation Committee constituted for this purpose.

The plan is administered by a Compensation Committee and exercise price is "book value of the share as per the audited balance sheet as on December 31, 2003 i.e. Rs. 26 or as on the date of exercise, the book value as per immediate previous accounting year audited balance sheet rounded off to nearest rupee whichever is higher" till the time equity shares of the Company are not listed. Once the equity shares are listed, the exercise price is prevailing price or stock price i.e. the latest available closing price, prior to the date of the meeting of

the Board of Directors in which options are granted / shares are issued, on the stock exchange on which the shares of the Company are listed.

During the year ended December 31, 2006, the Company had consolidated each of its five equity shares of Rs. 2 each into one equity share of Rs. 10 each and then issued 1:1 bonus share to each of the then existing shareholder (excluding the option holders) by utilisation of Securities Premium Account in terms of the provisions of Section 78 of the Companies Act, 1956. Considering these changes in the capital structure, the management had adjusted the number of options vesting to its employees and exercise price to preserve the benefits intended to be made available under the plan i.e. instead of five options of Rs. 2 per share, the employees' entitlement had been adjusted to one option of Rs. 10 per share and instead of earlier exercise price of Rs. 26 per share for each Rs. 2 share, the exercise price had been accordingly adjusted to Rs. 65 per equity share. During the year ended December 31, 2008, the Company had obtained a legal opinion confirming that the adjustments undertaken to the number of options vesting to its employees and exercise price, pursuant to the consolidation and subsequent bonus issue during the year ended December 31, 2006, does not tantamount to modification and no additional benefit was offered to the existing option holders.

The vesting period is 4 years (40% in 1st year & 20% in 2nd, 3rd & 4th year) commencing from the date of grant under the plan. The eligible employees have an option to exercise it over a period of 10 years from the date of grant under the plan. The movement in the options during the year ended December 31, 2012 and year ended December 31, 2011 is set out below:

	Year ended December 31, 2012 (Nos.)	Year ended December 31, 2011 (Nos.)
At the beginning		
- Grants outstanding under the plan (Rs. 10 per share)	6,800	6,800
- Grants pending determination by the Compensation Committee (Rs. 10 per share)	123,241	123,241

	Year ended December 31, 2012 (Nos.)	Year ended December 31, 2011 (Nos.)
During the year		
- Options granted (Rs. 10 per share)	-	-
- Options exercised (Rs. 10 per share)	-	-
- Options lapsed or surrendered (Rs. 10 per share)	600	-
At the end		
- Grants outstanding under the plan (Rs. 10 per share)	6,200	6,800
- Grants pending determination by the Compensation Committee (Rs. 10 per share)	123,841	123,241

(d) R Systems International Limited Employee Stock Option Scheme 2007 ('the plan')

During the year 2007, the Company had instituted the plan for all eligible employees as specified in the rules in pursuance of the special resolution duly approved by the shareholders. The plan provides for the issuance of 650,000 options to eligible employees as recommended by the Compensation Committee constituted for this purpose.

The plan is administered by a Compensation Committee and exercise price is Rs. 120.70 being the latest available closing price, prior to the date of the meeting of the Board of Directors / Compensation Committee held on July 11, 2007 in which options were granted, on the stock exchange on which the shares of the Company are listed. Accordingly, the intrinsic value of Employee Stock Option is taken as Rs. Nil.

The vesting period is 4 years (25% in each year) commencing from the date of grant under the plan. The eligible employees have an option to exercise it over a period of 10 years from the date of grant under the plan. The movement in the options

during the year ended December 31, 2012 and year ended December 31, 2011 is set out below:

	Year ended December 31, 2012 (Nos.)	Year ended December 31, 2011 (Nos.)
At the beginning		
- Grants outstanding under the plan (Rs. 10 per share)	475,000	503,000
- Grants pending determination by the Compensation Committee (Rs. 10 per share)	175,000	147,000
During the year		
- Options granted (Rs. 10 per share)	-	-
- Options exercised (Rs. 10 per share)	203,822	-
- Options lapsed or surrendered (Rs. 10 per share)	15,500	28,000
At the end		
- Grants outstanding under the plan (Rs. 10 per share)	255,678	475,000
- Grants pending determination by the Compensation Committee (Rs. 10 per share)	190,500	175,000

- (e) For the purpose of valuation of the options granted during earlier years, the management obtained fair value of the options at the date of grant under respective schemes from a firm of Chartered Accountants to determine accounting impact, if any, of options granted over the periods. In the considered opinion of the valuer, the fair value of option determined using 'Black Scholes Valuation Model' under each of above schemes (except R Systems International Limited Employee Stock Option Scheme 2007 refer 30 (d) above) is "Nil" and thus no accounting thereof is required.

The assumptions used for the purpose of determination of fair value are stated below:

Assumptions	Unit	Scheme (a) *	Scheme (b) **	Scheme (c) ***	Comments by the valuer
Strike price	Rs.	42	154	26	
Current share price	Rs.	16	140	16	Taken on the basis of NAV and PECV method of valuation.
Expected option life	No. of Years	5	2.5	5	Being half of the maximum option life.
Volatility	%	1	0.5	1	In case of unlisted shares, the volatility may be taken as zero. Verma committee also recommends this.
Risk free return	%	7	11.3	7	Zero coupon rate estimated from trading government securities for a maturity corresponding to expected life of option - taken from sites of NSE and / or BSE.
Expected dividend Yield	%	-	15	-	Company has no set policy so dividend taken as zero. In case of Indus plan, as the dividend had been paid by the erstwhile company, it has been assumed at 15%.

*: R Systems International Ltd. - Year 2004 Employee Stock Option Plan under which the price was based on Rs. 2 per share.

**.: Indus Software Employees Stock Option Plan - Year 2001 under which originally the price was based on Rs. 10 per share for 21,967 shares. As a result of amalgamation of Indus Software Private Limited into R Systems, R Systems had issued 206,822 equity shares of Rs. 2 each pursuant to the swap ratio approved by Hon'ble High Courts of Delhi and Mumbai.

***: R Systems International Ltd. - Year 2004 Employee Stock Option Plan - ECnet under which the price was based on Rs. 2 per share.

The above information is based on Rs. 2 per share prior to consolidation of 5 equity shares of Rs. 2 each into one equity share of Rs. 10 each and subsequent allotment of bonus shares in the ratio of 1 : 1.

Further, for the purpose of valuation of the options granted during the year 2005 under R Systems International Limited-Year 2004 Employee Stock Option Plan, the management obtained fair value of the options at the date of grant from a firm of Chartered Accountants, to determine accounting impact, if any, of options granted. In the considered opinion of the valuer, the fair value of these option determined using 'Black Scholes Valuation Model' is "Nil" and thus no accounting thereof is required.

The assumptions used by the valuer for the purpose of determination of fair value are stated below:

Assumptions	Unit	Scheme	Comments by the valuer
Strike price	Rs.	42	
Current share price	Rs.	13.58	Taken on the basis of NAV and PECV method of valuation.
Expected option life	No. of Years	5	Being half of the maximum option life.
Volatility	%	1	In case of unlisted shares, the volatility may be taken as zero. Verma committee also recommends this.
Risk free return	%	7.42	Zero coupon rate estimated from trading government securities for a maturity corresponding to expected life of option - taken from sites of NSE.
Expected dividend Yield	%	-	Company has no set policy so dividend taken as zero.

The above information is based on Rs. 2 per share prior to consolidation of 5 equity shares of Rs. 2 each into one equity share of Rs. 10 each and subsequent allotment of bonus shares in the ratio of 1 : 1.

- (f) For the purpose of valuation of the options granted during the year ended December 31, 2007 under R Systems International Limited Employee Stock Option Scheme – 2007, the compensation cost relating to Employee Stock Options, calculated as per the intrinsic value method is Nil.

The management obtained fair value of the options at the date of grant from a firm of Chartered Accountants. In the considered opinion of the valuer, the fair value of these options determined using 'Black Scholes Valuation Model' is "Rs. 50.73" per option.

The assumptions used by the valuer for the purpose of

determination of fair value are stated below:

Assumptions	Unit	Scheme	Comments by the valuer
Strike price	Rs.	120.70	
Current share price	Rs.	118.50	Price on the date of grant by Board of Directors i.e. closing price on July 11, 2007
Expected option life	No. of Years	4	Being the vesting period.
Volatility	%	44	On the basis of industry average.
Risk free return	%	7	Zero coupon rate estimated from trading government securities for a maturity corresponding to expected life of option – taken from sites of NSE.
Expected dividend Yield	%	0.86	Company has declared Dividends of 12% in the past. Assuming that it will continue declaring similar dividends in future.

In March 2005 the ICAI has issued a guidance note on "Accounting for Employees Share Based Payments" applicable to 'employee share based plan' the grant date in respect of which falls on or after April 1, 2005. The said guidance note requires the Proforma disclosures of the impact of the fair value method of accounting of employee stock compensation in the financial statements. Since the Company used the intrinsic value method the impact on the reported net profit and earnings per share by applying the fair value based method is as follows:

(Amount in Rs.)

Particulars	Year ended December 31, 2012	Year ended December 31, 2011
Profit after tax	205,277,009	64,651,348
Add: Intrinsic Value Compensation Cost	-	-
Less: Fair Value Compensation Cost*	(786,296)	(585,874)
Adjusted Pro-forma Profit after tax Earnings Per Share	206,063,305	65,237,222
Basic		
- As reported	16.50	5.25
- Pro-forma	16.57	5.30
Diluted		
- As reported	16.50	5.19
- Pro-forma	16.57	5.24

* Figures in brackets represents income due to options lapsed during the year.

31. EARNINGS PER SHARE*

Particulars	Year ended December 31, 2012	Year ended December 31, 2011
Net profit after tax (Rs.)	205,277,009	64,651,348
Weighted average number of equity shares for calculating Basic EPS	12,438,064	12,316,886
Add : Equity shares for no consideration arising on grant of stock options under ESOP	–	140,561
Weighted average number of equity shares for calculating Diluted EPS	12,438,064	12,457,447
Basic [Nominal value of shares Rs. 10 (Previous year: Rs. 10)] (Rs.)	16.50	5.25
Diluted [Nominal value of shares Rs. 10 (Previous year: Rs. 10)] (Rs.)	16.50	5.19

* Refer note 30(f) above.

32. POST-EMPLOYMENT BENEFITS

The Company has an unfunded defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on separation equal to 15 days salary (last drawn salary) for each completed year of continuous service or part thereof in excess of six months subject to a maximum of Rs. 1,000,000.

The following table summarises the components of net benefit expense recognised in the Statement of Profit and Loss.

Net employee benefit expense recognised under Salary, wages and bonus

(Amount in Rs.)

Particulars	Year ended December 31, 2012	Year ended December 31, 2011
Current service cost	12,078,032	11,149,442
Interest cost on benefit obligation	6,235,987	3,910,824
Expected return on plan assets	–	–
Net actuarial (gain) / loss recognised in the year	4,386,197	(3,832,184)
Past service cost	–	–
Net employee benefit expense (also refer note 18)	22,700,216	11,228,082

Details of defined benefit gratuity plan

(Amount in Rs.)

Particulars	As at December 31, 2012	As at December 31, 2011
Defined benefit obligation	78,143,622	62,937,379
Fair value of plan assets	–	–
Present value of unfunded obligations	78,143,622	62,937,379
Less: Unrecognised past service cost	–	–
Plan liability / (asset)	78,143,622	62,937,379

Changes in the present value of the defined benefit gratuity plan are as follows:

(Amount in Rs.)

Particulars	Year ended December 31, 2012	Year ended December 31, 2011
Opening defined benefit obligation	62,937,379	57,825,653
Interest cost	6,235,987	3,910,824
Current service cost	12,078,032	11,149,442
Benefits paid	(7,493,973)	(6,116,356)
Actuarial (gains) / losses on obligation	4,386,197	(3,832,184)
Past service cost	-	-
Closing defined benefit obligation	78,143,622	62,937,379

The principal assumptions used in determining defined benefit gratuity plan obligations is shown below:

Particulars	Year ended December 31, 2012	Year ended December 31, 2011
Discount rate	8.25% p.a.	8.75% p.a.
Expected rate of return on plan assets	Not applicable	Not applicable
Salary Escalation Rate	10% p.a. for first year and 7% p.a. thereafter	10% p.a. for first year and 7% p.a. thereafter
Attrition rate:	As per table below	As per table below

Attrition rate used for the year ended December 31, 2012 and year ended December 31, 2011 are as per the table below:

Age (Years)	Rates
21 – 30	15%
31 – 34	10%
35 – 44	5%
45 – 50	3%
51 – 54	2%
55 – 59	1%

The estimates of future salary increases takes into account the inflation, seniority, promotion and other relevant factors.

Amounts for the current and previous four years are as follows:

(Amount in Rs.)

	Gratuity				
	December 31, 2012	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
Defined benefit obligation	78,143,622	62,937,379	57,825,653	42,199,151	46,466,537
Plan assets	-	-	-	-	-
Surplus / (deficit)	(78,143,622)	(62,937,379)	(57,825,653)	(42,199,151)	(46,466,537)
Experience adjustments on plan liabilities	2,63,983	1,934,614	(2,914,547)	(6,981,759)	116,082
Experience adjustments on plan assets	-	-	-	-	-

33. PARTICULARS OF DERIVATIVE INSTRUMENTS AND UNHEDGED FOREIGN CURRENCY EXPOSURE AS AT DECEMBER 31, 2012 AND DECEMBER 31, 2011:

As of December 31, 2012, the Company had derivative financial instruments to sell USD 11,600,000 (Previous year USD 10,950,000), EURO 400,000 (Previous year EURO 700,000) and buy GBP Nil (Previous year GBP 500,000). The Company has not applied hedge accounting as these instruments do not qualify for hedge accounting. The Company has recognised mark-to-market gain of Rs. 5,814,261 (Previous year loss of Rs. 56,376,100) relating to such derivative financial instruments in the Statement of Profit and Loss for the year ended December 31, 2012.

	Currency	Foreign Currency amount		Closing foreign exchange rate		Amount (Rs.)	
		December 31,		December 31,		December 31,	
		2012	2011	2012	2011	2012	2011
LIABILITIES							
Deferred compensation to erstwhile shareholders of subsidiaries							
Short-term	SGD	269,285	269,285	45.00	41.11	12,117,859	11,068,991
	GBP	233,000	1,415,059	88.87	82.14	20,706,710	116,232,952
Long-term	GBP	–	864,316	–	82.14	–	70,994,905
Trade Payables							
	USD	481,701	471,741	54.98	53.11	26,483,922	25,051,824
	EURO	15,719	34,894	72.46	68.66	1,138,922	2,395,815
	SGD	21,185	45,860	45.00	41.11	953,321	1,885,060
ASSETS							
Trade receivables (Gross)							
	USD	7,287,134	9,062,390	54.98	53.11	400,646,638	481,258,230
	EURO	653,607	974,541	72.46	68.66	47,357,123	66,911,951
	GBP	41,184	16,981	88.87	82.14	3,660,022	1,394,847
	JPY	882,000	2,134,531	0.64	0.69	562,716	1,462,154
	SGD	–	21,411	–	41.11	–	880,085
	AUD	18,836	5,000	56.99	53.95	1,073,443	269,760
	CHF	178,944	81,211	59.99	56.49	10,734,851	4,587,448
	THB	1,761,706	1,761,706	1.80	1.68	3,162,262	2,957,904
Bank balances							
	USD	2,113,245	1,095,845	54.98	53.11	116,186,232	58,194,856
	EURO	28,401	155,437	72.46	68.66	2,057,780	10,672,318
	GBP	798	303	88.87	82.14	70,924	24,894
	JPY	884,063	1,663,420	0.64	0.69	564,032	1,139,443
	CHF	21,747	122,583	59.99	56.49	1,304,625	6,924,454
Loans and advances							
	USD	57,789	146,710	54.98	53.11	3,177,261	7,791,025
	SGD	2,417	99,433	45.00	41.11	108,743	4,087,207
	GBP	266	–	88.87	–	23,628	–

34. As of December 31, 2012 there is uncertainty regarding ultimate realisation relating to some of the customers due to their current financial position, therefore revenue aggregating Rs. 49,556,647 (Previous year Rs. 39,626,845) has been deferred till the time the realisation becomes reasonably certain.

35. During the year ended December 31, 2006:

- (a) The Company had made Initial Public Offering (IPO) of 4,408,361 equity shares of Rs. 10 each for cash at premium of Rs. 240 per share comprising of fresh issue of 2,825,006 equity shares by the Company and 1,583,355 equity shares offered for sale by the selling shareholders.
- (b) Expenses of Rs. 101,895,339 net of recovery from certain selling shareholders Rs. 2,795,944 incurred in connection with the public issue of the Company had been adjusted against Securities Premium Account in terms of Section 78 of the Companies Act, 1956.
- (c) Pursuant to initial public offer the Company gathered Rs. 706,250,000 (net of selling shareholders' proceeds), details of utilisation of IPO proceeds till December 31, 2011:

(Amount in Rs.)

Objects	Total Estimated Project Cost*	Amount incurred till December 31, 2011
Upgrading and expansion of existing infrastructure*	229,993,200	229,993,200
Repayment of outstanding loans	36,550,000	36,550,000
Financing general working capital requirements	179,510,000	179,510,000
General corporate purposes*	159,059,625	159,059,625
Meeting offer expenses*	101,137,175	101,137,175
Total	706,250,000	706,250,000

*The Company had obtained approval from its shareholders at the Annual General Meeting held on May 2, 2008 for reallocation in the estimated project cost among above mentioned heads.

Further, the Company had also obtained approval from its shareholders at the Annual General Meeting held on May 20, 2010 for extension of time up to June 30, 2012 for utilisation of balance IPO proceeds.

During the year ended December 31, 2011, the Company has utilised the balance IPO proceeds amounting to Rs. 100,439,802 under General corporate purposes towards the initial payout for the acquisition of 100% shares of Computaris International Limited, U.K. With this the Company has utilised the entire IPO proceeds and complete details relating to utilisation are incorporated in the above table.

36. CASH AND BANK BALANCES

Details of balances as on balance sheet dates:

(Amount in Rs.)

Sl. No.	Particulars	As at December 31, 2012	As at December 31, 2011
	Cash on hand (A)	162,599	131,910
	Cheques on hand (B)	-	132,440
	Balance with scheduled banks		
	On current accounts		
1	ICICI Bank Limited	2,008,629	3,900,977
2	HDFC Bank Limited	507,728	471,504
3	Oriental Bank of Commerce	57,114	31,947
4	Vijaya Bank	24,308	24,383
5	State Bank of India	5,269,068	1,812,269
6	Canara Bank	-	57,952
7	Axis Bank Limited	4,704,981	7,954,128
8	State Bank of Bikaner & Jaipur	30,591	39,994
9	Kotak Mahindra Bank Limited	70,831	-
10	ABN Amro Bank N.V.	207,955	344,689
	Total (C)	12,881,205	14,637,843
	On cash credit / overdraft accounts		
1	State Bank of India	-	26,956,142
2	State Bank of Bikaner & Jaipur	1,386	1,937
3	Axis Bank Limited	96,572	95,947
	Total (D)	97,958	27,054,026
	On EEFC accounts		
1	ICICI Bank Limited - USD	1,264,468	3,317,299
2	HDFC Bank Limited - USD	-	10,846
3	State Bank of India - USD	827,140	575,750
4	State Bank of India - EURO	-	394,725
5	Axis Bank Limited - USD	41,965,743	20,926,722
6	Axis Bank Limited - EURO	1,031,599	9,770,661
7	Axis Bank Limited - CHF	1,304,625	6,924,454
	Total (E)	46,393,575	41,920,457

(Amount in Rs.)

Sl. No.	Particulars	As at December 31, 2012	As at December 31, 2011
	On deposit accounts		
1	Oriental Bank of Commerce	–	140,616,710
2	Vijaya Bank	4,114,074	3,291,894
3	State Bank of India	101,196,120	88,792,506
4	ICICI Bank Limited	108,922,350	130,607,028
5	State Bank of Bikaner & Jaipur	55,850,000	75,650,000
6	Axis Bank Limited	159,823,511	10,100,000
7	HDFC Bank Limited	–	55,000,000
8	Kotak Mahindra Bank Limited	49,600,000	–
9	Canara Bank	76,559	64,715
	Total (F)	479,582,614	504,122,853
	On unclaimed dividend accounts		
1	HDFC Bank Limited	1,193,738	597,793
	Total (G)	1,193,738	597,793
	Balance with other banks		
	On current accounts		
1	ABN Amro Bank N.V., Netherlands	1,026,181	506,932
2	California Bank & Trust, USA	72,128,880	33,364,239
3	Sumitomo Mitsui Banking Corporation, Japan	564,032	1,139,443
	Total (H)	73,719,093	35,010,614
	Less: Amount disclosed under other non- current assets (also refer note 14.2)	(65,869,014)	(109,556,627)
	Total cash and bank balances (also refer note 15)	548,161,768	514,051,309

37. Previous year figures have been regrouped / reclassified where necessary to make them comparable to the current year classification.

As per our report of even date.

