


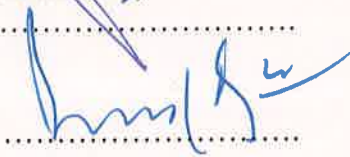
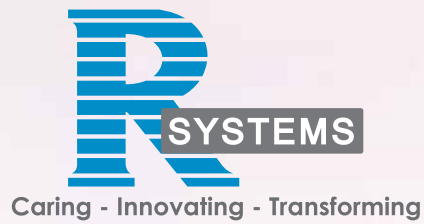


FORM A

Format of covering letter of the annual audit report to be filed with the stock exchanges

1.	Name of the Company:	R Systems International Limited
2.	Annual financial statements for the year ended	December 31, 2014
3.	Type of Audit observation	Un-qualified
4.	Frequency of observation	Not Applicable
5.	To be signed by-	
	<input type="checkbox"/> CEO/Managing Director : Satinder Singh Rekhi	
	<input type="checkbox"/> CFO Nand Sardana	
	<input type="checkbox"/> Auditor of the company Yogender Seth (Partner, M/s. S. R. Batliboi & Associates LLP) FIRM REG. NO. 101049W	
	<input type="checkbox"/> Audit Committee Chairman Raj Kumar Gogia	



BEYOND SOFTWARE ENGINEERING
It's VALUE ENGINEERING!



...like the Oyster delivering the Pearl

ANNUAL REPORT
2014

ANNUAL REPORT 2014

CONTENTS

VALUE ENGINEERING

- 01 ▶ Corporate Information
- 02 ▶ The Making of a Global Offshoring Leader
- 04 ▶ Value Engineering
- 05 ▶ Caring . Innovating . Transforming
- 12 ▶ Our Global Corporate Profile
- 16 ▶ From the Desk of the Managing Director
- 20 ▶ Financial Highlights
- 22 ▶ Our Industry Verticals
- 31 ▶ Our Global Client Portfolio
- 32 ▶ Our Innovation People, Process, Technology
- 33 ▶ Our Quality Excellence
- 34 ▶ Our Inspiring Work Culture
- 36 ▶ Our Community Initiatives (CSR)

STATUTORY REPORTS

- 38 ▶ Directors' Report
- 55 ▶ Corporate Governance Report
- 76 ▶ Management Discussion and Analysis
- 90 ▶ Secretarial Audit Report
- 92 ▶ Risk Management Report

FINANCIAL STATEMENTS

- 99 ▶ Financial Statements (Standalone)
- 147 ▶ Financial Statements (Consolidated)

AGM NOTICE

- 194 ▶ Notice of Twenty-First Annual General Meeting



04

Value Engineering



06

Caring



08

Innovating



10

Transforming

OUR INDUSTRY VERTICALS



Telecom And Digital Media



Banking and Finance



Healthcare Services



Manufacturing and Logistics



Government Services

Safe Harbor Statement:

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, 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, salary increases, 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 and restructuring, 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

Board of Directors

(As on April 23, 2015)

1. **Mr. Satinder Singh Rekhi**
(Managing Director)
2. **Lt. Gen. Baldev Singh (Retd.)**
(President and Senior Executive Director)
3. **Mrs. Ruchica Gupta**
(Additional Director – Non Executive)
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. Amardeep Singh Ranghar**
(Additional Director – Non Executive Independent)
8. **Mr. Raj Swaminathan**
(Director and Chief Operating Officer)

Chief Financial Officer

Mr. Nand Sardana

Company Secretary and Compliance Officer

Mr. Ashish Thakur

Committees of the Board of Directors

Audit Committee

1. **Mr. Raj Kumar Gogia**
(Chairman)
2. **Mrs. Ruchica Gupta**
(Member)
3. **Mr. Gurbax Singh Bhasin**
(Member)
4. **Mr. Suresh Paruthi**
(Member)

Stakeholders Relationship Committee

(Also known as 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)

Nomination & Remuneration Committee

1. **Mr. Suresh Paruthi**
(Chairman)
2. **Mr. Raj Kumar Gogia**
(Member)
3. **Mr. Gurbax Singh Bhasin**
(Member)
4. **Mr. Amardeep Singh Ranghar**
(Member)

Compensation Committee

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

Corporate Social Responsibility Committee (CSR Committee)

1. **Mr. Raj Kumar Gogia**
(Chairman)
2. **Lt. Gen. Baldev Singh (Retd.)**
(Member)
3. **Mrs. Ruchica Gupta**
(Member)
4. **Mr. Suresh Paruthi**
(Member)
5. **Mr. Raj Swaminathan**
(Member)

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 & Associates LLP
Chartered Accountants
Golf View Corporate Tower - B,
Sector - 42, Sector Road,
Gurgaon - 122 002, Haryana, India

Registrar & 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. Axis Bank Limited
2. ICICI Bank Limited
3. HDFC Bank Limited
4. State Bank of India
5. The Ratnakar Bank Limited
6. Oriental Bank of Commerce
7. State Bank of Bikaner & Jaipur
8. Kotak Mahindra Bank
9. California Bank and Trust, U.S.A.

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 Europe B.V., The Netherlands
(Ceased to be a subsidiary w.e.f. November 27, 2014)
7. R Systems S.A.S., France
(Ceased to be a subsidiary w.e.f. November 27, 2014)
8. Computaris International Limited, U.K.
9. Systèmes R. International Ltée, Canada
10. R Systems Products & Technologies Limited, India

Subsidiaries of ECnet Limited

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

Subsidiaries of Computaris International Limited

17. Computaris Romania SRL, Romania
18. Computaris Polska sp z o.o., Poland
19. ICS Computaris International Srl, Moldova
20. Computaris USA, Inc.
21. Computaris Malaysia Sdn. Bhd., Malaysia

THE MAKING OF A GLOBAL OFFSHORING LEADER

2004

- 📍 Six Sigma and Lean Methodologies deployed
- 📍 Acquired ECnet (Singapore)

2003

- 📍 Set up BPO Centre at Noida, India
- 📍 Assessed at SEI-CMMi Level 5

2002

- 📍 Acquired Indus Software, Pune and Chennai (India)

TRANSFORMING

2000

- 📍 Opened Offshore Development Centre at Noida

RESHAPING

1998

- 📍 ISO 9001: 1994 certified

1997

- 📍 India operations started

1993

- 📍 Started as Software Engineering firm in Sacramento, CA

2011

- 📍 Acquired Computaris, UK
- 📍 Appraised at SEI-CMMi Level 5 (ver. 1.2)

2010

- 📍 ISO 9001: 2008 Certified

ENABLING

GROWING

2009

- 📍 Assessed at PCMM Level 5

2006

- 📍 IPO launched
- 📍 R Systems listed on BSE and NSE
- 📍 Acquired Web Converse, Salt Lake City (USA)
- 📍 Assessed at SEI-CMMi Level 5 (ver. 1.1)

SHARPENING

2014

- 📍 Successfully appraised for CMMi Level 5 (ver. 1.3)
- 📍 Received Special Commendation for "Golden Peacock Award for Excellence in Corporate Governance"
- 📍 Sale of Europe BPO (Netherlands and France centre)

2013

- 📍 Joined Elite Group of USD 100 mn + by Revenue
- 📍 Won the Rajiv Gandhi National Quality Award in "Large Scale Service Industry" category
- 📍 Financial Express "IT Solution of the Year" Award for Indus' Product
- 📍 Acquired ERP Business of Nikko Computer Systems (S) Pte Ltd.
- 📍 PCI-DSS (ver. 2.0) Certification for BPO

2012

- 📍 Assessed at PCMM Level 5 (ver. 2.0)
- 📍 Ranked 5th Best IT Employer by DataQuest

VALUE ENGINEERING

OUR USP IN THE INDUSTRY

Our journey so far has been like an untold tale of unstinted dedication, diligence and hard work – just like the ‘Oyster delivering the Pearl’. Just as the oyster embraces the irritant grain of sand and nurtures it with warmth and patience instead of getting rid of it, our attitude of perceiving problems as challenges, has pushed us to the position we stand today.

Overcoming all the odds, we strive to deliver exceptional value to our employees, customers and all those who are associated with us through our robust value engineering framework. Our zeal to move beyond conventional boundaries has helped us explore uninhabited territories that represent real value innovation.

Illustrating uncompromising focus on delivering significant value to our clients, our growth strategy has differentiated us from the rest of the pack. By addressing their concerns and encouraging their enthusiasm, our efficient growth engines have harnessed new opportunities, enabling us to grow consistently over the years.

Our innovation curve and our ability to offer cutting-edge services and solutions to our global clients positions us a tall leader in “Value Engineering”. We measure ourselves as a value creator for a diverse group of stakeholders – customers, employees, investors and the society. Over the past two decades of existence we have continuously ramped up our people, processes and technological capabilities through innovative steps. Our existence is founded with the singular focus of delivering Value, which can be best expressed through our core values of Caring, Innovating and Transforming.





OUR LEADERSHIP...

Caring . Innovating . Transforming

...WE ARE CARING

At R Systems, we are powered by our stakeholders including our employees, customers, shareholders, industry, society and all those who are connected with us. We aim for a better world where we treat our employees the way we want them to treat and serve our clients i.e. with perfection and a sense of security.





At R Systems, we consider our employees to be our greatest assets. We care for our employees, their individual growth and their overall well-being by rendering world class infrastructure, extra-ordinary work culture, extensive mentoring and global onsite work opportunities. We promote a culture where employees are motivated to achieve excellence in their performance by learning new skills and knowledge.

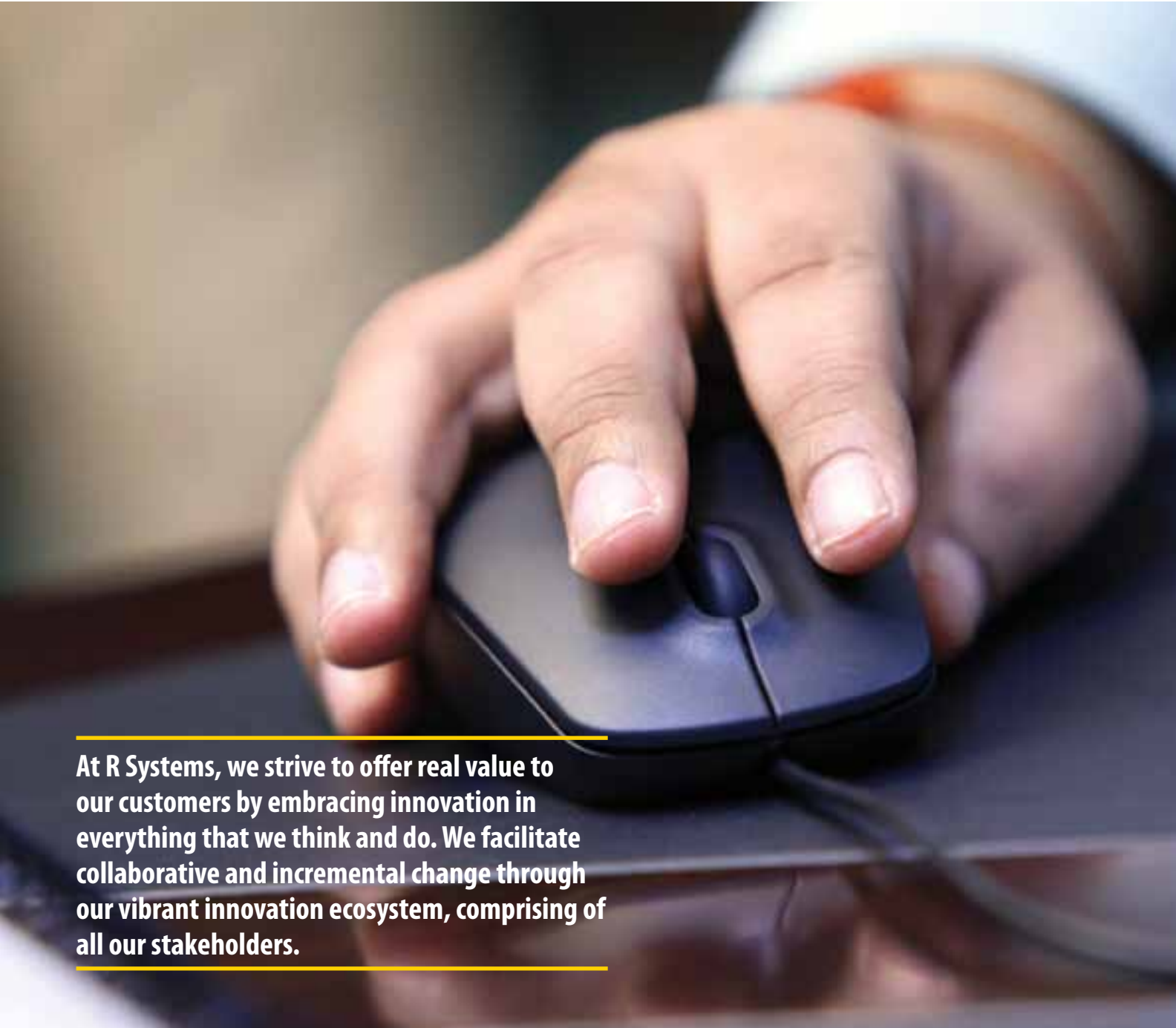
Year-on-year, we are expanding our services portfolio to meet the increasing demands of our customers. Since, the time of our inception, we have been consistently delivering quality excellence in our services. We listen, we care and we solve every concern of our customers by providing them a real time visibility of their projects. We are system-level thinkers who have demonstrated remarkable ability to design and deliver technically elegant, practical solutions that have often exceeded our clients' expectations. We walk an extra mile to strengthen our relationship with our esteemed customers while ensuring necessary measures to sustain it.

We care for our shareholders – who serve as the financial backbone of R systems' success – and place confidence in our vision. Our investments strengthen us with unique capabilities that differentiate us from our competitors. Our processes and funds are well managed by seasoned professionals, who help in maximizing the returns on our investments and further help us in providing long term loyalty to our investors. The byproduct of our investments has been rapid innovation across the entire technology ecosystem.

We owe our success to the community we live and work in. We have delivered solutions which have changed how people live, businesses run and economies grow. Also, our global strategies and numerous initiatives perfectly complement our vision to provide good health and social welfare for each and everyone around us. Our society plays a vital role in our growth and evolution, and we put in every possible effort to ensure its social and ecological development.



...WE ARE INNOVATING

A close-up photograph of a person's hand clicking a computer mouse. The hand is in the foreground, and the mouse is a dark grey or black. The background is blurred, showing what appears to be a computer monitor and keyboard.

At R Systems, we strive to offer real value to our customers by embracing innovation in everything that we think and do. We facilitate collaborative and incremental change through our vibrant innovation ecosystem, comprising of all our stakeholders.



Developed by and for every employee, the innovation framework at R Systems seeks to encourage ideas from every employee. We strive to enumerate each and every idea depending on the value it generates for the clients. We consider every individual employee as an "Individual Enterprise". We strive to leverage their true potential by deploying new processes, and optimizing employee performances. We nurture our employees by providing them with structured training programs that are enhanced from time to time so as to equip them with maximum learning.


We understand that the purpose of any business is to create value for its customers and at R Systems it is a key strategic initiative. We thrive on getting innovative thinking to the table while discovering new ways to connect with the requirements of our customers. We focus on making successful rather than just satisfied customers by addressing their IT expectations.

We keep ourselves abreast of new emerging technology and industry trends by undertaking research and development in these new areas. Our State-of-the-art research and development labs at Pune and Noida have spearheaded innovation for our customers and have delighted them by offering continuous stream of new products and solutions. Our customer focused innovation initiatives have largely benefitted our shareholders as well the community at large.

We combine a unique blend of entrepreneurial spirit, technical competence and perpetual passion to innovate. Our self-sustained and self-motivated Innovation engine comprises of 2500+ employee who are spread across the three continents of APAC, Europe and North America.



...WE ARE TRANSFORMING

A photograph of four business professionals in an office setting. A man in a light blue shirt stands and points at a laptop screen with a white marker. Two other men and one woman are seated around the table, looking at the screen with focused expressions. The man on the left is wearing a blue shirt and has a pen to his ear. The man in the center is wearing a light blue shirt and a red tie. The woman on the right is wearing a dark blue top. The background shows office furniture and a window.

At R Systems, we seek to transform individuals, businesses and the society at large through our caring and innovation-driven culture. We strive to offer rapid and sustainable outcomes through our transformation services.



We have a strategic roadmap so as to ensure transformation for our customers and other stakeholders, through our caring and innovation-driven enterprise. By deploying industry best practices (gathered from our experiences), we have endeavored to re-engineer and align changing organizational processes, technology investment, and most importantly, the mindset of our legacy workforce, in order to provide high value to all our stakeholders.

We strive to better the lives of our employees by providing them a work culture that is inspiring and motivating. We tap into the way our employees feel, think, behave and work by investing in various competency development initiatives such as career development and structured training programs. At R Systems, we understand the significance of employee engagement and their involvement in creating value, and better customer experience. Our people practices are mapped to that of PCMM Level 5, which helps us to capitalize on the potential of our employees while helping them realize job satisfaction.

Over the past two decades, R Systems have been transforming global businesses by offering them real business value. We strive to create a clear transformation roadmap for our customer's by leveraging our dynamic operating model and mature portfolio of services. We strive to create an integrated customer experience by seamlessly aligning their business processes, and innovative technology solutions to their strategic goals. We seek to move beyond small achievements, and focus on using innovative practices for transforming organizations in a way that make them completely sustainable.

We seek to establish ourselves as a responsible organization by bringing positive and meaningful change in our society where we live and work, through our well-organized CSR activities.



GLOBAL CORPORATE PROFILE

R SYSTEMS

WE ARE

R Systems, founded in 1993, is a leading provider of IT and ITeS services and solutions. Ever since its inception, the Company has demonstrated remarkable growth and established its presence all across the globe.

Fighting all the odds, the Company has emerged as one of the world's leading IT solutions and services provider. Our IT services and solutions span five major verticals including Telecom & Digital Media, Banking & Finance, Healthcare, Manufacturing & Logistics, and Government Services. Endowed with some of the industry's highest quality certifications and standards, including SEI CMMI Level 5, PCMM Level 5, ISO 27001:2005 and ISO 9001:2008, we cater to customers worldwide using our global delivery model, expert associates and multi-language support capabilities.



WE OFFER

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 : Following changing customer needs, Software product development companies are under tremendous pressure to provide product offerings in the marketplace within



the quickest possible time. Our iPLM IT Services including new product development, product maintenance and support, and testing and quality assurance, are designed to help these firms, accelerate time-to-market, become more competitive, and increase product life spans. With 1100+ expert resources servicing 80+ key customers, our iPLM solution delivers a comprehensive range of benefits that help companies respond to product life cycle challenges that too within real time.

ITeS Services : 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. Our 350+ expert resources in this segment are servicing 10+ key customers using our global delivery model.

Product Offerings : R Systems products are delivered by our two units – Indus® and ECnet®. Indus® addresses the retail lending, telecom and insurance industry. With 600+ expert resources, Indus serves 40+ key customers including reputed banks, insurance companies and telecom operators. ECnet® addresses supply chain, warehousing, inventory management and ERP solutions for SME sector. ECnet deploys 90+ expert resources to cater 20+ key customers.

OUR VISION

To generate Value through Technology, like the Oyster Delivering the Pearl

OUR MISSION

Our mission is to emerge as the world's leading solutions and services provider by leveraging on the entrepreneurial spirit of our employees, on cutting-edge technologies and niche verticals, through constant innovation and learning.

OUR VALUES

CARING:

We care for our employees, customers, investors and all those who are associated with us. We walk the extra mile and nurture our relationships to build an association that is meaningful, long-term and sustainable.

INNOVATING:

We stay ahead by embracing innovation in all that we think and do. Our innovation spreads across the entire value chain and includes people, processes, and technologies.

TRANSFORMING:

We see ourselves as transformation agents. Our caring and innovation-driven culture seeks to transform individuals, businesses, and Society, for the better.

OUR GLOBAL FOOTPRINTS

Beginning our journey as a start-up software engineering firm in Sacramento, California, in the year 1993, our attitude of seeing problems as challenges, has pushed us to the position we stand today. Today, with global presence across Asia Pacific, Europe, and North America, we have placed ourselves as leading IT player in the world map.

Besides having a leading presence in India (Noida, Chennai and Pune), R System's operates from its 11+ development and service centres established across the world including Sacramento and Salt Lake City in USA; Singapore; Bucharest and Galati in Romania; Warsaw and Bialystok in Poland and Chisinau in Moldova.



OUR GLOBAL HIGHLIGHTS

11

Development and Service Centres spread across Asia Pacific, Europe and North America

2500+

Our Global Employees





5

Our Key Industry Verticals

150+

Our Global Key Customers

FROM THE DESK OF THE **MANAGING DIRECTOR**



Our people are now aligned to take on the challenges of new technologies to be able to meet the ever increasing expectations of our customers. Our processes have become even more robust and agile and we are equipped to handle the ever increasing complexities in the offshoring ecosystem. Our ambitious skills enhancement programs are empowering Team Leaders to prepare for the challenges of tomorrow.

Dear Fellow Stakeholders,

It gives me immense pleasure to report that your company has witnessed another successful Year in 2014 and realized profitable growth.

Over the past year, your company has witnessed several new and interesting changes. Our perseverance and quest to move up the value ladder closely follows the oyster and pearl story. We have religiously mobilized the philosophy of Caring – Innovating – Transforming in all aspects of our business and are now witnessing impressive changes. Our journey towards becoming a global leader in “Value Engineering” has energized us and all our stakeholders with renewed enthusiasm and excitement. I am proud that we continue to be driven by such a profound global vision.

Your company has witnessed several interesting changes over the past year. We have introduced several new changes in staff, processes and technology. Our people are now aligned to take on the challenges of new technologies to be able to meet the ever increasing expectations of our customers. Our processes have become even more robust and agile and we are equipped to handle the ever increasing complexities in the offshoring ecosystem. Our ambitious skills enhancement programs are empowering Team Leaders to prepare for the challenges of tomorrow.

Our culture of Innovation is now helping us capitalize on a much diverse spectrum of ideas. By encouraging innovation, we have sustained our technological leadership in our traditional strongholds and also provided new momentum to technology spheres like Analytics, Cloud Computing and several other areas that have helped sustain our position as a global leader in the field of offshoring.

We continue to focus on our key verticals, Telecom & Digital Media, Banking and Finance, Health Care, Manufacturing & Logistics and Government Services. We have strengthened our efforts in all our verticals by aligning our branding and marketing strategies, to highlight our strengths and proficiencies around these verticals to accelerate our future growth.

Your company now has 11 development and service centres that serve customers in USA, Europe, South America, India, the Far East, the Middle East and Africa through a robust global delivery model. Our footprints are also rapidly expanding in our traditional geographies of North America and Europe and embracing a new league of customers.

R SYSTEMS IN 2014

Our performance, in the year 2014, has been extremely satisfactory. We served 27 million-dollar plus customers and also added over 20 marque clients across all business verticals and geographies. Globally, we served 150 + Key customers during the year.

The consolidated revenues continued its upward growth during 2014 and it reached Rs. 6,485 million (US\$ 106.27 million). This gave us a Year-on-Year growth of 8.80%. The EBITDA was Rs. 900 million (US\$ 14.76 million) which grew 14.50% over last year. The Profit after tax was Rs. 781 million (US\$ 12.80 million) with a growth of 48.27% over last year.

 Rs. 6,485^{million}
(US\$ 106.27^{million})

Revenues in Year 2014

 8.8%

Revenue Growth in 2014

 Rs. 900^{million}
(US\$ 14.76^{million})

EBITDA in Year 2014

 14.50%

EBITDA Growth in 2014



Our sales funnel is strong across all businesses. Our focus for 2015 will be to continue to deliver increased business value to our global customers through innovative industry-specific services and solutions; realignment towards core services to improve margins.

We have deployed robust financial management practices and ensured that our balance sheet remains strong. Share Holder Funds stood at Rs. 2,131 million and our cash and bank balances was Rs. 1,098 million.

During 2014, we also completed the sale of Europe BPO Business comprising of its 100% holding in R Systems Europe B.V., Netherlands and R Systems S.A.S., France. This will enable us to focus on core businesses. The profit after tax from this sale of our Europe BPO Business helped us gather an exceptional profit of Rs. 169 million (US\$ 2.77 million).

Telecom and Digital Media continues to be our largest industry vertical with 33.71% share of revenues followed by BFSI which accounts for 15.10% during the year 2014. The volumes growth from existing, as well as, new customers, coupled with discipline in execution and higher license revenue, led to improved margins.

Considering the overall performance during the year 2014, the Board has recommended a final dividend of Rs 0.95 per share (in addition to earlier declared interim dividends of Rs. 4.90 per share) subject to approval of shareholders.

OUTLOOK

As the year 2015 rolls out, I am very positive about the outlook for your company. The US economy is poised for solid growth in the Year 2015 while the European Economy is still giving mixed signals for recovery. Gartner has predicted that the global offshoring industry will sustain its growth momentum which will be led by the adoption of newer and robust technologies, to make businesses more efficient and competitive.

R Systems will continue to focus on profitable growth in FY 2015. Our sales funnel is strong across all businesses. Our focus for 2015 will be to continue to deliver increased business value to our global customers through innovative industry-specific services and solutions; realignment towards core services to improve margins; improve branding and marketing efforts to highlight our strengths in key verticals; and sustain discipline in execution and maintain utilization around 75% even while continuing to invest in people, processes and technologies.

CONCLUSION

To conclude, I thank all our stakeholders for contributing to our success. I also express my gratitude to our customers, shareholders, bankers, the stock exchanges, Securities and Exchange Board of India (SEBI), the Software Technology Parks of India (STPI), various government agencies, industry associations and all other organizations for their valuable support.

I would also like to thank my colleagues, worldwide, at R Systems for their support and contribution in making R Systems an esteemed organization. It is with their support that R Systems is able to deliver value to our global customers, meet the expectations of our shareholders and also contribute to the diverse communities around us.

Let me assure you that your company will continue to pursue its global philosophy of Caring, Innovating, and Transforming, to meet the aspirations of our diverse stakeholders. I am confident that your company will set new benchmarks of excellence and continue to grow as an industry leader, now, and into the Future.

We remain committed to excel, **like the Oyster delivering the Pearl.**

Sincerely,

Satinder Singh Rekhi
Managing Director

FROM THE DESK OF SARTAJ SINGH REKHI

Dear Stakeholders,

R Systems continues to ride high on its journey as a value creator. Our ability to deliver value to diverse stakeholders has already touched new benchmarks. In fact, it's this impeccable track record and value proposition that makes us masters of "Value Engineering".

We at R Systems are now entering a new phase of growth that will be increasingly dominated by innovation. Everything we do, every stride we take – no matter how small or big – will be packed with innovation. Our innovation is holistic and has a 360° span covering People, Processes and Technologies.

In the present environment, technological leadership is not only about our ability to provide technological services and solutions; rather it's about how closely we are able to partner with our customers and help them navigate across the vast and complex technological realm. Speed is a significant component in this. Our leadership thus lies in our ability to be innovative against a rapidly shifting technological goalpost.

At R Systems we adopt global best practices in all that we do. We constantly test our People, Processes and Technologies against global benchmarks. Our obsession for quality and timely delivery makes us one of the most acclaimed global IT organizations in the world. Our proactive management, robust training, and agility are some of the many factors that position us as a tall leader in an increasingly competitive world.

Our vertical focus has helped us generate profitable growth, not only in terms of revenue, but also in terms of enhanced customer satisfaction. Over the year 2014, we further invested in building competencies around all our key verticals. We have also focused to offer analytics- and mobility-based solutions and services to many of our global customers.

Against this backdrop, I am very optimistic about R Systems. I am confident that our global workforce and our diverse leadership will continue to deliver value to all our stakeholders across the world. I believe that our existence and satisfaction revolves around our ability to deliver Value, like the Oyster delivering the Pearl!

Sincerely,
Sartaj Rekhi



At R Systems we adopt global best practices in all that we do. We constantly test our People, Processes and Technologies against global benchmarks. Our obsession for quality and timely delivery makes us one of the most acclaimed global IT organizations in the world.

