



Intensifying Digital Transformation



R Systems Announces Results for Q1 2020

Committed to Safe and Reliable Operations Amid COVID-19 Challenges

Q1 2020: Revenue: Rs. 209 Crores with EBIDTA: Rs. 20 Crores
Strong Cash Balances: Rs 218 crores to Support Liquidity & Growth

Noida, India – May 8, 2020

Highlights

Consolidated results for the quarter ended March 31, 2020

- Consolidated revenue from operations for Q1 2020 was Rs. 209.26 crores (US\$ 28.91 mn) compared to Rs. 196.30 crores (US\$ 27.91 mn) in Q1 2019 and Rs. 212.87 crores (US\$ 30.01 mn) in Q4 2019; YoY increase 6.60%.
- EBITDA for Q1 2020 was Rs. 20.14 crores (US\$ 2.78 mn) compared to Rs. 17.63 crores (US\$ 2.51 mn) in Q1 2019 and Rs. 21.76 crores (US\$ 3.08 mn) in Q4 2019. Q1 2020 EBITDA as % of revenue was 9.63% as against 8.98% for Q1 2019.
- Net profit after taxes for Q1 2020 was Rs. 9.53 crores (US\$ 1.32 mn) compared to Rs. 12.38 crores (US\$ 1.76 mn) in Q1 2019 and Rs. 23.23 crores (US\$ 3.29 mn) in Q4 2019. Net Profit after taxes was impacted by M2M loss of Rs 6.85 crores (US\$ 0.95 mn) on restatement of outstanding forward covers.

Others

- 5 Key wins during the quarter
- Net addition of 75 plus associates during the quarter

Mr. Rekhi Singh, Managing Director said, “I am extremely proud of R Systems team for their commitment and efficient working in these unprecedented times. The Company has implemented the required WFH guidelines to ensure the safety and health of our associates while we continue to provide seamless services to our customers. Our commitment to safe and reliable operations will remain paramount.”

He added, “We had a reasonable quarter with 7% YoY revenue growth as augmented by enhanced tractions in our digital offerings. However, our margins for the quarter were impacted by yearly salary raises and conservative AR provisions as offset by rupee depreciation. We are witnessing softness in demand due to Covid-19. However, we are well equipped to handle these short term challenges with broad portfolio of product engineering and digital services with a strong balance sheet. This will help us to emerge stronger in these uncertain times.”

Avirag Jain, CTO said “This pandemic has tested the agility and adaptability of our operating model and business continuity plan. It has surely enhanced our customer confidence for delivering seamless services in these challenging times.” He added, “We continued our growth momentum in this quarter with 5 key customers’ addition wherein we are addressing their key business challenges by building scalable solutions.”

Key Operational Highlights

Established in 1993, R Systems is a leading provider of technology, artificial intelligence, analytics and knowledge services. We partner with customer to enable or elevate their digital transformation with our diversified digital offerings. Our technology offerings include product engineering, cloud enablement, QA testing and digital platforms and solutions. This includes solution offerings i.e. Microsoft, Infor, JDA and QlikView etc. through our IBIZ and ECnet subsidiaries in South East Asia. AI / Analytics services include advanced analytics, machine learning / artificial intelligence, business analytics and automation. R Systems' design services include UX engineering, visual design and mobile user experience. Our knowledge service offerings cover revenue cycle management, back office service, technical support, and customer care using multi-lingual capabilities and global delivery platform.

Our services and solutions span over five major business verticals i.e. Technology, Telecom, Healthcare & Life Science, Finance & Insurance and Retail & e-commerce. R Systems maintains sixteen development and service centres to serve customers in North America, Europe and the Far East.

The brief of wins is listed below:

A USA based Life Science Company supporting drug discovery and development has engaged R Systems to digitalize its products to provide operational efficiency and agility in the drug discovery process.

A USA based well known insurance player has mandated R Systems for digital transformation of its existing IT infrastructure using data analytics, cloud computing and robotics.

One of the leading mobile commerce companies in Europe has engaged Computaris to build a digital interface to enhance its end user experiences.

A Singapore based frozen food processor has mandated IBIZ to implement Microsoft Dynamics Business Central. This system will integrate various business processes to deliver financial visibility and operational excellence.

One of the leading Japanese printer, electronic component and system device companies has engaged ECnet to implement a product certificate tracking system in Asia Pacific region.

Liquidity and Shareholder Funds

Cash and bank balances, including bank deposits and liquid funds as at March 31, 2020, were Rs. 217.79 crores compared to Rs. 199.92 crores as at December 31, 2019. Total shareholder funds as at March 31, 2020 were Rs. 349.66 crores compared to Rs. 338.23 crores as at December 31, 2019.



