



Collaborating Minds - A Force Multiplier



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Force causes businesses, economies and markets to accelerate and change direction. At R Systems, we passionately believe that collaboration is a force multiplier.





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Force is what changes or tends to change the state of rest or motion in an object. Force causes businesses, economies and markets to accelerate and change direction. At R Systems, we passionately believe that collaboration is a force multiplier. Our incredibly talented minds collaborate internally and with our clients to help them succeed in a competitive environment. We put our collaborative weight behind our clients, whether it is to increase speed to market new products or enhancing their brand value through superior Net Promoter Score (NPS).

At R Systems we have no doubt that our talented people are our greatest asset. No financial measure can value this precious asset. This asset leaves our premises every day and has a choice to come back next day. At R Systems we provide an environment for our incredibly smart associates to grow their passion and imagination. Collaboration makes it fun and stimulating. All this is with a singular purpose, first to understand our customer's needs and then to challenge ourselves to exceed their expectations. We opened ourselves to an external survey, and were placed a creditable fifth overall in the recent NASSCOM 2008 Survey on "Exciting Emerging Companies to work for". R Systems topped in Career Planning System, scoring 167% above the industry average.

What makes R Systems different is our unique philosophy. We believe in recognizing our people and offering them a platform to learn, harness skills, collaborate and perform. We have created an environment for recognition and reward through programs such as Best Mentor, Best Internal Trainer, Best Buddy etc. These have brought talented individuals with different skills, knowledge, experience and points of view to work together for our clients and deliver tangible measurable results. To harness our talent we have also embraced best practices. R Systems attained the PCMM Level 3 in August 2008, and is targeting PCMM Level 5 in the year 2009.

The combination of our talent, culture, values, best practices, and organizational behavior gives us a competitive advantage. The world is undergoing a transformation and 2009 will be another challenging year for all businesses globally. We are ready to take on the future. To confront it. To challenge it. To serve our customers with passion and imagination. To create value.



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Safe Harbor:

Certain Statements 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, risk 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 consulting services including those factors which may affect our cost advantage, wage increase in India, our ability to attract and retain highly skilled professionals, time and cost overruns on fixed-price, fixed-time frame contracts, client concentrations, 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 initiatives, 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 March 23, 2009

Mr. Satinder Singh Rekhi
(Chairman and Managing Director)

Mr. O'Neil Nalavadi
(Director Finance and Chief Financial Officer)

Lt. Gen. Baldev Singh (Retd.)
(President and Senior Executive Director)

Mr. Raj Swaminathan
(Director and Chief Operating Officer)

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

Mr. David Richard Sanchez
(Non-Executive Independent Director)

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

Mr. Suresh Paruthi
(Non-Executive Independent Director)

Committees of the Board of Directors

Audit Committee

Mr. Raj Kumar Gogia
(Chairman)

Mr. David Richard Sanchez
(Member)

Mr. Gurbax Singh Bhasin
(Member)

Mr. Suresh Paruthi
(Member)

Mr. O'Neil Nalavadi
(Member)

Shareholders / Investors Grievance Committee

Mr. Raj Kumar Gogia
(Chairman)

Mr. Suresh Paruthi
(Member)

Mr. Satinder Singh Rekhi
(Member)

Lt. Gen. Baldev Singh (Retd.)
(Member)

Remuneration Committee

Mr. Raj Kumar Gogia
(Chairman)

Mr. David Richard Sanchez
(Member)

Mr. Gurbax Singh Bhasin
(Member)

Mr. Suresh Paruthi
(Member)

Compensation Committee

Mr. Raj Kumar Gogia
(Chairman)

Mr. David Richard Sanchez
(Member)

Mr. Suresh Paruthi
(Member)

Lt. Gen. Baldev Singh (Retd.)
(Member)

Company Secretary and Vice President Finance

Mr. Nand Sardana



Registered Office

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

Corporate Office

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

Statutory Auditors

S. R. Batliboi & Associates
Chartered Accountants
Golf View Corporate Tower B, Sector - 42,
Sector Road, Gurgaon - 122 002

Registrar & Share Transfer Agent

M/s Link Intime India Private Limited
(formerly Intime Spectrum Registry Limited)
A - 40, 2nd Floor,
Naraina Industrial Area,
Phase - II, Near Batra
Banquet Hall,
New Delhi - 110 028