FINANCIAL HIGHLIGHTS

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

FINANCIAL PERFORMANCE

(Rs. in million)

Particulars	2014	2013	2012	2011	2010
Revenue	6,484.96	5,960.54	4,650.09	4,094.96	2,905.47
Other Income	90.72	47.15	71.38	55.64	63.19
Total Income	6,575.68	6,007.69	4,721.47	4,150.60	2,968.66
EBITDA	900.48	786.43	348.37	322.79	220.32
Exceptional item*	250.11	-	-	-	-
EBT	1,124.21	718.26	288.54	209.19	145.58
EAT	781.34	526.99	183.62	165.13	167.76
Share Capital (Face value of Re. 1 each)	126.72	125.92	124.47	122.43	122.43
Reserve and Surplus	2,004.33	2,191.69	1,821.53	1,863.40	1,680.10
Long-term borrowings (including current maturities)	9.29	14.54	5.63	6.88	8.35
Fixed Assets (net) (tangible and intangible assets)	415.82	463.00	387.07	400.10	444.34
Cash and Bank Balances	1,098.24	1,115.20	889.39	949.55	956.89

KEY RATIOS

Particulars	2014	2013	2012	2011	2010
Debt -Equity Ratio	0.00	0.01	0.00	0.00	0.01
Days Sales Outstanding	55	56	71	65	61
EBITDA / Revenue (%)	13.89%	13.19%	7.49%	7.88%	7.58%
EBT / Total Income (%)	17.10%	11.96%	6.11%	5.04%	4.90%
EAT / Total Income (%)	11.88%	8.77%	3.89%	3.98%	5.65%
Return on Avg. Equity (%)	35.13%	24.72%	9.34%	8.72%	9.65%
Return on Avg. Capital Employed (%)	50.32%	33.59%	14.67%	11.03%	8.36%
Earning Per Share					
- Basic (Rs.)	6.14	4.18	1.48	1.34	1.36
- Diluted (Rs.)	6.14	4.18	1.48	1.33	1.35
Dividend Per Share (Rs.) #	5.85	2.05	2.35	0.36	0.24
Book Value Per Share (Rs.)	16.82	18.41	15.63	16.22	14.72
Cash Per Share (Rs.)	8.67	8.86	7.15	7.76	7.82

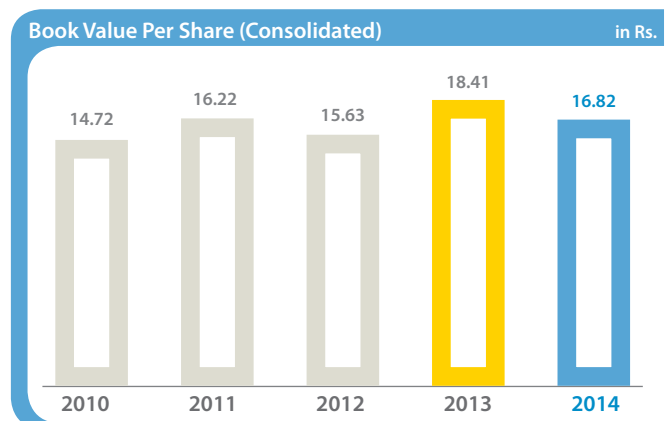
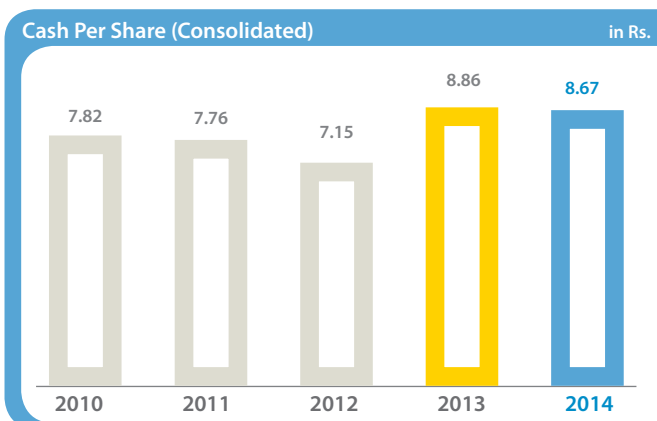
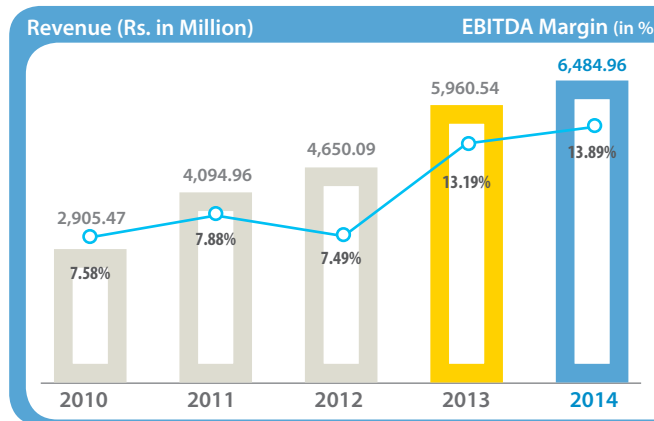
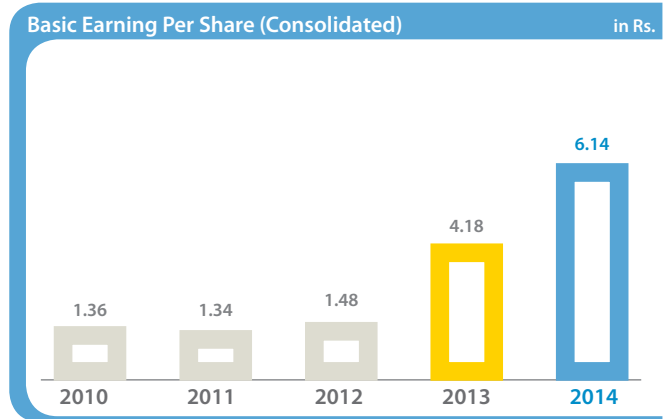
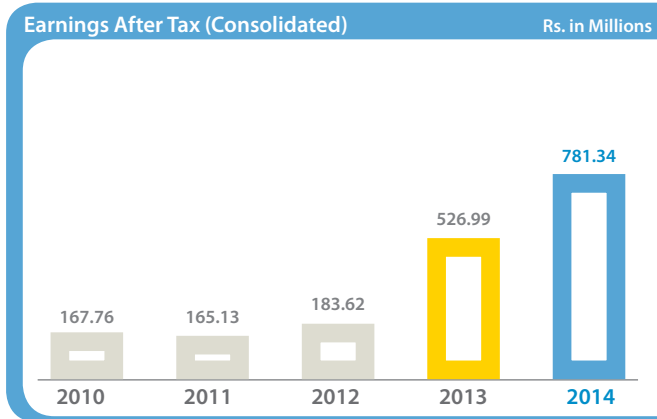
*Exceptional items includes profit on sale of Europe BPO Business amounting to Rs. 224.02 mn and Rs. 26.09 mn transfer of currency translation reserve to profit and loss account on account of buy back from a subsidiary.

includes final dividend of Re. 0.95 per equity share of face value of Re. 1/- each (being 95% on the par value) subject to the approval of the shareholders in forthcoming Annual General Meeting.

NOTES:

EBITDA - Earning before tax, interest, foreign exchange fluctuation, exceptional and prior period items; Cash and Bank Balances excluding money kept in escrow account for fourth interim (special) dividend and margin money for buy back. 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 Balances / Closing Outstanding No of Shares.

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



* Graphs not to scale

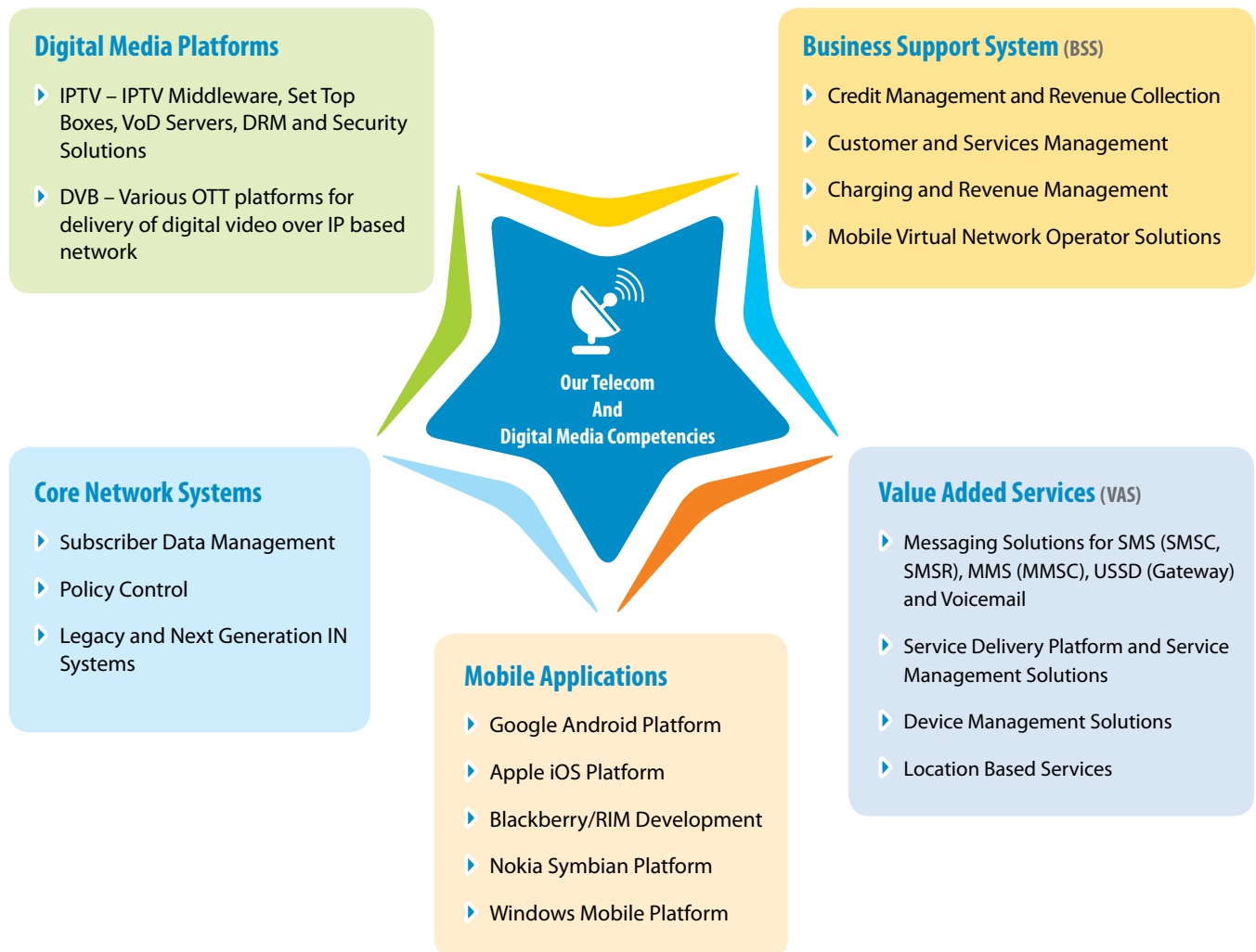
OUR INDUSTRY VERTICALS

TELECOM AND DIGITAL MEDIA

The Telecom and Digital Media Landscape is evolving very fast. The rapidity of change in the telecom industry is unrivaled. Technological advancement and changing consumer behavior have irrevocably transformed business environment for the telecom industry. In 2014, Telecom and Digital Media stands out to be the largest industry vertical for R Systems and contributes 33.71% share of revenue.

R Systems Telecom and Digital Media Solutions help telecom players provide and enhanced media experience to their subscribers. Our Telecom and Digital Media services help Independent Software Vendors (ISVs), Original Equipment Manufacturers (OEMs), System

Integrators (SI), and Communication Service Providers (CSPs) to realize enhanced ROI and competitive edge. Our CMRC Solution installed with leading CSPs of APAC is serving large customer base of over 350 million.



Our services and solutions in telecom and digital media industry vertical

SERVICES

- ▶ Product Development and Maintenance Services
- ▶ System Integration Services
- ▶ Technical Support and Managed Services
- ▶ BPO Services
- ▶ Testing Services

SOLUTIONS

- ▶ Credit Management and Revenue Collections Solution
- ▶ Dealer Management
- ▶ Convergent Charging
- ▶ Mobile Broadband Management
- ▶ MVNO in a White Box
- ▶ Value Added Services

Key Highlights of 2014

- ▶ R Systems is contributing towards customer's growth by providing innovative platform to improve customer base, new feature development, maintenance of deployed product and round-the-clock technical support to key IPTV players based in Europe.
- ▶ A leading mobile telecommunication company in Austria has engaged our European subsidiary Computaris to deliver IT services for service delivery platform built on OC Rhino technology.
- ▶ One of Saudi Arabia's largest telecom operators has mandated R Systems to implement Indus Credit Management and Revenue Collection solution to manage its customer acquisition, exposure management and bill collection processes.



BANKING AND FINANCE (BFSI)

The banking and financial services industry requires a unique blend of technology, services and solutions to meet the distinct and diverse needs of the sector. R System’s value differentiators are envisioned to resolve customers’ business challenges, improve operational excellence, and deliver new efficiencies beyond just cost savings while driving innovation. In 2014, the Banking and Financial segment contributed 15.10% share of revenue to R Systems. It was the second largest industry vertical during the year 2014.

In our Banking & Finance Centre of Excellence located in India (Pune, Chennai and Noida) and US, we walk an extra mile to help global Banking & Finance institutions enhance their efficiency and serviceability. For ISVs catering to Banking & Finance domain, we

offer Outsourced Product Development Services using our time-tested and proven model of iPLM. This ensures transparency, quality and cost effectiveness.



Our Services and Solutions in Banking and Finance Industry Vertical

INDUS SOLUTIONS

- ▶ Loan Originations System
- ▶ Loan Management System
- ▶ Loan Collections
- ▶ Corporate Loan Originations
- ▶ Collateral Management System
- ▶ Commercial Vehicle and Leasing System
- ▶ Exposure Monitoring System
- ▶ Dealer Funding (Auto Loan Business)
- ▶ Stock Audit (Auto Loan Business)
- ▶ Ipersyst - Managing Renewals
- ▶ Iprotect - Originations
- ▶ Common Reporting System
- ▶ Commissions and Incentives

DEVELOPMENT SERVICES

- ▶ Application Development
- ▶ Technology Migration
- ▶ Product Integration
- ▶ Mobile Banking Apps

SUPPORT SERVICES

- ▶ Application Testing
- ▶ Automated Testing
- ▶ Requirement Engineering
- ▶ Solution Designs
- ▶ Regulatory Compliance Testing

MAINTENANCE SERVICES

- ▶ Application Maintenance
- ▶ Customization and Localization
- ▶ Client Care Support
- ▶ Analysis

Key Highlights of 2014

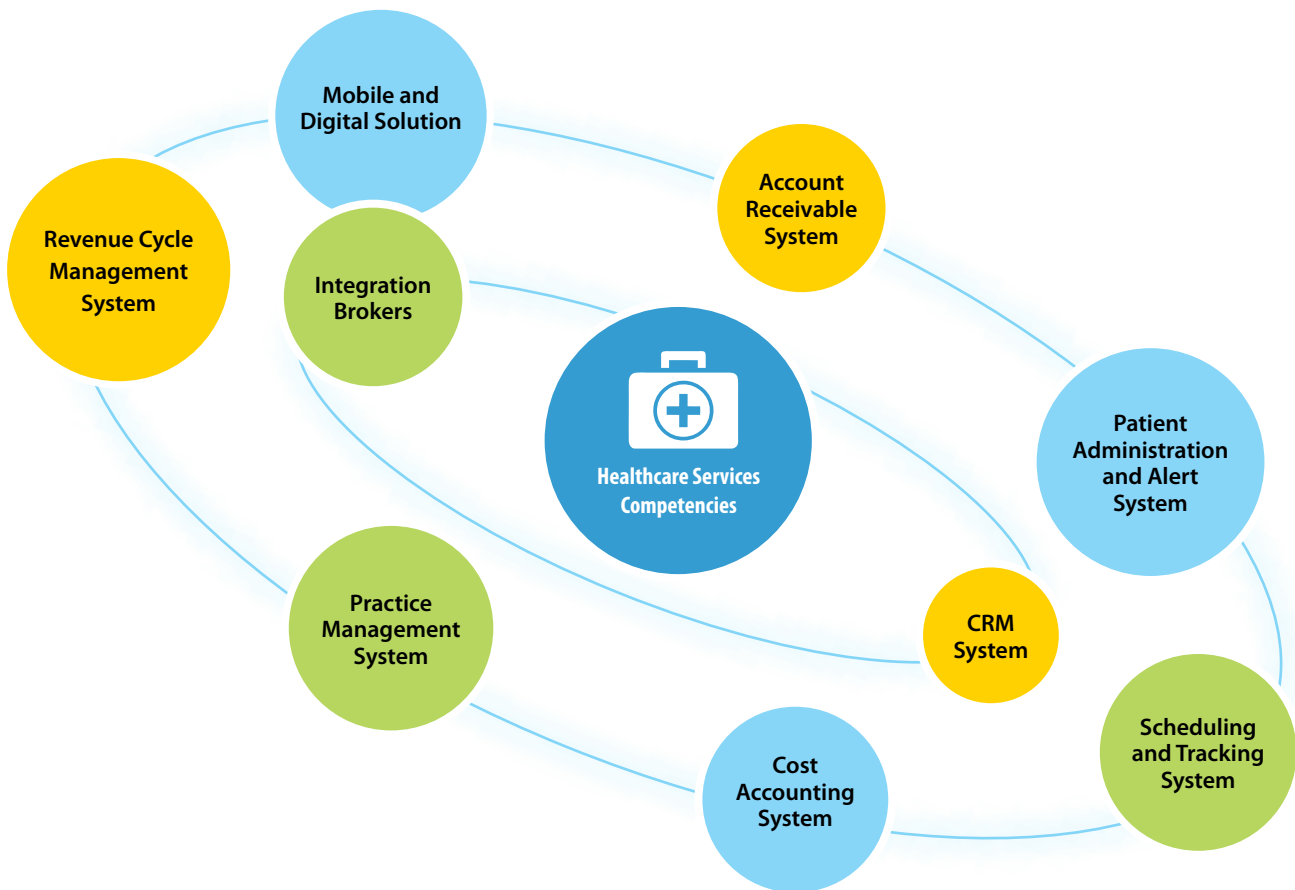
- ▶ One of India's foremost system integrators has chosen to partner with R Systems to implement Indus Loan Originations Systems and the Corporate Loan Originations solution at a reputed public sector bank in India.
- ▶ An international automobile company's captive finance arm has chosen R Systems flagship Lending Solutions product LSI "Loan Origination System", "Loan Management System", "Collections System" Common Reporting Services module (CRS), Commissions & Incentives (CNI), Dealer Funding (DF) and Stock Audit for its business in India.
- ▶ One of Africa's large banking companies has selected Indus' Lending Solutions suite for its Zambia business. The Solution will address end to end requirements for its lending business.
- ▶ One of the leading providers of self-service banking solutions such as web-enabled ATMs, deposit automation, customer preferences and targeted marketing has selected R Systems for development of next generation software products / solutions.

HEALTHCARE SERVICES

Being one of the largest sectors, the Healthcare service industry offers a new wave of opportunities and challenges in terms of employment and revenue generation. Healthcare Players are reinventing existing delivery models to bring healthcare closer to the patient while delivering high quality and cost-effective services.

With our deep industry experience, expertise, and capabilities, we help different players in healthcare industry to streamline, innovate and transform their enterprise. We deliver our clients unparalleled IT services and solutions through industry best practices and a global delivery model to meet their diverse and unique needs. Our teams of dedicated business professionals bring a diverse range of client engagement practices and analytic skills in the healthcare industry including technical feasibilities, operations improvement, and new technology applications.

R Systems also provides end-to-end Revenue Cycle Management (RCM) services to Healthcare clients. Our team of highly skilled experts, with deep domain expertise in RCM, consists of AAPC certified coders, graduate/post graduate billers and accent neutralized AR follow-up specialists. We have stringent quality standards in place which are measured, analyzed and implemented for process enhancements. For PHI security, an essential HIPAA requirement, we have Physical, System, Human Resource, and Network audit controls in place.



Our services offerings in healthcare vertical

HEALTHCARE PROVIDERS

- ▶ Practice Management System
- ▶ EMR/ EHR/ PACS Systems
- ▶ Rx, LIS, RIS, CRM Systems
- ▶ Decision Support System
- ▶ Clinical Predictive Analytics System
- ▶ Interface Engine
- ▶ Interoperability - HIE
- ▶ Clinical Terminology Service
- ▶ HL7, IHE, HITSP Standards

HEALTHCARE PAYERS

- ▶ RCM, BPO
- ▶ AR Systems
- ▶ Payer Analytics
- ▶ Electronic Billing (EDI) - Claims, Adjudication, and Denials
- ▶ Eligibility Checking
- ▶ Payment Processing/ Collections
- ▶ ICD - 10 Translation

REGULATORY COMPLIANCE

- ▶ HITECH Act, Obama Care
- ▶ Meaningful Use Implementation
- ▶ EHR/ CLIA Certification
- ▶ HIPAA 2013
- ▶ Federal/ State Regulations and Mandates
- ▶ NHS, ATOS, and other UK/ EU Compliances

CORE SERVICES

- ▶ Consulting
- ▶ Application Development and Maintenance
- ▶ Testing and QA
- ▶ Mobility - Apps Development
- ▶ BPO, RCM
- ▶ BI and Data Warehousing
- ▶ Analytics Services
- ▶ Hospital and HIE Integration
- ▶ Clinical Data Migration/ Integration and Support

Key Highlights of 2014

- ▶ A US-based leading provider of interactive patient care and patient engagement solutions has engaged R Systems to re-architect its key product which empowers patients to participate in their care and leads to better outcomes.
- ▶ At R Systems, we have demonstrated value to our Healthcare client by managing their end-to-end Revenue Cycle Management. We service customers, including national hospital chains, across all the states, processing claims over \$2.5 billion annually. Our revenue collection percentage, (which is significantly higher than industry standards), and our world-class quality and compliance standards makes us the servicer of choice for the US healthcare industry.
- ▶ One of the leading providers of cloud-based products for health insurers and state health agencies based in USA has engaged R Systems for various cloud based J2EE initiatives using Spring and Hibernate technologies.
- ▶ A US-based company focusing on clinical research, with a flagship product having multi-tenant architecture to isolate each customer data, has engaged R Systems to build an automation framework to improve study protocol design and streamline study recruitment activities.

MANUFACTURING AND LOGISTICS

R Systems, with its agile approach, helps businesses to pace up their operations in accordance with changing market metrics, stringent environmental regulations and evolving technology. We are committed to help manufacturers maximize productivity by controlling cost & inventory, escalating need for operational efficiency, and quicker time-to-market.

Our subsidiary 'ECnet' provide innovative business models and solutions for manufacturing and logistics vertical to improve their overall operations. 'ECnet' has a presence across Singapore, Malaysia, Thailand, China and other countries in the Asia-Pacific region. We offer collaborative Supply Chain Solutions, Enterprise Solutions and Custom-Built Solutions which in turn enable our

customers to streamline their business processes to achieve efficiency and competitive value while ensuring consistent and predictable results. We also offer diverse IT Services under IPLM IT offerings from Noida centre to our clients in the Manufacturing and Logistics domain so as to enable them to stay ahead in the competitive race.



Our Services and Solutions in Manufacturing and Logistics Industry Vertical

SUPPLY CHAIN MANAGEMENT SOLUTIONS

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

ENTERPRISE SOLUTIONS

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



Key Highlights of 2014

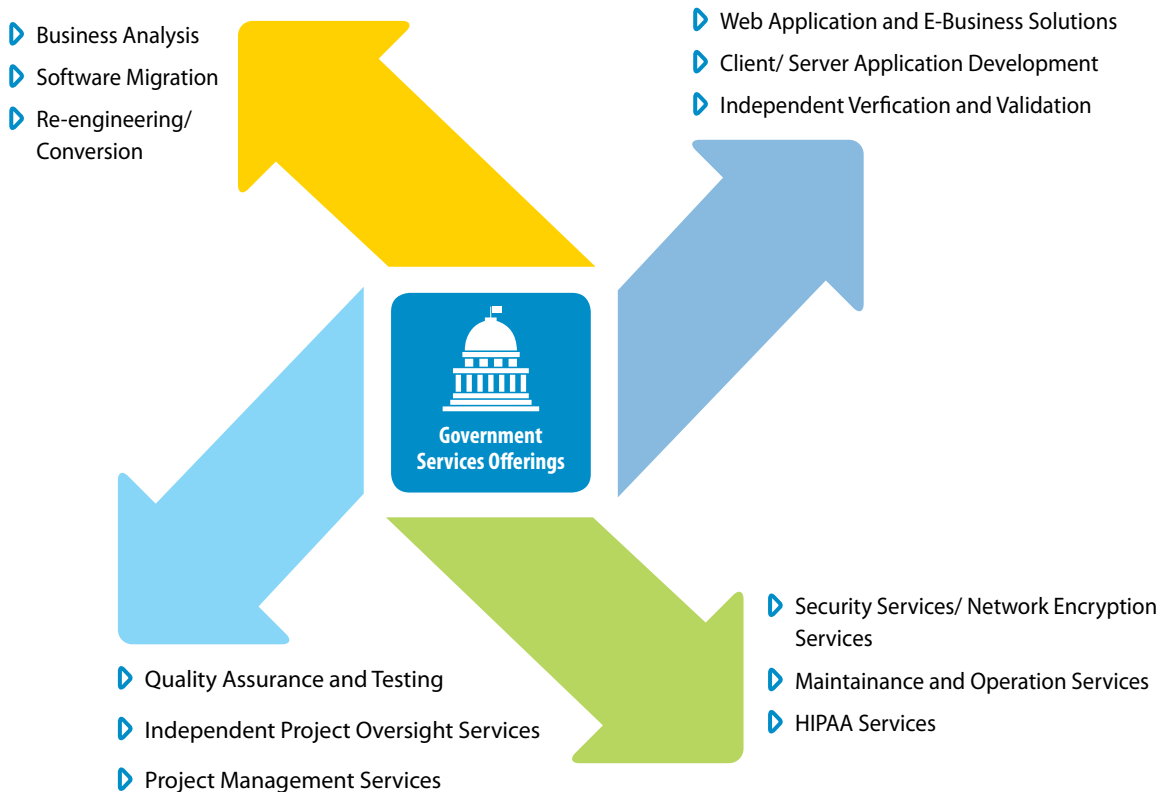
- ▶ A Singapore based company specialized in electrical goods and component has selected our subsidiary ECnet Limited to implement a data collection solution. The solution will result in improved warehouse management.
- ▶ A renowned group engaged in manufacturing of packaging material and manufacturing and distribution of dairy and non-dairy products, has selected ECnet Malaysia for an ERP implementation.
- ▶ A Malaysian conglomerate involved in several business activities like assembly and marketing of motor vehicles, auto parts manufacturing and trading of industrial equipment and consumer products, has selected ECnet Malaysia for an ERP implementation.
- ▶ The R&D division of one of the leading electronic product manufacturer worldwide, has awarded R Systems' Singapore based subsidiary ECnet Limited software development projects related to effective energy management systems.

GOVERNMENT SERVICES

We at R Systems offer comprehensive range of services that address some of the biggest challenges of the US state government, local, county and state agencies. We respond to the changing government sector landscape by introducing new approaches and ideas to service delivery, modernizing and protecting government infrastructure, simplifying the management of resources, and improving budgetary restraint, while delivering better solutions to citizens. We are also enrolled as preferred vendor with State of California, Washington and Oregon to provide end to end IT services for public and government services.

With broad experience across all key sectors, we have empowered and helped many government agencies and departments in the US to realize critical missions. R Systems state and local Government practice has delivered numerous technology solutions to help

Government leaders transform their organizations from a Government agency to an e-Government organization. Our goal is to help government use e-Business technologies to improve the availability of information and the quality of service to the public.



Key Highlights of 2014

R Systems was engaged to work on a project to implement a basic public information portal to be combined with the existing 400A OnLine Permitting Module and the Permits Self-service model in order to support eCommerce (eGovernment) operations.

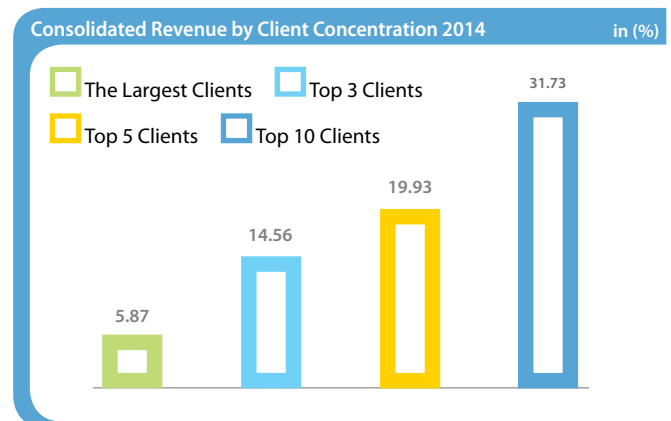
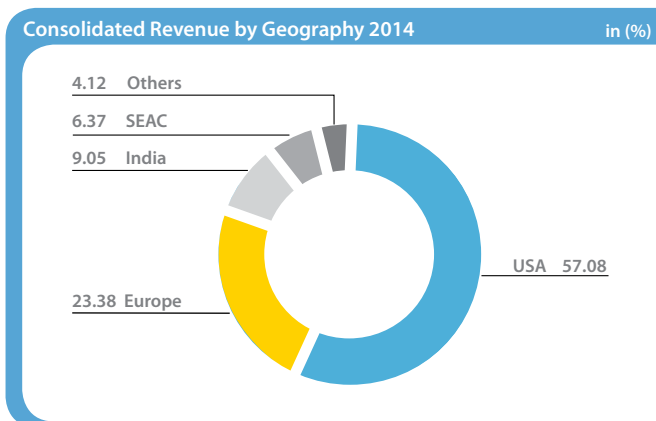
R Systems was contracted by a state department in USA to do application development which includes finalization of requirements, coding, testing and deploying a client server, multi-tiered and web based applications. This developemnt efforts was specifically for the statewide implementation.

OUR GLOBAL CLIENT PORTFOLIO

R Systems has an impressive portfolio of Fortune 1000, government and mid-sized customers across the world. Our customers are spread across four continents – North America, Europe, APAC, and Africa – who operate in diverse industry verticals such as Telecom & Digital Media, Banking & Finance, Healthcare, Manufacturing & Logistics, and Government Services.

At R Systems, we believe in nurturing strong relationships with our customers and our innovation in processes and delivery is geared towards that objective. Today, our ability to walk the extra mile makes us one of the industry's most sought-after offshoring partners. And it is this 'caring' nature that is responsible for propelling us to greater heights of success, across the world.

We innovate and work with our customers to meet their ever-increasing challenges of technological obsolescence, reduced time-to-market and increased ROI. Today, our customer base is rapidly expanding and we are now offering solutions and services that go beyond our core industry verticals. In addition, our technology verticals of mobility and analytics are helping us to extend our repertoire of Solutions and Services across our core industry verticals.