For S.R. Batliboi & Co. For and on behalf of the Board of Directors of R Systems International Limited

Firm registration number: 301003E

Chartered Accountants

Sd/-
per Yogender Seth

Partner
Membership No. 94524

Place : NOIDA
Date : February 09, 2013

Sd/-
Satinder Singh Rekhi
[Chairman & Managing
Director]

Place : NOIDA
Date : February 09, 2013

Sd/-
Lt. Gen. Baldev Singh (Retd.)
[President & Senior
Executive Director]

Place : NOIDA
Date : February 09, 2013

Sd/-
Raj Swaminathan
[Director & Chief
Operating Officer]

Place : NOIDA
Date : February 09, 2013

Sd/-
Nand Sardana
[Chief Financial Officer]

Place : NOIDA
Date : February 09, 2013

Sd/-
Vikash Kumar Tiwari
[Company Secretary &
Compliance Officer]

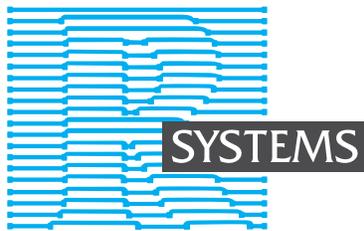
Place : NOIDA
Date : February 09, 2013

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956, RELATING TO SUBSIDIARY COMPANIES

S. No.	Name of the Subsidiary	The financial year of the subsidiary ended on	Date from which it become Subsidiary Company	Shares held by the holding company in the subsidiary (including its nominees in the subsidiary)	Extent of interest of holding company at the end of the financial year of the Subsidiary Company	The net aggregate amount of the Subsidiary Company Profit/(Loss) so far as it concerns the members of the Holding Company		
						Not dealt with in the Holding Company's accounts	For the previous financial year ended December 31, 2012	For the previous financial years of the Subsidiary Company since it became the Holding Company's Subsidiary
1	R Systems (Singapore) Pte Limited, Singapore	Dec 31, 2012	Sep 19, 2000	4,070,000 ordinary shares of no par value	100.00%	Profit Rs. 45.80 lakhs	Loss Rs. 191.13 lakhs	NIL
2	R Systems, Inc., USA	Dec 31, 2012	Jan 2, 2001	2,000 common shares of no par value	100.00%	Profit Rs. 46.79 lakhs	Loss Rs. 972.03 lakhs	NIL
3	Indus Software, Inc., USA	Dec 31, 2012	April 1, 2002	243,750 common shares of no par value	100.00%	Profit Rs. 6.83 lakhs	Loss Rs. 129.47 lakhs	NIL
4	R Systems Solutions, Inc., USA	Dec 31, 2012	Aug 24, 2006	11,335,833 common shares of no par value and 8,666,884 series A preferred stock of no par value	100.00%	Profit Rs. 284.50 lakhs	Loss Rs. 1,662.57 lakhs	NIL
5	R Systems NV, Belgium	Dec 31, 2012	Aug 28, 2007	200 common shares of Euro 310 each	100.00%	Loss Rs. 5.15 lakhs	Loss Rs. 29.18 lakhs	NIL
6	R Systems Europe B.V, Netherlands	Dec 31, 2012	Jan 23, 2008	3,170 ordinary shares of Euro 100 each	100.00%	Loss Rs. 38.98 lakhs	Profit Rs. 574.97 lakhs	NIL
7	R Systems S.A.S, France	Dec 31, 2012	Jan 23, 2008	10,000 ordinary shares of Euro 15.24 each	100.00%	Profit Rs. 23.47 lakhs	Profit Rs. 101.99 lakhs	NIL
8	ECnet Limited, Singapore	Dec 31, 2012	Jan 8, 2004	99.56% of 57,470,869 ordinary shares of no par value	99.56%	Loss Rs. 219.43 lakhs	Loss Rs. 2,233.55 lakhs	NIL
9	ECnet (M) Sdn. Bhd, Malaysia	Dec 31, 2012	Jan 8, 2004	99.56% of 500,000 ordinary shares of RM 1 each	99.56%	Loss Rs. 2.13 lakhs	Profit Rs. 174.78 lakhs	NIL
10	ECnet, Inc., USA	Dec 31, 2012	Jan 8, 2004	99.56% of 1,000 shares of US\$ 2 each	99.56%	Loss Rs. 0.23 lakhs	Profit Rs. 1.74 lakhs	NIL
11	ECnet (Hong Kong) Limited, Hong Kong	Dec 31, 2012	Jan 8, 2004	99.56% of 2 ordinary shares of HK \$1 each	99.56%	Profit Rs. 8.05 lakhs	Profit Rs. 119.40 lakhs	NIL
12	ECnet Systems (Thailand) Co. Limited, Thailand	Dec 31, 2012	Jan 8, 2004	99.56% of 400,000 ordinary shares of 5 THB each	99.56%	Loss Rs. 20.75 lakhs	Profit Rs. 56.07 lakhs	NIL
13	ECnet Kabushiki Kaisha, Japan	Dec 31, 2012	Jan 8, 2004	99.56% of 200 shares of 50,000 Yen each	99.56%	Loss Rs. 46.67 lakhs	Profit Rs. 184.44 lakhs	NIL
14	ECnet (Shanghai) Co. Limited, China	Dec 31, 2012	Jan 8, 2004	99.56% of shares of no par value	99.56%	Loss Rs. 26.94 lakhs	Loss Rs. 135.33 lakhs	NIL
15	Computaris International limited,UK	Dec 31, 2012	Jan 26, 2011	80,000 shares of GBP 0.01 each	100.00%	Loss Rs. 437.23 lakhs	Profit Rs. 367.88 lakhs	NIL
16	Computaris limited, UK	Dec 31, 2012	Jan 26, 2011	80,000 shares of GBP 0.01 each	100.00%	NIL	NIL	NIL
17	Computaris Romania Srl, Romania	Dec 31, 2012	Jan 26, 2011	100 shares of RON 16 each	100.00%	Profit Rs. 105.64 lakhs	Profit Rs. 134.59 lakhs	NIL
18	Computaris Polska sp zoo, Poland	Dec 31, 2012	Jan 26, 2011	100 shares of PLN 500 each	100.00%	Loss Rs. 377.49 lakhs	Profit Rs. 284.05 lakhs	NIL
19	ICS Computaris International Srl, Moldova	Dec 31, 2012	Jan 26, 2011	Shares of no par value	100.00%	Profit Rs. 82.67 lakhs	Profit Rs. 71.33 lakhs	NIL
20	Computaris Malaysia Sdn. Bhd., Malaysia	Dec 31, 2012	Jan 26, 2011	1,000 ordinary shares of RM 1 each	100.00%	Profit Rs. 3.73 lakhs	Profit Rs. 1.14 lakhs	NIL
21	Computaris USA, Inc., USA	Dec 31, 2012	Jan 26, 2011	100 shares of USD 1 each	100.00%	Profit Rs. 43.47 lakhs	Loss Rs. 17.01 lakhs	NIL
22	Systèmes R. International Ltée, Canada	Dec 31, 2012	Oct 29, 2012	Shares not yet issued	100.00%	Loss Rs. 3.03 lakhs	Not applicable	Not applicable

For and on behalf of the Board of Directors of R Systems International Limited

Sd/-	Sd/-	Sd/-
Satinder Singh Rekhi [Chairman & Managing Director]	Raj Swaminathan [Director & Chief Operating Officer]	Nand Sardana [Chief Financial Officer]
Place : NOIDA	Place : NOIDA	Place : NOIDA
Date : February 09, 2013	Date : February 09, 2013	Date : February 09, 2013
Sd/-	Sd/-	Sd/-
Lt. Gen. Baldev Singh (Retd.) [President & Senior Executive Director]	Vikash Tiwari [Company Secretary & Compliance Officer]	
Place : NOIDA	Place : NOIDA	
Date : February 09, 2013	Date : February 09, 2013	



Financial Statements (Consolidated)

Auditor's Report

On Consolidated Financial Statements

The Board of Directors
R Systems International Limited,
B -104A, Greater Kailash – I,
New Delhi- 110048

1. We have audited the attached Consolidated Balance Sheet of R Systems International Limited, as at 31st December, 2012, and also the Consolidated statement of profit and loss and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the R Systems International Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit total assets, total revenue and cash flows in respect of certain subsidiaries included in the accompanying consolidated financial statement as stated below whose financial statements and other financial information have been audited by other auditors and whose reports have been furnished to us. Our opinion, in so far as it relates to the affairs of such subsidiaries is based solely on the report of other auditors :
 - i. R Systems, Inc., USA, total assets of Rs. 195,909,086 as at December 31, 2012, the total revenues of Rs. 658,581,486 and cash outflows amounting to Rs. 15,234,944 for the year then ended.
 - ii. Indus Software, Inc., USA, total assets of Rs. 10,143,776 as at December 31, 2012, the total revenue of Rs. Nil and cash inflows amounting to Rs. 7,358,429 for the year then ended.
 - iii. R Systems Solutions, Inc., USA, total assets of Rs. 58,755,347 as at December 31, 2012, the total revenues of Rs. 197,480,225 and cash inflows amounting to Rs. 575,900 for the year then ended.
 - iv. ECnet Limited and its subsidiaries, total assets of Rs. 125,160,624 as at December 31, 2012, the total revenues of Rs. 259,943,067 and cash inflows amounting to Rs. 2,509,045 for the year then ended.
 - v. R System (Singapore) Pte Ltd., total assets of Rs. 32,984,695 as at December 31, 2012, the total revenues of Rs. 116,082,312 and cash inflows amounting to Rs. 4,591,326 for the year then ended.
 - vi. R Systems S.A.S, total assets of Rs. 6,980,513 as at December 31, 2012 the total revenues of Rs. 4,178,638 and cash inflows amounting to Rs. 91,268 for the year then ended.
 - vii. R Systems Europe B.V, total assets of Rs. 147,820,883 as at December 31, 2012 the total revenues of Rs. 408,042,720 and cash outflows amounting to Rs. 12,267,012 for the year then ended.
 - viii. R Systems NV, total assets of Rs. 860,169 as at December 31, 2012 the total revenues of Rs. Nil and cash outflows amounting to Rs. 475,017 for the year then ended.
 - ix. Computaris International Limited and its subsidiaries, total assets of Rs. 519,571,948 as at December 31, 2012 the total revenues of Rs. 765,876,451 and cash outflows amounting to Rs. 37,735,081 for the year then ended.

The financial statements of these Subsidiaries have been prepared in accordance with accounting policies generally accepted in their respective countries and have been audited by other auditors who have submitted their audit opinions, prepared under generally accepted auditing standards of their respective countries, to the shareholders of the respective companies, copies of which have been provided to us by the Company. The management has converted these audited financial statements of the Company's subsidiaries to accounting principles generally accepted in India. Our opinion thus, in so far it relates to amounts included in respect of these subsidiaries, is based solely on the reports of the other auditors under the accounting policies generally accepted in

respective countries and our audit of the conversion process followed by management.

4. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached Consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Consolidated Balance Sheet, of the state of affairs of the R Systems International Limited Group as at 31st December, 2012;

(b) in the case of the Consolidated Statement of Profit and loss, of the Profit for the year ended on that date; and

(c) in the case of the Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

For S.R. Batliboi & Co.

Firm registration number: 301003E

Chartered Accountants

Sd/-

per Yogender Seth

Partner

Membership No.: 94524

Place : NOIDA

Date : February 09, 2013

Consolidated Balance Sheet as at December 31, 2012

	Notes	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	124,468,100	122,429,880
Reserves and surplus	4	1,821,529,552	1,863,400,687
		1,945,997,652	1,985,830,567
Minority Interest			
	5	-	-
Non-current liabilities			
Long-term borrowings	6	3,446,849	3,838,949
Other long-term liabilities	7	7,285,213	75,046,283
Long-term provisions	8	71,241,150	61,288,514
		81,973,212	140,173,746
Current liabilities			
Trade payables	9	396,118,729	382,135,302
Other current liabilities	9	200,456,542	319,635,730
Short-term provisions	8	350,967,455	250,128,860
		947,542,726	951,899,892
TOTAL		2,975,513,590	3,077,904,205
ASSETS			
Non-current assets			
Fixed assets (net)			
Tangible assets	10	336,506,196	353,367,693
Intangible assets	11	38,245,597	46,732,947
Intangible assets under development		12,317,456	-
Goodwill on consolidation	28 (b)	273,996,695	270,101,036
Non-current investments	12	25,000	25,000
Deferred tax assets (net)	13	54,828,555	63,432,949
Long-term loans and advances	14	104,787,836	90,471,174
Other non-current assets	15.2	80,297,184	123,235,095
		901,004,519	947,365,894
Current assets			
Trade receivables	15.1	980,632,592	1,053,154,804
Cash and bank balances	16	814,555,819	829,114,310
Short-term loans and advances	14	107,344,799	79,527,811
Other current assets	15.2	171,975,861	168,741,386
		2,074,509,071	2,130,538,311
TOTAL		2,975,513,590	3,077,904,205
Summary of significant accounting policies	1.1		

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date.

For S.R. Batliboi & Co. For and on behalf of the Board of Directors of R Systems International Limited

Firm registration number: 301003E

Chartered Accountants

Sd/-
per Yogender Seth
Partner
Membership No. 94524

Place : NOIDA
Date : February 09, 2013

Sd/-
Satinder Singh Rekhi
[Chairman & Managing
Director]

Place : NOIDA
Date : February 09, 2013

Sd/-
Lt. Gen. Baldev Singh (Retd.)
[President & Senior
Executive Director]

Place : NOIDA
Date : February 09, 2013

Sd/-
Raj Swaminathan
[Director & Chief
Operating Officer]

Place : NOIDA
Date : February 09, 2013

Sd/-
Nand Sardana
[Chief Financial Officer]

Place : NOIDA
Date : February 09, 2013

Sd/-
Vikash Kumar Tiwari
[Company Secretary &
Compliance Officer]

Place : NOIDA
Date : February 09, 2013

Consolidated Statement of Profit & Loss for the year ended December 31, 2012

	Notes	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
INCOME			
Revenue from operations	17	4,650,088,224	4,094,954,911
Other income	18	50,044,482	55,643,454
Total revenue		4,700,132,706	4,150,598,365
EXPENSES			
Employee benefits expense	19	3,133,243,935	2,622,830,331
Operational and other expenses	20	1,170,710,237	1,179,308,447
Depreciation and amortisation expense	21	100,894,373	131,184,535
Finance cost	22	6,747,379	8,083,587
Total expenses		4,411,595,924	3,941,406,900
Profit before tax		288,536,782	209,191,465
Tax expense			
Current tax [Including tax Rs. 432,091 (Previous year Rs. Nil) related to earlier years]		94,986,966	92,799,862
Less: MAT credit entitlement [Including Rs. Nil (Previous year Rs. 8,155,877) related to earlier years]		-	(7,055,877)
Deferred tax charge / (credit) {Including Rs. 4,278,188 [Previous year Rs. (2,059,841)] related to earlier years}		9,929,972	(41,677,798)
Total tax expense		104,916,938	44,066,187
Profit for the year		183,619,844	165,125,278
Earnings per equity share:			
Basic [Nominal value of share Rs. 10 (Previous year: Rs. 10)]	30	14.76	13.41
Diluted [Nominal value of share Rs. 10 (Previous year: Rs. 10)]		14.76	13.26
Summary of significant accounting policies	1.1		

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date.

For S.R. Batliboi & Co. For and on behalf of the Board of Directors of R Systems International Limited

Firm registration number: 301003E

Chartered Accountants

Sd/-
per Yogender Seth
Partner
Membership No. 94524

Place : NOIDA
Date : February 09, 2013

Sd/-
Satinder Singh Rekhi
[Chairman & Managing
Director]

Place : NOIDA
Date : February 09, 2013

Sd/-
Lt. Gen. Baldev Singh (Retd.)
[President & Senior
Executive Director]

Place : NOIDA
Date : February 09, 2013

Sd/-
Raj Swaminathan
[Director & Chief
Operating Officer]

Place : NOIDA
Date : February 09, 2013

Sd/-
Nand Sardana
[Chief Financial Officer]

Place : NOIDA
Date : February 09, 2013

Sd/-
Vikash Kumar Tiwari
[Company Secretary &
Compliance Officer]

Place : NOIDA
Date : February 09, 2013

Consolidated Cash Flow Statement for the year ended December 31, 2012

	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before taxation	288,536,782	209,191,465
Adjustments for:		
Depreciation and amortisation expense	100,894,376	131,184,535
Debts and advances provided / written off (net)	21,688,816	68,563,910
Loss on sale / discard of fixed assets (net)	1,363,574	665,066
Unrealised foreign exchange loss / (gain)	1,462,858	(5,315,255)
Unrealised loss / (gain) on derivative instruments	(61,757,808)	62,316,291
Interest income	(42,331,266)	(40,930,313)
Excess provisions written back	(2,044,562)	(9,156,429)
Interest on loans	860,332	668,488
Operating profit before working capital changes	308,673,102	417,187,758
Movements in working capital		
(Increase) / Decrease in trade receivables	17,131,646	(321,291,721)
(Increase) / Decrease in other current assets	16,262,901	24,797,579
(Increase) / Decrease in loans and advances	(8,800,797)	4,008,322
(Increase) / Decrease in margin money deposits	18,758,354	88,368,731
Increase / (Decrease) in short-term and long-term provision	97,488,534	14,554,437
Increase / (Decrease) in trade payables, other current liabilities and other long-term liabilities	(7,514,802)	181,092,312
Cash generated from operations	441,998,938	408,717,418
Direct taxes paid, net of refunds	(96,815,123)	(69,533,163)
Net cash flow from operating activities (A)	345,183,815	339,184,255
B. CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of fixed assets	(85,873,231)	(79,860,183)
Proceeds from sale of fixed assets	2,928,544	2,447,308
Investment in subsidiary (net of cash and cash equivalents acquired amounting to Rs. 75,260,707 on acquisition of subsidiary) [also refer note 28 (b)]	-	(243,783,194)
Payment of deferred consideration to erstwhile shareholders of subsidiary	(112,146,923)	-
Interest received	44,590,830	55,205,276
Investment in long term fixed deposits with banks	(532,294,996)	(459,323,829)
Proceeds from long term fixed deposits with banks	526,587,617	532,009,438
Net cash used in investing activities (B)	(156,208,159)	(193,305,184)

	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
C. CASH FLOWS USED IN FINANCING ACTIVITIES		
Proceeds from long term borrowings	2,037,675	2,716,828
Repayment of long term borrowings	(3,286,528)	(4,536,887)
Proceeds from margin money deposits against short-term borrowings	–	26,400,000
Proceeds from issuance of share capital	24,601,315	–
Interest paid	(816,253)	(668,455)
Dividends paid	(243,289,813)	(29,443,797)
Tax on dividend paid	(39,564,369)	(4,795,456)
Net cash used in financing activities (C)	(260,317,973)	(10,327,767)
Net increase / (decrease) in cash and cash equivalents during the year (A+B+C)	(71,342,317)	135,551,304
Add: Cash and cash equivalents at the beginning of the year	571,981,684	393,324,411
Add : Effect of exchange rate changes on cash and cash equivalents	23,502,852	43,105,969
Cash and cash equivalents at the end of the year (also refer note 16)	524,142,219	571,981,684

Notes:

- Figures in brackets indicate cash out flow.
- The cash flow statement has been prepared under the indirect method as set out in the Accounting Standard 3 “Cash Flow Statement” notified under the Companies (Accounting Standard) Rules, 2006 (as amended).
- Cash and cash equivalents includes Rs. 1,193,738 (previous year Rs. 597,793) which are not available for use by the Company as they represent corresponding unpaid dividend liabilities.

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date.

For S.R. Batliboi & Co. For and on behalf of the Board of Directors of R Systems International Limited

Firm registration number: 301003E

Chartered Accountants

Sd/-
per Yogender Seth

Partner
Membership No. 94524

Place : NOIDA
Date : February 09, 2013

Sd/-
Satinder Singh Rekhi

[Chairman & Managing
Director]

Place : NOIDA
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Sd/-
Lt. Gen. Baldev Singh (Retd.)

[President & Senior
Executive Director]

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Sd/-
Raj Swaminathan

[Director & Chief
Operating Officer]

Place : NOIDA
Date : February 09, 2013

Sd/-
Nand Sardana

[Chief Financial Officer]

Place : NOIDA
Date : February 09, 2013

Sd/-
Vikash Kumar Tiwari

[Company Secretary &
Compliance Officer]

Place : NOIDA
Date : February 09, 2013

Notes to the Consolidated Financial Statements for the year ended December 31, 2012

1 BASIS OF PREPARATION

The consolidated financial statements of R Systems International Limited (the 'Company') and its subsidiaries (collectively referred to as 'R Systems Group' or the 'Group') have been prepared to comply in all material respects with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual and going concern basis. The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year, except for the change in the accounting policy explained below.

All figures are in Rupees except where expressly stated.

1.1 Summary of significant accounting policies

(a) Change in accounting policy

Presentation and disclosure of the Financial Statements

During the year ended December 31, 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the Group, for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the Financial Statements. However, it has significant impact on presentation and disclosures made in the Financial Statements. The Group has also reclassified the previous year figures in accordance with the requirements applicable in the current year.

(b) Principles of consolidation

The consolidated financial statements are prepared in accordance with the principles and procedures for the preparation and presentation of consolidated financial statements as laid down under Accounting Standard 21 notified by Companies (Accounting Standards) Rules, 2006, (as amended).

