R Systems International Limited

Annual Report | 2019

R SYSTEMS

Intensifying
Digital
Transformation

Contents

Corporate Overview

Statutory Reports

Financial Statements

AGM Notice

Forward-Looking Statement

This document contains statements about expected future events and financial and operating results of R Systems International Limited, which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that the assumptions, predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications and risk factors referred to in R Systems International Limited Annual Report 2019.
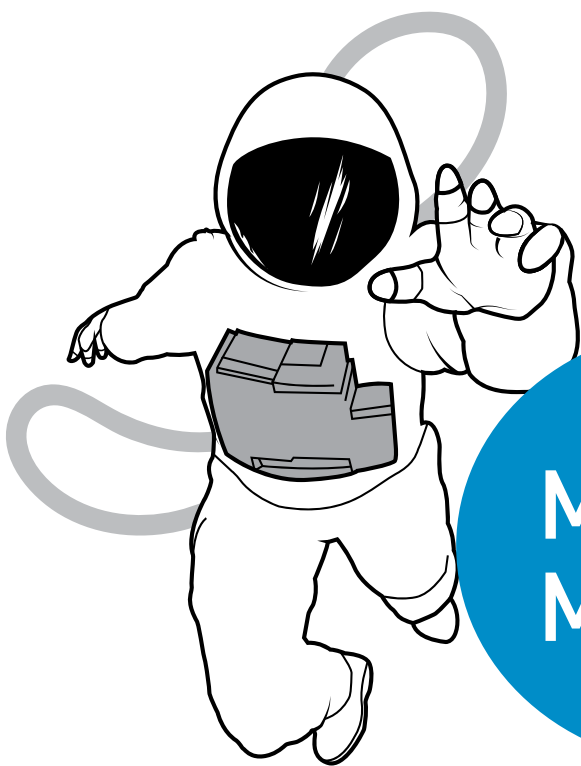
Intensifying Digital Transformation

To be a digital enterprise requires far more intense changes than merely investing in the latest digital technologies. Businesses need to evaluate new operating models, rethink their sales and marketing strategies, revamp how they attract and foster digital talent, and consider afresh how they measure the success of their business.

At R Systems, we work for a holistic digital transformation using leading technologies as an enabler to create long-term business values by improving customer experiences, operational efficiency and agility by fundamentally changing the way businesses innovate, operate, deliver products and services, and engage with all stakeholders. This is further strengthened by our product engineering legacy and our deep understanding of the industries we serve.

We have intensified this transformation process by aligning the organization culture with the new digital values to deliver a holistic digital transformation for our customers.

We dedicate this annual report around the theme of Intensifying Digital Transformation

Managing Director's Message

Dear Fellow Shareholders,

As I write, the World is grappling with an unprecedented health scare against the rapidly spreading COVID-19 (Coronavirus). All countries are taking several measures to curtail the pandemic impact on human life. I wish for their timely success. Global efforts to stop the virus are also having a significant economic consequence. Your company has implemented the required 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.

R Systems Operations during 2019

Now, I am pleased to share that FY 2019 has been a fantastic and an exciting journey for us, in terms of business growth, larger deal size, margin improvement and scaling our digital capabilities to the next level. In our commitment to stay relevant to our customers in this hyper-changing business landscape, we have moved our digital journey to our next phase where we have reinforced our collaboration with leading technology

In our commitment to stay relevant to our customers in this hyper-changing business landscape, we have moved our digital journey to our next phase where we have reinforced our collaboration with leading technology companies such as, Microsoft, AWS, Automation Anywhere, Salesforce and Dell Boomi to leverage their platforms and solutions for our customers in the space of Cloud, AI/ML, and robotics.

companies such as, Microsoft, AWS, Automation Anywhere, Salesforce and Dell Boomi to leverage their platforms and solutions for our customers in the space of Cloud, AI/ML, and robotics. Further, the Innovizant, LLC acquisition in early 2019 has also helped us in strengthening our offerings and competencies in advanced analytics, data engineering and digital connected systems. Innovizant has been fully integrated into the R Systems digital business unit. Now, digital contributes over 40% of our global revenues and works as a differentiator to accelerate our growth and helps facilitate winning large deals.