* Graphs not to scale

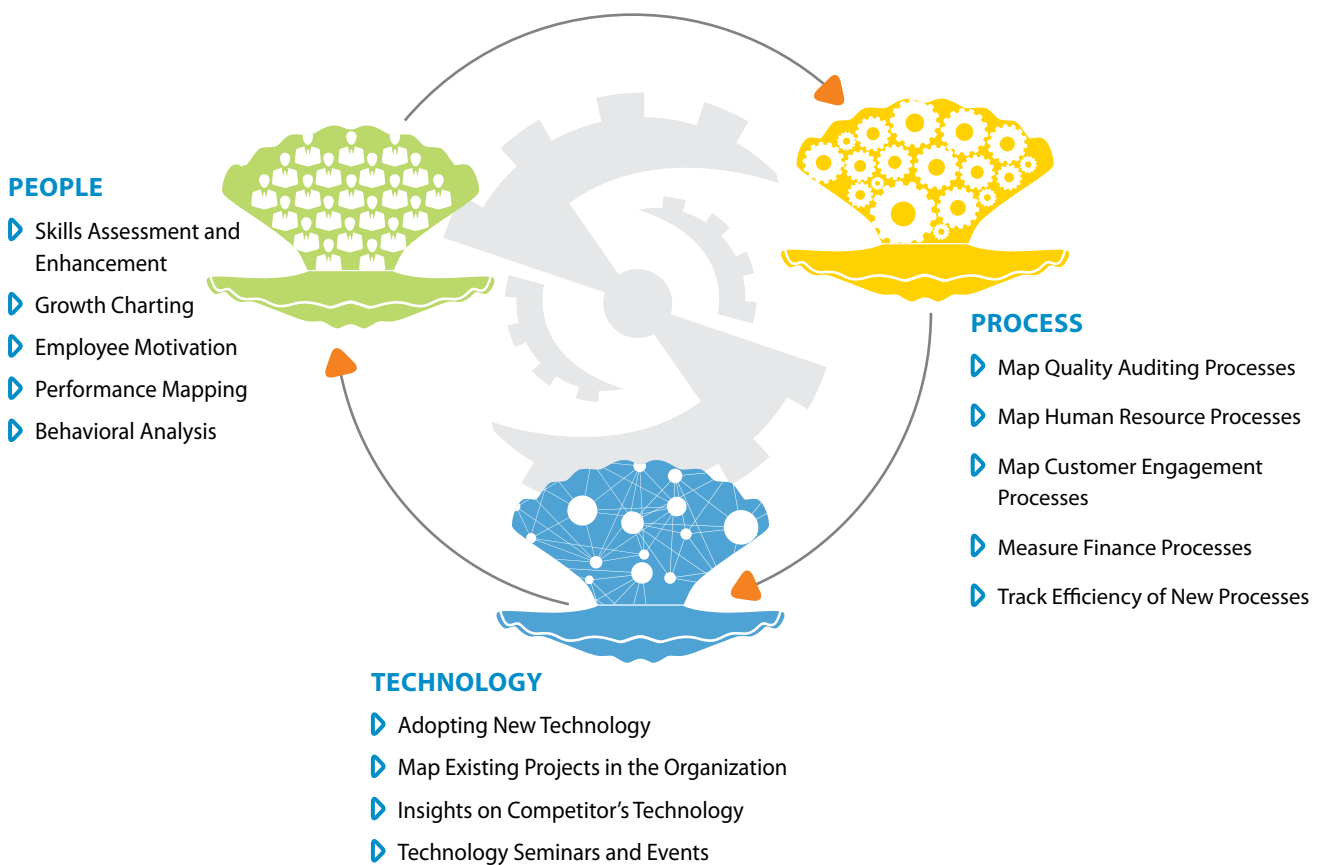


OUR INNOVATION PEOPLE, PROCESS, TECHNOLOGY

For organizations to remain significant and future-ready in this highly competitive IT services space, fostering a culture that embraces innovation mindset becomes imperative. However, the actual challenge lies in embracing innovation as a cultural form. At R Systems, we embrace innovation in every aspect of our everyday lives.

Organizations today have realized the significance of aligning people, process and technology for achieving their strategic goals. The combined effects of people, process and technology evolution have driven innovation and have presented a wealth of new opportunities for businesses across the globe. At R Systems, we strive to chart a long-term chart of success, by empowering our customers through Innovative services and solutions.

We understand that for strengthening long-term competitiveness of an organization, innovation in people, process and technology is of paramount significance. By empowering people, improving processes and addressing technology challenges, we strive to provide a culture of innovation that drives productivity and encourages performance through continuous improvement.



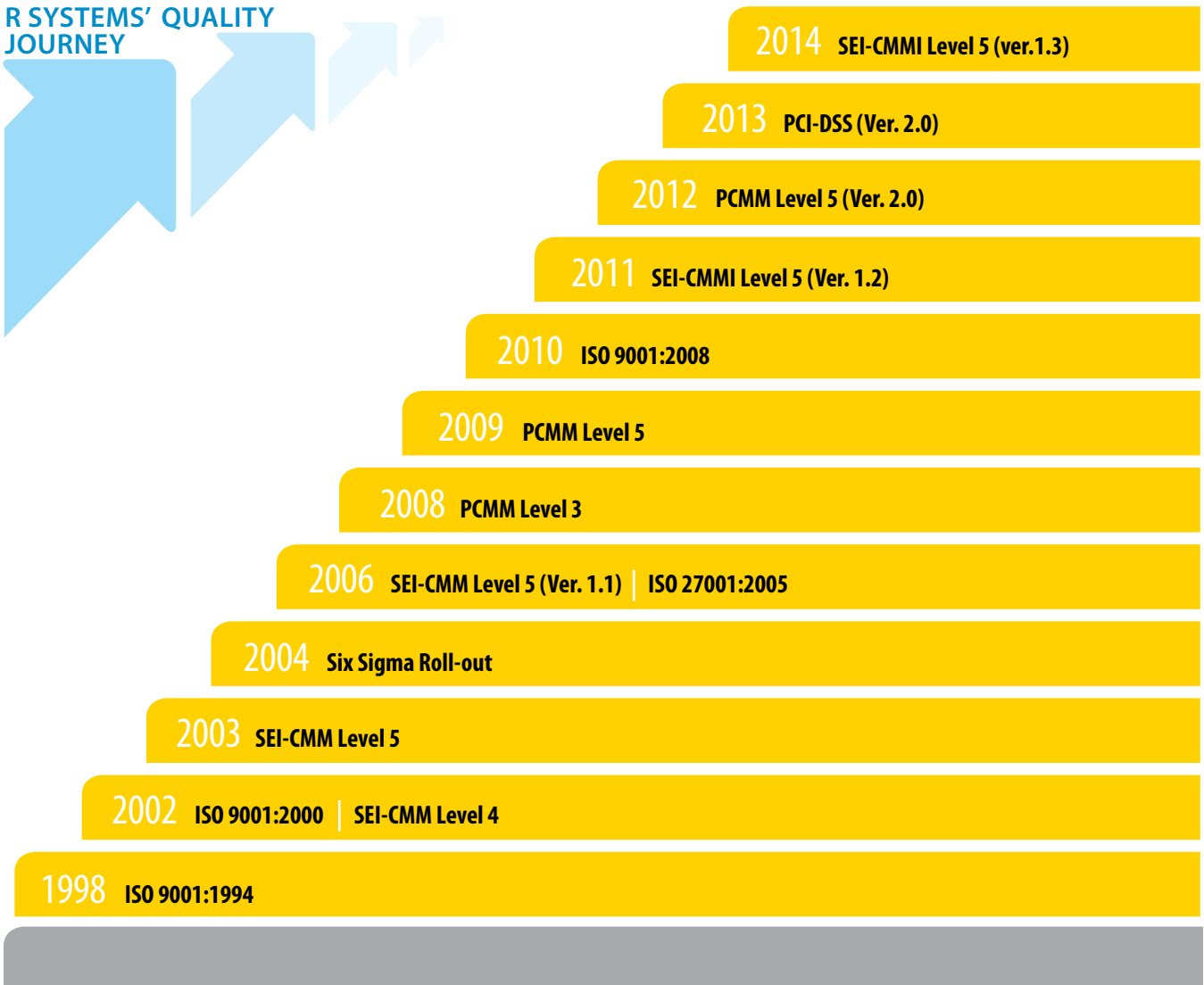
OUR QUALITY EXCELLENCE

R Systems, stands amidst a few pioneer companies across the globe that have built unparalleled capabilities & earned world renowned certifications/standards such as SEI CMMI Level 5, PCMM Level 5, ISO 27001:2005 and ISO 9001:2008.

In addition, R Systems dovetails Six-Sigma practices with its quality procedures to benefit both its clients, as well as, the corporate sector. Our deployment of quantitative process management practices and process performance models have helped project managers in bettering predictability & enhance their project

management approaches. R Systems' continuing compliance with these global standards demonstrates the strength of our processes and provides us a competitive edge in service and product offerings.

R SYSTEMS' QUALITY JOURNEY



OUR INSPIRING WORK CULTURE

Businesses across the globe have realized the significance of having a strong workplace culture within their organizations. Pointless to mention that the backdrop to enhanced employee performance is a work environment that inspires amusement and collaboration.

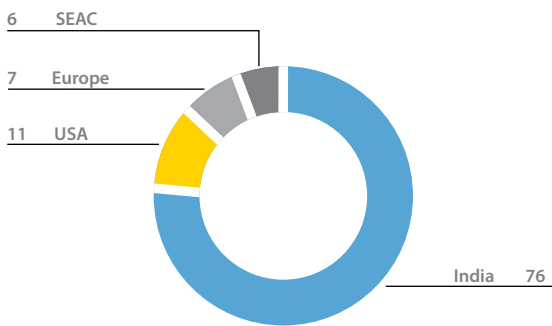
At R Systems, our work culture could be best expressed through our core values i.e. caring, innovating and transforming. We strive to create a work environment that is vibrant, employee-friendly and socially responsible. Our motto is not just to provide our employees a place to work but a workplace that encourages learning through various competency development programs.

We serve customers worldwide using our global delivery model and 2500+ expert resources, 76% of which are located across our 3 prime development and service centres located in India including Noida, Chennai and Pune, with Noida development centre being the largest one. Our development centres spread across USA, South East Asia and Europe comprehends rest of the 24% of our workforce.



Head Count

in (%)



* Graphs not to scale

Our high maturity people practices that are mapped to that of PCMM Level 5 standards have helped employees develop their full potential and capabilities to the maximum accomplishment of the organizational aspirations. At R Systems, we understand that productivity could be achieved through a desired work/life balance.



Assessed at PCMM Level 5,
version 2.0 in 2012

Ranked as fifth "Best IT Employer" in
DataQuest – Best Employer Survey 2012

Ranked as first in survey
"Rising Star" in year 2012
conducted by NASSCOM

Ranked as sixth
"Best Employer" by
DataQuest in 2009



Recognitions in HR

Ranked fifth in
"Exciting Emerging Companies to
work for" survey 2008 conducted by
NASSCOM

Awarded the
"HR Excellence Award" at the "Global
HR Summit 2006" organized by Amity
International Business School, Noida



OUR COMMUNITY INITIATIVES (CSR)

At R Systems, we constantly endeavor to make positive difference to the society by giving back what we received from it. We strive to significantly contribute to the social and economic development of the underprivileged communities through our CSR initiatives. By doing so, we not just provide a better and sustainable way of life for the less privileged sections of society but also raise our development index as human beings.



CONTRIBUTION BY EMPLOYEES

Our employees have a key role to play in the achievement of our CSR objectives. Through robust engagement in activities like blood donation, tree plantation, recycling waste materials, and spending quality time with orphanages and underprivileged children, our employees have contributed significantly to our CSR initiatives.

CORPORATE SOCIAL RESPONSIBILITY @ R SYSTEMS

SAKSHAM

We undertake our CSR initiatives through 'Saksham' that supports health, education and other child developmental programs for the underprivileged children. By fulfilling their basic requirement of food, housing, hygiene, sanitation and other necessary resources, Saksham thrives on the goal of enabling and empowering these children into healthy, educated and self-driven individuals.



The following are some of the key initiatives that is undertaken by SAKSHAM:

- ▶ Monthly outflow of donations to Annapurna Parivar crèche and Hermann Gmeiner Social Centre from Pune Centre for undertaking various child development programs.
- ▶ Funding higher education of needy but brilliant students by sponsoring two lakhs rupees every year towards this effort. The beneficiaries include students from the Friends of Children NGO (Pune).
- ▶ Joining hands with institutes such as Door Step School and Good Life Centre, Chennai for providing free education to children of tribal migrants (who have to move from one city to

other in search of work), and abandoned children, including Intellectually Disabled children, respectively.

- ▶ Sponsoring healthcare needs of children from poor and needy families. Saksham has funded bone marrow transplantation of 2 children, both of whom have completely recovered.

Apart from several CSR initiatives undertaken by our largest development centre at Noida, Computaris, our subsidiary based out of Europe, has also undertaken several CSR initiatives including tree plantation, recycling of waste materials, and helping the needy and orphan children. With a mission to make positive changes in people's lives, we strive to ensure that the communities benefitting through our CSR initiatives experience stability in their lives.



DIRECTORS' REPORT

Dear Shareholders,

Your directors take great pleasure in presenting the Twenty First 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, 2014.

1. Financial Results

a. Standalone financial results of R Systems

(Rs. in Millions)

Particulars	Financial Year ended	
	31.12.2014	31.12.2013
Total income	3,045.65	2,739.72
Profit before depreciation, exceptional items and tax	685.01	589.30
Less : Depreciation and amortisation	67.24	47.81
Add : Exceptional items*	393.13	-
Profit before tax	1,010.90	541.49
Less : Current tax (net of MAT credit)	247.53	188.29
Less : Deferred tax change/(credit)	13.08	(12.32)
Profit after tax	750.29	365.52
Surplus in the statement of profit and loss		
Balance as per last financial statements	633.83	609.70
Add: Profit for the current year	750.29	365.52
Less: Appropriations		
Proposed dividend(refer note below)	121.76	120.70
Tax on proposed dividend (refer note below)	24.33	21.24
Interim Dividend	624.33	139.24
Tax on Interim Dividend	119.29	23.66
Transfer to General Reserve	-	36.55
Total Appropriation	889.71	341.39
Net Surplus in the statement of profit and loss	494.41	633.83

* Exceptional Items (Rs. in Millions)

Particulars	Financial Year ended	
	31.12.2014	31.12.2013
Profit on buy back of subsidiary shares	77.79	-
Profit on sale of subsidiaries	240.69	-
Provision for diminution in the value of investment written back	74.65	-
Total	393.13	-

The Company has issued 712,600 equity 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, 2013 and accordingly increased the appropriation in the current year by Rs. 0.68 million and Rs. 0.12 million as dividend and tax on dividend respectively.

b. Consolidated financial results of R Systems and its subsidiaries

(Rs. in Millions)

Particulars	Financial Year ended	
	31.12.2014	31.12.2013
Total income	6,575.68	6,007.69
Profit before depreciation, exceptional items and tax	986.55	819.96
Less : Depreciation and amortisation	112.45	101.71
Add : Exceptional items*	250.11	-
Profit before tax	1,124.21	718.25
Less : Current tax (net of MAT credit)	325.29	192.50
Less : Deferred tax change/(credit)	17.58	(1.23)
Profit after tax	781.34	526.99
Surplus in the statement of profit and loss		
Balance as per last financial statements	767.74	582.14
Add: Profit for the current year	781.34	526.99
Less: Appropriations		
Proposed dividend	121.76	120.70
Tax on proposed dividend	24.33	21.24
Interim Dividend	624.33	139.24
Tax on Interim Dividend	119.29	23.66
Transfer to General Reserve	-	36.55
Total Appropriations	889.71	341.39
Net Surplus in the statement of profit and loss	659.36	767.74

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

* Exceptional Items (Rs. in Millions)

Particulars	Financial Year ended	
	31.12.2014	31.12.2013
Currency translation reserve released on buy back of subsidiary shares	26.09	-
Profit on sale of subsidiaries	224.02	-
Total	250.11	-

2. Results of Operations

Standalone Accounts

- Total income during the year 2014 increased to Rs. 3,045.65 million as against Rs. 2,739.72 million during the year 2013, a growth of 11.17%.
- Profit after tax was Rs. 750.29 million during the year 2014 as compared to Rs. 365.52 million during 2013, a growth of 105.27%.
- Basic earnings per share (of face value of Re. 1/- each) was Rs. 5.90 for the year 2014 as compared to Rs. 2.90 for the year 2013, a growth of 103.45%.

Consolidated Accounts

- Consolidated total income during the year 2014 increased to Rs. 6,575.68 million as against Rs. 6,007.69 million during the year 2013, a growth of 9.45%.
- Profit after taxes was Rs. 781.34 million during the year 2014 as compared to Rs. 526.99 million during 2013, a growth of 48.27%.
- Basic earnings per share (of face value of Re. 1/- each) were Rs. 6.14 for the year 2014 as compared to Rs. 4.18 for the year 2013, a growth of 46.89%.

3. Appropriations and Reserves

Dividend

During the year 2014, the Board declared four interim dividends namely, first interim dividend of Re. 0.95 per equity share of Re. 1/- each at its meeting held on June 03, 2014, second interim dividend of Re. 0.50 per equity share of Re 1/-each at its meeting held on July 26, 2014, third interim dividend of Re. 0.90 per equity share of Re. 1/- each at its meeting held on October 29, 2014 and fourth interim(Special) dividend of Rs. 2.55 per equity share of Re. 1/- each at its meeting held on December 20, 2014.

Taking into consideration the operating profits for the year 2014, the Board of Directors (the "Board") is pleased to recommend a final dividend of Re. 0.95 per equity share of Re. 1/- each, being 95% on the par value of Re. 1/- per share, to be appropriated from the available profits of the Company for the financial year 2014 subject to the approval of the shareholders at the ensuing Annual General Meeting. Total dividend including four interim dividends already paid for the year 2014 comes to Rs. 5.85 per equity share of Re. 1/- each i.e. 585%, as compared to total dividend including interim dividend paid for the year 2013 at Rs. 2.05 per equity shares of Re. 1/- each i.e. 205%.

The aforesaid final dividend for the year 2014 as recommended

by the Board, if approved at the ensuing Annual General Meeting, 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 June 05, 2015 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 June 04, 2015 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 June 05, 2015 to June 09, 2015, both days inclusive.

Transfer to Reserves

It is proposed not to transfer any amount to General Reserve in respect to dividend declared after April 01, 2014 in pursuance of the Section 123 of the Companies Act, 2013 and Rules made thereunder.

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.

Products Group

R Systems products group consists of two units. Indus® which address the retail lending, telecom 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 in the Retail, Corporate and SME sectors, 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 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. 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 is focused on key business verticals – Telecom and Digital Media, Banking and Finance, Healthcare Services, Manufacturing and Logistics, and Government Services and invested in building capabilities and domain knowledge around these focused verticals. This has helped in providing innovative and cost efficient solutions and services under chosen verticals.

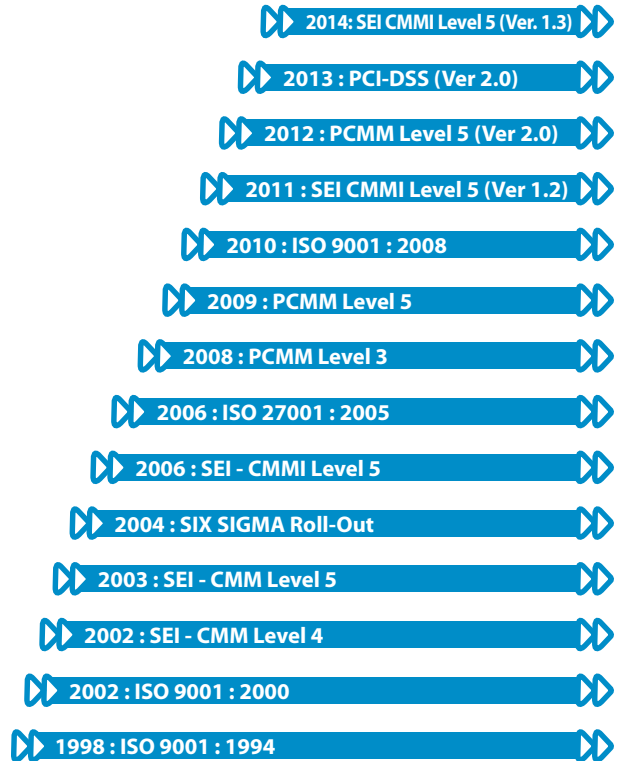
Customers and Delivery Centres

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 eleven 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, India 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 Capability Maturity Model Integrated 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 2014, Noida IT Center of the Company was re-appraised for SEI CMMI Level 5 ver 1.3. In the year 2013, Noida BPO center was certified as PCI-DSS ver 2.0 compliant for the Call Analytic Services provided to one of the major client.

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

Subsequent to the closing of the year 2014, the Board of Directors at its meeting held on April 23, 2015 has approved the acquisition of a Singapore based ERP company having operations mainly in South East Asia through wholly owned subsidiary namely R Systems (Singapore) Pte. Limited, for a maximum consideration of SGD 7.50 million including the earn-outs over the next three years on fulfillment of certain conditions. The above said approval is subject to execution of definitive agreements and receipt of necessary corporate and regulatory approval.

7. Directors

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

Mr. Suresh Paruthi and Lt. Gen. Baldev Singh (Retd.) were reappointed as directors liable to retire by rotation at the previous Annual General Meeting held on May 10, 2014.

Mr. Anuj Kanish, who expressed his unwillingness to be re-appointed at the previous Annual General Meeting of the Company held on May 10, 2014, ceased to be the director of the Company w.e.f. May 10, 2014 on completion of his term as additional director.

Mr. Amardeep Singh Ranghar and Mrs. Ruchica Gupta were appointed by the Board of Directors at its meeting held on July 07, 2014 as an additional director to hold office till the ensuing Annual General Meeting of the company.

Pursuant to the implementation of Section 149 of the Companies Act, 2013, Mr. Raj Kumar Gogia, Mr. Gurbax Singh Bhasin, and Mr. Suresh Paruthi, existing Non-Executive Independent Directors of the Company whose offices were liable to retire by rotation, under the erstwhile applicable provisions of the Companies Act, 1956, are proposed to be appointed as Independent Directors of the Company, not liable to retire by rotation, at the ensuing Annual General Meeting. These directors have given the declarations that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013 and Clause 49 of the Listing Agreement.

Mr. Amardeep Singh Ranghar who was appointed as additional director at the Board Meeting held on July 07, 2014 and who shall hold the office up to the date of ensuing Annual General Meeting, is also proposed to be appointed as Independent Director of the Company, not liable to retire by rotation, at the ensuing Annual General Meeting. He has given the declarations that he meets the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013 and Clause 49 of the Listing Agreement.

Mrs. Ruchica Gupta was appointed by the Board as an additional director of the Company at its meeting held on July 07, 2014 to hold office upto the date of ensuing Annual General Meeting and

proposed to be appointed as a regular director pursuant to Section 152 of the Companies Act, 2013.

At the ensuing Annual General Meeting Mr. Raj Swaminathan, Director & Chief Operating Officer of the Company is liable to retire by rotation in accordance with the provisions of Section 152 of the Companies Act, 2013 read with the Articles of Association of the Company and being eligible, offer himself for reappointment as director of the Company.

Further, on the recommendation of the Nomination & Remuneration Committee of the Company, Lt. Gen Baldev Singh (Retd.) is proposed to be reappointed as President and Senior Executive Director of the Company for a period of three years i.e. w.e.f. April 01, 2015 to April 01, 2018 subject to the approval of the Central Government and the shareholders at the ensuing Annual General Meeting 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 and Section 164(2) of the Companies Act, 2013. The directors of R Systems have made necessary disclosures, as required under various provisions of the Companies Act, 2013 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. The term of the said plan has been expired on August 31, 2014.
- (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, 2014 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	2,000,000	738,980	6500,000
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
e.	Options exercised during the year	Nil	Nil	Nil	804,000
f.	The total number of shares arising as a result of exercise of options during the year	Nil	Nil	Nil	804,000
g.	Options lapsed during the year	1,344,500	1,300,410	Nil	Nil
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	9,704,280
j.	Total number of options in force at the end of the year	102,150	Nil	Nil	245,280
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.	5.90*

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 and after Sub-division of each of the equity shares of Rs. 10 each into 10 equity shares of Re. 1/- each as per record date of February 28, 2014.

*EPS is Rupees per equity shares of Re. 1/- each i.e. after giving into effect Sub-division of equity shares of Rs. 10 each into equity shares of Re. 1/- each as per record date of February 28, 2014.

**During the year ended December 31, 2014, R Systems International Ltd. - Year 2004 Employee Stock Option Plan – Ecnnet has been expired on August 31, 2014 due to expiry of the term of the plan.

During the year ended December 31, 2014, 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, 2014.

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 - Ecnnet under which the price was based on Rs. 2 per share.

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 and before Sub-division of each of the equity shares of Rs. 10 each into 10 equity shares of Re. 1/- each as per record date of February 28, 2014.

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 site 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 2013 and 2014 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 2014 would be nil (Previous year nil). 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, 2014	Year ended December 31, 2013
Net Income as reported	750,289,488	365,521,996
Add : Intrinsic Value Compensation Cost	-	-
Less : Fair Value Compensation Cost*	-	-
Adjusted Pro-forma Net Income	750,289,488	365,521,996
Earnings` Per Share (Face Value of Re. 1/-)		
Basic (Face Value of Re. 1/-)		
- As reported	5.90	2.90
- Pro-forma	5.90	2.90
Diluted (Face Value of Re. 1/-)		
- As reported	5.90	2.90
- Pro-forma	5.90	2.90

*all granted options have been vested during earlier years.

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 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 as at December 31, 2014 was Rs. 1,098.24 mn against Rs. 1,115.20 mn as of December 31, 2013. This excludes the money kept in separate bank accounts for fourth interim (special) dividend and margin money for buy back offer. Decrease was mainly on account of purchase of fixed assets and dividends as offset by cash generation from operations net of taxes and proceeds from the sale of Europe BPO business.

The consolidated cash and cash equivalent as at December 31, 2014 were Rs. 1,059.10 mn as against Rs. 795.19 mn as on December 31, 2013. Cash and cash equivalent as at December 31, 2014 includes Rs. 325.02 mn for fourth interim dividend which has been paid subsequent to year end and Rs. 15.00 mn for buy back offer by the Company.

Net cash generated from operating activities is Rs. 724.57 mn for the year ended December 31, 2014 compared to Rs. 481.02 mn for the year ended December 31, 2013.

Cash flow generated from investing activities during the year 2014 mainly includes Rs. 229.28 mn received from sale of Europe BPO business and Rs. 41.24 mn as interest income on fixed deposits as offset by purchase of fixed assets of Rs. 98.24 mn.

Cash used in financing activities during the year 2014 mainly includes payment of dividend of Rs. 419.79 mn and Rs. 139.85 mn for dividend distribution tax as offset by proceeds from other non-current assets (margin money) Rs. 20.10 mn and proceeds of Rs. 9.70 mn on issuance of shares pursuant to exercise of ESOP.

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 Limited amounting to Rs. 200 mn (including non-fund based credit limit of Rs. 180 mn for currency forwards). As at December 31, 2014, the total credit balance was Rs. Nil under fund based line of credit. The total liability of R Systems against the loan for motor vehicles purchased was Rs. 9.29 mn as at December 31, 2014. R Systems primary bankers in India are Axis Bank Limited, ICICI Bank Limited, Kotak Mahindra Bank Limited, State Bank of India, HDFC Bank Limited and Oriental Bank of Commerce. In U.S.A., U.K., and Singapore, the primary bankers are California Bank & Trust, Natwest Bank and Citibank N.A., respectively.

10. Changes in the Capital Structure

The following changes took place in the capital structure during the year under review:

i. Sub division of Equity Shares

Shareholders of the company by passing necessary resolution through postal ballot on January 14, 2014 approved the sub-division of equity shares of the company of face value of Rs. 10 each into equity shares of Re. 1 each. Hence after the said sub-division, the authorised share capital of the Company was Rs. 200,000,000 divided into 200,000,000 equity shares of Re. 1 each and the issued, subscribed and paid up share capital was Rs. 126,654,580/- divided into 126,654,580 equity shares of Re. 1 each.

ii. Allotment of Shares under R Systems International Limited Employee Stock Option Scheme 2007

R Systems allotted 804,000 equity shares of Re. 1/- per shares to the eligible employees of the Company pursuant to the exercise of stock options granted under R Systems International Limited Employee Stock Option Scheme 2007

Hence after the said allotment, the issued, subscribed and paid up share capital of the Company as on December 31, 2014 was Rs. 127,458,580/- divided into 127,458,580 equity shares of Re. 1 each.

iii Buy Back of Equity Shares.

The Board of Directors of the Company at its meeting held on December 20, 2014 had approved the buy-back of the Company's fully paid-up equity shares of face value of Re. 1/- each from its existing shareholders, other than those who are promoters, members of the promoter group and persons acting in concert, from the open market through stock exchange(s) for a total consideration not exceeding Rs. 600 lakhs and at a price not exceeding Rs. 100/- per share, payable in cash. This offer for buy back remained opened from January 06, 2015 to April 23, 2015. During this period of Buy Back the company has bought back 678,155 equity shares for Rs. 595.74 lacs. All the shares bought back from January 06, 2015 to April 23, 2015 have been extinguished. After the said extinguishment the issued and paid up share capital of the Company stands revised to Rs. 126,780,425 divided into 126,780,425 equity shares of Re. 1/- each.

11. Corporate Restructuring

During the year ended December 31, 2014 the Company has obtained the approval of its Shareholders through postal ballot on September 23, 2014 to transfer its Indus IT Product and Service business operated out of Pune and Chennai centres to R Systems Products & Technologies Limited ("RSPTL"), a wholly owned subsidiary of the Company. The Company is in the process of implementing the transfer as per the aforesaid approval.