The consolidated financial statements include the financial statements of R Systems International Limited and its subsidiaries (as explained in note 2 below). These accounts do not include enterprises, which are set-up for the benefit of employees like ESOP trusts (explained in note 29 (b) below) as not required to be consolidated as per Accounting Standard 21 notified under the

Companies (Accounting Standards) Rules, 2006, (as amended).

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented, to the extent possible, in the same manner as the Company's standalone financial statements. Differences in accounting policies, if any, are disclosed separately. The Group follow uniform accounting year i.e. January to December.

The financial statements of the Company and its subsidiaries have been consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances / transactions.

Minority Interest's share in the net income of consolidated subsidiaries for the year is identified and adjusted against the income of the group in order to arrive at the net income attributable to shareholders of the Company. In case the losses applicable to consolidated minority are in excess of minority interest in the equity of the subsidiary, the excess, and any further losses applicable to the minority are adjusted against majority interest except to the extent minority has a binding obligation to, and is able to, make good losses. If the subsidiary subsequently reports profit, all such profits are allocated to the majority interest until the minority's share of losses previously absorbed by the majority has been recovered.

(c) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting year end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(d) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost

comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

(e) Depreciation on tangible fixed assets

Depreciation is provided on Straight Line method over the estimated useful lives of the tangible fixed assets which result in depreciation rates being greater than or equal to the corresponding rates prescribed in Schedule XIV of the Companies Act, 1956.

The useful lives of the tangible fixed assets have been estimated giving due consideration to environment in respective countries by the Group management as below:

Category of tangible fixed assets	Estimated useful life
Land leasehold	Lease period
Building- freehold	61 years
Building – leasehold	Lower of lease period or 61 years
Leasehold improvements	Lower of lease period or useful life
Plant and machinery - office and electrical equipments other than (i) UPS systems, (ii) standalone air conditioners and (iii) telephone instruments	3-20 years
UPS systems	3-12 years
Standalone air conditioners and telephone instruments	3- 6 years
Computer hardware and network installations	3-6 years
Furniture and fittings	5-15 years
Vehicles	7 –10 years

Individual assets costing up to Rs. 5,000 in the Company and US \$ 250 in its US companies are considered fully depreciated in the year of purchase.

(f) Intangibles assets

Product development costs (Internally generated software)

Product development cost represents direct cost incurred by the Company for developing new product.

Research costs are expensed as incurred.

Development expenditure incurred on an individual project is recognised as an intangible asset when the Company can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the asset and use or sell it;
- its ability to use or sell the asset;
- how the asset will generate probable future economic benefits;
- the availability of adequate resources to complete the development and to use or sell the asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during development.

Any expenditure so capitalised is amortised over the period of expected useful life of product as estimated by the management at 48 months beginning in the month when product is available for use.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, and otherwise when events or changes in circumstances indicate that the carrying value may not be recoverable.

Computer software

Computer software's are stated at cost less accumulated amortisation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Costs relating to acquired software are capitalised and amortised on a straight-line basis over their useful lives as estimated by the management at 3 to 5 years or below in specific cases.

(g) Expenditure on new projects

Expenditure directly relating to construction activity is capitalised. Indirect expenditure incurred during construction period is capitalised to the extent allocable. Other indirect expenditure incurred during the construction period which is not related to the construction activity nor is incidental thereto is charged to the Statement of Profit and Loss.

(h) Goodwill / capital reserve

Goodwill / capital reserve represents the cost to the parent of its investment in subsidiaries over / under the parent's portion of equity of the subsidiary, at the date on which the investment in the subsidiaries is made.

(i) Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal / external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

After impairment, tangible assets / intangibles are depreciated / amortised on the revised carrying amount over its remaining useful life.

The Group evaluates the carrying value of its goodwill whenever events or changes in circumstances indicate that its carrying value may be impaired. Impairment is recognised in the year / period of such determination. Management also ascertains the future revenue and earnings of the acquired entities and analyses sustainability thereof to determine impairment. For ascertaining impairment, consideration is given to fair value of the acquired entities.

(j) Leases

Where the Group is the lessee

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the lower of the fair value of lease property and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised.

If there is no reasonable certainty that the Group will obtain the ownership by the end of the lease term, capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognised as an expense in the

Statement of Profit and Loss on a straight-line basis over the lease term.

(k) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Non-current investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the Non-current investments.

(l) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Rendering of services

Revenue from software development and maintenance services projects comprise income from time-and-material and fixed-price contracts.

Revenue associated with software development and maintenance services / customisation of products and business process outsourcing services rendered on time and materials basis is recognised when services are rendered. The same is calculated based on man-hours incurred for rendering services.

Fixed-price contracts vary in duration depending on the terms of the work being performed. Revenue from fixed price contracts (including maintenance and support contracts) is recognised using the percentage of completion method, when reasonable progress has been made on the milestones achieved as specified in the contracts. The stage of completion of project is determined by the proportion that contract efforts incurred for work performed up to the balance sheet date bear to the estimated total contract effort. Changes in contract performance, estimated profitability and final contract settlements may result in revision to costs and revenue and are recognised in the period in which the revisions are determined. If a loss is projected on any contract in process, the entire projected loss is recognised immediately.

In terms of contracts excess / shortfall of revenue over the billed as at the year-end is carried in financial statement as unbilled revenue / deferred revenue separately.

Management fees from the customers for managing projects are being recognised on time basis over the estimated life of the project.

Sale of products

Revenue from the sale of product (software and hardware) is recognised when the sale has been completed with the transfer of title.

Revenue from subscription services is recognised over the term of subscription period.

Interest

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

(m) Foreign currency translation

Foreign currency transactions

(i) Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

(iii) Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Group monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expense in the year in which they arise except those arising from investments in non-integral operations.

(iv) Forward exchange contracts not intended for trading or speculation purposes

The premium or discount arising at the inception of forward exchange contracts (except outstanding against firm commitments and highly probable forecast transaction) is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in

the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

(v) Translation of non-integral foreign operations

In translating the financial statements of a non-integral foreign operation for incorporation in consolidated financial statements, the assets and liabilities, both monetary and non-monetary, of the non-integral foreign operation are translated at the closing rate; income and expense items of the non-integral foreign operations are translated at yearly average exchange rates; and all resulting exchange differences are accumulated in a foreign currency translation reserve until the disposal of net investment. On the disposal of a non-integral foreign operation, the cumulative amount of the exchange differences which have been deferred and which relate to that operation are recognised as income or as expenses in the same period in which the gain or loss on disposal is recognised.

For translating income, expense and cash flows items, during the year ended December 31, 2012, the rates used were US \$ 1= Rs. 53.42, Euro 1= Rs. 68.63, GBP 1= Rs 84.67, Singapore \$ 1= Rs. 42.78 and Canadian \$ 1= Rs. 55.02. For translating assets and liabilities at the year-end, the rates used were US \$ 1= Rs. 54.98, Euro 1= Rs. 72.46, GBP 1= Rs 88.87, Singapore \$ 1= Rs. 45.00 and Canadian \$ 1 = Rs. 54.66.

For translating income, expense and cash flows items, during the year ended December 31, 2011, the rates used were US \$ 1= Rs. 46.64, Euro 1= Rs. 64.87, GBP 1= Rs 74.97 and Singapore \$ 1= Rs. 37.08. For translating assets and liabilities at the year-end, the rates used were US \$ 1= Rs. 53.11, Euro 1= Rs. 68.66, GBP 1= Rs 82.14 and Singapore \$ 1 = Rs. 41.11.

(vi) Translation of Integral foreign operation

The financial statements of an integral foreign operation are translated as if the transactions of the foreign operation have been those of the Company itself.

(n) Retirement benefits

(i) Retirement benefits in the form of defined contribution schemes are charged to the

Statement of Profit and Loss of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective funds.

- (ii) Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation made at the end of each financial year for the employees of the Company on projected unit credit method. The gratuity plan is not funded.
- (iii) Long term compensated absences are provided for based on actuarial valuation done. The actuarial valuation is done as per projected unit credit method. The Company presents the entire leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for 12 months after the reporting date.
- (iv) Actuarial gains / losses are immediately taken to Statement of Profit and Loss and are not deferred.

(o) Income taxes

Tax expense comprises of current and deferred tax.

Current income tax expense comprises of taxes on income from operations in India and in foreign jurisdictions. Income tax payable in India is determined in accordance with the provisions of the Income Tax Act, 1961. Tax expense relating to overseas operations is determined in accordance with tax laws applicable in countries where such operations are domiciled.

Deferred income tax reflects the impact of current year timing differences between taxable income and accounting income and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities across various countries of operation are not set off against each other as the Group does not have a legal right to do so. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

If the Group has unabsorbed depreciation or carry forward tax losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future taxable profits.

The Company claims exemption under Section 10A of the Income Tax Act, 1961 in respect of taxable income up to March 31, 2011. Deferred tax is recognised after eliminating timing differences, which reverse during the tax holiday period.

At each balance sheet date the Group re-assesses unrecognised deferred tax assets. It recognises the unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Group writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain, that sufficient future taxable income will be available.

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified year. In the year in which the Minimum Alternative Tax (MAT) credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the Statement of Profit and Loss and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal income tax during the specified period.

The companies in the Group are subject to tax legislation as applicable in the respective country of incorporation. Accordingly, the calculations does not represent tax liability / income attributable to Group results, if these were to be analysed under the local legislation of the Company.

(p) Borrowing Costs

Borrowing costs directly attributable to the acquisition,

construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs incurred in connection with the borrowing of funds.

(q) Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement on balance sheet date comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

(r) Government grants and subsidies

Grants and subsidies from the government are recognised when there is reasonable assurance that the grant / subsidy will be received and all attaching conditions will be complied with.

When the grant or subsidy relates to an expense item, it is deducted in reporting the related expenses over the periods necessary to match them on a systematic basis to the costs, which it is intended to compensate.

(s) Provisions

A provision is recognised when the Group has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on the best estimate required to settle the obligation at the each Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the management's current estimates.

(t) Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The weighted average numbers of equity shares outstanding during the year are adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders, share split and reverse share split (consolidation of shares).

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

(u) Segment reporting

Identification of segments :

The Group's operating businesses are organised and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which the major customers of the Group operate and / or the area in which the assets are located

Inter segment transfers :

The Group generally accounts for inter segment sales and transfers as if the sales or transfers were to third parties at current market prices.

Allocation of common costs :

Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

Unallocated items :

The corporate and other segment includes general corporate income and expense items which are not allocated to any business segment.

Segment Policies :

The Group prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group as a whole.

(v) Employee stock compensation cost

Measurement and disclosure of the employee share-based payment plans is done in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India. The Company measures compensation cost relating to employee stock options using the intrinsic value method. Compensation expense is amortised over the vesting period of the option on a straight line basis.

(w) Accounting for derivatives

The Company uses foreign exchange forward contracts (derivative financial instrument) to hedge its exposure to movements in foreign exchange rates against firm commitment or highly probable forecast transactions. The use of these foreign exchange forward contracts

reduces the risk or cost to the Company and the Company does not use the foreign exchange forward contracts or options for trading or speculation purposes.

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value on a mark-to-market basis at each balance sheet date. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting and the ineffective portion of an effective hedge, are taken directly to the Statement of Profit and Loss.

The mark-to-market is the difference between the forward exchange rate and the contract rate. The forward exchange rate is referenced to current forward exchange rates for contracts with similar maturity profiles.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges

The change in the fair value of a hedging derivative is recognised in the Statement of Profit and Loss. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognised in the Statement of Profit and Loss.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while any ineffective portion is recognised immediately in the Statement of Profit and Loss. Amounts taken to equity are transferred to the Statement of Profit and Loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in equity are transferred to the Statement of Profit and Loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

(x) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Group does not recognize a contingent liability but discloses its existence in the financial statements.

2. DESCRIPTION OF THE GROUP

The Company is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956. Its shares are listed on National Stock Exchange of India Limited and BSE Limited. R Systems Group is a leading global provider of IT solutions and Business Process Outsourcing

("BPO") services. R Systems Group' primary focus is to provide full service IT solutions, software engineering, technical support, customer care and other IT enabled services to the high technology sector, independent software vendors (ISV's), banks, financial services companies, telecom and digital media technology companies and services providers, insurance and the health care sector. R Systems Group' develops and markets a suite of applications under the brand name "Indus" for the retail lending to banks and non-banking finance companies, insurance and telecom segment. R Systems Group' through its subsidiary ECnet Ltd develops and markets its proprietary supply chain solution under the brand name "ECnet", primarily to the high technology sector. R Systems Group' services are provided out of its thirteen global development and service centres in India, USA, Europe and Singapore.

The Company, R Systems International Limited is registered under the Companies Act, 1956 with its Registered Office at New Delhi.

Subsidiary	Holding	Country of incorporation and other particulars
R Systems (Singapore) Pte Limited, Singapore	100% (Previous year 100%)	A company registered under the laws of Singapore in 1997 and subsidiary of the Company since September 19, 2000.
R Systems, Inc., USA	100% (Previous year 100%)	A company registered under the laws of California, USA in 1993 and subsidiary of the Company since January 2, 2001.
Indus Software, Inc., USA	100% (Previous year 100%)	A company registered under the laws of Delaware, USA in 1996 and subsidiary of the Company since April 1, 2002.
R Systems Solution, Inc., USA	100% (Previous year 100%)	A company registered under the laws of California, USA in 2000 and subsidiary of the Company since August 24, 2006.
R Systems N.V., Belgium	100% (Previous year 100%)	A company registered under the laws of Belgium in 2007 and subsidiary of the Company since August 28, 2007.
R Systems Europe B.V., Netherlands	100% (Previous year 100%)	A company registered under the laws of Netherlands in 1999 and subsidiary of the Company since January 23, 2008.
R Systems S.A.S, France	100% (Previous year 100%)	A company registered under the laws of France in 2000 and subsidiary of the Company since January 23, 2008.
ECnet Limited, Singapore	99.56% (Previous year 99.55%)	A company registered under the laws of Singapore in 1996. The Company has acquired majority share on January 8, 2004. ECnet Limited, Singapore has subsidiaries in Malaysia, Thailand, China, Hong Kong, USA and Japan.

Subsidiary	Holding	Country of incorporation and other particulars
Computaris International Limited [also refer note 28 (b)]	100% (Previous year 100%)	A company registered under the laws of England and Wales in 2006 and subsidiary of the Company since January 26, 2011. Computaris International Limited, UK has subsidiaries in U.K., Romania, Poland, Moldova, Malaysia and USA.
Systèmes R. International Ltée, Canada	100% (Previous year Nil)	A company registered under the laws of Canada in 2012 and subsidiary of the Company since October 29, 2012.

ECnet Limited, Singapore has following wholly owned subsidiaries:

Subsidiary	Holding	Country of incorporation and other particulars
ECnet (M) Sdn Bhd	100 % (Previous year 100%)	Malaysia
ECnet Systems (Thailand) Co. Ltd.	100 % (Previous year 100%)	Thailand
ECnet (Shanghai) Co. Ltd.	100 % (Previous year 100%)	People's Republic of China
ECnet (Hong Kong) Ltd.	100 % (Previous year 100%)	Hong Kong
ECnet, Inc.	100 % (Previous year 100%)	United States of America
ECnet Kabushiki Kaisha	100 % (Previous year 100%)	Japan

Computaris International Limited, UK has following wholly owned subsidiaries:

Subsidiary	Holding	Country of incorporation and other particulars
ICS Computaris International Srl	100 % (Previous year 100%)	Moldova
Computaris Malaysia Sdn. Bhd.	100 % (Previous year 100%)	Malaysia
Computaris Polska sp z o.o.	100 % (Previous year 100%)	Poland
Computaris Romania SRL	100 % (Previous year 100%)	Romania
Computaris USA, Inc.	100 % (Previous year 100%)	United States of America
Computaris Limited	100 % (Previous year 100%)	United Kingdom

Certain subsidiaries of the Company have significant losses at the year- end. These subsidiaries are meeting their short term funding requirement through Company and fellow subsidiaries loans. The Company will extend its continual financial support during the financial year 2013 to enable these subsidiaries to meet its working capital and other financing requirements and considers it appropriate to prepare these accounts on going concern basis.

3. SHARE CAPITAL

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Authorised shares		
20,000,000 (Previous year 20,000,000) equity shares of Rs. 10 each	200,000,000	200,000,000
Issued, subscribed and fully paid up- shares		
12,520,708 (Previous year 12,316,886) equity shares of Rs. 10 each fully paid-up	125,207,080	123,168,860
Less: Advance to Indus Software Employees Welfare Trust	738,980	738,980
Total	124,468,100	122,429,880

A. Reconciliation of the shares outstanding at the beginning and at the end of the reporting year

Particulars	As at December 31, 2012		As at December 31, 2011	
	No.	Rs.	No.	Rs.
Shares outstanding at the beginning of the year	12,316,886	123,168,860	12,316,886	123,168,860
Add: Shares issued during the year [#]	203,822	2,038,220	–	–
Shares outstanding at the end of the year	12,520,708	125,207,080	12,316,886	123,168,860

[#] The Company has issued 203,822 equity shares of Rs. 10 each at an exercise price of Rs. 120.70 per share pursuant to exercise of employee stock options under the R Systems International Limited Employee Stock Option Scheme 2007.

B. Term / right attached to the equity share

As per secretarial records, the Company has only one class of equity shares having a par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in forthcoming Annual General Meeting, except in case of interim dividend.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

C. Shares held by holding / ultimate holding company and / or their subsidiaries / associates

The Company does not have any holding / ultimate holding company as defined under Companies Act, 1956.

D. Aggregate number of bonus shares issued, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date:

The Board of Directors of the Company at its meeting held on September 07, 2008, had approved the Buy-back of the equity shares. Under the Buy-Back program, the Company had bought back 1,265,820 equity shares up to August 27, 2009 (including 146,346 equity shares up to December 31, 2008) at an average price of Rs. 63.20 per share for an aggregate amount of Rs. 80,000,000 by utilising the Securities Premium Account to the extent of Rs. 67,341,773 and General Reserve to the extent of Rs. 12,658,200. The Capital Redemption Reserve has been created out of General Reserve for Rs.12,658,200 being the nominal value of equity shares bought back in terms of Section 77AA of the Companies Act, 1956. The Offer for Buy-back was successfully completed on August 27, 2009.

E. Details of shareholders holding more than 5% shares in the Company

Particulars	As at December 31, 2012		As at December 31, 2011	
	No.	% holding in the class	No.	% holding in the class
GM Solutions Private Ltd.	810,763	6.48	717,486	5.83
GMU Infosoft Private Ltd.	730,465	5.83	684,809	5.56
U Infosoft Private Ltd.	779,766	6.23	655,120	5.32
Rightmatch Holdings Ltd.	927,200	7.41	927,200	7.53
Satinder & Harpreet Rekhi Family Trust (Trustee: Satinder Singh Rekhi & Harpreet Rekhi)	1,921,718	15.35	1,921,718	15.60
Bhavook Tripathi	3,993,227	31.89	3,984,640	32.35

As per secretarial records of the Company, including its register of shareholders / members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

F. Shares reserved for issue under options

For details of shares reserved for issue under the employee stock option (ESOP) plan of the company, please refer note 29.

4. RESERVES AND SURPLUS

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Capital redemption reserve	12,658,200	12,658,200
Securities premium account	914,345,795	914,345,795
Add: Addition on exercise of vested options as per ESOP plan [also refer note 29 (d)]	22,563,095	–
Less: Advance to Indus Software Employees Welfare Trust [also refer note 29 (b)]	2,282,728	2,282,728
Closing balance	934,626,162	912,063,067
Capital reserve	31,726	31,726
General reserve		
Balance as per last financial statements	61,400,531	54,935,396
Add: Amount transferred from surplus balance in the statement of profit and loss	59,529,292	6,465,135
Closing balance	120,929,823	61,400,531
Surplus in the statement of profit and loss		
Balance as per last financial statements	799,105,504	691,865,157
Add: Profit for the current year	183,619,844	165,125,278
Less: Appropriations		
Proposed dividend [amount per share Rs. 7.50 (Previous year Rs. 3.60)] (refer note 1 below)	93,905,310	44,340,790
Tax on proposed dividend	15,233,789	7,079,006
Final dividend (refer note 2 below)	349,992	–
Tax on final dividend (refer note 2 below)	56,777	–
Interim dividend [amount per share Rs. 16.00 (Previous year Rs. Nil)] (refer note 1 below)	199,194,976	–
Tax on interim dividend	32,314,407	–
Transfer to general reserve (refer note 1 below)	59,529,292	6,465,135
Total appropriations	400,584,543	57,884,931
Net surplus in the statement of profit and loss	582,140,805	799,105,504
Foreign currency translation reserve		
Balance as per last account	78,141,659	8,550,486
Add: Current year translation differences	93,001,177	69,591,173
Closing balance	171,142,836	78,141,659
Total	1,821,529,552	1,863,400,687

Notes:

- (1) For the year ended December 31, 2012, the Board of Directors has recommended a final dividend of Rs. 7.50 per share, subject to the approval of the shareholders in forthcoming Annual General Meeting. This is in addition to a special interim dividend of Rs. 16.00 per equity shares paid in June 2012, confirmation for which will be taken in forthcoming Annual General Meeting. Based on expert legal advice the Company has transferred Rs. 20,527,701 from the current year profit and Rs. 39,001,591 from the carried forward surplus in Statement of Profit and Loss in compliance with the Companies (Transfer of Profits to Reserve) Rules, 1975. Further for the year ended December 2011, the Board of Directors had recommended a dividend of Rs. 3.60 per share which had been approved by the shareholders at the Annual General Meeting held on May 04, 2012.
- (2) The Company has issued 97,220 shares pursuant to exercise of employee stock options under the R Systems International Limited Employee Stock Option Scheme 2007 up to book closure date for distribution of dividend, for the year ended December 31, 2011 and accordingly increased the appropriation by Rs. 349,992 and Rs. 56,777 dividend and tax on dividend respectively.