Bankers to the Company

1. State Bank of India
2. ICICI Bank Limited
3. HDFC Bank Limited
4. Axis Bank Limited
5. ABN Amro Bank
6. Oriental Bank of Commerce
7. Vijaya Bank
8. State Bank of Bikaner & Jaipur
9. Syndicate Bank
10. Punjab National Bank
11. Canara Bank
12. Citibank N.A.
13. California Bank & Trust, U.S.A.
14. State Bank of India, U. K.
15. Fortis Bank N.V., The Netherlands
16. Sumitomo Mitsui Banking Corporation (SMBC), Japan

Listed At

National Stock Exchange of India Limited
Bombay Stock Exchange 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 w.e.f. January 23, 2008 (formerly known as Sento Europe B.V.)
8. R Systems S.A.S., France w.e.f. January 23, 2008 (formerly known as Sento S.A.S.)

Subsidiaries of ECnet Limited

9. ECnet (M) SDN. BHD, Malaysia
10. ECnet, Inc., U.S.A.
11. ECnet (Hong Kong) Limited, Hong Kong
12. ECnet Systems (Thailand) Co. Limited, Thailand
13. ECnet Kabushiki Kaisha, Japan
14. ECnet (Shanghai) Co. Limited, People's Republic of China



Financial Highlights

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

FINANCIAL PERFORMANCE

(Rs. in Lakhs)

	2008	2007	2006	2005	2004
Operating Income	35,939.23	24,705.75	20,394.58	15,779.34	13,234.56
Other Income	549.43	570.84	402.08	43.00	39.72
Exceptional Income	-	144.52	-	-	-
Total Income	36,488.66	25,421.11	20,796.66	15,822.34	13,274.28
Operating Profit	3,055.05	2,191.19	1,588.25	1,513.23	174.68
EBT	3,001.76	2,310.15	1,390.83	1,441.88	69.18
EAT	2,796.64	1,897.14	782.43	1,247.70	22.91
Share Capital	1,336.25	1,350.88	1,350.88	513.92	513.72
Reserve and Surplus	15,829.01	12,905.83	11,472.55	5,601.75	4,586.36
Secured Loans	325.65	63.14	242.58	1,013.30	1,258.65
Fixed Assets (net)	7,465.93	6,103.69	5,548.51	2,820.82	2,820.75
Investment	0.25	120.36	134.63	16.45	15.93
Current Assets (net)	10,193.50	8,446.40	7,783.16	4,087.31	3,432.96

KEY RATIOS

	2008	2007	2006	2005	2004
Debt -Equity Ratio	0.02	0.01	0.04	0.17	0.29
Days Sales Outstanding	67	74	82	88	82
Current Ratio	2.57	2.93	2.72	2.79	2.71
Cash and Bank Balances / Total Assets (%)	26.33%	26.88%	29.54%	12.23%	11.26%
Cash and Bank balances / Total Income (%)	17.44%	20.15%	25.57%	7.29%	7.28%
Operating Profit / Total income (%)	8.37%	8.62%	7.64%	9.56%	1.32%
EBT / Total income (%)	8.23%	9.09%	6.69%	9.11%	0.52%
EAT / Total income (%)	7.66%	7.46%	3.76%	7.89%	0.17%
Return on Avg. Equity (%)	17.80%	14.01%	8.26%	22.22%	0.45%
Return on Avg. Capital Employed (%)	19.14%	16.95%	14.03%	21.98%	2.67%
Earning Per Share (Rs.)					
- Basic	20.61	13.97	6.17	11.65	0.21
- Diluted	20.36	13.78	6.17	11.65	0.21
Dividend Per Share (Rs.)	2.40	1.80	1.20	-	-
Book Value Per Share (Rs.)	128.46	105.54	94.93	59.66	49.64

Previous year's figures have been regrouped or recasted where necessary to conform to current year classification including the effect of consolidation of shares and bonus issue in the year 2006.