During the year ended December 31, 2014 the Company has transferred Europe BPO Business by way of sale of its 100% holding in R Systems Europe B.V., Netherlands and R Systems S.A.S., France, being wholly owned subsidiaries, to Customer Contact Management Group B.V. ("CCMG") a Europe based company.

12. Material Changes Affecting the Financial Position of the Company

Subsequent to the year ended on December 31, 2014 the Company has bought back 678,155 equity shares of face value of Re. 1/- each from its existing shares holders, other than those who are promoters, members of the promoter group and persons acting in concert, from the open market through stock exchange(s) from January 06, 2015 to April 23, 2015 for Rs. 595.74 lacs pursuant to the approval of the Board of Directors at its meeting held on December 20, 2014.

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, 2014 are as follows:

A. Conservation of Energy

During the year ended December 31, 2014 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. 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:

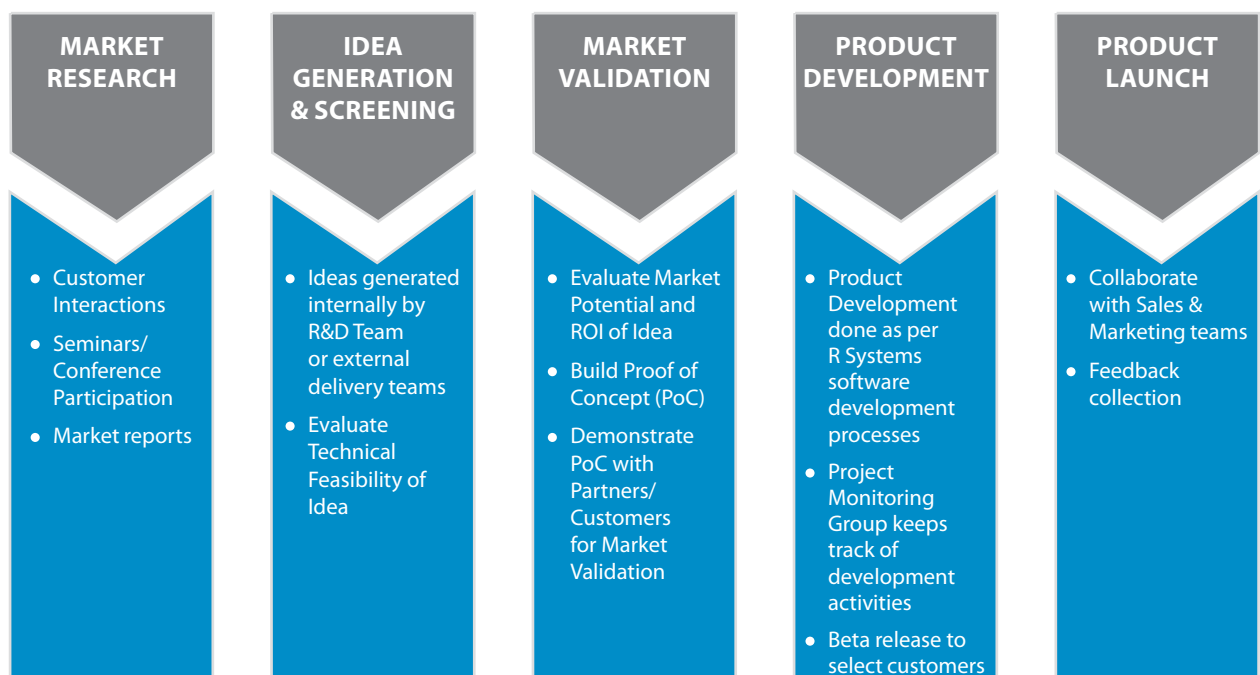
(a) Research and Development (R&D)

Research and Development (R&D) Activities Carried out by the Company

The Company's R&D programme covers technology for the secure, high performance and high availability products across web and mobility modes. The Company creates and owns the intellectual property in these products that cater to Retail, SME & Corporate Sector Lending, Insurance, Telecom, and Mobility businesses. The Company builds on a continuous basis new products, upgrades existing products with new releases. The rapidly evolving technology and competitive environment necessitates that we re-vamp the technology stack, provide new functionality and modules.

The Company develops a medium term and long term product road map and strategy which is reviewed constantly for relevance. We incorporate market and technology inputs on a continuous basis based on Market Research, RFI/RFP analysis, and feedback from customers and prospects. The Company follows an AGILE product development methodology under inspirational leadership of its management and its R & D Heads.

R&D Process at R systems



All R&D initiatives are governed by a Research & Development Committee constituted by the board of directors of the Company which includes technology and domain experts and R&D heads who approve all R&D initiatives

These R&D initiatives are carried out of our R&D centres at Pune and Noida. The R&D team consists of 100 plus associates including high quality technical experts, engineers and domain experts who create a knowledge culture.

The technology stack has been reviewed and appreciated by peers and intellectuals who are represented in our customers and business alliances who have endorsed the products by their selection.

The product and technologies built by the R&D centres are delivered to the customers through a separate delivery team.

The products created out of the R&D initiatives of the Company compete with international products besides bringing in valuable foreign exchange into the country, also provides a degree of import substitution as it fulfils domestic needs for robust, scalable, high performance and high availability technology solutions

Specific areas of R&D

The Company has been engaged in developing its own intellectual property in form of product for many years and owns high quality intellectual properties. The key areas of R & D in technology covers.

- High performance on web
- Highly Secure applications relevant to today's requirement for anytime/anywhere access
- Build products that are world class and international (multi-tenant, multi-lingual, multi-currency)
- Optimise and Upgrade existing products
- Ergonomic and aesthetic usability standards
- High availability
- Open Source and other low cost technology stack
- Cloud Technology
- Mobile computing
- Digitisation and workflow
- Business Functionality
- Interfacing with other IT solutions used by client in adjacent areas
- Incorporate and innovate best industry practices
- Promote a culture of knowledge workers by sharing within the company and with technology and business groups

Benefits derived as a result of the above R&D

The Company has over the years become a key product vendor to banks, NBFCs, Telecom and Insurance Companies competing globally and winning customers in India and abroad. The solutions are receiving recognition for its contemporary technology, robustness, low "total cost of ownership". This is amply proven by the award that R Systems has received during 2013 as WINNER of the Financial Express "IT Solution of the Year" award for the Product solution that we delivered for India's one of the most respected Insurance companies.

The Company has also won many global engagements and is recognised as global, internationalised solution suitable in a multi country, multi-currency, multi-tenant environment.

Over the years the company has expanded its stability of products:

For Banking and Non-banking Finance Companies

- Indus Loan Originations System
- Indus Loan Management Systems (or Receivables Management System)
- Indus Collections
- Indus Corporate Loan Originations
- Indus Collateral Management System
- Indus Commercial Vehicle and Leasing System
- Indus Exposure Monitoring System
- Indus Dealer Funding (Auto Loan Business)
- Indus Stock Audit (Auto Loan Business)
- BFSI Apps
- Mobile Apps for Customer acquisition and Collections

For Telecom Companies

- Indus Customer Acquisition System
- Indus Credit Management and Receivables System

For Insurance Companies

- Ipersyst – solution for persistency
- Iprotect- web based solutions for Insurance Originations

Generic Modules

- Platform for managing workflows that can be integrated into business solutions

Common Reporting System

- Commissions & Incentives (a performance management solution) – This is Generic Module applicable across industry verticals. Report & template printing is CRS module.

Future plan of action

The key R&D areas for future shall include:

- Evaluating the platform for its 6th generation product suite. The key deliverables for the 6th generation product suite will be:
 - Low TCO bringing a great deal of efficiency into the Financial Services Business
 - High configurability allowing customers to improvise financial products, workflow and control systems
 - Flexibility in use of bandwidth availability – web & mobility enabled
 - Ergonomic and multi-language capabilities
 - Architecture that allows customers to mix and match solutions and use invest in technology in an incremental manner improving the ROI for the investment
 - Build strong interfaces with technology partners that allows for bundling the solution in manner that provides customers a seamless ERP like business environment
 - Build strong set of analytics in the suite that provides customers business tools
- The Company shall continue to focus on applications for mobile devices such as:
 - Generic office automation for business on the move
 - Extending web-based software by B2B and B2C enablement on mobile devices
 - Personal tools for convenience of mobile users
 - Applications for banking and finance industry
 - Cloud and Crowd computing

Expenditure on R&D

The details of expenditure are as follows:

Particulars	(Rs. in Millions)	
	Financial Year ended	
	31.12.2014	31.12.2013
Recurring expenditure charged to statement of profit & loss	80.25	93.04
Capital expenditure		
(i) Intangible assets (including under development)	8.37	15.89
(ii) Tangible assets	2.03	1.99
Total	90.65	110.92
Total R&D expenses as % of total revenue	3.11	4.11

(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:

Particulars	(Rs. in Millions)	
	Financial Year ended	
	31.12.2014	31.12.2013
(a) Earnings (Accrual Basis)	3,087.10	2,454.88
(b) Expenditure (Accrual Basis)	412.68	398.40
(c) CIF value of imports	19.74	49.49

14. Subsidiaries

During the year under review the Company has incorporated subsidiary named R Systems Products & Technologies Limited in Pune on July 11, 2014. This is the first Indian subsidiary of the Company.

Further, during the year the Company has completed the transfer of its two wholly owned subsidiaries named R Systems Europe B.V., Netherlands and R Systems S.A.S., France, on November 27, 2014 to Customer Contact Management Group B.V. ("CCMG") a Europe based company by executing the Share Sale Agreement along with other necessary documents.

As on December 31, 2014, R Systems has nineteen 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.	Systèmes R. International Ltée	Canada
7.	R Systems Products & Technologies Limited	India
8.	ECnet (M) Sdn. Bhd. #	Malaysia
9.	ECnet, Inc. #	U.S.A.
10.	ECnet (Hong Kong) Limited #	Hong Kong
11.	ECnet Systems (Thailand) Company Limited #	Thailand
12.	ECnet Kabushiki Kaisha #	Japan
13.	ECnet (Shanghai) Co. Ltd. #	People's Republic of China
14.	Computaris International Limited	U.K.
15.	ICS Computaris International Srl @	Moldova
16.	Computaris Malaysia Sdn. Bhd. @	Malaysia
17.	Computaris Polska sp z o.o. @	Poland
18.	Computaris Romania SRL @	Romania
19.	Computaris USA, Inc.	U.S.A.

wholly owned subsidiaries of ECnet Limited, Singapore being 99.75% subsidiary of R Systems (The shareholding by the Company and R Systems (Singapore) Pte Limited is 69.37% and 30.38% respectively).

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

All the aforementioned nineteen subsidiaries except R Systems Products & Technologies Limited were 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.

During the year under review, the Board of Directors at its meeting held on July 07, 2014 has approved the offer of buy-back from Computaris International Limited (a wholly owned subsidiary) of 13,500 shares held by the Company in the said subsidiary at the rate of GBP 111.38 per share for a consideration of Rs. 148,979,660. The aforesaid buy-back proceeds have been received by the Company on September 17, 2014. Even after this buy-back, Computaris International Limited continues to remain wholly owned subsidiary of the Company.

During the year ended December 31, 2014, the Company has received Rs. 55,484,250 as dividend from R Systems Europe B.V., its wholly owned subsidiary in Netherlands. Further, Computaris International Limited, U.K., wholly owned subsidiary of R Systems International Limited has received a dividend amounting to Rs. 55.95 million from its wholly owned subsidiary Computaris Polska Sp. zo.o., Poland.

As per Section 212 of the Companies Act, 1956, we are required to attach the Directors' Report, Balance Sheet and Statement of Profit and Loss (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 2014 does not contain the Financial Statements of our 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 of Listing Agreement read with Section 134 (3) (c) of the Companies Act, 2013 (erstwhile 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, 2014, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- 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 and loss of the company for that period;
- iii) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act 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, 2014 on a going concern basis;
- v) the directors, had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively; and
- vi) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

17. Auditors

M/s S. R. Batliboi & Associates LLP (ICAI Firm Registration No. 101049W), the statutory auditors of the Company will retire at the upcoming Annual General Meeting and are eligible for reappointment.

The Board, based on the recommendation of the audit committee, recommends the re-appointment of M/s S. R. Batliboi & Associates LLP (ICAI Firm Registration No. 101049W) as the statutory auditors of the Company. M/s S. R. Batliboi & Associates LLP have confirmed their eligibility and willingness to act as the statutory auditors of the Company and have further confirmed that their appointment, if made, shall be within the limits prescribed under Section 141 of the Companies Act, 2013 and that they are not disqualified for such appointment within the meaning of the said section.

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 ceased to be a member of Audit Committee consequent upon the completion of his term as Additional Director w.e.f. May 10, 2014 and Mrs. Ruchica Gupta was nominated as member of Audit Committee by the Board at its meeting held on July 26, 2014.

The constitution of the Committee is in compliance with the provisions of the Companies Act, 2013 and the Listing Agreement entered into with the stock exchanges. Detailed description of the Audit Committee has been given in Corporate Governance Report.

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 177 of the Companies Act, 2013 and rules made thereunder 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. Prevention and Prohibition of Sexual Harassment of Women at Work Place

At R Systems it is our desire to promote a healthy and congenial working environment irrespective of gender, caste, creed or social class of the employees. We value every individual and are committed to protect the dignity and respect of every individual. The Company has always endeavored for providing a better and safe environment free of sexual harassment at all its work places. Consequent to the enactment of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act 2013 and Rules made thereunder, the Management of R Systems International Limited has constituted an Internal Complaints Committee (ICC) to deal with any complaints or issues that may arise, in the nature of sexual harassment of women employees.

The Company has also prepared and implemented Policy for Prevention, Prohibition and Redressal of Sexual Harassment of Women at Workplace. During the year 2014, no cases of sexual harassment against women employees at any of its work place were reported to the ICC.

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 (now Section II Clause B of Part II of Schedule V of the Companies Act, 2013) 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 Section 2(31) of Companies Act, 2013 and rules made thereunder 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. Stakeholder's 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. Secretarial Audit Report

As per good governance practices, M/s SKP & Co., Company Secretaries in Whole Time Practice, has been appointed by the Board voluntarily to carry out the Secretarial Audit under the provision of Section 204 of the Companies Act, 2013 for the financial year ended December 31, 2014. The Secretarial Audit report for financial year ended 2014 is enclosed as **Annexure E**. The report does not contain any qualification.

26. Vigil Mechanism / Whistle Blower Policy

In order to provide a mechanism to employees of the company to disclose any unethical and improper practices or any other alleged wrongful conduct in the company and to prohibit managerial personnel from taking any adverse action against those employees, the company has laid down a Vigil Mechanism also known as Whistle Blower Policy to deal with instance of fraud and mismanagement, if any. The details of the Vigil Mechanism or Whistle Policy is explained in the Corporate Governance Report and also posted on the website of the Company.

27. Remuneration Policy

On the recommendation of Nomination & Remuneration Committee, the Board has framed a policy for selection and appointment of Directors, Senior Management and their remuneration. The Remuneration Policy is stated in the Corporate Governance Report.

28. Meeting of the Board

The Board of R Systems International meets at regular intervals to discuss decide and supervise the various business policies, business strategy, Company's performance and other statutory matters. During the year under review, the Board has met 12

times. The details of which are given in Corporate Governance Report. The intervening gap between two Board Meetings did not exceed 120 days.

29. Board Evaluation

Pursuant to the provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement, the Board has carried out an annual performance evaluation of its own performance as well as of directors individually. The manner in which the evaluation has been carried out has been explained in the Corporate Governance Report.

30. Particulars of Loans, Guarantees or investments under Section 186 of the Companies Act, 2013

During the year the Company has incorporated a wholly owned Subsidiary named as R Systems Products & Technologies Limited by investing Rs. 500,000 (Rupees Five Lacs Only) by way of subscribing its Memorandum and Articles of Association.

31. Corporate Social Responsibility

In compliance with the provisions of Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014, the Board of Directors of the Company at its Meeting held on March 30, 2014 has constituted a Corporate Social Responsibility Committee ('CSR Committee'). The CSR Committee comprises of the following members:

1. Mr. Raj Kumar Gogia (Chairman & Non Executive Independent Director)
2. Lt. Gen. Baldev Singh (Retd.) (President and Senior Executive Director)
3. Mrs. Ruchica Gupta (Non-Executive Director)
4. Mr. Suresh Paruthi (Non- Executive Independent Director)
5. Mr. Raj Swaminathan (Director & Chief Operating Officer)

The detailed terms of reference of the Corporate Social Responsibility Committee has been provided in the Corporate Governance Report. In pursuit of the responsibilities entrusted to the CSR Committee, a policy on Corporate Social Responsibility

Policy has been prepared and adopted by the Board which is available at the website of the Company at following link:

http://www.rsystems.com/investors/composition_board_of_directors.aspx

32. 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.

33. DISCLAIMER

The Ministry of Corporate Affairs vide its Circular No. 08/2014 dated April 04, 2014 clarified that the financial statements and the documents required to be attached thereto, the Auditor's and Boards' Report in respect of the financial year under reference shall continue to be governed by the relevant provisions of the Companies Act, 1956, schedules and rules made thereunder.

Accordingly, whilst the financial statements and the Auditor's Report as aforesaid are prepared as per the requirements of the Companies Act, 1956, the Company, as per its commitment to transparency and good governance, has provided some of the information in the Board's Report and the Corporate Governance Report as per the Companies Act, 2013.

On behalf of the Board
For R Systems International Limited

<p>Sd/- Satinder Singh Rekhi (DIN: 00006955) (Managing Director)</p> <p>Place : CA, U.S.A Date : April 23, 2015</p>	<p>Sd/- Lt. Gen. Baldev Singh (Retd.) (DIN: 00006966) (President & Senior Executive Director)</p> <p>Place : New Delhi Date : April 23, 2015</p>	<p>Sd/- Raj Swaminathan (DIN: 00788158) (Director & Chief Operating Officer)</p> <p>Place : New Delhi Date : April 23, 2015</p>
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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, 2014

A. Employed throughout the year and in receipt of remuneration not less than Rs. 6,000,000 for the year

S. No.	Name	Designation / nature of duties	Qualification	Age (Years)	Date of Joining	Experience (Years)	Gross Remuneration (Rs.)	Previous employment & designation
1	Anand Jankiraman	Program Manager	PMP, Bachelor of Science; Microsoft Certified Professional and Microsoft Certified Solutions Developer; Diploma in Business Finance and Capital Markets B.Sc. University of Agra	41	May 1, 2007*	16	6,336,600	Trisoft Systems, Delivery Head
2	Anurag Sharma #	Technical Program Manager	B.Sc, PGDMM and Certified Project Manager (SAPM) from Stanford University, USA	37	January 31, 2005	14	6,534,686	IHealth Care, Systems Analyst
3	Ashok Bhatia	Vice President - Client Operations	MBA - IIM Calcutta, B Tech - IIT Kharagpur	48	January 1, 2006*	23	11,902,061	ACT Inc., Pittsburgh, PA Vice President - Marketing
4	Debraj Ganguly	Director - Sales @	BS Computer Science, MBA - Nagpur University in Marketing and Finance	42	February 3, 2005	19	9,407,312	i-Healthcare Services India Ltd. Vice President - Business Development
5	Gurpreet Saini	Sales Account Manager	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.	40	January 1, 2008*	17	7,598,040	FCS Software - Sales Manager
6	Harsh Verma	Vice President (Global Innovative Research) & Head, Mobility Solutions	University and MBA from University of California, Davis MBA - XLRI	55	February 19, 2007	30	8,985,349	Glocol, Inc., California, USA Vice President, R&D
7	Mandeep Singh Sodhi	Vice President - Sales	Bachelors degree in Electronics Engineering from Marathwada University and MBA from University of California, Davis	47	January 1, 2008*	22	31,031,483	Sark Syntek; Noida Senior Marketing Engineer
8	Raj Swaminathan	Director & Chief Operating Officer	Bachelor of Technology from IIT, Kharagpur; MBA California State University, Sacramento; Senior Management programs from University of Berkeley and Harvard Business School	55	May 1, 2006	30	6,245,664	GE - Capital, Vice-President (Technology) Corporation
9	Satinder Singh Rekhi	Managing Director	Bachelors of Science in Nursing	64	January 1, 2006*	32	30,133,078	Senior Management Personnel Harris Health Plan- Training Manager
10	Stacey Gann	Engagement Manager		46	January 30, 2012	25	7,468,408	

B. Employed for the part of the year and in receipt of remuneration not less than Rs. 500,000 per month.

S. No.	Name	Designation / nature of duties	Qualification	Age (Years)	Date of Joining	Experience (Years)	Gross Remuneration (Rs.)	Previous employment & designation
1	Hemant J Doshi #	Director - Sales @ IT sales manager	MBA from Mumbai University	51	July 29, 2013	19	2,664,076	HCG Net, Sr. Manager
2	Lalit Mohan Sharma #	Director - Information Systems @	BE, Maharishi Dayanand University, Rohtak	32	May 23, 2005	11	2,898,415	IndyaSoft, Team Leader
3	Ravi Madugala #	Vice President, Operations and Sales	M.Sc. in Computer Science, University of Dayton, Ohio, Bachelors in Mechanical Engineering	49	July 1, 2007*	21	7,614,126	University of Dayton, Student Assistant
4	Sam Prasad #	Vice President, Operations and Sales	BS, Statistics, University of Madras, India MS, Statistics, specialization in Industrial Statistics, Sampling theory, and Statistical Quality Control, University of Madras, India	61	April 3, 2010	24	6,176,659	IBM, Atlanta, ISV Alliances and Partner Executive

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
Anand Jankiraman	May 23, 2005
Ashok Bhatia	December 11, 2000
Gurpreet Saini	May 2, 2006
Mandeep Singh Sodhi	April 1, 1993
Satinder Singh Rekhi	April 1, 1993
Ravi Madugala	February 16, 1996

Notes:

- The gross remuneration includes basic salary, allowances and taxable value of perquisites other than the perquisites on exercise of Employee Stock Option Plan.
- None of the employee owns more than 2% of the outstanding shares of the Company as on December 31, 2014
- Nature of employment is contractual in all the above cases.

On behalf of the Board For R Systems International Limited

Sd/-
Satinder Singh Rekhi
 (DIN: 00006955)
 (Managing Director)
 Place : CA, U.S.A
 Date : April 23, 2015

Sd/-
Lt. Gen. Baldev Singh (Retd.)
 (DIN: 00006966)
 (President & Senior Executive Director)
 Place New Delhi
 Date : April 23, 2015

Sd/-
Raj Swaminathan
 (DIN: 00788158)
 (Director & Chief Operating Officer)
 Place : New Delhi
 Date : April 23, 2015

Annexure 'B' to the Directors' 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 Agreement 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 eight directors, i.e. three executive directors out of which one is promoter director designated as Managing Director, one non-executive director and four non-executive independent directors. All the existing non-executive independent directors of the Company satisfy the criteria of independence as defined under the provisions of the Companies Act, 2013 and the Listing Agreement entered into with the Stock Exchanges. Mr. Amardeep Singh Ranghar, Non - Executive

Independent Director and Mrs. Ruchica Gupta, Non - Executive Director were appointed as additional directors of the Company w.e.f. July 07, 2014 to hold office upto the date of ensuing Annual General Meeting. Mr. Anuj Kanish, Non - Executive Independent Director ceased to be the director of the Company w.e.f. May 10, 2014 on completion of his term as additional director. The total number of independent directors has 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 Lt. General Baldev Singh (Retd.), President and Senior Executive Director and Mr. Raj Swaminathan, Director & Chief Operating Officer who hold directorship in an Indian company (i.e. R Systems Products & Technologies Limited, wholly owned subsidiary of R Systems International Limited) as on the date of this report. Necessary disclosures regarding directorship and committee positions in other companies as of December 31, 2014 have been made by the directors.

Except the Managing Director and existing independent directors whose appointment is to be approved at the ensuing Annual General Meeting as per the provisions of Section 149 of the Companies Act, 2013, 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, 2013.

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 12 meetings held during the year	Attendance at the last AGM	No. of directorship in other bodies corporate [#]
Mr. Satinder Singh Rekhi	Promoter & Executive Director	Managing Director	3+8*	Yes	10
Lt. Gen. Baldev Singh (Retd.)	Executive Director	President & Senior Executive Director	08	No	1
Mr. Raj Swaminathan	Executive Director	Director & Chief Operating Officer	4+7*	Yes	1
Mr. Raj Kumar Gogia	Non- Executive Independent Director	Director	12	Yes	Nil
Mr. Gurbax Singh Bhasin	Non-Executive Independent Director	Director	1 [@] +7*	No	11
Mr. Suresh Paruthi	Non-Executive Independent Director	Director	12	Yes	Nil
Mr. Amardeep Singh Ranghar [§]	Non-Executive Independent Director	Additional Director	1+2*	N.A.	Nil

Name of Director	Category of Director	Designation	No. of Board Meetings attended out of 12 meetings held during the year	Attendance at the last AGM	No. of directorship in other bodies corporate#
Mrs. Ruchica Gupta [^]	Non-Executive Director	Additional Director	06	N.A.	Nil
Mr. Anuj Kanish ^{**}	Non-Executive Independent Director	Additional Director	03	No	04

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

* Attendance by teleconference.

@ Attended the meeting through video conferencing.

\$ Mr. Amardep Singh Ranghar has been appointed as additional director of the Company w.e.f. July 07, 2014. During the year under review, he attended 01 meeting physically and 02 meetings through teleconferencing out of 6 Board Meetings held since his appointment.

[^] Mrs. Ruchica Gupta has been appointed as additional director of the Company w.e.f. July 07, 2014. During the year under review, she attended all the 06 Board Meetings held since her appointment.

^{**} Mr. Anuj Kanish, ceased to be the additional director of the company w.e.f. May 10, 2014. During the year under review, he attended 03 out of 04 Board Meetings till his cessation as additional director.

The expression 'independent director' has the same meaning as defined under Clause 49 of the Listing Agreement and the Companies Act, 2013.

Out of the eight directors, two directors namely, Mr. Satinder Singh Rekhi, 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 2014, the Board met Twelve times i.e. on January 19, 2014, February 07, 2014, March 30, 2014, April 27, 2014, May 10, 2014, June 03, 2014, July 07, 2014, July 26, 2014, September 05, 2014, October 29, 2014, December 10, 2014 and December 20, 2014.

The gap between any two consecutive Board meetings did not exceed one hundred and twenty days.

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, 2014.

A declaration to this effect given by the Managing Director of the Company, Mr. Satinder Singh Rekhi, is reproduced below:

CODE OF CONDUCT DECLARATION

I, Satinder Singh Rekhi, 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, 2014.

Sd/-

Place: Singapore

Satinder Singh Rekhi

Date: February 07, 2015

(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.** As per the provisions of the Companies Act, 2013, the Independent Directors shall be appointed for not more than two terms upto maximum period of five years each and shall not be liable to retire by rotation at Annual General Meeting. The Board of Directors of the Company has adopted the provisions with respect to appointment and tenure of Independent Directors which is consistent with the Companies Act, 2013 and the Listing Agreement. Brief resume of the all the existing non- executive independent directors of the Company whose appointment is proposed to be approved at the ensuing Annual General Meeting as Independent Directors pursuant to Section 149 of the Companies Act, 2013 are as follows:

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

Mr. Raj Kumar Gogia (DIN: 00007364), aged about 75 years, has a rich and vast experience of 52 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 any office of director / member in other company's board / committee.

- No stock options have been granted to him under the prevailing stock option plans of the Company.
- He doesn't hold any share in R Systems.
- Mr. Raj Kumar Gogia is not related to any other director

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

Mr. Gurbax Singh Bhasin (DIN: 00012628) aged about 58 years, joined the Board of R Systems on December 27, 2005. He is a Bachelor of Engineering. He has been involved in the textile / fashion apparel industry and import / export for over 33 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, 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, Riverbrook, LLC as Managing Member, G & B Riverside, L.P as Partner, B & G Mohler, LLC (U.S.A.) as Managing Member and Bhasin Victorville, LLC (U.S.A.) as Managing Member.

- No stock options have been granted to him under the prevailing stock option plans of the Company.
- He doesn't hold any share in R Systems.

3. Mr. Suresh Paruthi (Non-Executive Independent Director)

Mr. Suresh Paruthi (DIN: 00777887) aged about 64 years, joined the Board of R Systems on September 29, 2006. Mr. Suresh Paruthi has completed his Bachelor of Technology (Hons.) from IIT, Kharagpur in 1972. He has also completed a certificate course in export marketing from the Indian Institute of Foreign Trade,

New Delhi. He is having a wide experience of efficiently serving various multinationals; some of them are Siemens Limited, Bhartia Cutler Hammer Ltd. & Omron Asia Pacific Pte. Ltd.

As on the date of this report

- Mr. Suresh Paruthi holds the office of CEO in Paruthi Consultants and Engineers.
- No stock options have been granted to him under the prevailing stock option plans of the Company.
- He doesn't hold any share in R Systems.

4. Mr. Amardeep Singh Ranghar (Non-Executive Independent Director)

Mr. Amardeep Singh Ranghar (DIN: 06916409) aged about 48 years is an MBA from the University of Chicago, B.E. (Electronics and Communications) from Manipal Institute of Technology, India. He has a vast corporate experience, having served American Express at senior position for more than 20 years. Currently he practices as an independent business consultant and is engaged in projects covering strategy, revenue and profitability.