5. MINORITY INTEREST

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Minority interest in ECnet Limited at the time of acquisition	149,585	149,585
Less: Minority interest in post acquisition losses to the extent allocable	149,585	149,585
Total	-	-

6. LONG-TERM BORROWINGS

Particulars	Non-current portion		Current maturities	
	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Term loans				
For motor vehicles				
From non banking financial corporation (refer note 1 below)	3,446,849	3,838,949	2,185,357	2,072,463
For equipment				
Finance lease obligation (refer note 2 below)	-	-	-	970,041
Total	3,446,849	3,838,949	2,185,357	3,042,504
The above amount includes				
Secured borrowings	3,446,849	3,838,949	2,185,357	3,042,504
Amount shown under other current liabilities (also refer note 9)			(2,185,357)	(3,042,504)
Total	3,446,849	3,838,949	-	-

Notes:

- (1) Term loans are secured by hypothecation of underlying motor vehicles and carries interest rate ranging from 9% to 13.5% per annum repayable in equated monthly installments ranging from 34 to 60 months from the date of loan.
- (2) Finance lease obligation is secured by hypotication of office and electrical equipment taken on lease.

7. OTHER LONG-TERM LIABILITIES

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Security deposits	3,249,327	3,132,741
Deferred payment compensation to the erstwhile shareholders of subsidiary [also refer note 28 (b)]	–	70,994,905
Deferred payable others	4,035,886	918,637
Total	7,285,213	75,046,283

8. PROVISIONS

Particulars	Long-term		Short-term	
	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Provision for employee benefits				
Gratuity	71,241,150	61,288,514	6,902,472	1,648,865
Compensated absences	–	–	100,287,537	86,136,548
Bonus	–	–	26,833,336	8,239,200
Sub total (A)	71,241,150	61,288,514	134,023,345	96,024,613
Other provisions				
Income tax [net of advance tax amounting to Rs. 32,389,416 (Previous year Rs. 3,545,132)]			60,122,080	46,626,725
Provision for claim			47,682,931	–
Proposed dividend			93,905,310	44,340,790
Tax on proposed dividend			15,233,789	7,193,185
Mark-to-market losses on derivative instruments (also refer note 32)			–	55,943,547
Sub total (B)			216,944,110	154,104,247
Total (A+B)	71,241,150	61,288,514	350,967,455	250,128,860

9. OTHER CURRENT LIABILITIES

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Trade payables	396,118,729	382,135,302
Sub total (A)	396,118,729	382,135,302
Other liabilities		
Current maturities of long-term borrowing (includes current maturity of finance lease obligation) (also refer note 6)	2,185,357	3,042,504
Deferred payment compensation to the erstwhile shareholders of subsidiaries [also refer note 28 (a) and 28 (b)]	32,824,569	127,301,943
Deferred revenue	108,108,223	90,845,891
Book overdraft	1,313,482	1,061,463
Investor education and protection fund (not due) - Unclaimed dividend	1,193,738	597,793
Payable for purchase of fixed assets	4,078,685	3,192,004
Tax deducted at source	9,639,838	7,944,202
Service tax / GST / VAT	7,933,382	38,248,128
Others	33,179,268	47,401,802
Sub total (B)	200,456,542	319,635,730
Total (A+B)	596,575,271	701,771,032

10. TANGIBLE ASSETS

(Amount in Rs.)

Particulars	Land - freehold	Land - leasehold	Building - freehold	Building - leasehold ⁽¹⁾	Leasehold improvements	Computers	Office and electrical equipments	Furniture and fittings	Vehicles ⁽²⁾	Total
Gross block										
As at January 1, 2011	4,765,674	10,005,968	31,198,298	88,983,201	43,876,511	368,898,672	139,632,269	135,643,383	36,311,489	859,315,465
Acquisition of Computaris International Limited [also refer note 28 (b)]	-	-	-	-	1,620,034	37,514,572	1,993,196	1,899,030	-	43,026,832
Additions	-	-	-	30,000	575,740	32,435,910	5,369,989	2,422,560	4,902,594	45,736,793
Deletions	-	-	-	-	-	4,826,161	1,451,700	1,623,044	2,010,460	9,911,365
Foreign currency translation	-	-	-	-	6,835,163	26,230,506	7,968,153	8,428,269	2,719,106	52,181,197
At December 31, 2011	4,765,674	10,005,968	31,198,298	89,013,201	52,907,448	460,253,499	153,511,907	146,770,198	41,922,729	990,348,922
Additions	-	-	-	-	1,910,631	30,085,853	16,604,155	2,990,606	4,103,692	55,694,937
Deletions	-	-	-	-	-	31,204,461	4,087,387	1,615,347	2,173,184	39,080,379
Foreign currency translation	-	-	-	-	2,868,548	9,476,827	3,342,278	3,211,757	620,610	19,520,020
At December 31, 2012	4,765,674	10,005,968	31,198,298	89,013,201	57,686,627	468,611,718	169,370,953	151,357,214	44,473,847	1,026,483,500
Depreciation										
As at January 1, 2011	-	1,094,305	4,707,256	8,701,745	36,926,509	275,706,176	72,249,987	80,790,409	14,157,007	494,333,394
Acquisition of Computaris International Limited [also refer note 28 (b)]	-	-	-	-	584,574	21,171,821	1,104,616	981,600	-	23,842,611
Charge for the year	-	157,818	513,504	1,450,718	4,876,831	49,157,873	11,148,055	8,132,174	3,769,442	79,206,415
Deletions	-	-	-	-	-	3,559,504	1,189,794	1,524,701	868,652	7,142,651
Foreign currency translation	-	-	-	-	5,982,794	23,649,649	7,300,324	7,954,533	1,854,160	46,741,460
At December 31, 2011	-	1,252,123	5,220,760	10,152,463	48,370,708	366,126,015	90,613,188	96,334,015	18,911,957	636,981,229
Charge for the year	-	158,251	514,911	1,454,890	2,471,031	46,506,303	8,320,695	6,899,669	4,331,260	70,657,010
Deletions	-	-	-	-	-	30,642,659	3,003,735	1,385,276	1,090,538	36,122,208
Foreign currency translation	-	-	-	-	2,599,098	9,033,537	3,220,258	3,117,051	491,329	18,461,273
At December 31, 2012	-	1,410,374	5,735,671	11,607,353	53,440,837	391,023,196	99,150,406	104,965,459	22,644,008	689,977,304
Net block										
At December 31, 2011	4,765,674	8,753,845	25,977,538	78,860,738	4,536,740	94,127,484	62,898,719	50,436,183	23,010,772	353,367,693
At December 31, 2012	4,765,674	8,595,594	25,462,627	77,405,848	4,245,790	77,588,522	70,220,547	46,391,755	21,829,839	336,506,196

Notes:

- (1) Includes Rs. 21,155,390 (Previous year Rs. 21,155,390) paid towards land and building under a composite lease taken for which no separate values are assignable.
- (2) Vehicles amounting to Rs. 17,398,129 (Previous year Rs. 11,206,796) are hypothecated against terms loans for vehicle finance from non banking financial corporation.
- (3) Office and electrical equipment included office equipment on finance lease : Gross block as at December 31, 2012 Rs. 5,820,245 (previous year Rs. 5,820,245), Depreciation charge for the year Rs. 1,163,591 (previous year Rs. 1,099,743), Accumulated depreciation as at December 31, 2012 Rs. 4,073,713 (previous year Rs. 2,910,122) and Net book value as at December 31, 2012 Rs. 1,746,532 (previous year Rs. 2,910,123), the lease period for which has been expired during the year ended December 31, 2012.

11. INTANGIBLE ASSETS

(Amount in Rs.)

Particulars	Softwares	Product development costs (Internally generated software)	Total
Gross block			
As at January 1, 2011	202,858,108	34,580,899	237,439,007
Acquisition of Computaris International Limited [also refer note 28 (b)]	9,148,654	–	9,148,654
Additions	13,573,794	–	13,573,794
Deletions	332,972	–	332,972
Foreign currency translation	12,865,639	–	12,865,639
At December 31, 2011	238,113,223	34,580,899	272,694,122
Additions	20,973,159	–	20,973,159
Deletions	6,175,762	–	6,175,762
Foreign currency translation	5,987,126	–	5,987,126
At December 31, 2012	258,897,746	34,580,899	293,478,645
Amortisation			
As at January 1, 2011	139,776,459	18,505,177	158,281,636
Acquisition of Computaris International Limited [also refer note 28 (b)]	5,327,593	–	5,327,593
Charge for the year	44,347,191	7,630,929	51,978,120
Deletions	332,803	–	332,803
Foreign currency translation	10,706,629	–	10,706,629
At December 31, 2011	199,825,069	26,136,106	225,961,175
Charge for the year	26,484,126	3,753,237	30,237,363
Deletions	6,175,762	–	6,175,762
Foreign currency translation	5,210,272	–	5,210,272
At December 31, 2012	225,343,705	29,889,343	255,233,048
Net block			
At December 31, 2011	38,288,154	8,444,793	46,732,947
At December 31, 2012	33,554,041	4,691,556	38,245,597

12. NON-CURRENT INVESTMENTS

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Non-trade, unquoted (valued at cost unless stated otherwise)		
2,500 (Previous year 2,500) equity shares of Rs. 10 each fully paid up in The Saraswat Co-operative Bank Limited	25,000	25,000
Total	25,000	25,000
Aggregate amount of unquoted investments	25,000	25,000
Aggregate amount of quoted investments	–	–

13. DEFERRED TAX ASSETS (NET)

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Deferred tax assets		
Provision for gratuity	25,353,698	20,420,033
Provision for compensated absences	21,518,812	18,705,235
Provision for doubtful debts and advances	24,881,246	46,559,618
Other timing differences	8,737,840	5,995,456
Other timing differences of subsidiaries	8,043,654	8,520,707
Gross deferred tax assets	88,535,250	100,201,049
Deferred tax liability		
Differences in depreciation / amortisation and other differences in block of fixed assets as per tax books and financial books	31,700,305	36,307,074
Other timing differences of subsidiaries	2,006,390	461,026
Gross deferred tax liability	33,706,695	36,768,100
Deferred tax assets (net)	54,828,555	63,432,949

14. LOANS AND ADVANCES

Particulars	Non-current		Current	
	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Capital advances				
Unsecured, considered good	1,515,815	1,292,352		
Sub total (A)	1,515,815	1,292,352		
Advances recoverable in cash or in kind or for value to be received				
Unsecured, considered good	2,801,240	4,851,110	98,915,439	78,731,628
Doubtful	–	–	2,752,244	8,302,603
	2,801,240	4,851,110	101,667,683	87,034,231
Provision for doubtful advances	–	–	(2,752,244)	(8,302,603)
Sub total (B)	2,801,240	4,851,110	98,915,439	78,731,628
Security deposit				
Unsecured, considered good	25,578,454	25,355,882	1,149,250	12,161
Doubtful	–	–	3,000,000	3,000,000
	25,578,454	25,355,882	4,149,250	3,012,161
Provision for doubtful advances	–	–	(3,000,000)	(3,000,000)
Sub total (C)	25,578,454	25,355,882	1,149,250	12,161
Other loans and advances				
Unsecured, considered good				
MAT credit entitlement	37,705,072	44,661,282	–	–
Mark-to-market gains on derivative instruments (also refer note 32)	–	–	5,814,261	–
Balances with customs, excise, etc.	–	–	1,465,849	784,022
Advance fringe benefit tax [net of provisions amounting to Rs. 7,082,336 (Previous year Rs. 7,082,336)]	167,664	167,664	–	–
Advance income taxes [net of provisions amounting to Rs. 198,724,629 (Previous year Rs. 188,981,213)]	37,019,591	14,142,884	–	–
Sub total (D)	74,892,327	58,971,830	7,280,110	784,022
Total (A+B+C+D)	104,787,836	90,471,174	107,344,799	79,527,811

15. TRADE RECEIVABLES AND OTHER ASSETS**15.1 Trade receivables**

Particulars	Current	
	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	7,005,788	11,796,236
Doubtful	152,193,688	179,262,219
	159,199,476	191,058,455
Provision for doubtful receivables	(152,193,688)	(179,262,219)
Sub total (A)	7,005,788	11,796,236
Other receivables		
Unsecured, considered good	973,626,804	1,041,358,568
Doubtful	20,557,512	22,143,396
	994,184,316	1,063,501,964
Provision for doubtful receivables	(20,557,512)	(22,143,396)
Sub total (B)	973,626,804	1,041,358,568
Total (A+B)	980,632,592	1,053,154,804

15.2 Other assets

Particulars	Non-current		Current	
	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Non-current bank balances (also refer note 16)	74,834,789	120,439,539		
Interest accrued on deposits	5,462,395	2,795,556	7,215,668	8,337,001
Interest accrued on staff advances	–	–	59,004	100,271
Unbilled revenue	–	–	164,701,189	160,304,114
Total	80,297,184	123,235,095	171,975,861	168,741,386

16. CASH AND BANK BALANCES

Particulars	Non-current		Current	
	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Cash and cash equivalents				
Cash on hand			810,146	585,927
Cheques in hand			–	132,440
Balances with scheduled banks:				
On current accounts			12,881,205	14,637,843
On cash credit / overdraft accounts (refer note 1 below)			97,958	27,054,026
On EEFC accounts			46,393,575	41,920,457
On deposit accounts with original maturity of less than 3 months			123,300,000	140,541,000
On unclaimed dividend			1,193,738	597,793
Balance with other banks				
On current accounts			310,482,471	332,952,818
On cash credit / overdraft accounts (refer note 2 below)			–	3,437,055
On deposit accounts			28,983,126	10,122,325
			524,142,219	571,981,684

Particulars	Non-current		Current	
	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Other bank balances				
Deposits with original maturity for more than 12 months	–	27,484,378	185,709,600	20,065,525
Deposits with original maturity for more than 3 months but less than 12 months			104,704,000	237,067,101
Margin money deposits (refer detail below)	74,834,789	92,955,161		
	74,834,789	120,439,539	290,413,600	257,132,626
Amount disclosed under non-current assets (also refer note 15.2)	(74,834,789)	(120,439,539)		
Total	–	–	814,555,819	829,114,310

Notes :

- (1) Cash credit limit / Bank guarantee / Loan equivalent risk / Letter of credit with scheduled banks is secured by first charge by way of hypothecation of entire current assets and collateral over the immovable property situated in Pune.
- (2) Cash credit facilities with other banks are secured by pledge of account receivables that have been created or will be created in ordinary course of business.

Detail of margin money deposits

Particulars	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Margin moneys deposit against performance guarantees	37,250,125	43,940,539
Margin moneys deposit against credit / derivative facilities	37,584,664	49,014,622
Total	74,834,789	92,955,161

17. REVENUE FROM OPERATIONS

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Sale of services	4,626,787,382	4,094,658,198
Sale of third party hardware and software	23,300,842	296,713
Total	4,650,088,224	4,094,954,911

18. OTHER INCOME

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Interest income on Bank deposits	42,331,266	40,930,313
Excess provisions written back	2,044,562	9,156,429
Miscellaneous income	5,668,654	5,556,712
Total	50,044,482	55,643,454

19. EMPLOYEE BENEFIT EXPENSE

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Salaries, wages and bonus	2,832,984,985	2,373,204,854
Gratuity (also refer note 31)	22,700,216	11,228,082
Contribution to provident fund and other funds	248,457,681	212,718,111
Staff welfare expenses	29,101,053	25,679,284
Total	3,133,243,935	2,622,830,331

20. OPERATIONAL AND OTHER EXPENSE

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Contract cost	14,869,521	85,557,999
Power and fuel	46,618,135	40,102,094
Rent - premises	122,734,424	110,814,084
Rent - equipments	5,575,805	6,082,357
Rates and taxes	6,025,743	7,218,332
Insurance	17,609,012	14,284,020
Repair and maintenance	89,300,649	68,497,019
Advertising and sales promotion	24,218,520	21,585,390
Commission-others	9,628,550	7,855,276
Traveling and conveyance	296,271,692	272,062,622
Communication costs	71,180,950	65,858,360
Printing and stationery	7,387,923	6,366,514
Legal and professional fees	338,439,777	322,270,170
Cost of third party hardware and software	17,961,512	223,250
Directors' sitting fee	570,000	300,000
Auditors' remuneration (refer detail below)	5,177,555	5,244,750
Foreign exchange fluctuation (net) *	(21,333,136)	37,393,202
Provision for doubtful debts and advances (net)	20,940,658	57,923,784
Provision for claim	44,312,260	-
Bad debts and advances written off [net of Rs. 74,094,808 (previous year Rs. 9,045,672) utilisation from provision for doubtful debts and advances]	748,158	10,640,126
Loss on sale / discard of fixed assets (net)	1,363,574	665,066
Recruitment and training expenses	23,739,194	18,529,335
Security expenses	6,242,512	5,543,671
Membership and subscription	7,226,960	6,941,502
Miscellaneous expenses	13,900,289	7,349,524
Total	1,170,710,237	1,179,308,447

*Foreign exchange fluctuation includes prior period expense of Rs. 3,283,808 during the year ended December 31, 2012.

Detail of auditors remuneration

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
As auditor:		
- Audit fee		
- Statutory audit fee	1,350,000	1,350,000
- Quarterly audit fee	1,950,000	1,950,000
- Limited Review	525,000	525,000
- Out-of-pocket expenses	302,555	369,750
In other capacity:		
- Certification	800,000	800,000
- Other services	250,000	250,000
Total	5,177,555	5,244,750

21. DEPRECIATION AND AMORTISATION EXPENSE

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Depreciation on tangible assets	70,657,010	79,206,415
Amortisation on intangible assets	30,237,363	51,978,120
Total	100,894,373	131,184,535

22. FINANCE COST

Particulars	For the year ended December 31, 2012 Rs.	For the year ended December 31, 2011 Rs.
Interest on loans	860,332	668,488
Bank charges	5,887,047	7,415,099
Total	6,747,379	8,083,587

23. SEGMENT INFORMATION

Business segments :

R Systems Group is a leading global provider of IT solutions and Business Process Outsourcing (BPO) services. The Group considers business segment as the basis for primary segmental reporting. The Group is organised into two business segments – software development and customisation services and BPO services. Costs and expenses which cannot be allocated to any business segment are reflected in the column 'corporate and others'. Segments have been identified and reported based on the nature of the services, the risks and returns, the organisation structure and the internal financial reporting system.

Geographical segments :

The Group reports secondary segment information on the basis of the geographical location of the customers / assets. Although the Group's major operating divisions are managed on a worldwide basis, they operate in five principal geographical areas of the world which are: India, United States of America, South East Asian countries, Europe and Other areas.

The following table provides required information for the primary segments for the year ended December 31, 2012 and December 31, 2011:

Particulars	Software development & customisation services		Business process outsourcing services		Eliminations		Corporate and others		Total	
	Year ended December 31,		Year ended December 31,		Year ended December 31,		Year ended December 31,		Year ended December 31,	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
REVENUE										
External sales	3,760,323,930	3,409,928,627	889,764,294	685,026,284					4,650,088,224	4,094,954,911
Inter-segment sales			15,091,423	12,456,681	15,091,423	12,456,681				
Total revenue	3,760,323,930	3,409,928,627	904,855,717	697,482,965	15,091,423	12,456,681			4,650,088,224	4,094,954,911
RESULT										
Segment result	237,172,206	192,668,243	71,630,005	13,525,589					308,802,211	206,193,832
Unallocated corporate expenses								51,977,333	61,736,363	51,977,333
Operating profit									247,065,848	154,216,499
Interest expenses								(668,488)	(860,332)	(668,488)
Interest income								40,930,313	42,331,266	40,930,313
Other income								14,713,141		14,713,141
Income taxes expense								(44,066,187)	(104,916,938)	(44,066,187)
Net profit									183,619,844	165,125,278

The following table provides required information for the primary segments as at December 31, 2012 and December 31, 2011:

Particulars	Software development & customisation services		Business process outsourcing services		Eliminations		Corporate and others		Total	
	December 31,		December 31,		December 31,		December 31,		December 31,	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
OTHER INFORMATION										
Segment assets	2,113,986,440	2,364,591,028	266,824,597	255,402,315	221,673,277	342,149,936			2,159,137,760	2,277,843,407
Unallocated corporate assets								677,656,019	686,654,948	677,656,019
Income tax assets								122,404,779	129,720,882	122,404,779
Total assets	2,113,986,440	2,364,591,028	266,824,597	255,402,315	221,673,277	342,149,936	816,375,830	800,060,798	2,975,513,590	3,077,904,205
Segment liabilities	748,116,115	888,600,209	332,618,183	446,864,872	221,673,277	342,149,936			859,061,021	993,315,145
Unallocated corporate liabilities								44,938,583	95,099,048	44,938,583
Income tax liabilities								53,819,910	75,355,869	53,819,910
Total liabilities	748,116,115	888,600,209	332,618,183	446,864,872	221,673,277	342,149,936	170,454,917	98,758,493	1,029,515,938	1,092,073,638
Capital expenditures	58,879,523	50,221,368	30,329,492	10,181,571					89,209,015	60,402,939
Depreciation and amortisation	84,931,654	105,453,712	15,962,719	25,730,823					100,894,373	131,184,535
Other non-cash expenses	18,756,705	63,196,062	4,295,685	6,032,914					23,052,390	69,228,976

Geographical segments:

The Group reports secondary segment information on the basis of the geographical location of the customers / assets. The management views the domestic and export markets as distinct geographical segments.