Notes:

Operating Profit - Earning before interest and tax excluding exceptional and prior period items

EBT- Earnings before tax

EAT - Earnings after tax

EBIT- Earnings before interest and tax

Debt Equity ratio = Long Term Debt / Equity

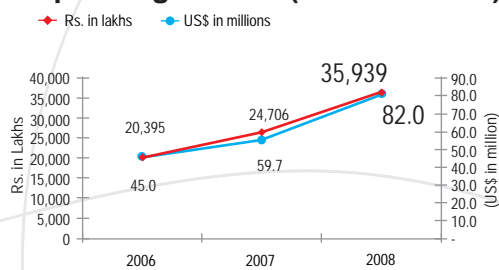
Days Sales Outstanding = Average Trade Receivables / Net Credit Sales*360

Current Ratio = Current Assets / Current Liabilities

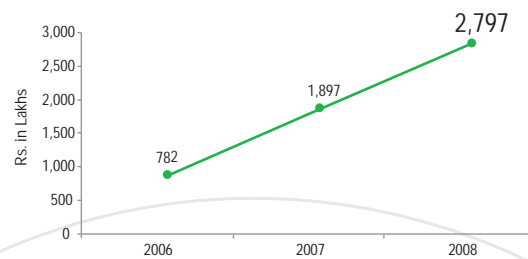
Return on Avg. Equity (%) = EAT / Average Equity

Return on Avg. Capital Employed (%) = EBIT / Average Capital Employed

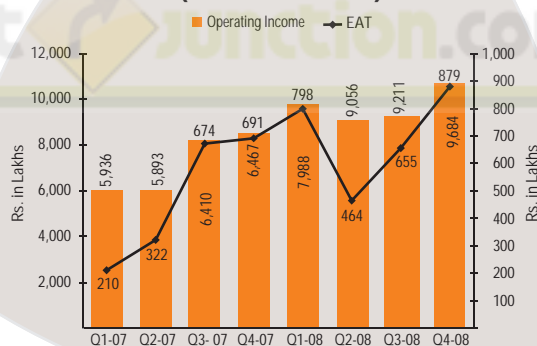
Operating Income (Consolidated)



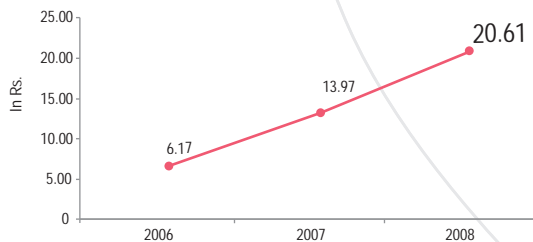
EAT (Consolidated)



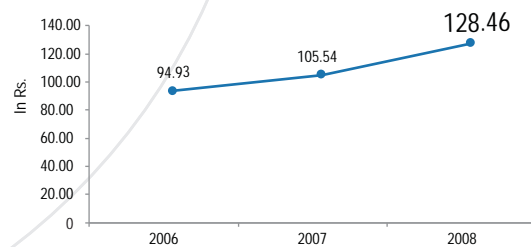
Quarterly Operating Income & EAT (Consolidated)



Basic Earning Per Share (Consolidated)



Book Value Per Share (Consolidated)



From the desk of Chairman

Dear Fellow Stakeholders,

It is often said that change is permanent. The world experienced change in extreme measure in 2008. The global financial markets suffered a series of tremors triggered by falling asset prices, defaults, and freezing of credit markets. The fear and negative sentiments that followed the meltdown later engulfed all sectors of the global economy. We had to manage our business with no past experience of such severe change. I am pleased to report that despite these economic challenges R Systems reported record revenues, profits, cash-flows and earnings per share in 2008. These achievements were possible because of the brilliant collaborating minds in R Systems with a strong focus on creating value for customers and other stakeholders.

R Systems in 2008:

R Systems consolidated revenues reached a new record of Rs. 359.4 crores - a growth of 45.5% over last year. Earnings before depreciation taxes and allowances ("EBITDA"), a key indicator of operating performance grew, to Rs. 46.5 crores - a growth of 95.6% over 2007. Net profits expanded to Rs. 27.9 crores - a growth of 47.4%, which resulted in 47.5% growth in the earnings per share to Rs. 20.6.

Our revenue growth came from an aggressive expansion into Europe in FY 2008 and a healthy increase in our global customer franchise. Our customer roster includes a mix of Fortune 1000 and mid-sized companies. Margin expansion was a result of quality revenues, favorable exchange rate, disciplined cost management and excellence in execution.

R Systems has consistently maintained a strong balance sheet to deal with all economic cycles for the benefit of its stakeholders. In

FY 2008 we further strengthened our financial position through performance and judicious treasury management. Shareholders' funds increased to Rs. 171.6 crores or Rs. 128.5 per share and cash and bank balances increased to Rs. 63.6 crores or Rs. 47.6 per share. R Systems is well positioned to maximize from the opportunities in the years ahead and emerge stronger.

How we have grown?