As on the date of this report

- Mr. Amardeep Singh Ranghar does not hold any office of director / member in other company's board / committee.
- No stock options have been granted to him under the prevailing stock option plans of the Company.
- He doesn't hold any share in R Systems

B. Mr. Raj Swaminathan (Director & Chief Operating Officer)

Mr. Raj Swaminathan (DIN: 00788158) aged about 55 years has over 30 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, Mr. Swaminathan 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, Mr. Swaminathan 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 holds directorship in an Indian company (i.e. R Systems Products & Technologies Limited, wholly owned subsidiary of R Systems International Limited).
- 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 were exercisable at a price at par with other employees covered under the plan. The granted options had vested over a period of 4 years in equal installments and vested options could be exercised over a period of 10 years from the date of grant. Upto December 31, 2014 Mr. Raj Swaminathan had exercised all options granted to him. Thus, he had no options in force as on December 31, 2014.
- As on the date of this report, he holds 200,000 equity shares of Re. 1 each being 0.16% of the total paid up share capital in R Systems.
- Mr. Raj Swaminathan is not related to any other directors of the Company.

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

Lt. Gen. Baldev Singh (Retd.) (DIN: 00006966) aged about 74 years has more than 48 years of experience, including handling top managerial, diplomatic and human resource development related assignments. Mr. Singh has a Masters in Military Sciences from the prestigious Madras University in India and attended two short courses at University of California at Berkeley, in Strategic Account Management and Marketing. He joined the Board of R Systems on September 01, 1997.

As on the date of this report

- Lt. Gen. Baldev Singh (Retd.) holds directorship in an Indian company (i.e. R Systems Products & Technologies Limited, wholly owned subsidiary of R Systems International Limited).
- 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 had vested over a period of 4

years in equal installments and vested options could 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 stood revised from Rs. 2 each to Rs. 10 each. As on December 31, 2014, 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 which stood revised to 27,700 equity shares of Re. 1/- each pursuant to sub-division of shares of Rs. 10 each into equity share of Re. 1/- each, lapsed on August 31, 2014 pursuant to completion of time limit for exercising of vested options.

- As on the date of this report, he holds 142,330 equity shares of Re. 1 each being 0.11% of the total paid up share capital in R Systems.
- Lt. Gen. Baldev Singh (Retd.) is related to Mr. Satinder Singh Rekhi, Managing Director of the Company

D. Mrs. Ruchica Gupta (Non-Executive Director)

Mrs. Ruchica Gupta (DIN: 06912329) had been associated as a lecturer in University of Delhi for more than 15 years. As a part of the Expert Committee Board at Indira Gandhi National Open University (IGNOU), she was instrumental in launching various programs for the University. She has authored nearly 40 articles on various management topics. Mrs. Ruchica is an M. Phil. from the University of Delhi and a Postgraduate topper from the Lady Shri Ram College. She is a leading corporate trainer in the areas of Organization Development, Change Management, Leadership, and Motivation.

As on the date of this report

- Mrs. Ruchica Gupta does not hold any office of director / member in other company's board / committee.
- No stock options have been granted to her under the prevailing stock option plans of the Company.
- She doesn't hold any share in R Systems.

R Systems has formulated the following committees of its directors:

- Audit Committee
- Nomination & Remuneration Committee (Erstwhile known as Remuneration Committee)
- Compensation Committee
- Stakeholders Relationship Committee (also known as Stakeholders Grievance Committee or Shareholders/Investors Grievance Committee)
- Corporate Social Responsibility Committee (CSR Committee)

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 Mrs. Ruchica Gupta (Non-Executive Director) was nominated as a member of the Audit Committee on July 26, 2014 upon her appointment as Additional Director of the Company w.e.f. July 07, 2014 and Mr. Anuj Kanish, (Non-Executive Independent Director) ceased to be a member of the committee consequent upon completion of his term as Additional Director w.e.f. May 10, 2014.

The Audit Committee met Nine times during the year i.e. on February 07, 2014, March 30, 2014, April 27, 2014, June 03, 2014, July 07, 2014, July 26, 2014, September 05, 2014, October 29, 2014 and December 20, 2014.

Composition of the Audit Committee & its meetings and attendance during the financial year ended on December 31, 2014

Composition of the Audit Committee	Category of Director	Chairman /Member	No. of meetings attended out of 9 meetings held during the year
Mr. Raj Kumar Gogia	Non-Executive Independent Director	Chairman	9
Mr. Gurbax Singh Bhasin	Non-Executive Independent Director	Member	7*
Mr. Suresh Paruthi	Non-Executive Independent Director	Member	9
Mrs. Ruchica Gupta®	Non-Executive Director	Member	3
Mr. Anuj Kanish#	Non-Executive Independent Director	Member	2

* Attendance by teleconference

- @ Mrs. Ruchica Gupta has been appointed as a member of Audit Committee w.e.f July 26, 2014. During the year under review she attended all 03 meetings held since her appointment.
- # Mr. Anuj Kanish ceased to be a member of the Audit Committee consequent upon completion of his term as Additional Director w.e.f. May 10, 2014. During the year under review he attended 02 out of 03 meetings till his cessation as member of the Committee.

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, the Companies Act, 2013 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 Board of Directors in its meeting held on October 29, 2014 modified the terms of reference of the Audit Committee keeping in view the requirements under the Companies Act, 2013 and requirements under Clause 49 of the Listing Agreement. These terms of reference are as under:

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
2. Recommendation for appointment, remuneration and terms of appointment of auditors of the company;
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 and auditor's report thereon before submission

to the board for approval, with particular reference to:

- a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of Section 134 of the Companies Act, 2013
 - 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 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. Review and monitor the auditor's independence and performance, and effectiveness of audit process;
 8. Approval or any subsequent modification of transactions of the company with related parties;
 9. Scrutiny of inter-corporate loans and investments;
 10. Valuation of undertakings or assets of the company, wherever it is necessary;
 11. Evaluation of internal financial controls and risk management systems;
 12. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
 13. 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;

14. Discussion with internal auditors of any significant findings and follow up there on;
15. 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;
16. 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;
17. 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;
18. To review the functioning of the Whistle Blower mechanism;
19. 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 and background, etc. of the candidate;
20. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

4. Nomination & Remuneration Committee (Erstwhile known as Remuneration Committee)

Brief description and terms of reference

Pursuant to the applicable provisions of the Companies Act, 2013 read with the Listing Agreement, existing Remuneration Committee of the Company has been renamed as "Nomination & Remuneration Committee" by the Board at its meeting held on March 30, 2014 which consists of only non-executive independent directors. During the year under review, there has been no change in the composition of the Nomination & Remuneration Committee except that Mr. Amardeep Singh Ranghar was nominated as a member of the Nomination & Remuneration Committee on July 26, 2015 upon his appointment as Additional Director of the Company w.e.f July 07, 2014 and Mr. Anuj Kanish, Non-Executive Independent Director ceased to be a member of the committee consequent on completion of his term as Additional Director w.e.f. May 10, 2014.

The Committee among other things evaluates and recommends 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, Nomination & Remuneration Committee met three times i.e. on July 07, 2014, October 29, 2014 and December 20, 2014.

Composition of the Nomination & Remuneration Committee, its meetings and attendance during the year ended December 31, 2014

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

* Attendance by teleconference

@ Mr. Amardeep Singh Ranghar was nominated as member of the Nomination & Remuneration Committee w.e.f. July 26, 2014. During the year under review he could not attend any of the meeting of the committee.

Mr. Anuj Kanish ceased to be a member of the Committee consequent upon completion of his term as Additional Director w.e.f. May 10, 2014. During the period under review, no meeting of Nomination & Remuneration Committee held till his cessation as Additional Director.

POLICY FOR SELECTION AND APPOINTMENT OF DIRECTORS AND THEIR PERFORMANCE EVALUATION AND REMUNERATION POLICY

CRITERIA FOR SELECTION OF CANDIDATES FOR MEMBERSHIP ON THE BOARD OF DIRECTORS

General Criteria

Director should have appropriate skills, experience and other characteristics so that qualified persons fill at Board and its committees positions in pursuit of achieving Company's objectives and Corporate Excellence. Each director should:

- be an individual of the highest integrity and have an inquiring mind, a willingness to go into details and the ability to work well with others;
- be free of any conflict of interest that would violate any applicable law or regulation or interfere with the proper performance of the responsibilities of a director;
- be willing and able to devote sufficient time to the affairs of the Company and be diligent in fulfilling the responsibilities of a director and Board committees' member; and
- have the capacity and desire to represent the best interests of the stakeholders as a whole.

Specific Criteria

In addition to the foregoing, the Nomination & Remuneration Committee may, if it deems it advisable from time to time, develop specific criteria outlining the skills, experience, expertise, backgrounds, and other characteristics that should be represented on the Board to enhance its effectiveness. Any such criteria should take into account the particular needs of the Company based on its business, size, ownership, growth objectives, community, customers and other characteristics and should be adjusted as these Company characteristics evolve.

PERFORMANCE EVALUATION

In terms of the provisions of the Companies Act 2013, and the Listing Agreement entered into with stock exchanges, Board has adopted a formal mechanism for evaluating its performance as well as individual directors as per the recommendation of the Nomination & Remuneration Committee. The exercise was carried out through a structured evaluation process covering various aspects of the Boards functioning such as composition of the Board & committees, experience & competencies, leadership attribute of the directors through vision and values, strategic thinking and decision making, commercial and business acumen, contribution to resolution of divergent views, proactive participation, time commitment teamwork skills and adequacy of business strategy.

REMUNERATION POLICY

The remuneration policy of the company reflects the Company's objectives for good corporate governance as well as sustained

long-term value creation for shareholders and guided by a common reward framework and set of principles and objectives as more fully and particularly envisaged under Section 178 of the Companies Act 2013, inter-alia principles pertaining to determining qualifications, positive attributes, integrity and independence etc. Remuneration policy of R Systems is as follows:

Executive Directors' Remuneration

1. At the time of appointment or re-appointment, Managing Director and the Executive Directors of the Company i.e. Whole Time Director as defined in the Companies Act, 2013 by whatever name may be called (hereinafter known as Executive Directors) shall be paid such remuneration as may be proposed by Nomination and Remuneration Committee and subsequently approved by the Board of Directors within the overall limits prescribed under the Companies Act, 2013.
2. The remuneration shall be subject to the approval of the Members of the Company at its General Meeting, wherever required under the provisions of the Companies Act, 2013 and rules made there under or under the provision of any other laws as may be applicable.
3. The remuneration of the CEO & Managing Director is broadly divided into fixed and variable components. The fixed component comprises salary, allowances, perquisites, amenities and retiral benefits. The variable component comprises performance bonus and may include
 - Short-term incentives, based on the achievement of a number of individual, pre- defined financial and strategic business targets recommended by the Committee.
 - Long-term incentives in the form of stock options, promoting a balance between short-term achievements and long-term thinking. The Directors shall be eligible to participate in the stock options only subject to the compliance of the conditions under the provisions of the Companies Act, 2013, Listing Agreement and the Rules/Regulations as prescribed by the Securities & Exchange Board of India (SEBI) in this regard.
 - Pension contributions, made in accordance with applicable laws and employment agreements.
 - Severance payments in accordance with termination clauses in employment agreements and subject to the provisions of the Companies Act, 2013 and other applicable laws

4. In determining the remuneration (including the element as defined in clause 3) the Nomination and Remuneration Committee shall ensure / consider the following:
 - I. Remuneration shall be evaluated annually against performance and a benchmark of international companies, which in size and complexity are similar to R Systems. Benchmark information is obtained from internationally recognized compensation service consultancies.
 - II. Balance between fixed and incentive pay reflecting short and long term performance objectives, appropriate to the working of the Company and its goals.
 - III. Responsibility required to be shouldered by the Executive Directors, the industry benchmarks and the current trends.
 - IV. The Company's performance vis-à-vis the annual budget achievement and individual performance vis-à-vis the KRAs / KPIs.
5. Minimum remuneration to Executive Directors

If, in any financial year, the Company has no profits or its profits are inadequate, the company shall pay remuneration to its Executive Directors in accordance with the provision of schedule IV of the Companies Act, 2013

Remuneration policy for the senior management employees

In determining the remuneration to Key Managerial Personnel and other employees the Nomination and Remuneration Committee shall ensure / consider the following:

- I. the relationship of remuneration and performance benchmark is clear;
- II. the balance between fixed and incentive pay reflecting short and long term performance objectives, appropriate to the working of the Company and its goals;
- III. the remuneration is divided into two components viz. fixed component comprising salaries, perquisites and retirement benefits and a variable component which comprises performance bonus and may include
 - Short-term incentives, based on the achievement of a number of individual, pre- defined financial and strategic business targets recommended by the Committee.
 - Long-term incentives in the form of stock options, promoting a balance between short-term achievements and long-term thinking, in accordance to various applicable laws.

- Pension contributions, made in accordance with applicable laws and employment agreements.
- Severance payments in accordance with termination clauses in employment agreements. Severance payments shall comply with local legal framework.

IV. the remuneration including annual increment and performance bonus is decided based on the criticality of the roles and responsibilities, the Company's performance vis-à-vis the annual budget achievement, individuals performance vis-à-vis KRAs / KPIs, industry benchmark and current compensation trends in the market. The Benchmark information is obtained from internationally recognized compensation service consultancies.

Remuneration for Non-Executive Directors

Non-executive members of the Board shall be entitled for sitting fees for attending the meetings of the Board or committees thereof. The sitting fee will be as fixed by the Board of Directors from time to time in accordance with the provisions of the Companies Act, 2013 and other applicable provisions of law. Non-executive directors shall not be entitled to any fixed or monthly salary or other remuneration.

Brief terms of employment and details of remuneration paid to the executive directors during the year ended December 31, 2014

(Amount in Rs.)

1.	Name of the Director	Mr. Satinder Singh Rekhi
(a)	Salary, benefits and allowances (fixed)	26,077,828
(b)	Incentive (fixed)*	4,055,250
(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, 2014	1,309,200 equity shares of Re. 1/- each in his own name & 16,325,180 equity shares of Re. 1/- 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)	3,815,532
(b)	Incentive (fixed) [§]	1,800,000
(c)	Provident fund	277,920
(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, 2014	142,330 equity shares of Re. 1/- 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 had vested over a period of 4 years in equal installments and vested options could 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 stood revised from Rs. 2 each to Rs. 10 each. As on December 31, 2014, 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 which stood revised to 27,700 equity shares of Re. 1/- each pursuant to sub-division of shares of Rs. 10 each into equity share of Re. 1/- each, lapsed on August 31, 2014 pursuant to completion of time limit for exercising of vested option.

(Amount in Rs.)

3.	Name of the Director	Mr. Raj Swaminathan
(a)	Salary, benefits and allowances (fixed)	5,132,224
(b)	Incentive (fixed)	1,100,000
(c)	Provident fund	13,440
(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, 2014	200,000 equity shares of Re. 1/- 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 were exercisable at a price at par with other employees covered under the plan. The granted options had vested over a period of 4 years in equal installments and vested options could be exercised over a period of 10 years from the date of grant. Upto December 31, 2014, Mr. Raj Swaminathan had exercised all options granted to him. Thus, he had no options in force as on December 31, 2014.

The aforementioned directors' remuneration has been approved, by the Nomination & Remuneration Committee, the Board, the shareholders in the General Meeting and by the Central Government whenever applicable. Further, for remuneration of Mr. Satinder Singh Rekhi application has been submitted to the Central Government and the approval for the same is awaited, as required under the provisions of the Companies Act, 2013.

Details of remuneration paid to the non-executive directors during the year ended December 31, 2014

As per the remuneration policy of R Systems non-executive members of the Board shall be entitled for sitting fees for attending the meetings of the Board or committees thereof. The sitting fee shall be fixed by the Board of Directors from time to time in accordance with the provisions of the Companies Act, 2013 and other applicable provisions if any. Non-executive directors shall not be entitled to any fixed or monthly salary or other remuneration. The sitting fees paid to the non-executive directors during the year ended December 31, 2014 is as follows:

(Amount in Rs.)

S. No.	Name of the Director	Sitting fees paid
1.	Mr. Raj Kumar Gogia	3,30,000
2.	Mr. Suresh Paruthi	3,30,000
3.	Mr. Gurbax Singh Bhasin	NIL
4.	Mr. Anuj Kanish	75,000
5.	Mr. Amardeep Singh Ranghar	25,000
6.	Mrs. Ruchica Gupta	1,75,000
	Total	935,000

As on December 31, 2014, none of the existing non-executive and independent directors of the Company hold 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 July 26, 2014.

Composition of the Compensation Committee, its meetings and attendance during the year ended December 31, 2014

Composition of the Compensation Committee	Category of Director	Chairman /Member	No. of meetings 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. Separate Meeting of Independent Directors

As stipulated under the Provisions of the Companies Act, 2013 and the Listing Agreement, separate meeting of the Independent Directors was held on December 20, 2014 to review the performance of Non - Independent Directors and the Board as whole. The Independent Directors also reviewed the quality, content and timeliness of the flow of information between the Management and the Board and Committees which is necessary to effectively and reasonably perform and discharge their duties.

The names of independent directors on the Board and their attendance at the meeting of independent directors held during the year under review is as follows:

Name of the Director	Category of Director	Chairman /Member	No. of meetings 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
Mr. Gurbax Singh Bhasin	Non-Executive Independent Director	Member	Nil
Mr. Amardeep Singh Ranghar [#]	Non-Executive Independent Director	Member	Nil
Mr. Anuj Kanish [*]	Non-Executive Independent Director	-	-

[#]Mr. Amardep Singh Ranghar has been appointed as additional director of the Company w.e.f. July 07, 2014 in the capacity of Non-Executive Independent director. During the year under review, he could not attend the meeting of independent directors held on December 20, 2014.

^{*}Mr. Anuj Kanish, ceased to be the director of the company w.e.f. May 10, 2014. No meeting of independent directors was held during his tenure.

7. Stakeholders' Relationship Committee (also known as Stakeholders Grievance Committee or Shareholders/ Investors Grievance Committee)

The existing Shareholders/Investors Grievance Committee¹ was renamed as "Stakeholders' Relationship Committee" by the Board in its meeting held on March 30, 2014 in compliance with the provisions of the Companies Act, 2013. The Stakeholders' Relationship Committee of R Systems is comprised of four

directors, with non-executive independent director as its Chairman. Stakeholders' Relationship 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, dividend and other matters relating to the shareholders / investors.

Stakeholders' Relationship Committee met thirty one times during the year i.e. on February 07, 2014, March 01, 2014, March 20, 2014, March 21, 2014, March 27, 2014, March 30, 2014, April 07, 2014, April 15, 2014, April 17, 2014, April 27, 2014, May 01, 2014, June 03, 2014, June 05, 2014, June 13, 2014, June 27, 2014, July 07, 2014, July 15, 2014, July 18, 2014, July 26, 2014, August 01, 2014, August 21, 2014, September 05, 2014, September 30, 2014, October 15, 2014, October 22, 2014, October 29, 2014, October 31, 2014, November 14, 2014, November 21, 2014, December 20, 2014 and December 30, 2014.

Composition of the Stakeholders' Relationship Committee (also known as Shareholders / Stakeholders / Investors Grievance Committee), its meetings and attendance during the year ended December 31, 2014

Composition of the Stakeholders' Relationship Committee	Category of Director	Chairman /Member	No. of meetings attended out of 31 meetings held during the year
Mr. Raj Kumar Gogia	Non-Executive Independent Director	Chairman	31
Mr. Suresh Paruthi	Non-Executive Independent Director	Member	30
Mr. Satinder Singh Rekhi	Executive Director	Member	03 + 27*
Lt. Gen. Baldev Singh (Retd.)	Executive Director	Member	26 + 02*

* Attendance by teleconference

Name and designation of the Compliance Officer

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

Shareholders grievances / complaints received and resolved during the year

(i)	Number of shareholders' complaints received during the year ended December 31, 2014	26
(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 transfer, the members of the Stakeholders' Relationship Committee (also known as Shareholders / Stakeholders / Investors Grievance Committee) conduct their meetings more frequently, to the extent of weekly meetings of the Committee.

8. Corporate Social Responsibility Committee (CSR Committee)

Brief description and terms of reference

At R Systems, it has been our constant endeavor to bring about a positive difference to communities where we exist. Corporate Social Responsibility (CSR) is deeply rooted in our core values. Our CSR activities are planned and well-organized to educate, support and empower less privileged communities and preserve the environment. CSR for us is not merely the means to run our business successfully but the part of our individual responsibilities as global citizens.

As per the requirements of the Companies Act, 2013, the Board of Directors at its meeting held on March 30, 2014 constituted the CSR Committee:

The Corporate Social Responsibility Committee of the Company shall:

- Formulate and recommend to the Board Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII of the Companies Act, 2013 and the Rules made thereunder.
- Recommend the amount of expenditure to be incurred on the activities under Corporate Social Responsibilities.
- Monitor Corporate Social Responsibility Policy of the Company.
- To carry out all other duties as may be required under the Companies Act, 2013 and rules made thereunder.

Corporate Social Responsibility Committee (CSR Committee) met once during the year i.e. on October 29, 2014.

Composition of the Corporate Social Responsibility Committee (CSR Committee), its meetings and attendance during the year ended December 31, 2014

Composition of the Corporate Social Responsibility Committee (CSR Committee)	Category of Director	Chairman /Member	No. of meetings attended out of 1 meeting held during the year
Mr. Raj Kumar Gogia	Non-Executive Independent Director	Chairman	1
Lt. Gen. Baldev Singh (Retd.)	Executive Director	Member	1
Mr. Suresh Paruthi	Non Executive Independent Director	Member	1
Mr. Raj Swaminathan	Executive Director	Member	1
Mrs. Ruchica Gupta*	Non Executive Director	Member	1

* Mrs. Ruchica Gupta was nominated as member of the Corporate Social Responsibility Committee w.e.f. July 26, 2014.

9. Subsidiary Companies

During the year under review, the Company has completed the transfer of Europe BPO Business by way of sale of its 100% holding in R Systems Europe B.V., Netherlands and R Systems S.A.S., France, being wholly owned subsidiaries, to Customer Contact Management Group B.V. ("CCMG") a Europe based company by executing the Share Sale Agreement along with other necessary documents on November 27, 2014. The Company has also incorporated a wholly owned subsidiary in India, namely, R Systems Products & Technologies Limited ("RSPTL") on July 11, 2014. Hence, now R Systems has in aggregate Nineteen subsidiaries all of which except one subsidiary i.e. R Systems Products & Technologies Limited ("RSPTL"), are incorporated and based outside India.

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 transaction and arrangements entered into by the unlisted subsidiary bodies corporate.

R Systems does not have any material non-listed Indian subsidiary company as per the policy drafted by the company in compliance of the Clause 49 of the listing agreement with the Stock Exchanges and the same is available at the website of the company at the following link:

<http://www.rsystems.com/investors/corporategovernance.aspx>

10. General Body Meetings

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

AGM Date and Time	Venue	Special Resolutions passed
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.
19th AGM May 11, 2013 09:00 A.M.	Air Force Auditorium, Subroto Park, New Delhi - 110 010	<ul style="list-style-type: none"> Reappointment and payment of remuneration to Mr. Raj Swaminathan as Director & Chief Operating Officer of the Company. Increase in the limit of Foreign Institutional Investors (FIIs) holding to 40%.
20th AGM May 10, 2014 09:00 A.M.	Air Force Auditorium, Subroto Park, New Delhi - 110 010	<ul style="list-style-type: none"> No Special Resolution was passed.

II. No Extra Ordinary General Meeting of the Company was held during the last three years.

III. No special resolution was moved and passed at the last Annual General Meeting.

IV. During the year the Company has passed necessary resolution through Postal Ballot as per the following details:

S. No.	Date of Postal Ballot Notice	Date of Passing of Resolution	Resolution passed
1.	July 26, 2014	September 23, 2014	1. Transfer of Indus Business Unit to R Systems Products & Technologies Limited, a wholly owned subsidiary of R Systems International Limited on slump sale basis.
2.	October 29, 2014	December 16, 2014	1. Payment of remuneration to Mr. Satinder Singh Rekhi as Managing Director of the Company.

Details relating to voting pattern are as follows :

Date of Postal Ballot Notice	Date of Passing of Resolution through Postal Ballot	Resolution Number	Total Valid Votes (A)	Votes with Assent (B)	Percentage (B/A*100)
July 26, 2014	September 23, 2014	1	113,002,031	112,976,185	99.977
October 29, 2014	December 16, 2014	1	112,910,465	112,890,070	99.981

The Company had appointed Mr. Sanjay Grover, Company Secretary in whole time practice as scrutinizer for the purpose of both the Postal Ballot exercise.

- V. The Company has followed the procedure as prescribed under Section 110 of the Companies Act, 2013 read with the Companies (Management and Administration) Rules, 2014 for conducting the postal ballot as referred hereinbefore.
- VI. No special resolution is proposed to be conducted through Postal Ballot at the forthcoming Annual General Meeting.

11. Disclosures

Related Party Transactions

Related Party Transactions are defined as transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged. 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 24 in the standalone and in note number 25 in the consolidated financial results for the financial year ended December 31, 2014.

In compliance of the provisions of Clause 49 of the Listing Agreement (along with amendments as and when applicable) with the Stock Exchanges the Board at its meeting held on October 29, 2014 approved the policy on dealing with Related Party Transactions and the same has been uploaded on the website of the Company at the following link:

<http://www.rsystems.com/investors/corporategovernance.aspx>

Statutory Compliance, Penalties and Strictures

There were no penalties imposed on R Systems for any non-compliance by Stock Exchanges, SEBI or any other statutory authority on matters related to capital markets during the last three years.

Vigil Mechanism / Whistle Blower Policy

Pursuant to Section 177 of the Companies Act, 2013 and rules made thereunder and Clause 49 of Listing Agreement, 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, 2014, no employee has been denied access to the Audit Committee. The details of such Whistle Blower policy (also known as vigil Mechanism) have been available at the website of the Company at the following link:

<http://www.rsystems.com/investors/corporategovernance.aspx>

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.

Training to Board Members

The Company follows a structured orientation and training programme for the Independent Directors to understand and get updated on the business and operations of the Company on a continuous basis.

The Board has adopted a structured policy for training of new Independent Directors which shall inter-alia provide: (a) business overview and an outline of corporate plan and annual target, (b) operations overview (c) overview of Sales & Marketing, (d) comprehensive rolling corporate plan etc. The details of the Familiarization Programme are available at the website of the company at the following link:

<http://www.rsystems.com/investors/corporategovernance.aspx>

The Company believes that the Board is continuously empowered with the knowledge of the latest developments in the Company's businesses and the external environment affecting the industry as a whole. Independent Directors are regularly updated on performance of each line of business of the Company, state of the market, business strategy going forward and new initiatives being taken / proposed to be taken by the Company.

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 of the listing agreement has been annexed with the Directors' Report.

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:

Shareholders Rights

The quarterly and half yearly financial performance are published in the newspapers and are also posted on the Company's website.

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.

Reporting of Internal Auditor

The Internal auditors of the Company reports to the Audit Committee.

12. Means of Communication

Quarterly results

- a) The quarterly and year to date audited / unaudited financial results have been published in Business Standard (English and Hindi) for the first quarter ended March 31, 2014, second quarter ended June 30, 2014, third quarter ended on September 30, 2014 and fourth quarter and year ended December 31, 2014, as statutorily required.
- b) The financial results and other corporate information are available on R Systems' website www.rsystems.com. The website also displays official news releases from time to time announced by the Company.
- c) The presentations made to the institutional investors or to the industry analysts are also available on the Company's website www.rsystems.com.

- d) Financial results updates are also sent to all the shareholders whose email address is registered / made available to us.

13. General Shareholder Information

i) Annual General Meeting

Date and Time : June 09, 2015, 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

June 05, 2015 to June 09, 2015 (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

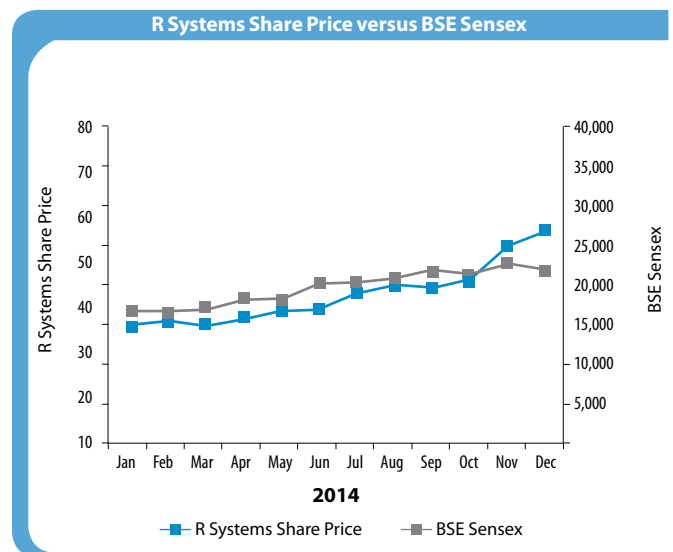
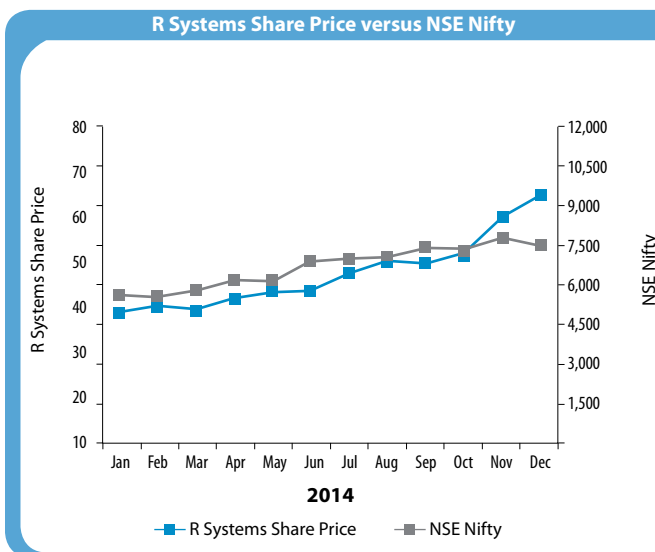
The annual listing fee for the year 2014-15 had been paid within the scheduled time to NSE and BSE. The annual listing fee for the year 2015-16 has also been paid within the scheduled time as prescribed under the provisions of the listing agreement.