The following is the distribution of the Group's revenue by geographical market:

	For the year ended December 31,	
	2012 Rs.	2011 Rs.
India	265,411,162	221,095,052
USA	2,378,009,523	1,946,505,788
South East Asia	457,615,597	300,044,227
Europe	1,254,444,648	1,485,701,631
Others	294,607,294	141,608,213
Total	4,650,088,224	4,094,954,911

Assets and additions to tangible and intangible fixed assets by geographical area:

The following table shows the carrying amount of assets and additions to tangible assets and intangible assets (including capital advances) by geographical area in which assets are located:

	Carrying amount of assets as at December 31,		Additions to tangible assets and intangible assets for the year ended December 31,	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
India	1,108,591,162	1,188,481,716	42,237,985	30,112,303
USA	616,191,650	584,926,565	13,028,167	10,137,465
South East Asia	156,071,049	127,655,620	11,275,363	1,647,346
Europe	1,030,931,557	1,131,982,939	22,667,500	18,505,825
Others	63,728,172	44,857,365	-	-
Total	2,975,513,590	3,077,904,205	89,209,015	60,402,939

24. RELATED PARTY DISCLOSURE

(i) Names of related parties (Also refer note 2 for 'R Systems Group')

Key management personnel

Sl. No.	Name of person	Designation	Company
1	Satinder Singh Rekhi	Chairman and Managing Director Director Director Director Director	R Systems International Limited R Systems, Inc., USA R Systems (Singapore) Pte Ltd, Singapore Indus Software, Inc., USA R Systems Solution, Inc, USA R Systems, NV, Belgium

Sl. No.	Name of person	Designation	Company
		Director	R Systems Europe B.V., Netherlands
		Director (appointed in 2011)	Computaris International Limited, UK
		Director (appointed in 2012)	Systèmes R. International Ltée, Canada
2	Lt. Gen. Baldev Singh (Retd.)	President and Senior Executive	R Systems International Limited
3	Raj Swaminathan	Director	R Systems International Limited
4	Tarun Shankar Mathur	Director and Chief Operating Officer Director (resigned in 2011)	ECnet Ltd, Singapore
		Director (resigned in 2011)	R Systems (Singapore) Pte Ltd, Singapore
5	Sartaj Singh Rekhi	Director	R Systems Solution, Inc., USA
		Director	R Systems Europe B.V., Netherlands
		Director	R Systems, NV, Belgium
		Executive Manager	R Systems, Inc., USA
		Director (appointed in 2012)	Systèmes R. International Ltée, Canada
6	Sidhartha Shankar Dubey	Director (appointed in 2012)	R Systems Europe B.V., Netherlands
		Director (appointed in 2012)	R Systems S.A.S ,France
		Vice President – BPO	R Systems International Limited
7	Bart V Eunen	Director (resigned in 2012)	R Systems Europe B.V., Netherlands
		Director (resigned in 2012)	R Systems S.A.S, France
8	Vinay Narjit Singh Behl	Director	R Systems, Inc., USA
9	Cai Li Ting	Director	ECnet Ltd, Singapore
		Director	R Systems (Singapore) Pte Ltd, Singapore
10	Chan Kum Ming	Director (appointed in 2011)	ECnet Ltd, Singapore
		Director (appointed in 2011)	R Systems (Singapore) Pte Ltd, Singapore
11	Ian Adrian Tidder	Director	Computaris International Limited, UK
12	Irina Arsene	Director (resigned in 2012)	Computaris International Limited, UK
13	Bogdan Mihai Danila	Director	Computaris International Limited, UK
14	Raluca Marina Rusu	Director	Computaris International Limited, UK
15	Michal Misiaszek	Director	Computaris International Limited, UK
16	Ramneet Singh Rekhi	Director	R Systems Europe B.V., Netherlands
		Assistant Manager Strategy (appointed in 2012)	R Systems, Inc., USA

Relatives of Key management personnel

Sl. No.	Name of person	Designation	Company
1	Mandeep Singh Sodhi	Lt. Gen. Baldev Singh (Retd.)	Vice President – Sales (R Systems International Limited)
2	Amrita Kaur	Satinder Singh Rekhi	Assistant Business Manager (R Systems International Limited)

Enterprises owned or significantly influenced by key management personnel or their relatives

Sl. No.	Name of person	Designation	Company
1	Euro IT Limited	Ian Adrian Tidder	Sole shareholder of Euro IT Limited

- (ii) Details of transactions with related parties for the year ended December 31, 2012 and December 31, 2011:

(Amount in Rs.)

	For the year ended December 31, 2012	For the year ended December 31, 2011
Remuneration to key management personnel and their relatives		
Satinder Singh Rekhi	17,844,292	18,113,373
Lt. Gen. Baldev Singh (Retd.)	5,149,445	4,643,502
Raj Swaminathan	5,679,795	4,706,579
Bart V Eunen	25,059,214	9,638,829
Tarun Shankar Mathur	–	8,852,761
Cai Li Ting	5,594,115	4,370,761
Sartaj Singh Rekhi	6,971,302	3,828,422
Vinay Narjit Singh Behl	1,602,630	1,399,275
Mandeep Singh Sodhi	19,503,471	16,073,251
Amrita Kaur	–	233,331
Chan Kum Ming	7,432,627	985,850
Ian Adrian Tidder	2,328,508	1,949,324
Irina Arsene	8,991,479	5,887,493
Bogdan Mihai Danila	6,196,473	5,892,341
Raluca Marina Rusu	6,250,052	5,891,341
Michal Misiaszek	9,827,824	5,661,377
Sidhartha Shankar Dubey	3,473,437	–
Ramneet Singh Rekhi	1,880,859	–
Services received		
Euro IT Limited	13,992,552	11,388,026
Rent		
Satinder Singh Rekhi	8,810,969	6,487,554

25. OPERATING LEASE- COMPANY AS LESSEE

The Group has operating lease for office premises, office

equipment, vehicle etc. The future minimum payments required under non-cancelable operating lease at year-end are as follows:

	Year ended December 31, 2012 Rs.	Year ended December 31, 2011 Rs.
Lease payments for the year	129,179,864	115,119,890
Non-cancellable operating lease obligation		
Not later than one year	102,770,178	94,821,021
Later than one year but not later than five years	129,815,674	82,878,156
Later than five years	6,688,176	Nil

The operating lease arrangements extend for a maximum of 9 years from their respective dates of inception. Some of the operating lease arrangements have price escalation clause at various periodic levels ranging from 0 to 10% includes option of renewal from 1 to 6 years and there are no restrictions imposed on lease arrangements.

26. CAPITAL AND OTHER COMMITMENTS

	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Estimated amount of unexecuted capital contracts (net of advances)	9,160,705	2,752,785

27. CONTINGENT LIABILITIES:

	As at December 31, 2012 Rs.	As at December 31, 2011 Rs.
Performance guarantees given to Department of Telecommunication for Domestic and International 'Other Service Provider' licenses	20,000,000	20,000,000
Performance bank guarantee issued to a customer	4,408,736	13,010,725
Claims not acknowledged as debts	40,527,796	15,751,926
Total	64,936,532	48,762,651

28. (a) During earlier years, the Company had acquired 98.59% shares in ECnet Limited, a Company incorporated in Singapore at total consideration of Rs. 34,938,958. During the year ended December 31, 2005, the Company had based upon an order of High Court of Delhi written down the goodwill value to

Rs. Nil and adjusted the write off of Rs. 24,495,721 against the Securities Premium Account as this had not been represented by available assets.

During the year ended December 31, 2007, the Company had settled the liabilities towards certain erstwhile shareholders. As a result thereof, the deferred payment compensation of Rs. 14,452,222 was released, as considered appropriate by the management. Out of above, Rs.10,442,237 had been adjusted against the value of the investment. The reassessed amount payable Rs. 12,117,859 (reinstated as at December 31, 2012) [Previous year Rs. 11,068,991 (reinstated as at December 31, 2011)] is shown under 'Other current liabilities'.

During the year ended December 31, 2010, the Board of Directors had approved a Scheme for corporate restructuring of its two subsidiaries based in Singapore viz ECnet Limited and R Systems (Singapore) Pte Limited 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.

During the year ended December 31, 2011, pursuant to the above restructuring plan, the loan to ECnet Limited amounting to Rs. 152,000,000 (SGD 3,800,000) had been converted into equity investment at the fair value of Rs Nil. Post conversion the shareholding of the Company in ECnet Limited has increased from 98.59% to 99.55% (38,306,451 number of shares issued post conversion). The Company is in the process of obtaining relevant regulatory approvals for the amalgamation of both the subsidiaries.

During the year ended December 31, 2012, the Company has made further equity investment amounting to Rs. 5,525,000 (SGD 1,25,000) for long-term purposes and increased its shareholding from 99.55% to 99.56%.

- (b) During the year ended December 31, 2011, the Company had acquired 100% shares of Computaris International Limited, UK (Computaris) on January 26, 2011 for a maximum consideration of GBP 9 million out of which GBP 4.25 million is the initial payout and balance is based on earn outs as well as fulfillment of certain condition by the erstwhile shareholders of Computaris over the next two years.

Computaris is having subsidiaries in U.K., Romania, Poland, Moldova, Malaysia and USA. Computaris provides services and solutions to telecom industry and specialises in real-time rating and convergent billing solutions.

The management on the date of acquisition has assessed

investment value at Rs. 509,220,450 which represents the consideration assessed as probable to be paid over the period and accordingly recorded the goodwill on acquisition amounting to Rs. 309,582,459. Out of this total investment value, Rs. 319,043,900 has been paid at time of acquisition and balance Rs. 190,176,550 is payable based on earn outs as well as fulfillment of certain condition by the erstwhile shareholders of Computaris over the next two years.

Breakup of assets and liabilities acquired on acquisition of the Computaris International Limited as noted above :

(Amount in Rs.)

Assets	
Cash and bank balances	75,260,707
Trade receivable	147,132,803
Loans and advances	6,908,453
Fixed tangible assets	
Gross block	43,026,832
Less : Accumulated depreciation	23,842,611
Net block	19,184,221
Capital work-in-progress including capital advances	315,265
Intangibles assets	3,821,061
Total assets	252,622,510
Liabilities	
Current liabilities and provisions	52,984,519
Total liability	52,984,519
Net assets (A)	199,637,991
To be discharged by:	
Cash already paid	319,043,900
Future amount assessed as probable to be paid	190,176,550
Total Consideration (B)	509,220,450
Goodwill arising on acquisition (B-A)	309,582,459

The details of fixed tangible assets and intangible assets acquired on acquisition of Computaris International Limited are as under:

(Amount in Rs.)

Fixed tangible assets	Gross Block	Accumulated depreciation
Lease hold improvement	1,620,034	584,574
Computers	37,514,572	21,171,821
Furniture and fittings	1,899,030	981,600
Office and electric equipment	1,993,196	1,104,616
Total	43,026,832	23,842,611

Intangible assets	Gross Block	Accumulated amortisation
Software	9,148,654	5,327,593

For the purpose of above computation, the amounts in foreign currencies have been translated at the applicable rates on the acquisition date, i.e. GBP 1= Rs. 72.63. All profits / losses relating to Computaris International Limited subsequent to the date of acquisition are included in these consolidated financial statements. Accordingly, profit for the period from January 26, 2011 to December 31, 2011 is incorporated in the Statement of Profit and Loss for the year ended December 31, 2011.

Subsequently on further reassessment of the conditions the Company reduced the investment and goodwill value by Rs. 24,636,946 and 39,481,423 respectively during the year ended December 31, 2011. Accordingly, the goodwill on account of acquisition as at December 31, 2011 was Rs. 270,101,036.

As at December 31, 2012, the management has reassessed the investment value at Rs. 439,022,226 basis the final earn out amount payable to the erstwhile shareholders of Computaris and the goodwill on acquisition amounts to Rs. 273,996,695 (reinstated as at December 31, 2012).

As at December 31, 2012 amount payable to the erstwhile shareholders of Computaris, within one year from the year-end is shown under 'Other current liabilities' of Rs. 20,706,710 (reinstated as at December 31, 2012) [previous year Rs.116,232,952 (reinstated as at December 31, 2011)] and balance amount is payable after one year which has been disclosed under 'Other long-term liabilities' of Rs. Nil [previous year Rs.70,994,905 (reinstated as at December 31, 2011)]

- (c) During the year ended December 31, 2010, the Board of Directors of the Company and R Systems NV, Belgium (wholly owned subsidiary of the Company) has approved the liquidation of R Systems NV, Belgium subject to the required statutory and corporate approvals in India and Belgium. The Company is in the process of obtaining relevant regulatory approvals.
- (d) During the year ended December 31, 2012, one of the subsidiary of the Company received a claim for penalty from one of its customer and has recorded provision of Rs. 44,312,260 towards such claim. The subsidiary had subcontracted certain part of its scope of services to one of its vendors and basis the contractual terms has claimed an equivalent amount from such vendor. However, pending acceptance of the claim, the recoverable for the amount claimed from the vendor has not been recorded in the consolidated financial statement.

29. (a) R Systems International Limited - Year 2004 Employee Stock Option Plan ('the plan')

During the year 2004, the Company had instituted the plan for all eligible employees as specified in the rules in pursuance of the special resolution duly approved by the shareholders. The plan provides for the issuance of 997,500 options to eligible employees as recommended by the Compensation Committee constituted for this purpose.

The plan is administered by a Compensation Committee and exercise price is "1.60 times the book value of the share as per the audited balance sheet as on December 31, 2003 i.e. Rs. 42 per Share or 1.60 times of the book value as per immediate previous accounting year audited balance sheet rounded off to nearest rupee as on the date of exercise whichever is higher", till the time equity shares of the Company are not listed. Once the equity shares are listed, the exercise price is prevailing price or stock price i.e. the latest available closing price, prior to the date of the meeting of the Board of Directors in which options are granted / shares are issued, on the stock exchange on which the shares of the Company are listed.

During the year ended December 31, 2006, the Company had consolidated each of its five equity shares of Rs. 2 each into one equity share of Rs. 10 each and then issued 1:1 bonus share to each of the then existing shareholder (excluding the option holders) by utilisation of Securities Premium Account in terms of the provisions of Section 78 of the Companies Act, 1956. Considering these changes in the capital structure, the management had adjusted the number of options vesting to its employees and exercise price to preserve the benefits intended to be made available under the plan i.e. instead of five options of Rs. 2 per share, the employees' entitlement had been adjusted to one option of Rs. 10 per share and instead of earlier exercise price of Rs. 42 per share for each Rs. 2 share, the exercise price had been accordingly adjusted to Rs. 105 per equity share. During the year ended December 31, 2008, the Company had obtained a legal opinion confirming that the adjustments undertaken to the number of options vesting to its employees and exercise price, pursuant to the consolidation and subsequent bonus issue during the year ended December 31, 2006, does not tantamount to modification and no additional benefit was offered to the existing option holders.

The vesting period is 4 years (25% in each year) commencing from the date of grant under the plan. The eligible employees have an option to exercise it over a period of 10 years from the date of grant under the plan. The movement in the options during the year ended December 31, 2012 and year ended December 31, 2011 is set out below:

	Year ended December 31, 2012 (Nos.)	Year ended December 31, 2011 (Nos.)
At the beginning		
- Grants outstanding under the plan (Rs. 10 per share)	61,925	73,380
- Grants pending determination by the Compensation Committee (Rs. 10 per share)	82,740	71,285
During the year		
- Options granted (Rs. 10 per share)	–	–
- Options exercised (Rs. 10 per share)	–	–
- Options lapsed or surrendered (Rs. 10 per share)	5,890	11,455
At the end		
- Grants outstanding under the plan (Rs. 10 per share)	56,035	61,925
- Grants pending determination by the Compensation Committee (Rs. 10 per share)	88,630	82,740

(b) Indus Software Employees Stock Option Plan – Year 2001 ('the plan'):

Indus Software Private Limited ('Indus') had outstanding options aggregating 21,967 equity shares as on March 31, 2002, to be issued to the eligible employees under the Indus Software Employees Stock Option Plan – Year 2001 under various vesting periods as specified in the said Plan, duly approved by the erstwhile shareholders. Indus had established "Indus Software Employees Welfare Trust" ('the Indus Trust') to administer the plan, as approved by the members, for the benefits of the Company's employees and had provided an interest free loan of Rs. 3,382,792. Consequently, Indus had allotted 21,967 equity shares of Rs. 10 each at a premium of Rs. 144 per equity share to the Indus Trust to be further issued to the Indus' eligible employees on the exercise of the underlying options granted to them.

As a result of the merger of Indus with the Company, all employees had surrendered their options in favour of the Indus Trust to enable them to obtain options for shares in R Systems International Limited after the merger. Also, the Company had issued 206,822 equity shares of Rs. 2 each

at a premium of Rs. 113.42 per share to the Indus Trust in exchange of 21,967 equity shares of Indus, apropos to the agreed swap ratio. During the earlier years out of the said 206,822 shares 22,079 shares were issued to the employees on exercise of options.

The Company had consolidated each of its five equity shares of Rs. 2 each into one equity share of Rs. 10 each on January 30, 2006 and then issued 1:1 bonus share to each of the then existing shareholder by utilisation of Securities Premium Account in terms of the provisions of Section 78 of the Companies Act, 1956, consequently total number of shares issued are now 73,898 equity shares of Rs. 10 each. Accordingly an amount of Rs. 738,980 and Rs. 2,282,728 is shown as deduction from Issued, subscribed and paid-up capital and Securities Premium Account respectively as suggested by the "Guidance Note on Accounting for Employee Share-based Payments" issued by The Institute of Chartered Accountants of India.

The movement in the options (in equivalent number of shares of the Company) held by the Trust during the year ended December 31, 2012 and the year ended December 31, 2011 is set out below:

	Year ended December 31, 2012 (Nos.)	Year ended December 31, 2011 (Nos.)
At the beginning		
- Grants outstanding under the plan (Rs. 10 per share)	–	–
- Grants pending determination by the Compensation Committee (Rs. 10 per share)	73,898	73,898
During the year		
- Options granted (Rs. 10 per share)	–	–
- Options exercised (Rs. 10 per share)	–	–
- Options lapsed or surrendered (Rs. 10 per share)	–	–
At the end		
- Grants outstanding under the plan (Rs. 10 per share)	–	–
- Grants pending determination by the Compensation Committee (Rs. 10 per share)	73,898	73,898

(c) R Systems International Limited – Year 2004 Employees Stock Option Plan ECnet ('the plan')

The Company had instituted the plan for all eligible employees in pursuance of the special resolution duly approved by the shareholders. The plan provides for the issuance of 1,000,000 options to eligible employees as recommended by the Compensation Committee constituted for this purpose.

The plan is administered by a Compensation Committee and exercise price is "book value of the share as per the audited balance sheet as on December 31, 2003 i.e. Rs. 26 or as on the date of exercise, the book value as per immediate previous accounting year audited balance sheet rounded off to nearest rupee whichever is higher" till the time equity shares of the Company are not listed. Once the equity shares are listed, the exercise price is prevailing price or stock price i.e. the latest available closing price, prior to the date of the meeting of the Board of Directors in which options are granted / shares are issued, on the stock exchange on which the shares of the Company are listed.

During the year ended December 31, 2006, the Company had consolidated each of its five equity shares of Rs. 2 each into one equity share of Rs. 10 each and then issued 1:1 bonus share to each of the then existing shareholder (excluding the option holders) by utilisation of Securities Premium Account in terms of the provisions of Section 78 of the Companies Act, 1956. Considering these changes in the capital structure, the management had adjusted the number of options vesting to its employees and exercise price to preserve the benefits intended to be made available under the plan i.e. instead of five options of Rs. 2 per share, the employees' entitlement had been adjusted to one option of Rs. 10 per share and instead of earlier exercise price of Rs. 26 per share for each Rs. 2 share, the exercise price had been accordingly adjusted to Rs. 65 per equity share. During the year ended December 31, 2008, the Company had obtained a legal opinion confirming that the adjustments undertaken to the number of options vesting to its employees and exercise price, pursuant to the consolidation and subsequent bonus issue during the year ended December 31, 2006, does not tantamount to modification and no additional benefit was offered to the existing option holders.