Other Matters

COVID-19 update

World is grappling with an unprecedented health scare against the rapidly spreading COVID-19 (Corona virus). R Systems has implemented the required WFH guidelines to ensure the safety and health of our associates along with assuring secured and reliable operations for our customers. We are working closely with our customers and vendors as a long term partner to handle these challenges together. Further, there is still uncertainty in the global economies however, R Systems with its strong balance sheet and deep product engineering and digital services offerings is well positioned to tackle these near term challenges and to emerge stronger as an agile & dynamic organization. Further, in these challenges times, the various governments like USA and Singapore have also offered certain financial stimulus packages to support the businesses.

R Systems will continue to closely monitor any material changes to future economic conditions.

Adoption of Ind-AS 116, Leases

R Systems has adopted Ind-AS 116, Leases, using modified retrospective method effective January 1, 2020. Accordingly, the comparative information is not restated for prior periods and in Q1-2020 financial results, the nature of expenses in respect of operating leases has been changed from lease rent i.e. an SG&A item in previous periods to depreciation cost for the right-to-use asset and interest expense on lease liability.

Financial Performance

Consolidated Profit & Loss Statement for the Quarter Ended March 31, 2020

(As per Ind AS)

(Figures in mn, except per share data)

| Sr. No. | Particulars | Quarter Ended March 31, | | Quarter Ended |
|----------|---|----------------------------|-----------------|----------------------|
| | | 2020 | 2019 | December 31, 2019 |
| 1 | Income | | | |
| (a) | Revenue from operations | 2,092.62 | 1,962.99 | 2,128.71 |
| (b) | Other income | 20.74 | 59.35 | 30.57 |
| | Total income | 2,113.36 | 2,022.34 | 2,159.28 |
| 2 | Expenses | | | |
| (a) | Employee benefits expense | 1,484.99 | 1,346.55 | 1,399.05 |
| (b) | Finance costs | 12.56 | 3.80 | 3.37 |
| (c) | Depreciation and amortisation expense | 65.74 | 43.05 | 16.11 |
| (d) | Other expenses | 439.08 | 440.32 | 511.79 |
| | Total expenses | 2,002.37 | 1,833.72 | 1,930.32 |
| 3 | Profit before tax | 110.99 | 188.62 | 228.96 |
| 4 | Tax expense | | | |
| (a) | Current tax | 37.11 | 51.90 | 6.71 |
| (b) | Deferred tax charge / (credit) | (21.44) | 12.90 | (10.06) |
| | Total tax expense / (credit) | 15.67 | 64.80 | (3.35) |
| 5 | Net profit for the period | 95.32 | 123.82 | 232.31 |
| 6 | Earnings per share (Face value of Re. 1/- each) (not annualized) | | | |
| (a) | Basic | 0.80 | 1.00 | 1.94 |
| (b) | Diluted | 0.80 | 1.00 | 1.94 |

Financial Performance

Consolidated Profit & Loss Statement for the Quarter Ended March 31, 2020

(Contribution Analysis Format)

(FIGURES IN MN)

| Particulars | Q1 2020 | | Q1 2019 | | Q4 2019 | |
|---------------------------------|-----------------|--------------|-----------------|--------------|-----------------|--------------|
| | INR | US\$ | INR | US\$ | INR | US\$ |
| Revenues | 2,092.62 | 28.91 | 1,962.99 | 27.91 | 2,128.71 | 30.01 |
| Cost of revenues | 1,359.47 | 18.78 | 1,302.19 | 18.51 | 1,361.51 | 19.18 |
| Gross margin | 733.15 | 10.13 | 660.80 | 9.40 | 767.20 | 10.83 |
| | 35.04% | | 33.66% | | 36.04% | |
| SG & A | | | | | | |
| Expenses | 531.72 | 7.35 | 484.52 | 6.89 | 549.65 | 7.75 |
| | 25.41% | | 24.68% | | 25.82% | |
| EBITDA | 201.43 | 2.78 | 176.28 | 2.51 | 217.55 | 3.08 |
| | 9.63% | | 8.98% | | 10.22% | |
| Depreciation and amortization | 65.74 | 0.91 | 43.05 | 0.62 | 16.11 | 0.23 |
| EBIT | 135.69 | 1.87 | 133.23 | 1.89 | 201.44 | 2.85 |
| Interest expense | (12.56) | (0.17) | (3.80) | (0.05) | (3.37) | (0.05) |
| Other income (net) | (12.14) | (0.17) | 59.19 | 0.84 | 30.89 | 0.44 |
| Income before income tax | 110.99 | 1.53 | 188.62 | 2.68 | 228.96 | 3.24 |
| Income tax expense / (credit) | 15.67 | 0.21 | 64.80 | 0.92 | (3.35) | (0.05) |
| Net earnings | 95.32 | 1.32 | 123.82 | 1.76 | 232.31 | 3.29 |