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, 2014, in comparison with NSE Nifty and BSE Sensex, are as follows:

Month 2014	NSE				BSE			
	Share Price		Nifty		Share Price		Sensex	
	High (Rs.)	Low (Rs.)	High	Low	High (Rs.)	Low (Rs.)	High	Low
January	38.16	35.81	6,345.65	6,073.70	38.23	35.98	21,140.48	20,498.25
February	67.20	38.37	6,276.95	6,000.90	67.23	38.41	21,120.12	20,193.35
March	55.65	36.20	6,704.20	6,221.45	55.50	36.15	22,386.27	20,946.65
April	46.05	39.65	6,840.80	6,675.30	45.95	39.35	22,876.54	22,277.23
May	48.95	41.60	7,367.10	6,652.55	48.65	41.30	24,716.88	22,323.90
June	49.95	41.50	7,656.40	7,362.50	49.85	41.60	25,583.69	24,684.85
July	55.95	46.35	7,830.60	7,454.15	55.80	46.85	26,271.85	25,006.98
August	53.90	49.45	7,954.35	7,568.55	53.60	49.40	26,638.11	25,329.14
September	54.85	48.65	8,173.90	7,911.85	54.80	48.40	27,319.85	26,468.36
October	63.95	50.90	8,322.20	7,748.20	64.15	50.80	27,865.83	25,999.34
November	72.30	60.95	8,588.25	8,324.15	72.25	61.05	28,693.99	27,860.38
December	93.25	66.45	8,564.40	8,029.80	93.15	66.10	28,562.82	26,710.13

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 at NSE 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 at BSE and monthly low of closing BSE Sensex

Note: Pursuant to the necessary resolution passed by the shareholders through postal ballot on January 14, 2014, the equity shares of the company having face value of Rs. 10/- each had been sub-divided into equity shares of face value Re. 1/- each. The trading in the equity shares after sub-division on the aforesaid Stock Exchanges had become effective as per record date of February 28, 2014 fixed for the purpose. Therefore, share price in the table above has been accordingly adjusted.

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 Stakeholders' Relationship Committee's (also known as Shareholders / Stakeholders / Investors Grievance Committee) approval. In order to expedite the process of share transfers in physical mode, the members of the Stakeholders' Relationship Committee (also known as Shareholders / Stakeholders / 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, and applicable provisions of the Companies Act, 2013 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
May 11, 2013	2012	June 10, 2020
July 27, 2013	1st Interim Dividend 2013	August 26, 2020
October 25, 2013	2nd Interim Dividend 2013	November 24, 2020
May 10, 2014	2013	June 09, 2021
June 03, 2014	1st Interim Dividend 2014	July 03, 2021
July 26, 2014	2nd Interim Dividend 2014	August 25, 2021
October 29, 2014	3rd Interim Dividend 2014	November 28, 2021
December 20, 2014	4th Interim Dividend 2014	January 19, 2022

*Unpaid dividend for the financial ended December 31, 2006 which was declared on May 01, 2007 has been deposited to the Investor Education and Protection fund on June 07, 2014.

x) Distribution of Shareholding as on December 31, 2014*

Shareholding of nominal value of (Rs.)	Shareholders		Share Capital	
	Number	% to total	Amount in Rs.	% to total
1 - 2,500	11,372	94.85	5,032,924	3.95
2,501 - 5,000	316	2.64	1,200,436	0.94
5,001 - 10,000	139	1.16	1,065,640	0.84
10,001 - 20,000	72	0.60	1,028,745	0.81
20,001 - 30,000	22	0.18	547,812	0.43
30,001 - 40,000	14	0.12	513,535	0.40
40,001 - 50,000	9	0.08	414,103	0.32
50,001 - 1,00,000	19	0.16	1,364,697	1.07
Above 1,00,000	27	0.23	116,290,688	91.24
TOTAL	11,990	100.00	127,458,580	100.00

*During the year under review, the Company has allotted 804,000 equity shares of Re. 1.00/- each pursuant to exercise of stock options under R Systems International Limited Employee Stock Options Scheme 2007.

During the year under review, shareholders of the Company by passing necessary resolution through postal ballot on January 14, 2014 approved the sub-division of equity shares of the Company of face value of Rs. 10 each into ten equity shares of Re. 1 each.

xi) Category wise Shareholding as on December 31, 2014

Category	Category of Shareholder	No. of shares	Percentage
(A)	Promoters & Promoter Group		
1	Indian	26,495,796	20.79
2	Foreign	37,964,610	29.79
	Sub Total (A)	64,460,406	50.57
(B)	Public Shareholding		
1	Institutions		
(a)	Mutual Funds / UTI	0.00	0.00
(b)	Financial Institutions / Banks	27,567	0.02
(c)	Foreign Institutional Investors	0.00	0.00
	Sub Total (B)(1)	27,567	0.02
2	Non-institutions		
(a)	Bodies Corporate	1,485,281	1.17
(b)	Individual shareholders holding nominal share capital up to Rs. 1 lakh	9,761,922	7.66
(c)	Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	50,912,067	39.94
(d)	Any Other (Clearing Member)	72,357	0.06
(e)	Any Other (Trust)	738,980	0.58
	Sub Total (B)(2)	62,970,607	49.40
	Total Public Shareholding (B)(1) + (B)(2)	62,998,174	49.43
	Grand Total	127,458,580	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 99.13% of the issued and paid up share capital of the Company has been dematerialised up to December 31, 2014. The International Securities Identification Number (ISIN) of the Company was INE411H01024 which has been changed to INE411H01032 upon sub-division of equity shares from the face of value of Rs. 10/- to Re. 1/- becoming effective as per record date of February 28, 2014.

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, 2014, 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, 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.
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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 16, Jalan Kilang, #04-01 Hoi Hup Building, Singapore – 159 416
7.	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
8.	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
9.	ICS Computaris International SRL Vlaicu Pircalab Street, No 63, Et. 8, Oficiu B, MD – 2012, Sky Tower Business Center Chisinau, Republica Moldova

Other Offices of R Systems and its subsidiaries

10.	U.S.A. Branch Office 5000, Windplay Drive, Suite 5, El Dorado Hills, CA 95762, U.S.A.
11.	Indus Software, Inc. 5000, Windplay Drive, Suite 5, El Dorado Hills, CA 95762, U.S.A.
12.	Systèmes R. International Ltée, 417, Rue Saint-Pierre, Porte 604 Montréal (Quebec) H2Y 2M4, Canada
13.	R Systems (Singapore) Pte Limited 16, Jalan Kilang, #04-01 Hoi Hup Building, Singapore – 159 416
14.	ECnet (M) Sdn. Bhd. Level 12, Suite 12.05 Menara Summit, Persiaran Kewajipan, USJ1, 47600 UEP Subang Jaya, Selangor Darul Ehsan, Malaysia
15.	ECnet, Inc. 5000, Windplay Drive, Suite # 5, El Dorado Hills, CA 95762, U.S.A.
16.	ECnet (Hong Kong) Limited Room 1903, 19/F, World-Wide House, 19 Des Voeux Road Central, Hong Kong

17.	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
18.	ECnet Kabushiki Kaisha 1-6-17 Godo Build. 6 F, Kaji-cho, Chiyoda-ku, Tokyo, Japan 101-0044
19.	ECnet (Shanghai) Co. Ltd. Rm H, 20th Floor, Foresight Mansion, No. 768, Xie Tu Rd, Shanghai - 200 023, People's Republic of China
20.	Computaris International Limited 11 Queens Road, Brentwood Essex, CM 14 4HE, United Kingdom
21.	Computaris Malaysia Sdn. Bhd. No. 52, 1st Floor, Jalan SS21/58 Damansara Utama, 47400 Petaling Jaya, Selangor, Malaysia.
22.	Computaris USA, Inc. 5000, Windplay Drive, Suite 5, El Dorado Hills, CA 95762, U.S.A.

23.	R Systems Products & Technologies Limited S. No. 303/2/2, Bavdhan (BK), Mumbai - Bangalore Highway (Bypass), Taluka Mulshi, Pune, Maharashtra- 411021(India)
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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, 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, 2014 and that to the best of our knowledge and belief:
1. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 2. 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 the Audit Committee
1. significant changes in internal control over financial reporting during the year;
 2. 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
 3. 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
(Managing Director)
Place : SINGAPORE
Date : February 07, 2015

Sd/-
Nand Sardana
(Chief Financial Officer)
Place : NOIDA
Date : February 07, 2015

Annexure 'C' to the Directors' 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, 2014. 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

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

Place: Vaishali
Date: April 07, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview

The financial statements of the Company have been prepared to comply in all material respects with the accounting standards notified under the Companies Act, 1956 read with General Circular 8/2014 dated 4 April 2014, issued by the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013 read with rule 7 of the Companies (Accounts) Rules, 2014 and the relevant provisions of the Companies Act, 1956. 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

As per NASSCOM Strategic Review 2015, the worldwide IT-BPM spending reached nearly USD 2.3 trillion in FY 2014, a growth of 4.6 per cent over 2013. The FY 2014 saw renewed demand for overall global sourcing, which grew by 9-10 per cent over 2013, nearly twice the global technology spend 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 is a public company domiciled in India and incorporated under the provisions of 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	99.75%*
R Systems Solutions, Inc.	2000	USA	August 24, 2006	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%
R Systems Products & Technologies Limited	2014	India	July 11, 2014	100%

*The shareholding by the Company and R Systems (Singapore) Pte Limited is 69.37% and 30.38% respectively.

On November 27, 2014, the Company has transferred Europe BPO Business by way of sale of its 100% holding in R Systems Europe B.V., Netherlands and R Systems S.A.S., France, being wholly owned subsidiaries.

Software products, IT and BPM services continued to reinforce India's position as the only country in the world from where one can do anything and everything. India has continued to maintain its first mover advantage and retained its leadership position in the global sourcing arena with a share of 55 per cent.

While Americas remained the largest market, APAC recorded highest growth of 5.1 per cent, driven by faster growth in BPM services. Demand from Europe remained strong during the first half of the year, but softened during the second half due to currency movements and economic challenges. Emerging verticals like healthcare, communication and media, government were key growth drivers for the IT segment during 2014.

The global technology industry is at the forefront of change. Economic turbulence, intensifying competition, technological obsolescence and insatiable consumer appetite presents a whole new world of challenges as well as opportunities. The industry has the obligation of serving two distinct requirements i.e. driving operational excellence and creating digital transformation within enterprises simultaneously. This enables organizations to augment customer reach and engagement, ensure real time decision making, while providing a distinct competitive edge to their clients' business.

ECnet Limited, Singapore has following wholly owned subsidiaries:

Name	Holding	Country of incorporation
ECnet (M) Sdn. Bhd.	100%	Malaysia
ECnet Systems (Thailand) Co. 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
Computaris Romania SRL	100%	Romania
Computaris Polska sp z.o.o.	100%	Poland
Computaris USA Inc.	100%	USA
ICS Computaris International Srl	100%	Moldova
Computaris Malaysia Sdn. Bhd.	100%	Malaysia

As at December 31, 2014, R Systems is maintaining eleven global development and service centres in India, USA, Romania, Poland, Moldova and Singapore. R Systems diversified offering includes:

iPLM Service Group

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 (ITES). The IT services cover application development, systems integration and support and maintenance of applications. Under the ITES, we cover 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.

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, telecom 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 in the retail, corporate and SME sectors, 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 also offers a comprehensive solution for origination and management of commercial vehicles and equipment leasing that can be used across retail, corporate banking & SME sectors.

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 focused on key verticals i.e. Telecom & Digital Media, Banking and Finance, Health Care, Manufacturing & Logistics and Government Services. During the year ended December 31, 2014, Telecom and Digital Media contributed 33.71% and BFSI contributed 15.10% 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 and has served twenty seven million US \$ plus customer during the year 2014.

C. Opportunities and Threats

As per NASSCOM Strategic Review 2015, the Indian IT-BPM industry is relentlessly continuing its growth path. The industry demonstrated flexibility and resolves to adjust to turbulent economic conditions and experience double digit growth. Overall revenue (exports + domestic) for FY2015 is expected at USD 146 billion, a growth of ~13 per cent over last year, an overall y-o-y addition of ~USD 17 billion. Industry contribution relative to India's GDP is set to touch an estimated 9.5 per cent and share in total services exports >38 per cent.

FY2015 is expected to see the exports market at over USD 98 billion, recording a 12.3 per cent growth over last year.

Engineering and **R&D** sector (ER&D) and product development segment is the fastest growing at 13.2 per cent, driven by higher value-added services from existing players and an increased business from GICs. IT services exports are to grow at industry rate of 12.6 per cent. Value-added services around SMAC – upgrading legacy systems to be SMAC enabled, greater demand for ERP, CRM, mobility from manufacturing segment and user experience technologies in retail segment is driving growth in IT services. BPM is being driven by greater automation, expanding omni-channel presence, application of analytics across entire value chain, etc. R Systems being one of the leading IT & ITES services and solutions providers is well positioned to take advantage of these opportunities.

Increasingly competitive marketplace has posed threats and challenges for R Systems. However, over the years, R Systems has learnt to reckon with as well as address threats from competitors including their disruptive tactics, new technologies, intensifying demand for global talent, retention of employees and stringent governing norms regarding restrictions on outsourcing services. At R Systems, these threat and uncertainties are managed proactively through our 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. 6,484.96 mn during the year 2014 as against revenue of Rs. 5,960.54 mn for the year 2013 representing a year on year (YOY) increase of 8.80 %.

Net consolidated profits during the year 2014 were Rs. 781.34 mn [after considering exceptional profit (net of tax) of Rs. 184.95 mn . Out of this Rs. 168.88 mn pertains to profit on sale of Europe BPO Business and Rs. 16.07 mn on buy-back of shares of Computaris International Limited (a wholly owned subsidiary)] as against net profit of Rs. 526.99 mn in the year 2013.

The basic earnings per share (based on consolidated financial statement) during the year 2014 was Rs. 6.14 per share as against Rs. 4.18 per share in 2013 of face value of Re. 1 each.

Cash and bank balance excluding money kept in escrow account for interim dividend and margin money for buy back as of December 31, 2014 was Rs. 1,098.24 mn against Rs 1,115.20 mn as of December 31, 2013. Decrease was mainly on account cash used for purchase of fixed assets and payment of dividends as offset by cash generated from operations and amount received from sale of Europe BPO operations.

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. Telecom & Digital Media, BFSI, Health Care, Manufacturing & Logistics and Government Services;
- 2500+ associates including domain specialists;
- Customer centric approach to deliver innovative and cost effective services and solution;
- Long term relationship with world class clients including fortune 1000 companies;
- Global delivering capabilities through eleven development and service centres;
- 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, 2014 to invest in future growth.

The consolidated shareholder's funds as at December 31, 2014 amount to Rs. 2,131.05 mn.

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 corporate governance policies and practices have been recognized through a 'Special Commendation' for 'Golden Peacock Award for Excellence in Corporate Governance' for the year 2014.

R Systems has also 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 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. Further, Noida BPO center was certified as PCI-DSS ver 2.0 compliant for the Call Analytic Services provided to one of the major client. 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.

R Systems concluded the year 2014 with 2,598 associates including 353 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, 2014

1. Share Capital

Particulars	(Rs. in million)	
	As at December 31, 2014	2013
Authorised share capital	200.00	200.00
Issued, subscribed and paid up capital	127.46	126.66
Less: advance to Indus software employee welfare trust	0.74	0.74
Total Share Capital	126.72	125.92

The issued, subscribed and paid up capital is Rs. 126.72 mn as at December 31, 2014 compared to Rs. 125.92 mn over the last year This is after adjusting Rs. 0.74 mn 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, 2014, the Company has issued 804,000 equity shares of Re. 1 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. 30 of notes to the Consolidated Financial Statements.

Further, the Board of Directors of the Company at its meeting held on December 20, 2014 has approved the buy-back of the Company's fully paid-up equity shares from the open market through stock exchange(s) for a total consideration not exceeding Rs. 60.00 mn and at a price not exceeding Rs. 100/- per share, payable in cash. This offer for buy back opened on January 06, 2015, and therefore has not been accounted in the financial statements.

2. Reserve and Surplus

(Rs. in million)

Particulars	Consolidated		Standalone	
	2014	2013	2014	2013
Capital redemption reserve	12.66	12.66	12.66	12.66
Securities premium account	959.55	950.65	959.55	950.65
General reserve	157.48	157.48	157.48	157.48
Surplus in the statement of profit and loss	659.36	767.74	494.41	633.83
Capital reserve	0.03	0.03	-	-
Foreign currency translation reserve	215.25	303.13	-	-
Total	2,004.33	2,191.69	1,624.10	1,754.62

The increase in securities premium account during the year ended December 31, 2014, is on account of issue of 804,000 equity shares of Re. 1/- each @ a premium of Rs. 11.07 per share, pursuant to exercise of employee stock options under the R Systems International Limited Employee Stock Option Scheme 2007.

The foreign currency translation reserve is decreased by Rs. 87.88 mn during the year 2014 on account of Rs. 50.93 mn on appreciation of Rupee against foreign currencies on consolidation of non-integral overseas subsidiaries, Rs. 26.08 mn transferred to profit and loss account on buy back of a subsidiary share and Rs. 10.87 mn transferred to profit and loss account on sale of Europe BPO business.

3. Minority Interest

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

4. Long-term borrowings (non-current portion)

Long-term borrowing consists of loans obtained for purchase of motor vehicle and equipment.

(Rs. in million)

Particulars	Consolidated		Standalone	
	2014	2013	2014	2013
Term loans against				
- Motor vehicles	6.29	4.40	6.29	4.40
- Equipments	-	4.40	-	-
Total	6.29	8.80	6.29	4.40

5. Deferred Tax Assets / Liability (net)

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

Deferred tax assets and deferred tax liabilities across various tax jurisdictions cannot be offset against each other therefore has been presented separately.

(Rs. in million)

Particulars	Consolidated		Standalone	
	2014	2013	2014	2013
Deferred tax liability (net)	0.66	-	-	-
Deferred Tax Assets (net)	38.30	55.35	38.30	51.38

6. 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 million)

Particulars	Consolidated		Standalone	
	2014	2013	2014	2013
Security deposits	4.76	3.86	4.72	3.83
Deferred payable others	0.23	0.52	-	-
Total	4.99	4.38	4.72	3.83

7. Long-term provisions

Long-term provisions represents the provision towards the gratuity liability due after 12 months from the reporting date based on actuarial valuation. The provision amounts to Rs. 95.22 mn as at December 31, 2014 as against Rs. 73.44 mn as at December 31, 2013.

8. 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 million)

Particulars	Consolidated		Standalone	
	2014	2013	2014	2013
Trade payables	508.89	527.12	239.09	165.35
Payable to subsidiary companies	-	-	17.96	15.38
Current maturities of long-term borrowing	3.00	5.74	3.00	2.38
Deferred payment compensation to the erstwhile shareholders of ECnet Limited	12.85	13.15	12.85	13.15
Unearned revenues	193.48	89.69	143.06	56.36
Book overdraft	-	0.33	-	-
Investor education and protection fund (not due) - Unclaimed dividend	2.08	1.56	2.08	1.56
Unpaid dividend #	325.02	-	325.02	-
Payable for purchase of fixed assets	9.80	12.65	9.80	6.92
Other payables	44.02	54.33	22.96	17.52
Total	1,099.14	704.57	775.82	278.62

The Board of Directors at its meeting held on December 20, 2014, has declared fourth interim (special) dividend for the year 2014 as per record date December 29, 2014. This has been transferred in a separate bank account before the year end and paid on January 07, 2015.

9. Short-term provisions

(Rs. in million)

Particulars	Consolidated		Standalone	
	2014	2013	2014	2013
Provision for employee benefits				
- Gratuity	3.36	3.44	3.36	3.44
- Leave encashment	111.04	116.33	79.50	71.33
Income tax	132.48	79.69	75.29	71.94
Proposed dividend	121.09	120.32	121.09	120.32
Tax on proposed dividend	24.21	20.45	24.21	20.45
Mark-to-market losses on derivative instruments	0.55	22.92	0.55	22.92
Total	392.73	363.15	304.00	310.40

10. 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) customer contracts, non-compete fee and goodwill on business acquisition and intangible assets under development.

(Rs. in million)

Particulars	Consolidated		Standalone	
	2014	2013	2014	2013
Net tangible assets	349.25	378.03	310.84	308.53
Net intangible assets	66.39	70.84	43.88	23.41
Capital work in progress	0.18	-	0.01	-
Intangible assets under development	-	14.13	-	14.13
Total	415.82	463.00	354.73	346.07

Details of additions during the year:

(Rs. in million)

Particulars	Consolidated		Standalone	
	2014	2013	2014	2013
Total additions to gross block-tangible assets	61.41	105.75	43.24	70.57
Total additions to gross block-intangible assets	52.96	64.28	48.47	22.40

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

Further, the fixed assets as at December 31, 2014 excludes the tangible assets (net) of Rs. 16.86 mn and intangible assets (net) of Rs. 11.10 mn which have been transferred on the sale of Europe BPO business.

11. Goodwill on consolidation

As at December 31, 2014, the goodwill on consolidation is Rs. 280.20 mn as against Rs. 291.11 mn in December 31, 2013. This relates to acquisition of Computaris International Limited, UK in the year 2011.

12. Non-current investments

(Rs. in million)

Particulars	Consolidated		Standalone	
	2014	2013	2014	2013
Investment in subsidiaries	-	-	722.90	793.58
Other investment	0.03	0.03	0.03	0.03
Total	0.03	0.03	722.93	793.61

Detailed information about the movements in Non-current investment has been given in Note no. 11.1 of notes to the Standalone Financial Statements.

13. Long-term loans and advances

(Rs. in million)

Particulars	Consolidated		Standalone	
	2014	2013	2014	2013
Capital advances	0.45	0.22	0.45	0.22
Advances recoverable in cash or in kind or for value to be received	7.37	16.69	6.28	14.69
Security deposit	26.61	26.58	17.99	16.44
Income tax recoverable	34.41	40.89	33.05	37.26
Total	68.84	84.38	57.77	68.61

Decrease in long-term loans and advance is mainly on account of decline in prepaid assets and exclusion of loans and advances of Europe BPO business.

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.

(Rs. in million)

Particulars	Consolidated		Standalone	
	2014	2013	2014	2013
Non-current bank balances	56.42	90.66	48.69	74.14
Interest accrued on deposits	2.15	5.57	2.15	5.57
Total	58.57	96.23	50.84	79.71

15. Current investment

Current investment represents the amount invested in SBI debt fund of Rs. 18.00 mn and Rs. 10.00 mn as at December 31, 2014 and December 31, 2013 respectively.

16. Trade receivables

(Rs. in million)

Particulars	Consolidated		Standalone	
	2014	2013	2014	2013
Trade receivables Gross	1,348.85	1,204.85	648.96	648.15
Less : Provision for doubtful debts	98.08	163.92	22.59	68.63
Trade receivables (net)	1,250.77	1,040.93	626.37	579.52
Days Sales Outstanding (DSO)	55	56	61	64

17. Cash and Bank Balance

(Rs. in million)

Particulars	Consolidated		Standalone	
	2014	2013	2014	2013
Cash on Hand	0.75	0.96	0.16	0.36
Cheques on hand	-	1.10	-	1.10
Balances with scheduled banks				
On current accounts	118.89	21.56	118.50	21.56
On EEFC accounts	63.20	84.52	63.20	84.52
On deposit accounts	442.63	362.88	442.63	362.88
On unclaimed dividend accounts #	2.08	1.56	2.08	1.56
On unpaid dividend #	325.02	-	325.02	-
Escrow account for buyback #	15.00	-	15.00	-
Balances with other banks				
On current accounts	433.18	516.25	23.53	43.72
On deposit accounts	19.50	116.37	-	-
	1,420.25	1,105.20	990.12	515.70
Less : Non-current bank balances	56.42	90.66	48.69	74.14
Total Cash and Bank Balance	1,363.83	1,014.54	941.43	441.56

the Company can utilise these balances for respective dividend / buy back, as the case may be.

For detailed movement in cash and bank balance, please refer the consolidated and standalone cash flow statement.

18. Short-term loans and advances

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

(Rs. in million)

Particulars	Consolidated		Standalone	
	2014	2013	2014	2013
Advances recoverable in cash or in kind or for value to be received	93.55	130.03	41.90	44.41
Advances to related parties	-	-	1.66	3.33
Security deposit	4.36	1.74	4.36	1.74
Mark-to-market gains on derivative instruments	-	-	-	-
Balances with customs, excise, etc.	20.66	18.38	20.66	18.38
Total	118.57	150.15	68.58	67.86

Decrease in short-term loans and advance is mainly on account of decline in prepaid assets and exclusion of loans and advances of Europe BPO business.

19. Other Current Assets

(Rs. in million)

Particulars	Consolidated		Standalone	
	2014	2013	2014	2013
Interest accrued	5.32	2.12	5.31	2.12
Unbilled revenue	111.83	264.11	52.63	110.79
Total	117.15	266.23	57.94	112.91

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

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

20. Liquidity

The consolidated cash and cash equivalent as at December 31, 2014 were Rs. 1,059.10 mn as against Rs. 795.19 mn as on December 31, 2013. Cash and cash equivalent as at December 31, 2014 includes Rs. 325.02 mn for fourth interim dividend which has been paid subsequent to year end and Rs. 15.00 mn for buy back offer by the Company.

Net cash generated from operating activities is Rs. 724.57 mn for the year ended December 31, 2014 compared to Rs. 481.02 mn for the year ended December 31, 2013.

Cash flow generated from investing activities during the year 2014 mainly includes Rs. 229.28 mn received from sale of Europe BPO business and Rs. 41.24 mn as interest income on fixed deposits as offset by purchase of fixed assets of Rs. 98.24 mn.

Cash used in financing activities during the year 2014 mainly includes payment of dividend of Rs. 419.79 mn and Rs. 139.85 mn for dividend distribution tax as offset by proceeds from other non-current assets (margin money) Rs. 20.10 mn and proceeds of Rs. 9.70 mn on issuance of share pursuant to exercise of ESOP.

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, 2014

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 million)**

Particulars	2014	% of Total income	2013	% of Total income	Change %
Income					
Revenue from operations	6,484.96	98.62	5,960.54	99.22	8.80
Other income	90.73	1.38	47.15	0.78	92.43
Total income	6,575.69	100.00	6,007.69	100.00	9.45
Expenses					
Employee benefits expense	3,935.22	59.85	3,573.87	59.49	10.11
Operational and other expense	1,645.01	25.02	1,606.37	26.74	2.40
Depreciation and amortisation expense	112.45	1.71	101.71	1.69	10.57
Finance cost	8.91	0.14	7.48	0.12	19.06
Total expenses	5,701.59	86.71	5,289.43	88.04	7.79
Net profit before tax and exceptional items	874.10	13.29	718.26	11.96	21.70
Exceptional items	250.11	3.80	-	-	-
Net profit before tax	1124.21	17.09	718.26	11.96	56.52
Tax expense	342.87	5.21	191.27	3.18	79.26
Net profit after tax	781.34	11.88	526.99	8.77	48.27

Standalone Statement of Profit and Loss for the year:**(Rs. in million)**

Particulars	2014	% of Total income	2013	% of Total income	Change %
Income					
Revenue from operations	2,910.81	95.57	2,698.03	98.48	7.89
Other income	134.84	4.43	41.69	1.52	223.46
Total income	3,045.65	100.00	2,739.72	100.00	11.17
Expenses					
Employee benefits expense	1,781.43	58.50	1,602.04	58.48	11.20
Operational and other expense	574.92	18.89	545.59	19.92	5.38
Depreciation and amortisation expense	67.24	2.21	47.81	1.74	40.65
Finance cost	4.29	0.14	2.79	0.10	53.28
Total expenses	2,427.88	79.72	2,198.23	80.24	10.45
Net profit before tax and exceptional items	617.77	20.28	541.49	19.76	14.09
Exceptional items	393.13	12.91	-	-	-
Net profit before tax	1,010.90	33.19	541.49	19.76	86.69
Tax expense	260.61	8.56	175.97	6.42	48.10
Net profit after tax	750.29	24.63	365.52	13.34	105.27

1. Income**1.1 Revenue from Operations**

R Systems derives revenue primarily from Information technology services and products and business process outsourcing services. 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.