The vesting period is 4 years (40% in 1st year & 20% in 2nd, 3rd & 4th year) commencing from the date of grant under the plan. The eligible employees have an option to exercise it over a period of 10 years from the date of grant under the plan. The movement in the options during the year ended December 31, 2012 and year ended December 31, 2011 is set out below:

	Year ended December 31, 2012 (Nos.)	Year ended December 31, 2011 (Nos.)
<u>At the beginning</u>		
- Grants outstanding under the plan (Rs. 10 per share)	6,800	6,800
- Grants pending determination by the Compensation Committee (Rs. 10 per share)	123,241	123,241
<u>During the year</u>		
- Options granted (Rs. 10 per share)	-	-
- Options exercised (Rs. 10 per share)	-	-
- Options lapsed or surrendered (Rs. 10 per share)	600	-
<u>At the end</u>		
- Grants outstanding under the plan (Rs. 10 per share)	6,200	6,800
- Grants pending determination by the Compensation Committee (Rs. 10 per share)	123,841	123,241

(d) R Systems International Limited Employee Stock Option Scheme 2007 ('the plan')

During the year 2007, the Company had instituted the plan for all eligible employees as specified in the rules in pursuance of the special resolution duly approved by the shareholders. The plan provides for the issuance of 650,000 options to eligible employees as recommended by the Compensation Committee constituted for this purpose.

The plan is administered by a Compensation Committee and exercise price is Rs. 120.70 being the latest available closing price, prior to the date of the meeting of the Board of Directors / Compensation Committee held on July 11, 2007 in which options are granted, on the stock exchange on which the shares of the Company are listed. Accordingly, the intrinsic value of Employee Stock Option is taken as Rs. Nil.

The vesting period is 4 years (25% in each year) commencing from the date of grant under the plan. The eligible employees have an option to exercise it over a period of 10 years from the date of grant under the plan. The movement in the options during the year ended December 31, 2012 and year ended

December 31, 2011 is set out below:

	Year ended December 31, 2012 (Nos.)	Year ended December 31, 2011 (Nos.)
At the beginning		
- Grants outstanding under the plan (Rs. 10 per share)	475,000	503,000
- Grants pending determination by the Compensation Committee (Rs. 10 per share)	175,000	147,000
During the year		
- Options granted (Rs. 10 per share)	-	-
- Options exercised (Rs. 10 per share)	203,822	-
- Options lapsed or surrendered (Rs. 10 per share)	15,500	28,000
At the end		
- Grants outstanding under the plan (Rs. 10 per share)	255,678	475,000
- Grants pending determination by the Compensation Committee (Rs. 10 per share)	190,500	175,000

- (e) For the purpose of valuation of the options granted during earlier years, the management obtained fair value of the options at the date of grant under respective schemes from a firm of Chartered Accountants to determine accounting impact, if any, of options granted over the periods. In the considered opinion of the valuer, the fair value of option determined using 'Black Scholes Valuation Model' under each of above schemes (except R Systems International Limited Employee Stock Option Scheme 2007 refer 29 (d) above) is "Nil" and thus no accounting thereof is required.

The assumptions used for the purpose of determination of fair value are stated below:

Assumptions	Unit	Scheme (a) *	Scheme (b) **	Scheme (c) ***	Comments by the valuer
Strike price	Rs.	42	154	26	
Current share price	Rs.	16	140	16	Taken on the basis of NAV and PECV method of valuation.
Expected option life	No. of Years	5	2.5	5	Being half of the maximum option life.

Assumptions	Unit	Scheme (a) *	Scheme (b) **	Scheme (c) ***	Comments by the valuer
Volatility	%	1	0.5	1	In case of unlisted shares, the volatility may be taken as zero. Verma committee also recommends this.
Risk free return	%	7	11.3	7	Zero coupon rate estimated from trading government securities for a maturity corresponding to expected life of option - taken from sites of NSE and / or BSE.
Expected dividend Yield	%	-	15	-	Company has no set policy so dividend taken as zero. In case of Indus plan, as the dividend had been paid by the erstwhile company, it has been assumed at 15%.

*: R Systems International Ltd. - Year 2004 Employee Stock Option Plan under which the price was based on Rs. 2 per share.

** : Indus Software Employees Stock Option Plan - Year 2001 under which originally the price was based on Rs. 10 per share for 21,967 shares. As a result of amalgamation of Indus Software Private Limited into R Systems, R Systems had issued 206,822 equity shares of Rs. 2 each pursuant to the swap ratio approved by Hon'ble High Courts of Delhi and Mumbai.

***: R Systems International Ltd. - Year 2004 Employee Stock Option Plan - ECnet under which the price was based on Rs. 2 per share.

The above information is based on Rs. 2 per share prior to consolidation of 5 equity shares of Rs. 2 each into one equity share of Rs. 10 each and subsequent allotment of bonus shares in the ratio of 1 : 1.

Further, for the purpose of valuation of the options granted during the year 2005 under R Systems International Limited-Year 2004 Employee Stock Option Plan, the management obtained fair value of the options at the date of grant from a firm of Chartered Accountants, to determine accounting

impact, if any, of options granted. In the considered opinion of the valuer, the fair value of these option determined using 'Black Scholes Valuation Model' is "Nil" and thus no accounting thereof is required.

The assumptions used by the valuer for the purpose of determination of fair value are stated below:

Assumptions	Unit	Scheme	Comments by the valuer
Strike price	Rs.	42	
Current share price	Rs.	13.58	Taken on the basis of NAV and PECV method of valuation.
Expected option life	No. of Years	5	Being half of the maximum option life.
Volatility	%	1	In case of unlisted shares, the volatility may be taken as zero. Verma committee also recommends this.
Risk free return	%	7.42	Zero coupon rate estimated from trading government securities for a maturity corresponding to expected life of option - taken from sites of NSE.
Expected dividend Yield	%	-	Company has no set policy so dividend taken as zero.

The above information is based on Rs. 2 per share prior to consolidation of 5 equity shares of Rs. 2 each into one equity share of Rs. 10 each and subsequent allotment of bonus shares in the ratio of 1 : 1.

- (f) For the purpose of valuation of the options granted during the year ended December 31, 2007 under R Systems International Limited Employee Stock Option Scheme – 2007, the compensation cost relating to Employee Stock Options, calculated as per the intrinsic value method is Nil.

The management obtained fair value of the options at the date of grant from a firm of Chartered Accountants. In the considered opinion of the valuer, the fair value of these options determined using 'Black Scholes Valuation Model' is "Rs. 50.73" per option.

The assumptions used by the valuer for the purpose of determination of fair value are stated below:

Assumptions	Unit	Scheme	Comments by the valuer
Strike price	Rs.	120.70	
Current share price	Rs.	118.50	Price on the date of grant by Board of Directors i.e. closing price on July 11, 2007
Expected option life	No. of Years	4	Being the vesting period.

Assumptions	Unit	Scheme	Comments by the valuer
Volatility	%	44	On the basis of industry average.
Risk free return	%	7	Zero coupon rate estimated from trading government securities for a maturity corresponding to expected life of option – taken from sites of NSE.
Expected dividend Yield	%	0.86	Company has declared Dividends of 12% in the past. Assuming that it will continue declaring similar dividends in future.

In March 2005 the ICAI has issued a guidance note on "Accounting for Employees Share Based Payments" applicable to 'employee share based plan' the grant date in respect of which falls on or after April 1, 2005. The said guidance note requires the Proforma disclosures of the impact of the fair value method of accounting of employee stock compensation in the financial statements. Since the Company used the intrinsic value method the impact on the reported net profit and earnings per share by applying the fair value based method is as follows:

(Amount in Rs.)

Particulars	Year ended December 31, 2012	Year ended December 31, 2011
Profit after tax	183,619,844	165,125,278
Add: Intrinsic Value Compensation Cost	-	-
Less:- Fair Value Compensation Cost *	(786,296)	(585,874)
Adjusted Pro-forma Profit after tax Earnings Per Share	184,406,140	165,711,152
Basic		
- As reported	14.76	13.41
- Pro-forma	14.83	13.45
Diluted		
- As reported	14.76	13.26
- Pro-forma	14.83	13.30

* Figures in brackets represents income due to options lapsed during the year.

30. EARNINGS PER SHARE*

Particulars	Year ended December 31, 2012	Year ended December 31, 2011
Net profit after tax (Rs.)	183,619,844	165,125,278
Weighted average number of equity shares for calculating Basic EPS	12,438,064	12,316,886
Add: Equity shares for no consideration arising on grant of stock options under ESOP.	–	140,561
Weighted average number of equity shares for calculating Diluted EPS	12,438,064	12,457,447
Basic [Nominal value of shares Rs. 10 (Previous year: Rs. 10)] (Rs.)	14.76	13.41
Diluted [Nominal value of shares Rs. 10 (Previous year: Rs. 10)] (Rs.)	14.76	13.26

*Refer note 29 (f) above.

31. POST-EMPLOYMENT BENEFITS

The Company has an unfunded defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on separation equal to 15 days salary (last drawn salary) for each completed year of continuous service or part thereof in excess of six months subject to a maximum of Rs. 1,000,000.

The following table summarises the components of net benefit expense recognised in the Statement of Profit and Loss.

Net employee benefit expense recognised under Salary, wages and bonus

(Amount in Rs.)

Particulars	Year ended December 31, 2012	Year ended December 31, 2011
Current service cost	12,078,032	11,149,442
Interest cost on benefit obligation	6,235,987	3,910,824
Expected return on plan assets	–	–
Net actuarial (gain) / loss recognised in the year	4,386,197	(3,832,184)
Past service cost	–	–
Net employee benefit expense (also refer note 19)	22,700,216	11,228,082

Details of defined benefit gratuity plan

(Amount in Rs.)

Particulars	As at December 31, 2012	As at December 31, 2011
Defined benefit obligation	78,143,622	62,937,379
Fair value of plan assets	–	–
Present value of unfunded obligations	78,143,622	62,937,379
Less: Unrecognised past service cost	–	–
Plan liability / (asset)	78,143,622	62,937,379

Changes in the present value of the defined benefit gratuity plan are as follows:

(Amount in Rs.)

Particulars	Year ended December 31, 2012	Year ended December 31, 2011
Opening defined benefit obligation	62,937,379	57,825,653
Interest cost	6,235,987	3,910,824
Current service cost	12,078,032	11,149,442
Benefits paid	(7,493,973)	(6,116,356)
Actuarial (gains) / losses on obligation	4,386,197	(3,832,184)
Past service cost	–	–
Closing defined benefit obligation	78,143,622	62,937,379

The principal assumptions used in determining defined benefit gratuity plan obligations is shown below:

Particulars	Year ended December 31, 2012	Year ended December 31, 2011
Discount rate	8.25% p.a.	8.75% p.a.
Expected rate of return on plan assets	Not applicable	Not applicable
Salary Escalation Rate	10% p.a. for first year and 7% p.a. thereafter	10% p.a. for first year and 7% p.a. thereafter
Attrition rate:	As per table below	As per table below

Attrition rate used for the year ended December 31, 2012 and year ended December 31, 2011 are as per the table below:

Age (Years)	Rates
21 – 30	15%
31 – 34	10%
35 – 44	5%
45 – 50	3%
51 – 54	2%
55 – 59	1%

The estimates of future salary increases takes into account the inflation, seniority, promotion and other relevant factors.

Amounts for the current and previous four years are as follows:

(Amount in Rs.)

	Gratuity				
	December 31, 2012	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
Defined benefit obligation	78,143,622	62,937,379	57,825,653	42,199,151	46,466,537
Plan assets	-	-	-	-	-
Surplus / (deficit)	(78,143,622)	(62,937,379)	(57,825,653)	(42,199,151)	(46,466,537)
Experience adjustments on plan liabilities	2,63,983	1,934,614	(2,914,547)	(6,981,759)	116,082
Experience adjustments on plan assets	-	-	-	-	-

32. PARTICULARS OF DERIVATIVE INSTRUMENTS AND UNHEDGED FOREIGN CURRENCY EXPOSURE AS AT DECEMBER 31, 2012 AND DECEMBER 31, 2011:

As of December 31, 2012, the Group had derivative financial instruments to sell USD 11,600,000 (Previous year USD 10,950,000), sell EURO 400,000 (Previous year EURO 2,509,365), buy EURO Nil (Previous year Euro 225,000) and buy GBP Nil (Previous year GBP 500,000). The Company has not applied hedge accounting as these instruments do not qualify for hedge accounting. The Group has recognised mark-to-market gain of Rs. 5,814,261 (Previous year loss of Rs. 55,943,547) relating to such derivative financial instruments in the Profit and Loss Account for the year ended December 31, 2012.

	Currency	Foreign Currency amount		Closing foreign exchange rate		Amount (Rs.)	
		December 31,		December 31,		December 31,	
		2012	2011	2012	2011	2012	2011
LIABILITIES							
Deferred compensation to erstwhile shareholders of subsidiaries							
Short-term	SGD	269,285	269,285	45.00	41.11	12,117,859	11,068,991
	GBP	233,000	1,415,059	88.87	82.14	20,706,710	116,232,952
Long-term	GBP	-	864,316		82.14	-	70,994,905
Trade payable	USD	184,424	131,789	54.98	53.11	10,139,630	6,998,644
	EURO	1,930,135	1,013,220	72.46	68.66	139,847,934	69,567,685
ASSETS							
Trade receivable (Gross)	USD	7,064,732	8,347,176	54.98	53.11	388,418,978	443,276,784
	EURO	3,043,068	1,807,305	72.46	68.66	220,485,485	124,089,588
	GBP	41,184	16,981	88.87	82.14	3,660,022	1,394,847
	JPY	882,000	2,134,531	0.64	0.69	562,716	1,462,154
	AUD	18,836	5,000	56.99	53.95	1,073,443	269,760
	CHF	321,978	1,284,733	59.99	56.49	19,315,460	72,571,999
	THB	1,761,706	1,761,706	1.80	1.68	3,162,262	2,957,904
Loans and advances	USD	1,700	-	54.98	-	93,466	-
	EURO	3,235	-	72.46	-	234,392	-

	Currency	Foreign Currency amount		Closing foreign exchange rate		Amount (Rs.)	
		December 31,		December 31,		December 31,	
		2012	2011	2012	2011	2012	2011
Cash and bank balances							
	USD	2,300,838	1,190,520	54.98	53.11	126,500,067	63,222,581
	EURO	1,623,611	1,999,081	72.46	68.66	117,638,738	137,256,915
	GBP	798	303	88.87	82.14	70,924	24,894
	JPY	884,063	1,663,420	0.64	0.69	564,032	1,139,443
	CHF	22,340	261,759	59.99	56.49	1,340,147	14,786,228
	BGN	113	-	36.82	-	4,161	-
	PLN	124	-	17.67	-	2,183	-
	UAH	274	-	6.80	-	1,863	-
	MYR	367	-	17.94	-	6,576	-
	SEK	120	-	8.41	-	1,007	-
	MDL	797	-	4.52	-	3,599	-
	SGD	14	-	45.00	-	630	-
	RUB	700	-	1.79	-	1,255	-
	KD	14	-	194.55	-	2,724	-
	MOP	14	-	6.89	-	93	-
	PHP	660	-	1.34	-	881	-
	HRK	48	-	9.54	-	455	-
	INR	6,340	-	1.00	-	6,340	-

Above is on the basis of unhedged foreign currency exposures outstanding as at reporting date in the Company and its subsidiaries.

33. As of December 31, 2012 there is uncertainty regarding ultimate realisation relating to some of the customers due to their current financial position, therefore revenue aggregating Rs. 49,556,647 (Previous year Rs. 39,626,845) has been deferred till the time the realisation becomes reasonably certain.

34. DURING THE YEAR ENDED DECEMBER 31, 2006:

- The Company had made Initial Public Offering (IPO) of 4,408,361 equity shares of Rs. 10 each for cash at premium of Rs. 240 per share comprising of fresh issue of 2,825,006 equity shares by the Company and 1,583,355 equity shares offered for sale by the selling shareholders.
- Expenses of Rs. 101,895,339 net of recovery from certain selling shareholders Rs. 2,795,944 incurred in connection with the public issue of the Company had been adjusted against Securities Premium Account in terms of Section 78 of the Companies Act, 1956.
- Pursuant to initial public offer the Company gathered Rs. 706,250,000 (net of selling shareholders' proceeds), details of utilisation of IPO proceeds till December 31, 2011 are as follows:

(Amount in Rs.)

Objects	Total Estimated Project Cost*	Amount incurred till December 31, 2011
Upgrading and expansion of existing infrastructure*	229,993,200	229,993,200
Repayment of outstanding loans	36,550,000	36,550,000
Financing general working capital requirements	179,510,000	179,510,000
General corporate purposes*	159,059,625	159,059,625
Meeting offer expenses *	101,137,175	101,137,175
Total	706,250,000	706,250,000

* The Company had obtained approval from its shareholders at the Annual General Meeting held on May 2, 2008 for reallocation in the estimated project cost among above mentioned heads.

Further, the Company had also obtained approval from its shareholders at the Annual General Meeting held on May 20, 2010 for extension of time up to June 30, 2012 for utilisation of balance IPO proceeds.

During the year ended December 31, 2011, the Company had utilised the balance IPO proceeds amounting to Rs. 100,439,802 under General corporate purposes towards the initial payout for the acquisition of 100% shares of Computaris International Limited, U.K. With this the Company has utilised the entire IPO proceeds and complete details relating to utilisation are incorporated in the above table.

35. CASH AND BANK BALANCES

(Amount in Rs.)

Sl. No.	Particulars	As at December 31, 2012	As at December 31, 2011
	Cash on hand (A)	810,146	585,926
	Cheques on hand (B)	-	132,440
	Balance with scheduled banks		
	On current accounts		
1	ICICI Bank Limited	2,008,629	3,900,977
2	HDFC Bank Limited	507,728	471,504
3	Oriental Bank of Commerce	57,114	31,947
4	Vijaya Bank	24,308	24,383
5	State Bank of India	5,269,068	1,812,269
6	Canara Bank	-	57,952
7	Axis Bank Limited	4,704,981	7,954,128
8	State Bank of Bikaner & Jaipur	30,591	39,994
9	ABN Amro Bank N. V.	207,955	344,689
10	Kotak Mahindra Bank Limited	70,831	-
	Total (C)	12,881,205	14,637,843
	On cash credit / overdraft accounts		
1	State Bank of India	-	26,956,142
2	State Bank of Bikaner & Jaipur	1,386	1,937
3	Axis Bank Limited	96,572	95,947
	Total (D)	97,958	27,054,026

(Amount in Rs.)

Sl. No.	Particulars	As at December 31, 2012	As at December 31, 2011
	On EEFC accounts		
1	ICICI Bank Limited - USD	1,264,468	3,317,299
2	HDFC Bank Limited - USD	-	10,846
3	State Bank of India - USD	827,140	575,750
4	State Bank of India - EURO	-	394,725
5	Axis Bank Limited - USD	41,965,743	20,926,722
6	Axis Bank Limited - EURO	1,031,599	9,770,661
7	Axis Bank Limited - CHF	1,304,625	6,924,454
	Total (E)	46,393,575	41,920,457
	On deposit accounts		
1	Oriental Bank of Commerce	-	140,616,71
2	Vijaya Bank	4,114,074	3,291,894
3	State Bank of India	101,196,120	88,792,506
4	ICICI Bank Limited	108,922,350	130,607,028
5	State Bank of Bikaner & Jaipur	55,850,000	75,650,000
6	HDFC Bank Limited	-	55,000,000
7	Canara Bank	76,559	64,715
8	Kotak Mahindra Bank Limited	49,600,000	-
9	Axis Bank Limited	159,823,511	10,100,000
	Total (F)	479,582,614	504,122,853
	On unclaimed dividend accounts		
1	HDFC Bank Limited	1,193,738	597,793
	Total (G)	1,193,738	597,793
	Balance with other banks		
	On current accounts		
1	California Bank & Trust, USA	119,726,252	86,877,765
2	Citibank Singapore Ltd, Singapore	10,028,048	5,512,537
3	DBS Bank Ltd, Singapore	1,649,174	1,026,839
4	Malayan Banking Berhad, Malaysia	9,940,317	8,907,323
5	Hang Seng Bank Limited, Hong Kong	234,894	299,739
6	Citibank NA, Thailand	3,729,880	2,618,810
7	Bank of China, China	13,630,006	13,031,717
8	Industrial and Commercial Bank of China Ltd, China	-	1,179,119
9	Sumitomo Mitsui Banking Corporation, Japan	764,424	1,182,955
10	Mizuho Bank Ltd, Japan	331,677	245,144
11	The Bank of Tokyo-Mitsubishi UFJ, Ltd., Japan	341,154	175,303
12	ING Belgium NV, Belgium	860,169	1,335,186
13	ABN Amro Bank, Netherlands	49,440,550	58,124,385
14	ABN Amro Bank, France	479,653	389,746
15	Natwest Bank	75,124,538	104,516,397

(Amount in Rs.)