Ever since we established the company our vision was based on putting the customer first. We listen carefully to our customers, understand their needs and organize ourselves around the customers to serve them. We committed ourselves to deliver measurable high performance to our customers with our services. Over a period we noticed that all technologies, products and services get commoditized which drove the bar higher to retain the relationship with customers. This dynamics shaped our strategy to focus relentlessly on our core competencies, which are Product Life Cycle Management for ISV customers across focused verticals and around our own intellectual properties in Financial Services and Supply Chain.

We focus on core competencies for a simple reason. It is to increase our cumulative experience in specific areas and enhance our competitive advantage. We believe that cumulative experience which is gained from doing the same thing repetitively over a long period of time improves both knowledge and skills. In our industry superior experience, knowledge and skills are huge differentiators. We took inspiration from Albert Einstein, who said, "The only source of knowledge is experience." However as an organization we recognized that it is just not enough to do the same thing repetitively, but to do it with discipline, purpose, rigorous application

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of our minds and retain the knowledge for future benefits. In theory it is simple, however the process gets complex when talented individuals with cross disciplinary capabilities have to come together to deliver solutions and services. This required harmonious collaboration and developing the methods to retain knowledge. This led to our proprietary tools, frameworks, processes and methodologies which are now integral to our business model. They help us in making continuous improvement, training employees and driving efficiencies for our stakeholders.

This brings us to the second and equally important pillar of our business: our people. We know - like our customers - our employees have a choice and we do not take them for granted. We have created an extremely vibrant eco-system for our people to grow and flourish. This is a combination of best practices, processes, continuous learning, our culture and our values. We encourage our people to grow, and to contribute to their team's growth. Leadership is attained in R Systems through thought and performance, not title. We encourage our people to aim higher leveraging experience without getting discouraged from mistakes.

Recognizing that change is permanent and evolution is critical we strive hard to innovate. We put our accumulated knowledge and experience to innovate with new solutions and services for our clients. These endeavors have led to R Systems deepening the relationship with customers, expanding our customer base and generating new revenue streams.

The journey ahead:

The near term in 2009 will be challenging for most businesses worldwide. The global downturn that has caused most business to

face contracting revenues will result in immediate cutbacks of investment programs and new initiatives. However as dust settles, which it invariably will, we will see the surviving companies emerge with new plans. In today's economic environment the critical issues are having a strong financial position and human capital. We are fortunate that we have them both to deal with the challenges, create new opportunities and take advantage as green shoots of recovery emerge. There are exciting new opportunities in virtualization, WiMax, Digital Media and businesses trying to improve their brand value through NPS.

As we enter the new era of transformation I am extremely thankful to all our stakeholders who have contributed to R Systems success. I am grateful to all our supporters - customers, shareholders, bankers, the stock exchanges, Securities and Exchange Board of India, the software technology parks of India, various government and other organizations.

To my colleagues worldwide at R Systems, I am very proud of you and thankful. Our high performance in 2008 is because of your passion, commitment, and hard work. Let us take on the future and aim higher.

Sincerely,

Satinder Singh Rekhi
(Chairman and Managing Director)

R Systems in Brief

Our Company

Founded in 1993, R Systems is a leading provider of outsourced product development and customer support services. We help companies accelerate the speed to market with a high degree of time and cost predictability by using our proprietary pSuite execution framework. Our steadily growing clientele includes Fortune 1000, government and mid-sized organizations across industry verticals including Banking and Finance, High Technology and Independent Software Vendors, Government, Health Care, Manufacturing and Logistic Industries. With our 8 global service centres in India, USA, Europe and Singapore, we serve over 125 customers in over 40 countries across 6 continents.

Our Offerings

iPLM Services

Under our iPLM suite of services, software product and service companies usually enter into multiple-year contracts with us to help, develop, sustain, and support their products. Best of breed services are rendered using a combination of on-site, onshore and offshore

modules. Proprietary project tracking and reporting tools create a collaborative environment with clients. The overview of iPLM is as below:

Schematic

Designed to meet the specific needs of outsourced software product development companies, our iPLM services enable our customers by getting products to market faster, providing greater flexibility in resource deployment, lowering costs and improving quality.

BPO Services

We offer customer care and technical support services to the high technology sectors. Our customer care services enhance the brand value of our clients and are offered through a seamlessly integrated global hybrid delivery model concurrently using our 8 global service centres in 18 languages.

Enterprise Application Services

Designed to improve organizations' operations by using IT as a strategic tool, it includes solutions like Supply Chain Management,