1.1.1 Based on Consolidated Financial Statement

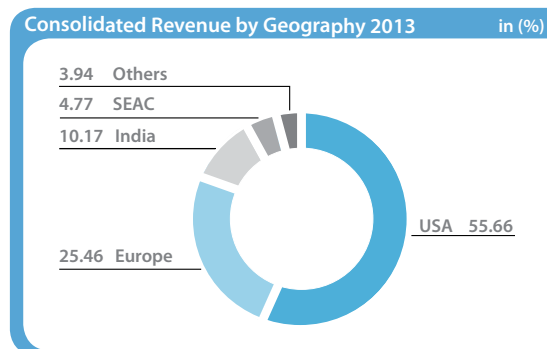
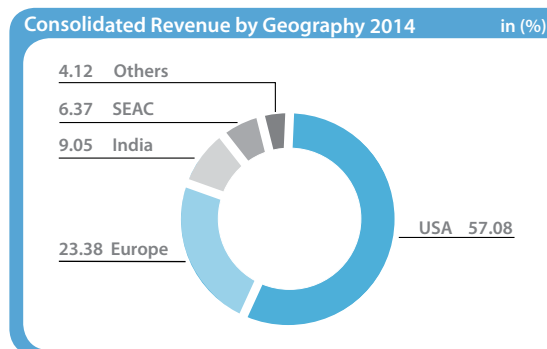
Particulars	(Rs. in million)				
	Year ended December 31, 2014	%	Year ended December 31, 2013	%	change %
Information technology services and products	5,297.42	81.69	4,832.85	81.08	9.61
Business process outsourcing services	1,187.54	18.31	1,127.69	18.92	5.31
Total	6,484.96	100.00	5,960.54	100.00	8.80

1.1.2 Based on Standalone Financial Statement

Particulars	(Rs. in million)				
	Year ended December 31, 2014	%	Year ended December 31, 2013	%	change %
Information technology services and products	2,538.34	87.20	2,356.40	87.34	7.72
Business process outsourcing services	372.47	12.80	341.63	12.66	9.03
Total	2,910.81	100.00	2,698.03	100.00	7.89

1.1.3 Consolidated Revenue by Geography

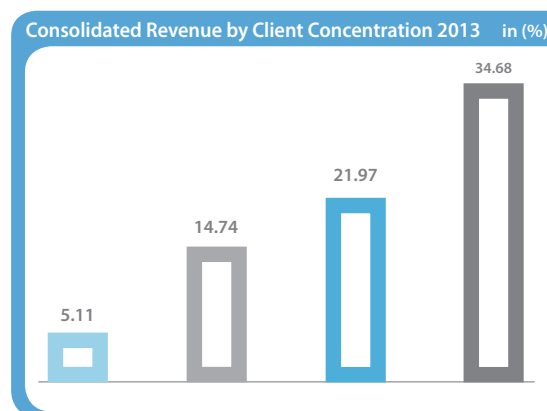
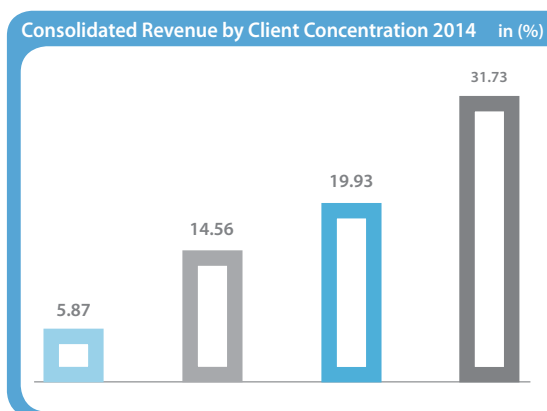
R Systems earns income from five principal geographic territories, namely the United States of America, Europe, South East Asian countries ("SEAC"), India and others. A significant proportion of the revenues were derived from clients located in the United States of America and Europe. The geographic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



* Graphs not to scale

1.1.4 Consolidated Revenue by Client Concentration

The breakdown of R Systems consolidated revenue on the basis of client concentration for the year ended December 31, 2014 and 2013 is as follows:



The Largest Clients
 Top 3 Clients
 Top 5 Clients
 Top 10 Clients

* Graphs not to scale

1.2 Other Income

(Rs. in million)

Particulars	Consolidated		Standalone	
	2014	2013	2014	2013
Interest income on bank deposits	41.02	40.35	39.96	38.51
Dividend income from subsidiary	-	-	55.49	-
Profit on redemption of mutual fund	1.01	-	1.01	-
Foreign exchange fluctuation (net)	17.48	-	36.94	-
Provision for doubtful debts and advances written back (net)	4.65	1.03	0.41	0.88
Miscellaneous income	26.57	5.77	1.03	2.30
Total other income	90.73	47.15	134.84	41.69

Increase in miscellaneous income in the consolidated profit and loss amount was mainly on account of refund of withholding taxes in UK which was earlier not recognised due to uncertainty.

2. Expenditures
2.1 Personnel Expenses

Personnel expenses primarily consist of salaries, bonus, commissions, perquisites, provision for leave encashment, gratuity benefits, contribution towards provident and other funds and staff welfare expenses.

2.1.1 Based on Consolidated Financial Statement:

(Rs. in million)

Particulars	2014	% of Total Income	2013	% of Total Income	change %
Salaries and bonus	3,583.78	54.50	3,253.47	54.16	10.15
Gratuity	30.97	0.47	10.65	0.18	190.88
Contribution to provident fund and other payments	283.02	4.30	275.15	4.58	2.86
Staff welfare expenses	37.45	0.58	34.60	0.57	8.21
Total	3,935.22	59.85	3,573.87	59.49	10.11

2.1.2 Based on Standalone Financial Statement:

(Rs. in million)

Particulars	2014	% of Total Income	2013	% of Total Income	change %
Salaries, wages and bonus	1,663.49	54.62	1,515.26	55.31	9.78
Gratuity	30.97	1.02	10.65	0.39	190.88
Contribution to provident fund and other payments	53.62	1.76	49.38	1.80	8.60
Staff welfare expenses	33.35	1.10	26.75	0.98	24.63
Total	1,781.43	58.50	1,602.04	58.48	11.20

Increase in gratuity expenses during the year 2014 was mainly on account of decrease in government security interest rate used for discounting the liability under actuarial valuation.

2.2 Operational and other expenses

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 (net), foreign exchange fluctuation (net), 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 million)			
	2014	% of Total Income	2013	% of Total Income
Travelling and conveyance	347.76	5.29	345.94	5.76
Legal and professional expenses including audit fees and subcontracting expenses	728.60	11.08	603.89	10.05
Communication costs	87.47	1.33	83.57	1.39
Repair and maintenance	109.72	1.67	109.17	1.82
Recruitment and training expenses	34.14	0.52	28.30	0.47
Power and fuel	55.29	0.84	55.10	0.92
Rent - premises and equipments	133.29	2.03	133.58	2.22
Advertising and sales promotion	31.89	0.48	21.22	0.35
Provision for doubtful debts and advances (net)	-	-	33.45	0.56
Bad debts and advances written off (net)	0.03	0.00	0.65	0.01
Contract cost	33.00	0.50	106.58	1.77
Cost of third party items	1.10	0.02	1.62	0.03
Foreign exchange fluctuation (net)	-	-	11.84	0.20
Others	82.72	1.26	71.46	1.19
Total	1,645.01	25.02	1,606.37	26.74

2.2.2 Based on Standalone Financial Statement:

Particulars	(Rs. in million)			
	2014	% of Total Income	2013	% of Total Income
Travelling and conveyance	236.30	7.76	217.07	7.92
Legal and professional expenses including audit fees and subcontracting expenses	68.46	2.25	61.44	2.24
Communication costs	55.66	1.83	50.65	1.85
Repair and maintenance	59.55	1.96	58.78	2.15
Recruitment and training expenses	10.24	0.34	4.57	0.17
Power and fuel	47.78	1.57	47.56	1.74
Rent - premises and equipments	35.57	1.17	35.42	1.29
Advertising and sales promotion	16.38	0.54	8.56	0.31
Provision for doubtful debts and advances (net)	0.38	0.01	14.96	0.55
Loss on liquidation of subsidiary	-	-	0.21	0.01
Bad debts and advances written off	0.03	0.00	-	-
Cost of third party items	1.10	0.04	1.62	0.06
Foreign exchange fluctuation (net)	-	-	6.77	0.25
Others	43.47	1.42	37.98	1.38
Total	574.92	18.89	545.59	19.92

2.3 Depreciation and Amortisation Expense

Particulars	(Rs. in million)			
	Consolidated		Standalone	
	2014	2013	2014	2013
Depreciation and amortisation	112.45	101.71	67.24	47.81
% of gross block (tangible and intangible fixed assets)	8.94	6.70	7.98	5.98
% of total income	1.71	1.69	2.21	1.74

The depreciation has been increased on account of increase in depreciation on computer hardware and amortisation of computer software.

2.4 Finance cost

(Rs. in million)

Particulars	Consolidated		Standalone	
	2014	2013	2014	2013
Interest on loans	1.17	1.23	0.79	0.68
Bank charges	7.74	6.25	3.50	2.11
Total	8.91	7.48	4.29	2.79
% of total income	0.14	0.12	0.14	0.10

2.5 Exceptional items**2.5.1 Exceptional items in Consolidated Financial Statement**

(Rs. in million)

Particulars	Consolidated	
	2014	2013
Profit on sale Europe BPO business	224.02	-
Currency translation reserve released on buy back of subsidiary share	26.09	-
Total	250.11	-
% of total income	3.80	-

2.5.2 Exceptional items in Standalone Financial Statement

(Rs. in million)

Particulars	Consolidated	
	2014	2013
Profit on buy back of subsidiary share	77.80	-
Profit on sale Europe BPO business (sale of investment)	240.69	-
Provision for diminution in the value of investment written back	74.64	-
Total	393.13	-
% of total income	12.91	-

2.6 Tax expense

Tax expense comprises of current tax and deferred tax.

(Rs. in million)

Particulars	Consolidated		Standalone	
	2014	2013	2014	2013
Profit Before Tax	1,124.21	718.26	1,010.90	541.49
Current tax	325.29	192.50	247.53	178.56
Deferred tax charge / (credit)	17.58	(1.23)	13.08	(2.59)
Total Tax Expense	342.87	191.27	260.61	175.97
Effective Tax Rate	30.50	26.63	25.78	32.50

In 2014, the consolidated effective tax rate is increased mainly on account of increase in corporate tax of USA subsidiary where past losses have been utilized. Now, the USA subsidiary is required to pay corporate tax at marginal rate. To some extent, this is offset by lower tax rate on capital gain resultant from the sale of Europe BPO business and buy back of share of UK subsidiary.

2.7 Dividend

For the year ended December 31, 2014, the Board of Directors of the Company has recommended a final dividend of Re. 0.95 per equity share of face value of Re. 1/- each, subject to the approval of the shareholders in forthcoming Annual General Meeting. This is in addition to four interim dividends aggregating to Rs. 4.90 per equity share of face value of Re. 1/- each declared during the year ended December 31, 2014.

Annexure 'E' to the Directors' Report

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2014

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,

R Systems International Limited
CIN: L74899DL1993PLC053579
B-104A, Greater Kailash,
Part – I, New Delhi – 110 048.

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **R Systems International Limited (hereinafter called "the Company")**. Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/ statutory compliances and expressing our opinion thereon.

Based on our verification of the R Systems International Limited's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the company has, during the audit period covering the financial year ended on December 31, 2014, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on December 31, 2014 according to the provisions of:

1. The Companies Act, 2013 & Companies Act, 1956 ("**the Acts**") and the rules made thereunder, as applicable;
2. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
3. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
4. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
5. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-

- (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
- (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
- (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
- (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
- (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
- (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
- (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 and;
- (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;

We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by the Institute of Company Secretaries of India.
- (ii) The Listing Agreements entered into by the Company with BSE Limited and National Stock Exchange of India Limited.

During the period under review the Company has complied with the provisions of the Acts, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

We further report that:

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Acts.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance except where a meeting was duly called on shorter notice as per the prescribed procedure, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while the dissenting members' views are captured and recorded as the part of the minutes.

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period, the Company has undertaken following event(s)/ action(s) having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc. as given below:

1. Sub-division of equity shares of face value of Rs. 10/-each into equity shares of face value of Re. 1/- each.
2. Allotment of 804,000 (Eight Lacs Four Thousand) equity shares, in aggregate, of the Company to its employees under its R Systems International Limited Employee Stock Option Scheme 2007.
3. Incorporation of M/s R Systems Products & Technologies Limited, as a wholly owned subsidiary of the Company in India. This is the

first subsidiary of the Company in India.

4. Approval by shareholders, through postal ballot process, for transfer of 'Indus Business Unit' of the Company to M/s R Systems Products & Technologies Limited, a wholly owned subsidiary of the Company on a slump sale basis under Section 180(1)(a) read with Section 188 of the Companies Act, 2013 and Rules made there under.
5. Transfer of Europe BPO Business by way of sale of Company's 100% holding in R Systems Europe B.V., the Netherlands and R Systems S.A.S., France, Wholly Owned Subsidiaries of the Company.
6. Declaration of four interim dividends of 490% in aggregate by the Board of Directors during the financial year.
7. Approval by Board of Directors, at its meeting held on December 20, 2014, to buy-back equity shares of the Company within the limit of ten percent of the paid up equity share capital and free reserves of the Company during the said financial year.

For SKP & Co.
Company Secretaries

Sd/-

(CS Sundeep K. Parashar)

M. No. : FCS 6136

C.P. No. : 6575

Place : Vaishali

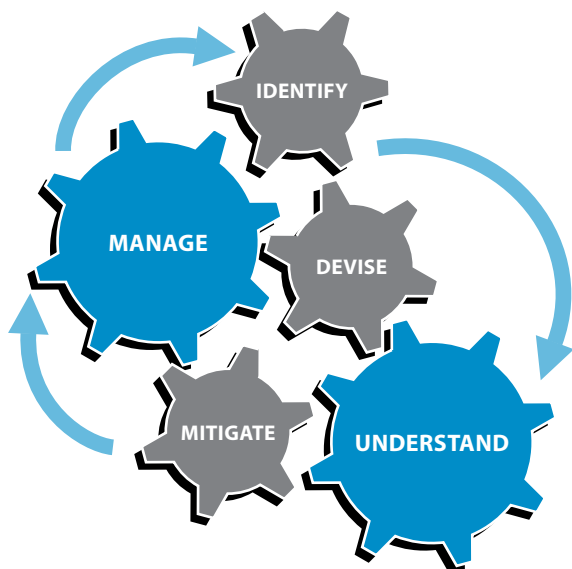
Date : 20.04.2015

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 2014 and 2013 that R Systems derived from contracts with its top line customers is as follows:

Customer	Year Ended	
	December 31, 2014 (%)	December 31, 2013 (%)
Top 10	31.73	34.68
Top 5	19.93	21.97
Top 3	14.56	14.74
The Largest Customer	5.87	5.11

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 2014, 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:

Revenues by Geographies	Year Ended	
	December 31, 2014 (%)	December 31, 2013 (%)
U.S.A.	57.08	55.66
Europe	23.38	25.46
SEAC	9.05	10.17
India	6.37	4.77
Others	4.12	3.94
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, South East Asia etc.

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 **iPLM & iSuite** 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.

In the year 2014, Noida IT Center of the Company was re-appraised for SEI-CMMI Level 5 (ver. 1.3.)

In addition to above, 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 rupee. 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 marks and their corresponding words as R Systems' trade marks



PSuite Framework



PRODUCTS FOREMOST



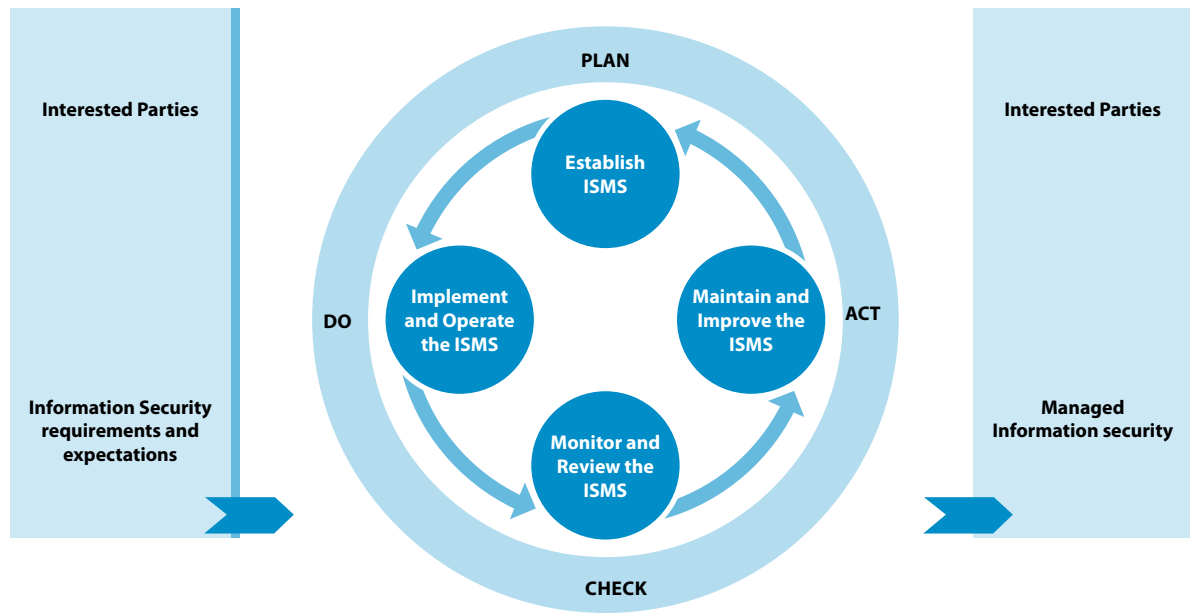
IPLM

Out of the aforesaid trademarks three logo and two words are already registered w.e.f. January 30, 2006 and the word "IPLM" is awaiting approval. Further the Company has also applied for registration of the word "R SYSTEMS" and logo  as trademark during the year 2012 under certain additional classes. During the year 2014, the company has also filed application for  registration as its new corporate logo under relevant classes. All these new applications filed in the year 2012 and 2014 are awaited for the approval.

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 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.



FINANCIAL STATEMENTS



INDEPENDENT AUDITOR'S REPORT

To the Members of R Systems International Limited

Report on the Financial Statements

We have audited the accompanying financial statements of R Systems International Limited ("the Company"), which comprise the Balance Sheet as at December 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards notified under the Companies Act, 1956, (which are deemed to be applicable as per section 133 of the Companies Act, 2013, read with rule 7 of the Companies (Accounts) Rules, 2014) and read with General Circular 08/2014 dated 4 April 2014, issued by the Ministry of Corporate Affairs, and other accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Companies Act, 1956 ("the Act") 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, 2014;
- (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 the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) 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;
 - (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956, (which are deemed to be applicable as per section 133 of the Companies Act, 2013, read with rule 7 of the Companies (Accounts) Rules, 2014) and read with General Circular 08/2014 dated 4 April 2014, issued by the Ministry of Corporate Affairs, and other accounting principles generally accepted in India;
 - (e) On the basis of written representations received from the directors as on December 31, 2014 under section 164(2) of the Companies Act, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on December 31 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956, provisions of which are consistent with those under section 164(2) of the Companies Act, 2013.

For S.R. Batliboi & Associates LLP
ICAI Firm Registration Number: 101049W
Chartered Accountants

Place: NOIDA
Date: February 07, 2015

Sd/-
per Yogender Seth
Partner
Membership Number: 94524

ANNEXURE TO THE AUDITOR'S REPORT

Annexure referred to in paragraph 1 under the heading "Report on other legal and regulatory requirements" of our report of even date

Re: R Systems International Limited ('the Company')

- (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 (Auditors 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) (b), (c) and (d) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company and hence not commented upon. In evaluating the parties to be covered under section 301, only contracts or arrangements upto March 31, 2014 (being the last day up to which this section was applicable to the Company) were considered.
- (b) According to the 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 Companies Act, 1956. Accordingly, the provisions of clause 4(iii) (f) and (g) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company and hence not commented upon. In evaluating the parties to be covered under section 301, only contracts or arrangements upto March 31, 2014 (being the last day up to which this section was applicable to the Company) were considered.
- (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 fixed assets and for rendering of services. The activity of the Company does not involve purchase of inventory and sale of goods. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 that need to be entered into the register maintained under section 301 have been so entered. In evaluating the parties to be covered under section 301, only contracts or arrangements upto March 31, 2014 (being the last day up to which this section was applicable to the Company) were considered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees five lacs 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 of the Company and nature of its business.
- (viii) To the best of our knowledge and as explained, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the period upto March 31, 2014 (the Companies Act, 1956 and the relevant section has been replaced by the Companies Act, 2013 effective April 1, 2014), for the products of 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, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other undisputed 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, customs duty, excise duty and cess which have not been deposited on account of any dispute except for income tax as below:

Name of statute	Nature of dues	Amount (Rs.)	Period to which the amount relates	Forum where the dispute is pending
Income Tax Act, 1961	Income Tax Demand	Nil*	A/Y 2008-09	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax Demand	1,725,570	A/Y 2009-10	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax Demand	163,950	A/Y 2010-11	Income Tax Appellate Tribunal

* Net of Rs. 1,000,000 deposited and Rs. 8,399,040 adjusted by department against refund for A/Y 2011-12 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 before 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, 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 banks 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 for the period upto March 31, 2014 (being the last day up to which this section was applicable to the Company).
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money through a public issue during the year.
- (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 & Associates LLP
ICAI Firm Registration Number: 101049W
 Chartered Accountants

Sd/-
per Yogender Seth

Place: NOIDA
 Date: February 07, 2015

Partner
 Membership Number: 94524

BALANCE SHEET as at December 31, 2014

	Notes	As at December 31, 2014 (Rs.)	As at December 31, 2013 (Rs.)
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	126,719,600	125,915,600
Reserves and surplus	4	1,624,102,462	1,754,623,508
		1,750,822,062	1,880,539,108
Non-current liabilities			
Long-term borrowings	5	6,285,234	4,403,189
Other long-term liabilities	6	4,723,901	3,827,371
Long-term provisions	7	95,215,947	73,437,567
		106,225,082	81,668,127
Current liabilities			
Trade payables	8	239,094,697	165,354,034
Other current liabilities	8	536,729,678	113,269,715
Short-term provisions	7	304,001,321	310,396,941
		1,079,825,696	589,020,690
TOTAL		2,936,872,840	2,551,227,925
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	9	310,841,466	308,526,462
Intangible assets	10	43,877,095	23,412,716
Capital work in progress		7,714	-
Intangible assets under development		-	14,129,170
Non-current investments	11.1	722,925,270	793,608,140
Deferred tax assets (net)	12	38,298,987	51,379,267
Long-term loans and advances	13	57,764,957	68,608,651
Other non-current assets	14.2	50,839,015	79,709,836
		1,224,554,504	1,339,374,242
Current assets			
Current investments	11.2	18,000,000	10,000,000
Trade receivables	14.1	626,369,925	579,525,737
Cash and bank balances	15	941,428,034	441,558,017
Short-term loans and advances	13	68,577,972	67,864,029
Other current assets	14.2	57,942,405	112,905,900
		1,712,318,336	1,211,853,683
TOTAL		2,936,872,840	2,551,227,925
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 & Associates LLP For and on behalf of the Board of Directors of R Systems International Limited

ICAI Firm registration number: 101049W
Chartered Accountants

Sd/-
per Yogender Seth
Partner
Membership No. 94524

Sd/-
Satinder Singh Rekhi
[Managing Director]
[DIN: 00006955]

Sd/-
Lt. Gen. Baldev Singh (Retd.)
[President & Senior
Executive Director]
[DIN: 00006966]

Sd/-
Raj Swaminathan
[Director & Chief
Operating Officer]
[DIN: 00788158]

Sd/-
Nand Sardana
[Chief Financial Officer]

Sd/-
Ashish Thakur
[Company Secretary &
Compliance Officer]

Place: NOIDA
Date : February 07, 2015

Place : Singapore
Date : February 07, 2015

Place: NOIDA
Date : February 07, 2015

Place : NOIDA
Date : February 07, 2015

Place: NOIDA
Date : February 07, 2015

Place: NOIDA
Date : February 07, 2015

STATEMENT OF PROFIT AND LOSS for the year ended December 31, 2014

	Notes	For the year ended December 31, 2014 (Rs.)	For the year ended December 31, 2013 (Rs.)
Income			
Revenue from operations	16	2,910,812,553	2,698,033,791
Other income	17	134,841,685	41,686,882
Total revenue		3,045,654,238	2,739,720,673
Expenses			
Employee benefits expense	18	1,781,432,315	1,602,043,706
Operational and other expenses	19	574,924,117	545,585,053
Depreciation and amortisation expense	20	67,240,482	47,807,690
Finance costs	21	4,286,749	2,796,754
Total expenses		2,427,883,663	2,198,233,203
Profit before tax and exceptional items		617,770,575	541,487,470
Exceptional items	22	393,131,346	-
Profit before tax		1,010,901,921	541,487,470
Profit from continuing operations before tax		888,395,838	434,019,955
Tax expense			
Current tax		212,819,816	153,370,823
MAT credit entitlement (related to earlier years)		-	(12,321,134)
Deferred tax charge / (credit)		6,152,799	(1,382,980)
Total tax expense		218,972,615	139,666,709
Profit from continuing operations after tax		669,423,223	294,353,246
Profit from discontinuing operations before tax	31 (f)	122,506,083	107,467,515
Tax expense			
Current tax		34,712,337	37,503,761
Deferred tax charge / (credit)		6,927,481	(1,204,996)
Total tax expense		41,639,818	36,298,765
Profit from discontinuing operations after tax		80,866,265	71,168,750
Profit for the year		750,289,488	365,521,996
Earnings per equity share:	33		
Basic [Nominal value of shares Re. 1 (Previous year: Re. 1)]			
Computed on the basis of profit from continuing operations		5.26	2.33
Computed on the basis of total profit for the year		5.90	2.90
Diluted [Nominal value of shares Re. 1 (Previous year: Re. 1)]			
Computed on the basis of profit from continuing operations		5.26	2.33
Computed on the basis of total profit for the year		5.90	2.90
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 & Associates LLP
ICAI Firm registration number: 101049W
 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 07, 2015	Sd/- Satinder Singh Rekhi [Managing Director] [DIN: 00006955] Place : Singapore Date : February 07, 2015	Sd/- Lt. Gen. Baldev Singh (Retd.) [President & Senior Executive Director] [DIN: 00006966] Place: NOIDA Date : February 07, 2015	Sd/- Raj Swaminathan [Director & Chief Operating Officer] [DIN: 00788158] Place : NOIDA Date : February 07, 2015	Sd/- Nand Sardana [Chief Financial Officer] Place: NOIDA Date : February 07, 2015	Sd/- Ashish Thakur [Company Secretary & Compliance Officer] Place: NOIDA Date : February 07, 2015
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CASH FLOW STATEMENT for the year ended December 31, 2014

	For the year ended December 31, 2014 (Rs.)	For the year ended December 31, 2013 (Rs.)
A. Cash flows from operating activities		
Net profit before taxation	1,010,901,921	541,487,470
Adjustments for:		
Depreciation and amortisation expense	67,240,482	47,807,690
Provision for doubtful debts (net)	8,137,292	7,425,323
Provision for doubtful advances (net)	(7,758,696)	7,533,620
Bad debts and advances written off	28,914	2,146
Provision for diminution in the value of investment written back [refer note 31 (d)]	(74,645,041)	-
Profit on redemption of mutual fund	(1,005,000)	-
Profit on sale of subsidiaries [refer note 31 (d)]	(240,687,515)	-
Profit on buy back of subsidiary share [refer note 31 (b)]	(77,798,790)	-
Loss on sale / discard of fixed assets (net)	1,092,142	3,018,743
Loss on liquidation of subsidiary	-	211,233
Unrealised foreign exchange loss / (gain)	(3,246,723)	60,479
Unrealised loss / (gain) on derivative instruments	(22,369,076)	28,732,878
Interest income	(39,962,132)	(38,504,734)
Dividend received from subsidiary	(55,484,250)	-
Excess provisions written back	(411,421)	(878,517)
Interest on loans	783,514	680,810
Operating profit before working capital changes	564,815,621	597,577,141
Movements in working capital:		
(Increase) / Decrease in trade receivables	(54,246,769)	(122,684,419)
(Increase) / Decrease in other current assets	62,589,042	(62,029,765)
(Increase) / Decrease in loans and advances	5,773,881	(43,271,491)
(Increase) / Decrease in other non-current assets	5,346,256	(44,121,757)
Increase / (Decrease) in short-term and long-term provision	29,872,664	3,740,690
Increase / (Decrease) in trade payables, other current liabilities and other long-term liabilities	177,006,483	12,675,321
Cash generated from operations	791,157,178	341,885,720
Direct taxes paid, net of refunds	(239,963,865)	(131,549,220)
Net cash from operating activities (A)	551,193,313	210,336,500
B. Cash flows used in investing activities		
Purchase of fixed assets	(74,957,265)	(92,451,115)
Proceeds from sale of fixed assets	605,786	2,513,288
Proceeds from redemption of mutual fund	11,005,000	(44,233,473)
Investment in mutual fund	(18,000,000)	(10,000,000)
Investment in subsidiary [refer note 31 (f)]	(500,000)	-
Proceeds from buyback of subsidiary share [refer note 31 (b)]	148,979,660	-
Proceeds from liquidation of subsidiary [refer note 31 (g)]	-	223,662
Proceeds from sale of subsidiaries [refer note 31 (d)]	315,334,556	-
Dividend received from subsidiary	55,484,250	-
Interest received	40,187,252	43,555,199

	For the year ended December 31, 2014 (Rs.)	For the year ended December 31, 2013 (Rs.)
Investment in long term fixed deposits with scheduled banks	(441,477,934)	(393,860,267)
Proceeds from long term fixed deposits with scheduled banks	356,080,957	464,932,016
Net cash used in investing activities (B)	392,742,262	(29,320,690)
C. Cash flows used in financing activities		
Proceeds from long-term borrowings	5,296,143	3,620,857
Repayment of long-term borrowings- current maturities	(2,785,751)	(2,473,929)
Proceeds from other non-current assets	20,102,062	35,850,000
Proceeds from issuance of share capital	9,704,280	17,471,325
Interest paid	(766,121)	(670,967)
Dividends paid	(419,786,367)	(233,154,614)
Tax on dividend paid	(139,854,632)	(39,686,768)
Net cash used in financing activities (C)	(528,090,386)	(219,044,096)
Net increase / (decrease) in cash and cash equivalents (A + B + C)	415,845,189	(38,028,286)
Cash and cash equivalents at the beginning of the year	222,216,166	257,748,168
Add: Effect of exchange differences on cash and cash equivalents held in foreign currency	(1,372,149)	2,496,284
Cash and cash equivalents at the end of the year (refer note 15)	636,689,206	222,216,166

Notes:

- Figures in brackets indicate cash out flow.
- Cash and cash equivalents includes unclaimed dividend liabilities of Rs. 2,084,702 (Previous year Rs. 1,559,375), unpaid dividend liabilities (refer note 8) of Rs. 325,019,379 (Previous year Rs. Nil) and Rs. 15,000,000 (Previous year Rs. Nil) kept in the escrow account for buyback of share capital of the Company. The aforesaid amounts are not available for use by the Company.