Revenue (₹ in million)

6,999   8,094

2018   2019

Digital Revenues (%)

39.06   47.01

2018   2019

EBITDA (%)

8.25   9.03

2018   2019

In number terms, R Systems reported record revenue of ₹ 8,094 million (US $115 million) with EBITDA of 9% for the year 2019. Our revenue grew by 15% and EBITDA has improved over 26%. This double digit revenue growth and margin improvement is on the back of good traction towards our product engineering and digital practices. The employee utilization also remained healthy and helped us to improve margins.

During 2019, we added 24 key customers out of which 7 have the potential to be US $ million plus accounts and served 26 US $ million plus accounts. We added net 200 plus associates towards IT business, however, our strength in knowledge services business is impacted by ramp down in a health care customer.

The shareholder's funds and cash balances remains healthy with ₹ 3,382 million (US $ 47 million) and ₹ 1,999 million (US $ 28 million), respectively. Your Company has expanded infrastructure by adding a 30,000 square feet state-of-the-art new SEZ facility to cater to revenue growth. We have also expanded our nearshore offices in Chicago, Illinois and Ontario, Canada to be closer to our customers

in order to understand their fast changing business needs. It includes strengthening an onsite pre-sales team around digital technologies where such niche-technocrat works closely with customers and navigate them in their digital transformation journey. We have been investing in strengthening digital capabilities, robust infrastructure and processes over last few years to support sustainable global operations for future growth.

We have also rewarded our shareholders with an interim dividend of ₹ 1.5 per equity share (150%) which was paid in January 2020.

Efforts to spread Happiness in Society

R Systems has continued its CSR efforts by spreading happiness in society. Your company has contributed in promoting education, welfare and sports, especially for girls. These are the focused efforts to support education for girls from underprivileged sections, to promote sports like badminton to deliver international players, and other welfare initiatives to spread happiness in our society. Our CSR philosophy remains, that happy people are successful people, they become better citizens to productively serve their community.

Evolving for an uncertain World

Although the external environment seems to present challenges like – the COVID 19 pandemic, global trade wars, sluggish economic times and political uncertainty, R Systems is set for a future that is different to its past. Your Company will continue to live with its transformation culture for safe and reliable operations. This transformation will endeavour to navigate our customers to remain relevant in a fast changing technology landscape. Our culture enables us to pursue our mission with a caring mind-set.

My thanks to all Stakeholders

Today, R Systems' engagement with all stakeholders, i.e. customers, suppliers, shareholders, employees and government agencies is wider and deeper than ever. However, it has further to develop as we progress on our journey. I therefore want to use this opportunity to thank all of you for your continued support and engagement.

As I reflect on our progress last year, I would first like to thank our employees worldwide for their commitment to R Systems. I'm extremely proud of what we have accomplished together as we innovate and help customers navigate their digital transformation. I am also grateful to them for their extra mile in ensuring sustainability in our operations during this global pandemic. Let's work together for a safe and sustainable operation.

With Warm Regards,

Satinder Singh Rekhi

From the Desk of
Sartaj Rekhi

Dear Shareholders,

R Systems has concluded another exciting year in its transformation journey. During FY 2019, we have witnessed about 40% growth in our digital revenues. The overall growth in revenue was 15% on the back of a robust performance by digital and product engineering business units. As per recent NASSCOM Strategic Review, the share of digital business varies from 26 to 28% across companies. Your company is now well placed as a niche digital transformation partner navigating global businesses in their digital transformation journey.

Further, as per another IDC report, by 2023, more than half of all worldwide GDP is predicted to be driven by products and services from digitally transformed industries. This is going to provide tremendous opportunities to niche digital service providers like, R Systems.

Now a days, businesses have also changed their approach whereby digital transformation should not be treated as a project with concrete time-lines and budget. It has been perceived as a product that requires continuous development. The shift to digital business requires constant change with an agile mind-set. As new technologies and market trends evolve, the organizations have to constantly realign its processes and operations.