Financial Performance

Consolidated Balance Sheet as at March 31, 2020 (As per Ind AS)

(Rs. in million)

| | Particulars | As at | |
|-----------|--|-----------------|-------------------|
| | | March 31, 2020 | December 31, 2019 |
| | ASSETS | | |
| A. | Non-current assets | | |
| | (a) Property, plant and equipment | 411.68 | 435.98 |
| | (b) Right-to-Use Assets | 518.45 | - |
| | (c) Capital work in progress | 21.50 | 19.63 |
| | (d) Investment property | 21.47 | 21.84 |
| | (e) Goodwill | 202.28 | 195.94 |
| | (f) Other Intangible assets | 63.64 | 66.56 |
| | (g) Financial assets | | |
| | (i) Investment | 0.03 | 0.03 |
| | (ii) Other financial assets | 137.28 | 140.37 |
| | (h) Deferred tax assets (net) | 90.93 | 62.53 |
| | (i) Non-current tax assets (net) | 51.49 | 49.26 |
| | (j) Other non-current assets | 26.40 | 39.53 |
| B. | Total non-current assets (A) | 1,545.15 | 1,031.67 |
| | Current assets | | |
| | (a) Financial assets | | |
| | (i) Investments | 347.30 | 342.45 |
| | (ii) Trade receivables | 1,429.25 | 1,323.97 |
| | (iii) Cash and cash equivalents | 1,030.92 | 1,103.11 |
| | (iv) Other bank balances | 420.58 | 366.08 |
| | (v) Other financial assets | 478.05 | 501.93 |
| | (b) Other current assets | 234.01 | 259.31 |
| | Total current assets (B) | 3,940.11 | 3,896.85 |
| | Total assets (A+B) | 5,485.26 | 4,928.52 |
| | EQUITY AND LIABILITIES | | |
| A. | Equity | | |
| | (a) Equity share capital | 119.60 | 119.60 |
| | (b) Other equity | 3,377.03 | 3,262.74 |
| | (c) Non Controlling Interest | - | - |
| | Total equity (A) | 3,496.63 | 3,382.34 |
| | Liabilities | | |
| B. | Non-current liabilities | | |
| | (a) Financial liabilities | | |
| | (i) Borrowings | 6.91 | 53.08 |
| | (ii) Other financial liabilities | 489.49 | 120.22 |
| | (b) Provisions | 149.29 | 133.20 |
| | (c) Deferred tax liabilities (net) | - | 1.32 |
| | Total non-current liabilities (B) | 645.69 | 307.82 |
| C. | Current liabilities | | |
| | (a) Financial liabilities | | |
| | (i) Trade payables | | |
| | - total outstanding dues of micro enterprises and small enterprises | - | - |
| | - total outstanding dues of creditors other than micro enterprises and small enterprises | 246.26 | 253.39 |
| | (ii) Other financial liabilities | 419.16 | 383.49 |
| | (b) Provisions | 183.43 | 166.60 |
| | (c) Current tax liability (Net) | 33.95 | 50.95 |
| | (d) Other current liabilities | 460.14 | 383.93 |
| | Total current liabilities (C) | 1,342.94 | 1,238.36 |
| | Total liabilities (B+C) | 1,988.63 | 1,546.18 |
| | Total equity and liabilities (A+B+C) | 5,485.26 | 4,928.52 |

Consolidated Operational Data (Un-audited)

| Profitability in Percentage | Quarter ended | | |
|-----------------------------|--------------------|------------|------------|
| | Mar 31, 20 | Mar 31, 19 | Dec 31, 19 |
| Revenues | 100.00 | 100.00 | 100.00 |
| Gross margin | 35.04 | 33.66 | 36.04 |
| SG & A | 25.41 [#] | 24.68 | 25.82 |
| EBITDA | 9.63 [#] | 8.98 | 10.22 |
| EBIT | 6.48 | 6.79 | 9.46 |
| EAT | 4.55 | 6.31 | 10.91 |

[#] After considering the impact of adoption of Ind-AS 116.