Sl. No.	Particulars	As at December 31, 2012	As at December 31, 2011
16	Bank Zachodni WBK SA	1,565,483	20,396,680
17	Mobiasbanca - Groupe Societe Generale SA	10,774,314	11,271,805
18	BRD Groupe Societe Generale SA	8,871,704	4,433,442
19	Banca Comerciala Romania SA	98,245	392,455
20	CIMB Bank BHD	718,443	317,670
21	Branch Banking and Trust Company	2,173,546	10,717,802
	Total (H)	310,482,471	332,952,819
	On cash credit / overdraft account		
1	ABN Amro Bank, Netherlands	-	3,437,055
	Total (I)	-	3,437,055
	On deposit accounts		
1	California Bank & Trust, USA	-	265,525
2	ABN Amro Bank, Netherland	5,138,252	4,784,524
3	Banca Comerciala Romania SA	718,042	3,033,463
4	Bank Zachodni WBK SA	28,983,118	5,906,800
5	BRD Groupe Societe Generale SA	3,109,489	10,122,325
	Total (J)	37,948,901	24,112,637
	Less: Amount disclosed under other current assets (also refer note 15.2)	(74,834,789)	(120,439,539)
	Total cash and bank balance (also refer note 16)	814,555,819	829,114,310

36. During the year ended December 31, 2012 one of the subsidiary of the Company has signed a definitive agreement to acquire the ERP business of a Singapore based Company. This is subject to relevant corporate and regulatory approvals.
37. (a) Previous year figures have been regrouped / reclassified where necessary to make them comparable to the current year classification.
- (b) Figures pertaining to Subsidiaries have been reclassified wherever considered necessary to bring them in line with the Company's financial statements. Further, as indicated in note 2 above, certain changes had taken place in the group structure. Accordingly, the current year figures are not strictly comparable with previous year figures.

As per our report of even date.

For S.R. Batliboi & Co.

For and on behalf of the Board of Directors of R Systems International Limited

Firm registration number: 301003E

Chartered Accountants

Sd/- per Yogender Seth Partner Membership No. 94524	Sd/- Satinder Singh Rekhi [Chairman & Managing Director]	Sd/- Lt. Gen. Baldev Singh (Retd.) [President & Senior Executive Director]	Sd/- Raj Swaminathan [Director & Chief Operating Officer]	Sd/- Nand Sardana [Chief Financial Officer]	Sd/- Vikash Kumar Tiwari [Company Secretary & Compliance Officer]
Place : NOIDA Date : February 09, 2013	Place : NOIDA Date : February 09, 2013	Place : NOIDA Date : February 09, 2013	Place : NOIDA Date : February 09, 2013	Place : NOIDA Date : February 09, 2013	Place : NOIDA Date : February 09, 2013

INFORMATION OF SUBSIDIARY COMPANIES DISCLOSED AS PER TERMS OF EXEMPTION UNDER SECTION 212 (8) OF THE COMPANIES ACT, 1956

S. No.	Name of the subsidiary	The financial year of the subsidiary ended on	Holding company's Interest	Shares held by the holding company in the subsidiary (including its nominees in the subsidiary)	Capital	Reserves	Total assets	Total liabilities	Details of investments (except investment in subsidiaries)	Turnover	(Rs. in Lakhs)			
											Profit / (loss) before taxation	Provisions for taxation / (benefit)	Profit / (loss) after taxation	Proposed dividend
1	R Systems (Singapore) Pte Limited, Singapore	Dec 31, 2012	100.00%	4,070,000 ordinary shares of no par value	1,059.30	444.38	1,586.09	82.41	-	1,183.72	45.80	-	45.80	Nil
2	R Systems, Inc., USA	Dec 31, 2012	100.00%	2,000 common shares of no par value	278.00	1,283.66	2,575.85	1,014.19	-	7,225.43	101.82	55.03	46.79	Nil
3	Indus Software, Inc., USA	Dec 31, 2012	100.00%	243,750 common shares of no par value	107.86	(309.90)	104.89	306.93	-	794.66	8.45	1.62	6.83	Nil
4	R Systems Solutions, Inc., USA	Dec 31, 2012	100.00%	11,335,833 common shares of no par value and 8,666,884 series A preferred stock of no par value	827.27	(691.29)	589.53	453.55	-	1,974.80	285.42	0.92	284.50	Nil
5	R Systems NV, Belgium	Dec 31, 2012	100.00%	200 common shares of Euro 310 each	34.75	(29.12)	8.60	2.97	-	-	(5.15)	-	(5.15)	Nil
6	R Systems Europe B.V, Netherlands	Dec 31, 2012	100.00%	3,170 ordinary shares of Euro 100 each	182.14	112.06	1,668.89	1,374.69	-	4,080.43	(38.98)	-	(38.98)	Nil
7	R Systems S.A.S, France	Dec 31, 2012	100.00%	10,000 ordinary shares of Euro 15.24 each	87.59	433.83	889.11	367.69	-	886.71	36.69	13.22	23.47	Nil
8	ECnet Limited, Singapore	Dec 31, 2012	99.56%	99.56% of 57,470,869 ordinary shares of no par value	22,858.16	(23,410.09)	1,088.25	1,640.18	-	1,151.55	(219.43)	-	(219.43)	Nil
9	ECnet (M) Sdn. Bhd, Malaysia	Dec 31, 2012	99.56%	99.56% of 500,000 ordinary shares of RM 1 each	73.53	(25.35)	452.88	404.70	-	928.84	28.70	30.83	(2.13)	Nil
10	ECnet, Inc., USA	Dec 31, 2012	99.56%	99.56% of 1,000 shares of US\$ 2 each	0.91	(1,743.95)	12.43	1,755.47	-	-	(0.23)	-	(0.23)	Nil
11	ECnet (Hong Kong) Limited, Hong Kong ⁽¹⁾	Dec 31, 2012	99.56%	99.56% of 2 ordinary shares of HK \$1 each	-	42.48	48.59	6.11	-	32.28	8.65	0.60	8.05	Nil
12	ECnet Systems (Thailand) Co. Limited, Thailand	Dec 31, 2012	99.56%	99.56% of 400,000 ordinary shares of 5 THB each	23.40	87.61	260.89	149.88	-	193.73	(20.75)	-	(20.75)	Nil
13	ECnet Kabushiki Kaisha, Japan	Dec 31, 2012	99.56%	99.56% of 200 shares of 50,000 Yen each	42.88	(307.24)	9.46	273.82	-	38.11	(46.67)	-	(46.67)	Nil
14	ECnet (Shanghai) Co. Limited, China	Dec 31, 2012	99.56%	99.56% of shares of no par value	91.22	(254.22)	165.57	328.57	-	258.13	(26.94)	-	(26.94)	Nil
15	Computaris International limited, UK	Dec 31, 2012	100.00%	80,000 shares of GBP 0.01 each	0.58	2,054.04	2,902.42	847.80	-	7,095.23	(671.68)	(234.45)	(437.23)	Nil
16	Computaris limited, UK	Dec 31, 2012	100.00%	80,000 shares of GBP 0.01 each	0.58	(0.58)	-	-	-	-	-	-	-	Nil
17	Computaris Romania Srl, Romania	Dec 31, 2012	100.00%	100 shares of RON 16 each	0.23	499.72	650.17	150.22	-	4,233.35	124.58	18.94	105.64	Nil
18	Computaris Polska sp zoo, Poland	Dec 31, 2012	100.00%	100 shares of PLN 500 each	8.04	83.72	2,041.38	1,949.62	-	1,460.18	(295.23)	82.26	(377.49)	Nil
19	ICS Computaris International Srl, Moldova	Dec 31, 2012	100.00%	Shares of no par value	0.21	283.00	320.95	37.74	-	738.11	99.97	17.30	82.67	Nil
20	Computaris Malaysia Sdn. Bhd., Malaysia	Dec 31, 2012	100.00%	1,000 ordinary shares of RM 1 each	0.15	9.63	17.39	7.61	-	153.44	3.98	0.25	3.73	Nil
21	Computaris USA, Inc., USA	Dec 31, 2012	100.00%	100 shares of USD 1 each	0.05	16.02	106.78	90.71	-	770.26	53.77	10.30	43.47	Nil
22	Systèmes R. International Ltée, Canada ⁽²⁾	Dec 31, 2012	100.00%	Shares not yet issued	-	(3.01)	-	3.01	-	-	(3.03)	-	(3.03)	Nil

Notes :

- The absolute amount of share capital in ECnet (Hong Kong) Limited, Hong Kong is Rs. 12 /- (2 ordinary shares of HKD 1 each).
- Subsidiary w.e.f. October 29, 2012.

For and on behalf of the Board of Directors of R Systems International Limited

Sd/- Satinder Singh Rekhi [Chairman & Managing Director] Place : NOIDA Date : February 09, 2013	Sd/- Lt. Gen. Baldev Singh (Retd.) [President & Senior Executive Director] Place : NOIDA Date : February 09, 2013	Sd/- Raj Swaminathan [Director & Chief Operating Officer] Place : NOIDA Date : February 09, 2013	Sd/- Nand Sardana [Chief Financial Officer] Place : NOIDA Date : February 09, 2013	Sd/- Vikash Tiwari [Company Secretary & Compliance Officer] Place : NOIDA Date : February 09, 2013
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NOTICE

R SYSTEMS INTERNATIONAL LIMITED

NOTICE OF NINETEENTH ANNUAL GENERAL MEETING

(Registered Office: B - 104A, Greater Kailash - I, New Delhi - 110 048)

Website: www.rsystems.com; Email: investors@rsystems.com

NOTICE is hereby given that Nineteenth Annual General Meeting of the shareholders of R SYSTEMS INTERNATIONAL LIMITED (the "Company" / "R Systems") will be held on Saturday, May 11, 2013 at 9.00 A.M. at Air Force Auditorium, Subroto Park, New Delhi - 110 010 for transacting the following business:

AS ORDINARY BUSINESS

- To receive, consider and adopt the audited balance sheet as at December 31, 2012 and the profit and loss account for the year ended on that date together with the reports of auditors and directors thereon.
- To declare final dividend for the year ended December 31, 2012 and confirm special dividend in the form of interim dividend of Rs. 16/- per equity shares paid during the year ended December 31, 2012.
- To appoint a director in place of Mr. Raj Kumar Gogia, who retires by rotation and, being eligible, offers himself for reappointment.
- To appoint a director in place of Mr. Gurbax Singh Bhasin, who retires by rotation and, being eligible, offers himself for reappointment.
- To appoint Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration. M/s. S. R. Batliboi & Co. LLP (formerly M/s. S. R. Batliboi & Co.), Chartered Accountants, the retiring Auditors are eligible for reappointment.

AS SPECIAL BUSINESS

- Reappointment and payment of remuneration to Mr. Raj Swaminathan as Director and Chief Operating Officer of the Company

To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 198, 269 read with Schedule XIII, 309 and 311 of the

Companies Act, 1956 read with Article 165 and 167 of the Articles of Association of the Company and other applicable provisions, if any, and subject to the approval of the Central Government and other authorities, if required, consent of the members of the Company be and is hereby accorded for the reappointment of and payment of remuneration to Mr. Raj Swaminathan as Director and Chief Operating Officer of the Company, liable to retire by rotation, for a period of three years i.e. w.e.f. September 29, 2012 to September 29, 2015 in accordance with the provisions of the Companies Act, 1956 and applicable R Systems' policies on the following terms and conditions.

Monthly Salary Particulars	INR
Basic	186,600
HRA	93,300
Conveyance Allowance	800
Executive Allowance	136,937
Gross Per Month	417,637
Annual Allowances	
Leave Travel Assistance	119,996
Company's Contribution to Provident Fund	9,360
Gross Annual Allowances	129,356
Annual Reimbursements	
Medical Reimbursement	15,000
Petrol Reimbursement	144,000
Gross Annual Reimbursements	159,000
Gross Per Annum	5,300,000

In addition to the above, he will be eligible for the Group Medclaim and Personal Accident Insurance as per Company policy.

He will also be eligible for a performance incentive consisting of a fixed bonus of Rs. 1,100,000 paid pro rata for period of service in the year, at the end of each year and a variable bonus subject to a maximum of Rs. 1,000,000 per annum and subject to his being on the rolls of the Company at the time the same is declared. This incentive is discretionary and is based on the Company's performance in that financial year and also his own annual performance.

RESOLVED FURTHER THAT as per the usual terms and conditions of the employment of Mr. Raj Swaminathan with

the Company, he will be entitled for a maximum annual increment of 15% per annum at the discretion of the Managing Director and Chief Executive Officer and subject to the approval of the Remuneration Committee and the Board on the total cost to the Company effective on October 01, 2013 and October 01, 2014.

RESOLVED FURTHER THAT in the event of absence or inadequacy of profits in any financial year during the tenure of Mr. Raj Swaminathan as Director and Chief Operating Officer of the Company, the Company shall pay him the remuneration as specified above as minimum remuneration.

RESOLVED FURTHER THAT the board of directors be and is hereby authorised to do all such acts, deeds, matters and things as may be necessary, proper or expedient, to give effect to this resolution and the Board may, by a resolution delegate the aforementioned power to any committee of directors, the managing director, director or any other principal officer of the Company on such conditions as the Board may prescribe.”

7. Alteration of Articles of Association

To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution**:

“**RESOLVED THAT** pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modifications or re-enactments thereof, for the time being in force), consent of the members of the Company be and is hereby accorded for alteration of the Articles of Association of the Company in the following manner:

- (a) Insertion of new article 68(a) (3) immediately after existing article 68(a) (2)

“Notwithstanding anything contained in the preceding sub-clause, the Company may:

- (i) *by a Special Resolution or*
- (ii) *where no such Special Resolution is passed, if the votes cast (whether on a show of hands or on a poll, as the case may be) in favour of the proposal contained in the resolution moved in that General Meeting (including the casting vote, if any, of the Chairman) by Members who, being entitled to do so, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by Members so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf, that the proposal is most beneficial to the company,*

offer further Shares to any person or persons, and such person or persons may not include the persons who at the date of the offer, are the holders of the equity shares of the Company.”

- (b) Insertion of new article 159A immediately after existing article 159:

“The Directors for the time being of the Company may be paid a sitting fee as may be decided by the Board from time to time for every meeting of the Board or of a Committee of the Board attended by them in addition to all travelling expenses by rail, road or air as the case may be and such other allowances as the Board may decide from time to time in respect of halting and other expenses incurred by them in attending and returning from such meeting of the Board or of any Committee of the Board and also for other visits made by Director for the Company’s business subject to the provisions of the Companies Act, 1956.”

RESOLVED FURTHER THAT the board of directors be and is hereby authorised to do all such acts, deeds, matters and things as may be necessary, proper or expedient, to give effect to this resolution and the Board may, by a resolution delegate the aforementioned power to any committee of directors, director or any other principal officer of the Company on such conditions as the Board may prescribe.”

8. Increasing the limit of Foreign Institutional Investors (FIIs) holding to 40%

To consider and if thought fit, to pass the following resolution, with or without modification(s), as a **Special Resolution**:

“**RESOLVED THAT** in accordance with the provisions of the Foreign Exchange Management Act, 1999, the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000, as amended read with Schedule 2 thereof regarding purchase/sale of shares/convertible debentures of an Indian Company by a registered Foreign Institutional Investors (FIIs) under Portfolio Investment Scheme (“PIS”) and other applicable provisions, if any, of Foreign Exchange Management Act, 1999 (including any amendment to or re-enactment thereof), the provisions of Memorandum and Articles of Association of the Company, and the provisions of any other applicable law/s, and subject to the approval of the Government of India, Reserve Bank of India (“RBI”), Securities and Exchange Board of India (“SEBI”), Foreign Investment Promotion Board (“FIPB”) or any other regulatory authority/institutions, as may be necessary, and subject also to the consents, permissions and sanctions of such other appropriate authorities, institutions or bodies,

whether in India or abroad, as may be necessary, and also subject to such policies, notifications, clarifications, regulatory framework of the government as may be in force from time to time; consent, authority and approval of the Company be and is hereby accorded for raising the ceiling of 24% of the total paid up equity share capital of the company on investments in securities by Foreign Institutional Investors (FIIs), to 40% of the paid up equity share capital of the company subject to the condition that the holding of any single FII or each SEBI approved sub-account of a FII or the concerned FII group does not exceed 10% of the paid up equity share capital of the company or such limits as are or may be prescribed, from time to time, under applicable laws, rules and regulations.

RESOLVED FURTHER THAT for the purpose of giving effect to the above, the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee to which the Board may have delegated all or any of its powers) be and is hereby authorized to take all such actions/steps as may be necessary, desirable or expedient, including, if required, to accept such conditions and modifications, stipulated by any relevant authorities, as the Board may consider necessary, and to resolve and settle all questions and difficulties that may arise, and, to do all acts, deeds, matters and things which are incidental and consequential, as the Board may at its absolute discretion deem necessary or desirable for such purposes and, to execute such documents or writings as the Board may consider necessary or proper or incidental to give effect to this resolution."

By Order of the Board
For R Systems International Limited

Sd/-

Vikash Kumar Tiwari

Place : Noida

Date : April 15, 2013 (Company Secretary & Compliance Officer)

NOTES

- (i) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY SO APPOINTED NEED NOT BE A MEMBER OF THE COMPANY. THE PROXIES IN ORDER TO BE EFFECTIVE SHOULD BE DULY COMPLETED, STAMPED AND SIGNED AND MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE AFORESAID MEETING.
- (ii) Corporate members intending to send their authorised representatives are requested to send a duly certified copy of the board or governing body resolution authorising the representatives to attend and vote at the Annual General Meeting.
- (iii) Members / proxies attending the meeting are requested to:
- bring their copies of annual report sent to the members, as copies of the annual report shall not be distributed at the Annual General Meeting;
 - note that no gift coupons shall be distributed at the Annual General Meeting; and
 - quote their Folio / Client ID and DP ID number in all correspondences.
- (iv) The register of members and share transfer books of the Company shall remain closed from May 03, 2013 to May 11, 2013 (both days inclusive).
- (v) The dividend of 75% for the year ended December 31, 2012 as recommended by the Board, if declared at the Annual General Meeting, will be payable to those members whose names appear:
- as beneficial owners as per list to be furnished by the depositories in respect of the shares held in demat form; and
 - as members on the register of members of the Company in respect of the shares held in physical form
- as at opening business hours on May 03, 2013 after giving effect to all valid share transfers which would be received by the Company's registrar and share transfer agent M/s Link Intime India Private Limited up to the end of business hours on May 02, 2013.
- (vi) Payment of dividend through NECS / ECS
- Members holding shares in physical form are advised to submit particulars of their bank account, viz. name and address of the branch of the bank, 9 digit MICR code of the branch, type of account and account number to the Company's registrar and share transfer agent M/s Link Intime India Private Limited, 44, Community Centre, 2nd Floor, Naraina Industrial Area, Phase- I, Near PVR Naraina, New Delhi 110 028.
 - Members holding shares in demat form are advised to inform the particulars of their bank account to their respective depository participants.
- (vii) Shareholders holding shares in electronic form may kindly note that their bank account details as furnished by their depositories to the Company will be printed on their dividend

warrants as per applicable regulations of the depositories and the Company will not entertain any direct request from such shareholders for deletion of / change in such bank details. Further instructions, if any, already given by them in respect of shares held in physical form will not be automatically applicable to shares held in electronic mode. Members holding shares in electronic form are advised to notify the changes, if any, in their address / bank details / mandate to their respective depository participants.

- (viii) Any query proposed to be raised at the Annual General Meeting may be sent to the Company at its registered office at least seven days prior to the date of the meeting to enable the management to compile the relevant information to respond to the query in the meeting. The envelope may please be superscribed "Attention: Mr. Vikash Kumar Tiwari, Company Secretary & Compliance Officer".
- (ix) Members holding shares in physical form, may write to the Company or to the registrar and share transfer agent M/s Link Intime India Private Limited for any change in their addresses and bank mandate. Members holding shares in electronic form may write to their depository participants for immediate updation so as to enable the Company to dispatch the dividend warrants to the correct addresses.
- (x) The statutory register maintained under Section 307 of the Companies Act, 1956 and the certificate of the auditors of the Company certifying the implementation of the Company's stock option plans / schemes in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 as amended and the resolutions passed by the members in the general meeting, will be available at the venue of the Annual General Meeting for inspection by members.
- (xi) All documents referred to in the Notice and accompanying explanatory statements as well as the annual accounts of the subsidiaries etc., are open for inspection at the registered office of the Company on all working days between 11:00 A.M. and 02:00 P.M. up to the date of the Annual General Meeting.
- (xii) Members / proxies are requested to bring the attendance slips duly filled in and signed for attending the Meeting.
- (xiii) Pursuant to the provisions of Section 109A of the Companies Act, 1956, shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nominations are requested to send their requests in Form 2B (which will be made available on request) to the registrar and share transfer agent M/s Link Intime India Private Limited or can be downloaded from the following URL http://www.rsystems.com/investors/download_index.aspx
- (xiv) Pursuant to provisions of Section 205A (5) of the Companies Act, 1956, dividend which remains unpaid or unclaimed for a period of seven years from the date of its transfer to unpaid dividend account, is required to be transferred by the Company to Investor Education and Protection Fund ('IEPF'), established by the Central Government under the provisions of Section 205C of the Companies Act, 1956. Shareholders are advised to claim the unclaimed dividend lying in the unpaid dividend account from the Company's registrar and share transfer agent M/s Link Intime India Private Limited or directly from the Company. It may be noted that once the unclaimed dividend is transferred to IEPF of the Central Government as above, no claim shall lie in respect thereof against the Company or IEPF.
- (xv) Additional information, pursuant to Clause 49 of the Listing Agreement entered into with stock exchanges, in respect of directors recommended for approval of appointment/reappointment at the Annual General Meeting and Explanatory Statement as required under Section 173(2) of the Companies Act, 1956, in respect of special business under item number 6, 7 and 8 of the Notice is appended hereto and forms part of this Notice. Further, disclosures required to be made in terms of Section II Clause C of Part II of Schedule XIII with respect to the proposed resolutions for the reappointment of and payment of remuneration to Mr. Raj Swaminathan, Director and Chief Operating Officer under item number 6 is also given in the said Explanatory Statement and form part of this Notice of the Annual General Meeting.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956

ITEM NO. 6

REAPPOINTMENT AND PAYMENT OF REMUNERATION TO MR. RAJ SWAMINATHAN AS DIRECTOR AND CHIEF OPERATING OFFICER OF THE COMPANY

Mr. Raj Swaminathan, aged about 53 years, has over 28 years of experience in IT & Financial Services Industry. He has done Post Graduate Diploma in Business Management from Xavier Labour Relations Institute, Jamshedpur after his Bachelor of Engineering (Mechanical) from Bangalore University. Prior to joining R Systems, Raj has had a distinguished 11 years' career at GE, where he was Vice President and CIO at GE-Countrywide, India and part of the senior Global Consumer Finance corporate IT team. Earlier in his career, Raj also headed the IT function at Standard Chartered Bank for the consumer, corporate banking and treasury businesses.