Over the last few years, we have significantly enhanced our digital capabilities and strengthened our portfolio of offerings across the markets of North America, Europe and South East Asia. This includes, strengthening of foundational technologies – Big Data and Analytics, Cloud Computing, Mobility and CyberSecurity and advanced technologies – Artificial Intelligence, Machine Learning, Internet of Things and Robotics. Your company has created a visible tangible differentiator by delivering multiple projects across geographies around these newer technologies.

At present, the world is facing an unforeseen pandemic imposing significant threat on human health. R Systems has realigned its global operations to deliver seamless services to our customers while taking care of our associates' health and safety. This has been accomplished due to a commitment from all R Sysians well supported by our robust infrastructure and processes. Let's have a safe and seamless operations while partnering with our customers in achieving their business objectives.

As we head into FY 2020, we are poised for an exciting yet, a challenging future. With a strong belief in ourselves, we continue to make cautious investments that will extend our competitive advantages and help drive growth.

Best Regards,

Sartaj Rekhi

About R Systems

R Systems is a global technology, AI/ Analytics and knowledge services leader. We deliver AI-driven solutions to clients across industries, thus delivering on the promise of digital transformation. We have continued to empower enterprises with cutting edge technologies for 25+ years, with 16 delivery centres, 2,750 + associates and 25+ offices worldwide.

Narrative
Generate business value for our clients through technology, data/analytics and design.

Mission
Deliver the promise of digital transformation through services driven by new technologies and AI/Analytics.

Vision
Become an end-to-end digital transformation partner for our clients.

Values
Put client success first, and focus on staying ahead of the curve with continuous R&D.

Our Global Presence

Chisinau, Moldova

Noida, India (HQ)

Bialystok, Poland

Pune, India

London, UK

Tokyo, Japan

Shanghai, China

Bangkok, Thailand

Singapore

Kuala Lumpur, Malaysia

Jakarta, Indonesia

Milpitas, CA, USA

Vancouver, Canada

Chicago, IL, USA

Sacramento, CA, USA

Warsaw, Poland

Bucharest, Romania

Galati, Romania

Chennai, India

Philippines

Ontario, Canada

⦿ Sales and Service Office

⦿ Development / Service Centres

Industry-leading certifications

CMMI LEVEL 5

PCMM Level 5

ISO 27001:2013

ISO 9001:2015

PCI DSS

HIPAA Compliant

Service and Solutions Offerings

1. Technology

R Systems' technology solutions are devised to meet your business' technological challenges arising from continuously evolving digital landscapes. We ensure that Independent Software Vendors (ISV's) and other enterprises keep producing sustainable innovation backed by big data, analytics and cloud

- Product Engineering
- Digital platform & Solutions
- QA Testing
- Cloud Enablement
- Internet of Things (IoT)

2. AI, Data & Analytics

R Systems' mission is to help enterprises derive intelligent insights and put their data to work for their business success. We help clients build AI-driven products and provide machine learning & advanced analytics expertise, to fuel digital transformation

- Advanced Analytics
- Business Analytics
- Data Monetization and Modernization
- AI/Machine Learning
- Business Automation
- Modern Data Management

3. Design

R Systems' mission is to break-down bigger issues, into smaller & realistic deliverables by applying the fundamentals of Design Thinking to Digital Transformation

- Experience Re-Engineering
- UX Engineering
- Mobile User Experience
- Visual Design

4. Knowledge Services

R Systems knowledge services aid our customers in upgrading their organizational efficiency and effectiveness. It is equipped with multi-lingual prowess, global delivery platform and diversified services like

- Revenue cycle management
- Technical support
- Back Office Service
- Customer care

Key Events 2019

1 Quarter
January – March 2019

- **Innovizant Acquisition:** R Systems has acquired Innovizant, LLC to strengthen the global competencies in advanced analytics, data engineering, and digital connected systems.

- **Mobile World Congress 2019 – Barcelona:** R Systems and Computaris made visible participation at the largest global annual event in mobile technology.

2 Quarter
April – June 2019

- **Started New Office in Chicago, IL:** R Systems expanded the near shore presence with its new office in Chicago, Illinois.

- **BIG DATA TORONTO:** R Systems sponsored 2019 Big Data Toronto showcasing its data and analytics consulting services portfolio.