| Revenue from Top 10 Clients | Quarter ended | | |
|-----------------------------|---------------|------------|------------|
| | Mar 31, 20 | Mar 31, 19 | Dec 31, 19 |
| Top 10 Clients | 29.09% | 35.31% | 28.55% |
| Top 5 Clients | 19.07% | 22.80% | 18.56% |
| Top 3 Clients | 13.95% | 15.88% | 13.73% |
| Largest Client | 6.61% | 6.13% | 5.81% |

| Revenues by Geographies | Quarter ended | | |
|--------------------------|----------------|----------------|----------------|
| | Mar 31, 20 | Mar 31, 19 | Dec 31, 19 |
| North America | 68.54% | 65.82% | 63.38% |
| Europe | 15.93% | 16.19% | 13.71% |
| SEAC (South East Asia) | 12.88% | 15.67% | 19.88% |
| India | 1.80% | 1.27% | 1.70% |
| Others | 0.85% | 1.05% | 1.33% |
| Total | 100.00% | 100.00% | 100.00% |

| Utilization (excluding trainees) | Quarter ended | | |
|----------------------------------|---------------|------------|------------|
| | Mar 31, 20 | Mar 31, 19 | Dec 31, 19 |
| Onsite | 96.04% | 94.95% | 94.50% |
| Offshore | 75.53% | 75.92% | 79.52% |
| Blended | 77.60% | 78.20% | 81.14% |

| Utilization (including trainees) | Quarter ended | | |
|----------------------------------|---------------|------------|------------|
| | Mar 31, 20 | Mar 31, 19 | Dec 31, 19 |
| Onsite | 96.04% | 94.95% | 94.50% |
| Offshore | 74.68% | 74.67% | 78.34% |
| Blended | 76.81% | 77.07% | 80.06% |

Consolidated Operational Data (Un-audited)

| Human resources | As at | | |
|--------------------------|--------------|--------------|--------------|
| | Mar 31, 20 | Mar 31, 19 | Dec 31, 19 |
| Technical | 2,453 | 2,463 | 2,380 |
| Software services | | | |
| Onsite | 388 | 384 | 390 |
| Offshore | 1,575 | 1,409 | 1,524 |
| BPO | | | |
| Offshore | 471 | 634 | 436 |
| Trainees | 19 | 36 | 30 |
| Support | 416 | 390 | 413 |
| Total count | 2,869 | 2,853 | 2,793 |

(Rs. in mn, except DSO)

| Key Balance Sheet Data | As At | |
|----------------------------|------------|------------|
| | Mar 31, 20 | Dec 31, 19 |
| Receivable | 1,429.25 | 1,323.97 |
| Receivable in days (“DSO”) | 57 | 53 |
| Cash and bank balance # | 2,177.90 | 1,999.20 |
| Shareholders’ funds | 3,496.63 | 3,382.34 |

excluding amount kept in separate bank account pertaining to outstanding dividend liability and unclaimed dividend.

| Development/Service Centres Location | As on Mar 31, 2020 | |
|--------------------------------------|-------------------------|--------------|
| | Covered areas in sq ft. | No. of seats |
| India | | |
| Noida | 152,400 | 2,567 |
| Chennai | 5,905 | 65 |
| | 158,305 | 2,632 |
| North America | | |
| Sacramento, CA, USA | 9,500 | 60 |
| Milpitas, CA, USA | 1,787 | 12 |
| Chicago, IL, USA | 3,003 | 15 |
| Ontario, Canada | 600 | 10 |
| | 14,890 | 97 |
| South East Asia | | |
| Singapore | 8,054 | 91 |
| Malaysia | 6,434 | 81 |
| Thailand | 592 | 6 |
| Indonesia | 2,151 | 53 |
| | 17,231 | 231 |
| Europe | | |
| Romania | 19,795 | 184 |
| Poland | 9,006 | 81 |
| Moldova | 3,398 | 45 |
| | 32,199 | 310 |
| Total | 222,626 | 3,270 |



Notes:

1. US\$ equivalent figures are derived by converting the Rupee figures using average rates for profit & loss items and closing rate for balance sheet items.
2. Previous period's figures have been regrouped wherever applicable, to the extent possible, to conform to the current period presentation.

About R Systems International Limited

R Systems International Limited founded in 1993, is one of the leading providers of software product engineering and ITeS services and solutions. We partner with software product companies and businesses for their digital transformation by building scalable, configurable and secure products and applications using next-gen technologies and help our clients to support their customers worldwide for products and services using our global delivery model. R Systems rapidly growing customer list includes a variety of Fortune 1000, government and mid-sized organizations across a wide range of industry verticals including Banking and Finance, Independent Software Vendors, Telecom and Digital Media, Retail & E-commerce, Healthcare, and Manufacturing and Logistic Industries. R Systems maintains sixteen development and service centres to serve customers in North America, Europe and the Far East.

Safe Harbor:

Investors are cautioned that this presentation contains forward looking statements that involve risks and uncertainties. The Company undertakes no obligation publicly to update or revise any forward-looking statements, whether because of new information, future events, or otherwise. Actual results, performance, or achievements could differ from those expressed or implied in such forward-looking statements.

For further information please contact:

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

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

Bhasker Dubey
Company Secretary & Compliance Officer
Tel # 0120 – 4082633
Email: bhasker.dubey@rsystems.com