Mr. Raj Swaminathan joined the Board of the Company as director on September 29, 2006 for a term of three years. Since then, he is continuously providing his guidance and support on the Board. He was further re-appointed for a term of three years i.e. w.e.f. September 29, 2009 to September 29, 2012. The said term of his appointment had completed and considering his continued contributions and efforts towards the success of the Company, the Board on the approval and recommendation of the Remuneration Committee reappointed him for a further term of three years i.e. w.e.f. September 29, 2012 to September 29, 2015 subject to the approval of the Shareholders, Central Government and other authorities, if applicable. Presently Mr. Raj Swaminathan is heading the Indus operations of R Systems and his presence is crucial for the effective and efficient operations of the business.

Mr. Raj Swaminathan is not holding any office of director / member in other company's board / committee. Further as on the date of this notice he holds 20,000 equity shares in the Company. Apart from the employment benefits as Director and Chief Operating Officer of R Systems, he does not have any pecuniary or other relationship with the Company.

The Board recommends that the shareholders approve the said reappointment and remuneration by way of a special resolution.

None of the Directors except Mr. Raj Swaminathan so far as it relates to his own reappointment and remuneration, is concerned or interested in the proposed resolution.

Statement containing the prescribed information as required in terms of Section II Clause C of Part II of Schedule XIII of the Companies Act, 1956

I. GENERAL INFORMATION

(1) Nature of Industry:

The Company is engaged in the business of providing software engineering, information technology related services, business process outsourcing services, developing and selling software products for the retail-lending sector and in supply chain execution.

(2) Date or expected date of commencement of commercial production:

The Company is already in existence and is in operation since May 14, 1993.

(3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus:

Not Applicable.

(4) Financial performance based on given indicators:

Financial performance of the Company for last 3 years is as follows:

(Rs. in lakhs)

Particulars	Financial Year ended		
	31.12.2012	31.12.2011	31.12.2010
Total income	23,314.88	19,768.03	18,538.13
Profit before depreciation, exceptional items and tax	3,696.62	1,671.59	2,311.46
Less : Depreciation and amortisation	624.01	881.24	862.65
Less : Exceptional item (Provision for diminution in value of long term investments)	–	–	18.50
Profit before tax	3,072.61	790.35	1,430.31
Less : Current tax (net of MAT credit)	954.02	477.24	185.89
Less : Deferred tax	65.82	(333.40)	(430.95)
Profit after tax	2,052.77	646.51	1,675.37
Surplus in the statement of profit and loss			
Balance as per last financial statements	8,050.09	7,982.43	6,819.30
Add: Profit for the current year	2,052.77	646.51	1,675.37
Less: Appropriations			
Proposed dividend	939.05	443.41	295.60
Tax on proposed dividend	152.34	70.79	49.10
Final dividend*	3.50	–	–
Tax on final dividend*	0.57	–	–
Interim dividend	1,991.95	–	–
Tax on interim dividend	323.14	–	–
Transfer to general reserve	595.29	64.65	167.54
Total appropriations	4,005.84	578.85	512.24
Net surplus in the statement of profit and loss	6,097.02	8,050.09	7,982.43

*It relates to final dividend paid for the year 2011, on account of 97,220 additional equity shares issued under ESOP after the approval of previous year accounts but before the book closure dates.

(5) Export performance and net foreign exchange collaborations:

R Systems has investments from non residents and foreign bodies corporate. Foreign exchange earnings and outgo of the Company for last 3 years is as follows:

(Rs. in lakhs)

Particulars	Financial Year ended		
	31.12.2012	31.12.2011	31.12.2010
(a) Earnings (Accrual Basis)	20,822.06	17,626.93	16,400.32
(b) Expenditure (Accrual Basis)	3,776.85	3,637.97	3,468.33
(c) CIF value of imports	91.16	158.19	117.95

(6) Foreign investments or collaborators, if any:

R Systems has investments from non residents and foreign bodies corporate and R Systems has made investments outside India. As on date R Systems has 10 subsidiaries, all incorporated and based outside India. Its subsidiaries, ECnet Limited, based in Singapore and Computaris International Limited, U.K. has six subsidiaries each. Therefore in terms of the provisions of the Companies Act, 1956 R Systems has in aggregate twenty two subsidiaries all incorporated and based outside India.

II. INFORMATION ABOUT THE APPOINTEE

(1) Background details:

Mr. Raj Swaminathan, aged about 53 years, has over 28 years of experience in IT & Financial Services Industry. He has done Post Graduate Diploma in Business Management from Xavier Labour Relations Institute, Jamshedpur, after his Bachelor of Engineering (Mechanical) from Bangalore University. Prior to joining R Systems, Raj has had a distinguished 11 years' career at GE, where he was Vice President and CIO at GE-Countrywide, India and part of the senior Global Consumer Finance corporate IT team. Earlier in his career, Raj also headed the IT function at Standard Chartered Bank for the consumer, corporate banking and treasury businesses.

Mr. Raj Swaminathan joined the Board of the Company as director on September 29, 2006 for a term of three years. Since then he is continuously providing his guidance and support on the Board. He was further re-appointed for a term of three years i.e. w.e.f. September 29, 2009 to September 29, 2012. Presently Mr. Raj Swaminathan is heading the Indus operations of R Systems and his presence is crucial for the effective and efficient operations of the business.

(2) Past remuneration:

Income during the last 3 years

	Total Cost to the Company (in Rs.)	Rs. Per Month
For the year ended December 31, 2012	5,679,795	473,316
For the year ended December 31, 2011	4,643,502	386,959
For the year ended December 31, 2010	4,378,564	364,880

(3) Recognition or awards:

Mr. Raj Swaminathan holds Post Graduate Diploma in Business Management from Xavier Labour Relations Institute, Jamshedpur and Bachelor of Engineering (Mechanical) from Bangalore University.

(4) Job profile and his suitability:

Mr. Raj Swaminathan, aged about 53 years, has over 28 years of experience in IT & Financial Services Industry. Mr. Raj Swaminathan is presently heading the Indus operations of R Systems. He has done Post Graduate Diploma in Business Management from Xavier Labour Relations Institute, Jamshedpur, after his Bachelor of Engineering (Mechanical) from Bangalore University. Prior to joining R Systems, Raj has had a distinguished 11 years' career at GE, where he was Vice President and CIO at GE-Countrywide, India and part of the senior Global Consumer Finance corporate IT team. Earlier in his career, Raj also headed the IT function at Standard Chartered Bank for the consumer, corporate banking and treasury businesses. Considering his experience and knowledge, R Systems will benefit from his capabilities and wishes to reappoint him as Director and Chief Operating Officer of the Company.

(5) Remuneration proposed:

Mr. Raj Swaminathan is proposed to be reappointed on the following remuneration:

Monthly Salary Particulars	INR
Basic	186,600
HRA	93,300
Conveyance Allowance	800
Executive Allowance	136,937
Gross Per Month	417,356
Annual Allowances	
Leave Travel Assistance	119,996
Company's Contribution to Provident Fund	9,360
Gross Annual Allowances	129,356
Annual Reimbursements	
Medical Reimbursement	15,000
Petrol Reimbursement	144,000
Gross Annual Reimbursements	159,000
Gross Per Annum	5,300,000

In addition to the above, he will be eligible for the Group Mediclaim and Personal Accident Insurance as per Company policy.

He will also be eligible for a performance incentive consisting of a fixed bonus of Rs. 1,100,000 paid pro rata for period of service in the year, at the end of each year and a variable bonus subject to a maximum of Rs. 1,000,000 per annum and subject to his being on the rolls of the Company at the time the same is declared. This incentive is discretionary and is based on the Company's performance in that financial year and also his own annual performance.

In addition, as per the usual terms and conditions of his employment, he will be entitled for a maximum annual increment of 15% per annum at the discretion of the Managing Director and Chief Executive Officer and subject to the approval of the Remuneration Committee and the Board on the total cost to the Company effective on October 01, 2013 and October 01, 2014 and he will be entitled to the aforementioned minimum remuneration and annual increment as approved even in the case of absence or inadequacy of profits in any financial year during his tenure.

- (6) Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin):

The proposed remuneration is reasonably justified in comparison with the general market trends and remuneration package of top-level managerial persons having comparable qualification and experience.

- (7) Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any:

Apart from remuneration stated herein above, Mr. Raj Swaminathan has also been granted 60,000 stock options under R Systems International Limited Employees Stock Option Scheme 2007 on July 11, 2007. Out of said 60,000 stock options, Mr. Raj Swaminathan has already exercised 50,000 options during the year 2012 and only 10,000 options are outstanding on the date of this notice.

As on the date of this notice, Mr. Raj Swaminathan holds 20,000 shares in R Systems. Further except the proposed remuneration, he does not have any pecuniary or other relationship with the Company or with any of the managerial personnel.

III. OTHER INFORMATION

- (1) Profitability of R Systems:

Reasons for inadequate profits: The Company has made a reasonable profit during the last financial year ended December 31, 2012. R Systems total income increased to Rs. 23,314.88 lakhs as against Rs. 19,768.03 lakhs during the same period in the previous year, a growth of 17.94%. Profit after tax for the year ended December 31, 2012 was Rs. 2,052.77 lakhs as against Rs. 646.51 lakhs during the same period in the previous year, a growth of 217.51%.

- (2) Strategy for performance enhancement:

Steps taken or proposed to be taken for improvement: R Systems management process involves taking continuous steps to improve performance through growth in revenues, managing costs and improving productivity. The financial strategy involves maintaining a secure financial position, managing risks and ensuring accurate and timely reporting of performance.

- (3) Expected increase in productivity and profits in measurable terms:

Barring unforeseen circumstances, R Systems expects to close the current financial year with improved sales and profitability.

IV. DISCLOSURES

- (1) The Members are being informed of the remuneration package by way of explanatory statement as given above.
- (2) The details of remuneration etc. of other directors are included in the Directors' report under the heading Corporate Governance.

ITEM NO. 7

ALTERATION OF ARTICLES OF ASSOCIATION

Section 81(1A) of the Companies Act, 1956 enables the Companies to issue shares to persons other than existing shareholders subject to compliance of the said provisions of Section 81(1A) of the Companies Act, 1956.

Further, sub-section (2) of Section 309 of the Companies Act, 1956 permits the companies to pay sitting fees to its directors for each meeting of the Board or a committee thereof, attended by them.

In order to incorporate enabling provisions in its Articles of Association with respect to preferential issue and payment of sitting fee to non-executive directors for the meetings of the Board or a committee thereof, the Board of Directors at its meeting held on April 15, 2013, has approved the proposal to amend the Articles of Association of the Company for inserting a new article 68(a) (3) and new article 159A respectively as mentioned in the proposed resolution, subject to the approval of the shareholders and all authorities concerned.

The board of directors recommends the resolution set out in Item No. 7 hereinbefore to be approved by shareholders by way of passing it as a special resolution.

None of the directors, except non-executive directors i.e. Mr. Raj Kumar Gogia, Mr. Suresh Paruthi, Mr. Gurbax Singh Bhasin and Mr. Anuj Kanish (alternate director to Mr. Gurbax Singh Bhasin) are interested in the said resolution.

ITEM NO. 8

INCREASING THE LIMIT OF FOREIGN INSTITUTIONAL INVESTORS (FIIS) HOLDING TO 40%

The Foreign Institutional Investors (FIIs) have assumed a crucial role in the Indian capital market. It is proposed to facilitate greater FII investment in the Company, which would not only provide depth and liquidity to the Company's shares but will also reflect the Company's commitment to the highest standards of disclosures, transparency and corporate governance and its operational efficiencies, global competitiveness, and proven management track record, which are the preferred investment qualifications for FIIs.

As per the provision of Regulation 5(2) of Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 read with schedule 2 thereof regarding purchase/sale of shares/convertible debentures of an Indian Company by a registered Foreign Institutional Investor (FIIs) under Portfolio Investment Scheme ("PIS"), the aggregate of holding of the shares and/or convertible debentures of an Indian Company by the registered FIIs shall not exceed 24% of the paid up equity capital and / or paid up value of each series of convertible debentures and the individual limit shall not exceed 10%.

The Board of Directors of the company at its meeting held on April 15, 2013 inter-alia passed a resolution, subject to the approval of members by way of a Special Resolution, to enhance the said FII investment limit from 24% to 40% of the paid up Equity Capital considering the interest of the registered FIIs in the shares of the Company in the Stock Exchanges.

The resolution in the accompanying notice will also enable the FIIs, who are considered to be prudent investors, to acquire shares of the company through authorized dealers within the revised ceiling under the portfolio investment scheme of the Reserve Bank of India.

The board of directors recommends the resolution set out in Item No. 8 hereinbefore to be approved by shareholders by way of passing it as a special resolution. However the increase shall be effected only in terms of the policies and procedures of the Government, prevailing from time to time, in this regard, and, if necessary with the approval/s of the RBI/Government. This is an enabling resolution.

None of the Directors is concerned or interested in the resolution.

By Order of the Board
For R Systems International Limited

Sd/-
Vikash Kumar Tiwari

Place : Noida
Date : April 15, 2013 (Company Secretary & Compliance Officer)

PROFILE OF DIRECTORS SEEKING APPROVAL FOR REAPPOINTMENT AT THE ANNUAL GENERAL MEETING PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT

Particulars	Mr. Raj Kumar Gogia	Mr. Gurbax Singh Bhasin	Mr. Raj Swaminathan
Date of Birth	November 09, 1939	September 01, 1956	May 23, 1959
Qualification	B. Tech Honors (First Class First) in Electrical Engineering from IIT, Kharagpur	Bachelor of Engineering	Bachelor of Engineering from Bangalore University and MBA from Xavier Labour Relations Institute.
Expertise and experience in specific functional areas	Mr. Raj Kumar Gogia, aged about 73 years, has a rich and vast experience of 50 years serving various Indian, multinational and foreign concerns. He joined the Board of R Systems on July 09, 2002. Since then, he is continuously providing his guidance and advice to the Board of R Systems International Limited.	Mr. Gurbax Singh Bhasin holds a degree in Bachelor of Engineering. He has been involved in the textile / fashion apparel industry and import / export for over 31 years and understands well the intricacies of international business. Mr. Bhasin's wide diversification and experience helps R Systems to attain even higher levels in customer satisfaction by constantly striving to be the best in all it does through a combination of product excellence, creativity and technological innovation.	Mr. Raj Swaminathan has over 28 years of experience in IT and Financial Services Industry. Prior to joining R Systems, Raj has had a distinguished 11 years career at GE where he was Vice President and CIO at GE-Countrywide, India and part of the senior Global Consumer Finance corporate IT team. Earlier in his career, Raj also headed the IT function at Standard Chartered Bank for the consumer, corporate banking and treasury businesses.
Directorship / Membership in other board / committees / bodies corporate	Nil	<ol style="list-style-type: none"> 1. Prego, Inc. (U.S.A.), President 2. Agro Foods, Inc. (U.S.A.), President 3. Newlands Capital, Inc. (U.S.A.), President 4. Quinby Willshire, LLC, Managing Member 5. Shivam Investments, LLC (U.S.A.), Managing Member 6. Suraj Victorville, LLC (U.S.A.), Managing Member 7. Corporativo Alberdy S.A. DE C.V. (Mexico), Partner 8. Comercializadora Y Distribuidora Sauces S.A. (Mexico), Partner 9. Bonneville Holdings Ltd. (Belize), President 	Nil
Shareholding in the Company	Nil	Nil	As on the date of this notice, he holds 20,000 Equity Shares of Rs. 10/- each being 0.16% of the total paid up share capital in R Systems. Further, 60,000 stock options was granted to him under R Systems International Limited Employees Stock Option Scheme 2007 all of which has already vested. As on the date of this notice, out of aforementioned options, he has already exercised 50,000 options and balance 10,000 options equivalent to equal number of equity shares of Rs. 10/- each are in force.



R SYSTEMS INTERNATIONAL LIMITED

Registered Office: B - 104A, Greater Kailash - I, New Delhi - 110 048
Corporate Office: C - 40, Sector - 59, Noida (U.P.) - 201 307
Nineteenth Annual General Meeting to be held on Saturday, May 11, 2013 at 9:00 A.M. at
Air Force Auditorium, Subroto Park, New Delhi - 110 010

PROXY FORM

I / We of being a member(s) of
R Systems International Limited hereby appoint
of or failing him / her
of as my / our proxy to attend and vote for me / us on my / our behalf at the Nineteenth Annual General
Meeting of the Company to be held on Saturday, May 11, 2013 at 9.00 A.M. at Air Force Auditorium, Subroto Park, New Delhi - 110 010 and any
adjournment thereof.

In witness whereof

I / We have signed on this day of 2013

Registered Folio No..... (or)

Demat Account No D.P. ID. No

Affix a
Revenue
Stamp

Notes:

1. The Proxy form should be signed by the member across the stamp.
2. A member intending to appoint a Proxy should complete the Proxy form and deposit it at the Company's Registered Office at least 48 hours before the meeting.
3. Those who hold shares in Demat form to quote their Demat Account No. and Depository Participant (D.P.) ID. No.

..... CUT HERE



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ATTENDANCE SLIP

Registered Folio No (or)

Demat Account No D.P. ID. No

Name of shareholder(s)

I / We certify that I am / we are Member(s) / Proxy of the Member(s) of the Company holding shares.

I hereby record my presence at the Nineteenth Annual General Meeting of the Company to be held on Saturday, May 11, 2013 at 9:00 A.M. at Air Force Auditorium, Subroto Park, New Delhi - 110 010.

.....
Signature of Member / Proxy

Notes:

1. A member or his duly appointed Proxy wishing to attend the meeting must complete this Attendance Slip and hand it over at the entrance.
2. Name of the Proxy in Block letters..... (in case the Proxy attends the meeting)
3. Those who hold shares in Demat form to quote their Demat Account No. and Depository Participant (D.P.) ID. No.

R SYSTEMS INTERNATIONAL LIMITED

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Phones : 0120-4303500 Fax : 0120-2587123

April 15, 2013

Dear Shareholder,

The Ministry of Corporate Affairs, Government of India (MCA) has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by companies and has issued circulars on 21.04.2011 & 29.04.2011 stating that the service by a company can be made through electronic mode, provided the Company has obtained e-mail address of its members for sending the notice/documents through e-mail by giving an advance opportunity to every shareholder to register their e-mail address and changes therein from time to time with the Company.

In furtherance to these, the Company invites its valued shareholders to participate in the Green Initiative to affirm their commitment towards maintaining environment clean and progressive for future generations.

Keeping in view the above, we are proposing to send henceforth all communications/documents like AGM notice, financial statements, directors' report, auditors' report etc. on the email address registered by you with your Depository Participant (DP). Please join us in our support for this noble cause by registering or updating your email address as under:

- With your Depository Participant (DP) if you hold Company's shares in electronic mode.
- With the Registrar & Transfer Agent i.e. M/s. Link Intime India Private Limited if you hold shares in physical mode by sending an email to delhi@linkintime.co.in with cc to investors@rsystems.com quoting your folio no.

It may be noted that as a member of the Company, you will be entitled to receive on request, a copy of the said documents free of cost any time in accordance with the provisions of the Companies Act, 1956. Further, the said documents and other information will be uploaded from time to time on the official website of the Company i.e. www.rsystems.com under "Investor" section.

In case you desire to continue receiving the above documents in physical mode, you are requested to please inform us by sending your request to investors@rsystems.com quoting your DP/Client ID or Folio No.

We look forward for your encouraging support in welcoming this initiative in reducing the impact on the environment and receive all communications electronically.

Thanking you,

Yours faithfully,

For **R Systems International Limited**

Sd/-

Vikash Kumar Tiwari

Company Secretary & Compliance Officer

Place : NOIDA

Date : April 15, 2013



*The R Systems' odyssey is the journey of an **oyster** through the oceans of opportunities. Opportunities that abound in the pulsating waters, pushing the barriers of challenges! Eventually reaching its final destination to open itself to reveal the precious **pearl** – shining bright and lustrous. Like the Shakespearean **oyster** in which the great English writer saw a world of opportunity.*

*And, as we continue our journey into the future, we do it with the optimism that we shall continue to find many more such **oysters** along the way, each opening up to reveal a **pearl** that is even more valuable than the previous one. And, adding a greater sparkle to the world of R Systems.*

R SYSTEMS INTERNATIONAL LIMITED

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www.rsystems.com