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

As per our report of even date.

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

ICAI Firm registration number: 101049W
Chartered Accountants

Sd/- per Yogender Seth Partner Membership No. 94524	Sd/- Satinder Singh Rekhi [Managing Director] [DIN: 00006955]	Sd/- Lt. Gen. Baldev Singh (Retd.) [President & Senior Executive Director] [DIN: 00006966]	Sd/- Raj Swaminathan [Director & Chief Operating Officer] [DIN: 00788158]	Sd/- Nand Sardana [Chief Financial Officer]	Sd/- Ashish Thakur [Company Secretary & Compliance Officer]
Place: NOIDA Date : February 07, 2015	Place : Singapore Date : February 07, 2015	Place: NOIDA Date : February 07, 2015	Place : NOIDA Date : February 07, 2015	Place: NOIDA Date : February 07, 2015	Place: NOIDA Date : February 07, 2015

NOTES to the Financial Statements for the year ended December 31, 2014

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 also 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 comprising of balance sheet, statement of profit & loss, cash flow statement and notes to accounts has been prepared to comply in all material respects with the accounting standards notified under the Companies Act, 1956 read with General Circular 8/2014 dated 4 April 2014, issued by the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013 read with rule 7 of the Companies (Accounts) Rules, 2014 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention except for certain financial instruments which are measured at fair value. The accounting policies have been consistently applied by the Company and are consistent with those used in previous year.

All figures are in Rupees except where expressly stated.

2.1. Summary of significant accounting policies

(a) Use of estimates

The preparation of the 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. These estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(b) 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.

(c) 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 equipments other than	20 years
(i) UPS systems,	
(ii) standalone air conditioners and	
(iii) telephone instruments	
UPS systems	12 years
Standalone air conditioners and telephone instruments	6 years
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.

(d) 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.

(e) Intangibles assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the statement of profit and loss in the year in which the expenditure is incurred.

Intangible assets are amortised on a straight line basis over the estimated useful economic life and are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method are reviewed at least at each financial year end. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly. If there has been a significant change in the expected pattern of economic benefits from the asset, the amortisation method is changed to reflect the changed pattern. Such changes are accounted for in accordance with AS 5 Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies.

Research and development costs

Research costs are expensed as incurred. Development expenditure incurred on an individual project is recognised as an intangible asset when the company can demonstrate all the following:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete the asset
- Its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of adequate resources to complete the development and to use or sell the asset
- The ability to measure reliably the expenditure attributable to the intangible asset during development.

Following the initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised on a straight line basis over the period of expected future benefit from the related project. Amortisation is recognised

in the statement of profit and loss. During the period of development, the asset is tested for impairment annually.

A summary of amortisation policies applied to the company's intangible assets are as below:

Category of intangible fixed assets	Estimated useful life
Computer software	Lower of license period or 3 years
Internally generated	4 years

(f) 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.

(g) 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.

(h) 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 / unearned 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.

(i) 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.

(j) 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 an employee renders related services. 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 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.

(k) 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 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 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.

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.

(l) 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.

(m) 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.

(n) 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 each Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the management's current estimates.

(o) 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.

Inter segment transfers:

The Company 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 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.

(p) 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.

(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) 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.

(s) 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, 2014 (Rs.)	As at December 31, 2013 (Rs.)
Authorised shares [refer note 33 (b)]		
200,000,000 (Previous year 200,000,000) equity shares of Re. 1 each	200,000,000	200,000,000
Issued, subscribed and fully paid up- shares [refer note 33 (b)]		
127,458,580 (Previous year 126,654,580) equity shares of Re. 1 each fully paid-up	127,458,580	126,654,580
Less: Advance to Indus Software Employees Welfare Trust [refer note 32 (b)]	738,980	738,980
Total	126,719,600	125,915,600

A. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period [refer note 33 (b)]

Particulars	As at December 31, 2014		As at December 31, 2013	
	No.	(Rs.)	No.	(Rs.)
Shares outstanding at the beginning of the year	126,654,580	126,654,580	125,207,080	125,207,080
Add: Shares issued during the year #	804,000	804,000	1,447,500	1,447,500
Shares outstanding at the end of the year	127,458,580	127,458,580	126,654,580	126,654,580

The Company has issued 804,000 equity shares of Re. 1 each at an exercise price of Rs. 12.07 per share pursuant to exercise of employee stock options under the R Systems International Limited Employee Stock Option Scheme 2007. Refer note 32 (d).

B. Terms / rights attached to the equity share [refer note 33 (b)]

The Company has only one class of equity shares having a par value of Re. 1 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian Rupee.

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.

D. Details of shareholders holding more than 5% shares in the Company [refer note 33 (b)]

Particulars	As at December 31, 2014		As at December 31, 2013	
	No.	% holding in the class	No.	% holding in the class
GMU Infosoft Private Limited	8,603,535	6.75	7,862,600	6.21
U Infosoft Private Limited	8,771,660	6.88	8,087,660	6.39
GM Solutions Private Limited	9,100,824	7.14	8,397,630	6.63
Rightmatch Holdings Ltd.	9,272,000	7.27	9,272,000	7.32
Satinder & Harpreet Rekhi Family Trust (Trustee: Satinder Singh Rekhi & Harpreet Rekhi)	16,325,180	12.81	18,347,180	14.49
Bhavook Tripathi	46,596,238	36.56	46,291,100	36.55

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.

E. Shares reserved for issue under options [refer note 33 (b)]

For details of shares reserved for issue under the employee stock option plans (ESOP) of the Company, please refer note 32.

F. Buy back Offer

The Board of Directors of the Company at its meeting held on December 20, 2014 has approved the buy-back of the Company's fully paid-up equity shares of face value of Re. 1/- each from its existing shareholders, other than those who are promoters, members of the promoter group and persons acting in concert, from the open market through stock exchange(s) for a total consideration not exceeding Rs. 60,000,000, and at a price not exceeding Rs. 100/- per share, payable in cash. Pursuant to above buy back offer, the

Company has deposited an amount aggregating to Rs. 15,000,000, being 25% of the maximum buy-back size as approved in the meeting, in an escrow account with a bank. This offer for buy back opened on January 06, 2015 subsequent to the financial year ended December 31, 2014, and therefore has not been accounted in the financial statements.

4. Reserves and surplus

Particulars	As at December 31, 2014 (Rs.)	As at December 31, 2013 (Rs.)
Capital redemption reserve	12,658,200	12,658,200
Securities premium account	952,932,715	936,908,890
Add: Addition on exercise of vested options as per ESOP plan [refer note 32 (d)]	8,900,280	16,023,825
	961,832,995	952,932,715
Less: Advance to Indus Software Employees Welfare Trust [refer note 32 (b)]	2,282,728	2,282,728
Closing balance	959,550,267	950,649,987
General reserve		
Balance as per last financial statements	157,482,023	120,929,823
Add: Amount transferred from surplus balance in the statement of profit and loss (refer note 1 below)	-	36,552,200
Closing balance	157,482,023	157,482,023
Surplus in the statement of profit and loss		
Balance as per last financial statements	633,833,298	609,701,972
Add: Profit for the current year	750,289,488	365,521,996
Less: Appropriations		
Proposed dividend (refer note 1 and 2 below)	121,762,621	120,697,601
Tax on proposed dividend (refer note 2 below)	24,325,059	21,237,977
Interim dividend (refer note 1 below)	624,332,252	139,239,191
Tax on interim dividend	119,290,882	23,663,701
Transfer to general reserve (refer note 1 below)	-	36,552,200
Total appropriations	889,710,814	341,390,670
Net surplus in the statement of profit and loss	494,411,972	633,833,298
Total	1,624,102,462	1,754,623,508

Notes:

- (1) For the year ended December 31, 2014, the Board of Directors at its meeting held on February 07, 2015 has recommended a final dividend of Re. 0.95/- per equity share of face value of Re. 1/- each. This is in addition to four interim dividends aggregating to Rs. 4.90 per equity share of face value of Re. 1/- each declared during the year ended December 31, 2014. The shareholder's assent for final and interim dividends will be taken in forthcoming Annual General Meeting. Based on Companies Act, 2013 provisions applicable on the aforesaid dividends, the Company has not transferred any amount to the general reserves as the dividends has been declared and paid after April 1, 2014. Further for the year ended December 2013, the Board of Directors of the Company had recommended a final dividend of Re. 0.95 per equity share of face value of Re. 1/- each, in addition to first and second interim dividend of Rs. 2.50 and Rs. 8.50 per equity share of face value of 10/- each paid in August 2013 and November 2013, which had been approved and confirmed by the shareholder's at the Annual General Meeting on May 10, 2014.
- (2) The Company has issued 712,600 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, 2013 and accordingly increased the appropriation in the current year by Rs. 676,970 and Rs. 115,051 as dividend and tax on dividend respectively.

5. Long-term borrowings

Particulars	Non-current portion		Current maturities	
	As at December 31, 2014 (Rs.)	As at December 31, 2013 (Rs.)	As at December 31, 2014 (Rs.)	As at December 31, 2013 (Rs.)
Term loans				
For motor vehicles				
From non banking financial corporation (refer note below)	6,285,234	4,403,189	3,004,292	2,375,945
Total	6,285,234	4,403,189	3,004,292	2,375,945
The above amount includes				
Secured borrowings	6,285,234	4,403,189	3,004,292	2,375,945
Amount shown under other current liabilities (refer note 8)	-	-	(3,004,292)	(2,375,945)
Total	6,285,234	4,403,189	-	-

Note:

Term loans are secured by hypothecation of underlying motor vehicles and carries interest rate ranging from 10.10% to 11.94% per annum. The term loans are repayable in equated monthly installments ranging from 35 to 60 months from the date of loan.

6. Other long-term liabilities

Particulars	As at December 31, 2014 (Rs.)	As at December 31, 2013 (Rs.)
Security deposits	4,723,901	3,827,371
Total	4,723,901	3,827,371

7. Provisions

Particulars	Long-term		Short-term	
	As at December 31, 2014 (Rs.)	As at December 31, 2013 (Rs.)	As at December 31, 2014 (Rs.)	As at December 31, 2013 (Rs.)
Provision for employee benefits				
Gratuity	95,215,947	73,437,567	3,364,756	3,436,901
Compensated absences			79,500,242	71,333,813
Sub total (A)	95,215,947	73,437,567	82,864,998	74,770,714
Other provisions				
Income tax [net of advance tax amounting to Rs. 341,387,111 (Previous Year Rs. 101,927,830)]			75,291,123	71,937,060
Proposed dividend			121,085,651	120,321,851
Tax on proposed dividend			24,210,008	20,448,699
Mark-to-market losses on derivative instruments (refer note 35)			549,541	22,918,617
Sub total (B)	-	-	221,136,323	235,626,227
Total (A+B)	95,215,947	73,437,567	304,001,321	310,396,941

8. Other current liabilities

Particulars	As at December 31, 2014 (Rs.)	As at December 31, 2013 (Rs.)
Trade payables		
Trade payables (refer note 30 for details of dues to micro and small enterprises)	239,094,697	165,354,034
Sub total (A)	239,094,697	165,354,034
Other liabilities		
Payable to subsidiary companies	17,956,740	15,376,979
Current maturities of long-term borrowing (refer note 5)	3,004,292	2,375,945
Deferred payment compensation to the erstwhile shareholders of subsidiary [refer note 31 (a)]	12,850,989	13,153,262
Unearned revenues	143,056,305	56,364,461
Investor education and protection fund (not due) - Unclaimed dividend	2,084,702	1,559,375
Unpaid dividend (refer note below)	325,019,379	-
Payable for purchase of fixed assets	9,793,545	6,922,880
Tax deducted at source	13,063,414	10,306,198
Service tax	4,767,854	2,764,502
Others	5,132,458	4,446,113
Sub total (B)	536,729,678	113,269,715
Total (A+B)	775,824,375	278,623,749

Note :

The Board of Directors at its meeting held on December 20, 2014, has declared fourth interim (special) dividend for the year 2014 @ Rs. 2.55 per equity share of face value of Re. 1/- each to the shareholders as per record date December 29, 2014. The amount payable has been transferred in a separate bank account before the year ended December 31, 2014 and the same has been paid on January 07, 2015.

9. Tangible assets

Particulars	(Amount in Rs.)									
	Land - freehold	Land - leasehold	Building - freehold	Building - leasehold ⁽¹⁾	Leasehold improvements	Computers	Office equipments	Furniture and fittings	Vehicles ⁽²⁾	Total
Gross block										
As at January 1, 2013	4,765,674	10,005,968	31,198,298	89,013,201	1,783,516	240,093,538	90,284,476	83,354,634	26,275,894	576,775,199
Additions	-	-	-	152,500	487,650	51,944,560	10,516,957	112,761	7,353,315	70,567,743
Deletions	-	-	-	-	-	24,903,456	3,304,518	1,742,057	4,640,181	34,590,212
At December 31, 2013	4,765,674	10,005,968	31,198,298	89,165,701	2,271,166	267,134,642	97,496,915	81,725,338	28,989,028	612,752,730
Additions	-	-	-	-	658,183	25,627,460	5,265,495	2,189,929	9,502,201	43,243,268
Deletions	-	-	-	-	573,209	24,913,322	3,046,343	257,102	1,238,999	30,028,975
At December 31, 2014	4,765,674	10,005,968	31,198,298	89,165,701	2,356,140	267,848,780	99,716,067	83,658,165	37,252,230	625,967,023
Depreciation										
As at January 1, 2013	-	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
Charge for the year	-	159,142	513,504	1,451,874	103,591	19,707,306	5,430,129	4,706,075	2,667,119	34,738,740
Deletions	-	-	-	-	-	24,716,121	1,634,463	817,805	1,894,604	29,062,993
At December 31, 2013	-	1,569,516	6,249,175	13,059,227	1,887,107	187,689,045	39,380,142	45,701,494	8,690,562	304,226,268
Charge for the year	-	149,371	513,976	1,455,012	303,370	22,732,728	6,023,193	4,923,461	3,129,258	39,230,369
Deletions	-	-	-	-	573,209	24,679,853	2,074,092	117,078	886,848	28,331,080
At December 31, 2014	-	1,718,887	6,763,151	14,514,239	1,617,268	185,741,920	43,329,243	50,507,877	10,932,972	315,125,557
Net block										
At December 31, 2013	4,765,674	8,436,452	24,949,123	76,106,474	384,059	79,445,597	58,116,773	36,023,844	20,298,466	308,526,462
At December 31, 2014	4,765,674	8,287,081	24,435,147	74,651,462	738,872	82,106,860	56,386,824	33,150,288	26,319,258	310,841,466

Notes:

(1) Includes Rs. 21,155,390 (Previous year Rs. 21,155,390) paid towards land and building under a composite lease taken in earlier year for which no separate values are assignable.

(2) Vehicles amounting to Rs. 17,842,555 (Previous year Rs. 15,323,824) 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, 2013	135,369,871	34,580,899	169,950,770
Additions	10,293,751	12,103,851	22,397,602
Deletions	5,849,771	-	5,849,771
At December 31, 2013	139,813,851	46,684,750	186,498,601
Additions	26,486,691	21,987,834	48,474,525
Deletions	18,078,102	-	18,078,102
At December 31, 2014	148,222,440	68,672,584	216,895,024
Amortisation			
As at January 1, 2013	125,972,551	29,889,343	155,861,894
Charge for the year	7,046,241	6,022,709	13,068,950
Deletions	5,844,959	-	5,844,959
At December 31, 2013	127,173,833	35,912,052	163,085,885
Charge for the year	19,923,484	8,086,629	28,010,113
Deletions	18,078,069	-	18,078,069
At December 31, 2014	129,019,248	43,998,681	173,017,929
Net block			
At December 31, 2013	12,640,018	10,772,698	23,412,716
At December 31, 2014	19,203,192	24,673,903	43,877,095

11.1 Non-current investments

Particulars	As at December 31, 2014 (Rs.)	As at December 31, 2013 (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 unless stated otherwise)		
(i) Investment in R Systems (Singapore) Pte. Ltd., Singapore 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	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 [refer note 31 (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	34,938,958 -	34,938,958 -

Particulars	As at December 31, 2014 (Rs.)		As at December 31, 2013 (Rs.)	
7,933,307 (Previous year 1,260,081) ordinary shares of "no par" value	36,332,962		36,332,962	
Less : Adjustment with securities premium as per order of High Court	(24,495,721)		(24,495,721)	
	46,776,199		46,776,199	
Less: Amounts adjusted on settlement of liabilities towards certain erstwhile shareholders	(10,442,237)		(10,442,237)	
Less: Provision for diminution in the value of investment	(5,525,000)	30,808,962	(5,525,000)	30,808,962
(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	128,825,090		128,825,090	
10,335,833 (Previous year 10,335,833) common stock of "no par" value				
6,000,000 (Previous year 1,000,000) common stock of "no par" value	57,266,375		57,266,375	
	186,091,465		186,091,465	
Less: Provision for diminution in the value of investment	(172,676,590)	13,414,875	(172,676,590)	13,414,875
(vi) Investment in R Systems Europe B.V., Netherlands [refer note 31 (d)]				
Nil (Previous year 3,170) ordinary shares of Euro 100 each fully paid up	-		42,053,275	
Less: Provision for diminution in the value of investment	-	-	(42,052,275)	1,000
(vii) Investment in R Systems S.A.S., France [refer note 31 (d)]				
Nil (Previous year 10,000) ordinary shares of Euro 15.24 each fully paid up	-		32,593,766	
Less: Provision for diminution in the value of investment	-	-	(32,592,766)	1,000
(viii) Investment in Computaris International Limited, UK [refer note 31 (b)]				
66,500 (Previous year 80,000) ordinary shares of GBP 0.01 each fully paid up		350,631,695		421,812,565
(ix) Investment in Systemes R. International Ltee, Canada				
200 (Previous year 200) ordinary shares of CAD 1 each fully paid up		11,636		11,636
(x) Investment in R Systems Product & Technologies Limited, India [refer note 31(f)]				
500,000 (Previous year Nil) ordinary shares of Re. 1 each fully paid up		500,000		-
Sub total (B)		722,900,270		793,583,140
Total (A+B)		722,925,270		793,608,140
Aggregate amount of unquoted investments (net of provision)		722,925,270		793,608,140
Aggregate provision for diminution in value of investments		188,986,328		263,631,369

11.2 Current investments

Particulars	As at December 31, 2014 (Rs.)	As at December 31, 2013 (Rs.)
Non-trade, quoted mutual funds (valued at cost or fair value, which ever is lower)		
Investment in SBI Debt Fund [1,800,000 units (Previous year 1,000,000) of Rs.10 each]	18,000,000	10,000,000
Total	18,000,000	10,000,000

Aggregate amount of quoted investments [Market value of Rs. 19,310,580 (Previous year Rs. 10,711,500)]

12. Deferred tax assets (net)

Particulars	As at December 31, 2014 (Rs.)	As at December 31, 2013 (Rs.)
Deferred tax assets		
Provision for gratuity	33,507,581	27,676,089
Provision for compensated absences	27,022,132	24,246,363
Provision for doubtful debts and advances	6,590,262	25,819,791
Other timing differences	8,182,047	7,519,438
Gross deferred tax assets	75,302,022	85,261,681
Deferred tax liability		
Differences in depreciation / amortisation and other differences in block of fixed assets as per tax books and financial books	37,003,035	33,882,414
Gross deferred tax liability	37,003,035	33,882,414
Deferred tax assets (net)	38,298,987	51,379,267

13. Loans and advances

Particulars	Non-current		Current	
	As at December 31, 2014 (Rs.)	As at December 31, 2013 (Rs.)	As at December 31, 2014 (Rs.)	As at December 31, 2013 (Rs.)
Capital advances				
Unsecured, considered good	450,000	218,400		
Sub total (A)	450,000	218,400		
Advances recoverable in cash or in kind or for value to be received				
Unsecured, considered good	6,276,620	14,686,651	41,898,792	44,407,292
Sub total (B)	6,276,620	14,686,651	41,898,792	44,407,292
Loans and advances to related parties				
Unsecured, considered good				
Advance recoverable from subsidiaries:				
R Systems, Inc., USA			1,616,220	3,196,530
ECnet Limited, Singapore			16,082	-
R Systems Solutions, Inc., USA			-	133,993
R Systems Europe B.V., Netherlands [refer note 31 (d)]			-	3,582
Systèmes R. International Ltée, Canada			808	-
R Systems Product & Technologies Limited, India			25,457	-
Computaris International Limited, U.K.			-	-
Sub total (C)			1,658,567	3,334,105
Security deposits				
Unsecured, considered good	17,990,357	16,441,395	4,361,460	1,736,554
Unsecured, considered doubtful	-	-	-	3,000,000
	17,990,357	16,441,395	4,361,460	4,736,554
Provision for doubtful advances	-	-	-	(3,000,000)
Sub total (D)	17,990,357	16,441,395	4,361,460	1,736,554
Other loans and advances				
Unsecured, considered good				
MAT credit entitlement	-	4,486,620		
Balances with customs, excise, etc.	-	-	20,659,153	18,386,078
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. 251,251,711 (Previous year Rs. 248,851,867)]	32,880,316	32,607,921	-	-
Sub total (E)	33,047,980	37,262,205	20,659,153	18,386,078
Total (A+B+C+D+E)	57,764,957	68,608,651	68,577,972	67,864,029

14. Trade receivables and other assets

14.1 Trade receivables

Particulars	Current	
	As at December 31, 2014 (Rs.)	As at December 31, 2013 (Rs.)
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	17,532,393	11,399,437
Unsecured, considered doubtful	17,960,321	67,026,041
	35,492,714	78,425,478
Provision for doubtful receivables	(17,960,321)	(67,026,041)
Sub total (A)	17,532,393	11,399,437
Other receivables		
Unsecured, considered good	608,837,532	568,126,300
Unsecured, considered doubtful	4,627,926	1,598,854
	613,465,458	569,725,154
Provision for doubtful receivables	(4,627,926)	(1,598,854)
Sub total (B)	608,837,532	568,126,300
Total (A+B)	626,369,925	579,525,737

Trade receivables include:

Particulars	As at December 31, 2014 (Rs.)	As at December 31, 2013 (Rs.)
From subsidiary companies		
R Systems, Inc., USA	6,890,986	6,696,223
ECnet Limited, Singapore	22,391,041	12,929,108
Computaris International Limited, U.K.	6,787,628	5,380,822
R Systems Solutions, Inc, USA	508,314	-
R Systems Europe B.V., Netherlands [refer note 31 (d)]	-	667,884

14.2 Other assets

Particulars	Non-current		Current	
	As at December 31, 2014 (Rs.)	As at December 31, 2013 (Rs.)	As at December 31, 2014 (Rs.)	As at December 31, 2013 (Rs.)
Non-current bank balances (refer note 15)	48,692,453	74,140,771		
Interest accrued on deposits	2,146,562	5,569,065	5,271,757	2,094,922
Interest accrued on staff advances	-	-	43,163	22,615
Unbilled revenues	-	-	52,627,485	110,788,363
Total	50,839,015	79,709,836	57,942,405	112,905,900

15. Cash and bank balances

Particulars	Non-current		Current	
	As at December 31, 2014 (Rs.)	As at December 31, 2013 (Rs.)	As at December 31, 2014 (Rs.)	As at December 31, 2013 (Rs.)
Cash and cash equivalents				
Cash on hand			162,955	357,431
Cheques on hand			-	1,100,000
Balances with scheduled banks:				
On current accounts			118,496,073	21,559,285
On EEFC accounts			63,196,116	84,518,551
On deposit accounts with original maturity of less than 3 months			89,200,000	69,400,000
On unclaimed dividend *			2,084,702	1,559,375
On unpaid dividend (refer note below) *			325,019,379	-
Escrow account for buyback [refer note 3(f)] *			15,000,000	-
Balance with other banks:				
On current account with California Bank & Trust			23,529,981	42,488,096
On current account with Sumitomo Mitusi Banking Corporation			-	1,233,428
			636,689,206	222,216,166
Other bank balances				
Deposits with original maturity for more than 12 months	-	-	150,300,000	99,800,000
Deposits with original maturity for more than 3 months but less than 12 months			154,438,828	119,541,851
Margin money deposits (refer details below)	48,692,453	74,140,771		
	48,692,453	74,140,771	304,738,828	219,341,851
Amount disclosed under non-current assets (refer note 14.2)	(48,692,453)	(74,140,771)		
Total	-	-	941,428,034	441,558,017

* Company can utilise these balances for respective dividend / buy back, as the case may be.

Detail of margin money deposits

Particulars	As at December 31, 2014 (Rs.)	As at December 31, 2013 (Rs.)
Margin money deposits against performance guarantees	27,937,103	33,283,359
Margin money deposits against credit / derivative facilities	20,755,350	40,857,412
Total	48,692,453	74,140,771

Note:

The Board of Directors at its meeting held on December 20, 2014, has declared fourth interim (special) dividend for the year 2014 @ Rs. 2.55 per equity share of face value of Re. 1/- each to the shareholders as per record date December 29, 2014. The amount payable has been transferred in a separate bank account.

16. Revenue from operations

Particulars	For the year ended December 31, 2014 (Rs.)	For the year ended December 31, 2013 (Rs.)
Sales of services *	2,909,497,897	2,695,221,595
Sale of third party items	1,314,656	2,812,196
Total	2,910,812,553	2,698,033,791

* includes revenue from Information technology services Rs. 2,537,023,260 (Previous year Rs. 2,353,588,462) and Business process outsourcing services Rs. 372,474,637 (Previous year Rs. 341,633,133).

17. Other income

Particulars	For the year ended December 31, 2014 (Rs.)	For the year ended December 31, 2013 (Rs.)
Interest income on bank deposits	39,962,132	38,504,734
Dividend income from investment in subsidiary [refer note 31(c)]	55,484,250	-
Foreign exchange fluctuation (net)	36,943,981	-
Profit on redemption of mutual fund	1,005,000	-
Excess provisions written back	411,421	878,517
Miscellaneous income	1,034,901	2,303,631
Total	134,841,685	41,686,882

18. Employee benefits expense

Particulars	For the year ended December 31, 2014 (Rs.)	For the year ended December 31, 2013 (Rs.)
Salaries, wages and bonus	1,663,486,222	1,515,260,317
Gratuity (refer note 34)	30,974,730	10,648,701
Contribution to provident fund and other funds	53,619,833	49,375,004
Staff welfare expenses	33,351,530	26,759,684
Total	1,781,432,315	1,602,043,706

19. Operational and other expenses

Particulars	For the year ended December 31, 2014 (Rs.)	For the year ended December 31, 2013 (Rs.)
Power and fuel	47,777,233	47,560,254
Rent - premises	33,737,622	33,308,882
Rent - equipments	1,832,665	2,106,895
Rates and taxes	4,188,255	1,760,361
Insurance	6,374,523	5,798,488
Repair and maintenance		
- Buildings	1,085,373	2,062,882
- Others	58,460,080	56,717,652
Advertising and sales promotion	16,380,000	8,555,609
Commission - others	7,302,989	5,632,997
Traveling and conveyance	236,296,530	217,073,061
Communication costs	55,657,047	50,654,260
Printing and stationery	2,165,223	3,373,701
Legal and professional fees	62,578,254	55,852,276
Cost of third party items	1,103,857	1,620,874
Directors' sitting fee	935,000	435,000
Auditors' remuneration (refer detail below)	5,878,196	5,592,200
Foreign exchange fluctuation (net)	-	6,765,948
Provision for doubtful debts (net)	8,137,292	7,425,323
Provision for doubtful advances (net)	(7,758,696)	7,533,620
Bad debts and advances written off [net of Rs. 56,277,668 (previous year Rs. 12,942,600) utilisation from provision for doubtful debts and advances]	28,914	2,146
Loss on sale / discard of fixed assets (net)	1,092,142	3,018,743
Recruitment and training expenses	10,237,526	4,573,138
Security expenses	9,095,462	7,245,196
Membership and subscription	8,421,955	8,544,163
Loss on liquidation of subsidiary [refer note 31 (g)]	-	211,233
Miscellaneous expenses	3,916,675	2,160,151
Total	574,924,117	545,585,053

Note:

Figures in brackets represent write back.

Detail of auditors remuneration

Particulars	For the year ended December 31, 2014 (Rs.)	For the year ended December 31, 2013 (Rs.)
As auditor:		
- Audit fee		
- Statutory audit fee	1,677,500	1,507,500
- Quarterly audit fee	2,130,000	2,070,000
- Limited Review	570,000	555,000
- Out-of-pocket expenses	245,696	304,700
In other capacity:		
- Certification	880,000	880,000
- Other services	375,000	275,000
Total	5,878,196	5,592,200

20. Depreciation and amortisation expense

Particulars	For the year ended December 31, 2014 (Rs.)	For the year ended December 31, 2013 (Rs.)
Depreciation on tangible assets	39,230,369	34,738,740
Amortisation on intangible assets	28,010,113	13,068,950
Total	67,240,482	47,807,690

21. Finance costs

Particulars	For the year ended December 31, 2014 (Rs.)	For the year ended December 31, 2013 (Rs.)
Interest on loans	783,514	680,810
Bank charges	3,503,235	2,115,944
Total	4,286,749	2,796,754

22. Exceptional items

Particulars	For the year ended December 31, 2014 (Rs.)	For the year ended December 31, 2013 (Rs.)
Profit on buy back of subsidiary share [refer note 31(b)]	77,798,790	-
Profit on sale of subsidiaries [refer note 31(d)]	240,687,515	-
Provision for diminution in the value of investment written back [refer note 31(d)]	74,645,041	-
Total	393,131,346	-

23. Segment information*Business segments:*

The Company considers business segment as the basis for primary segmental reporting. The Company is organised into two business segments – Information technology services and products and Business process outsourcing 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 segment 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, 2014 and December 31, 2013:

Particulars	Continuing Operations						Discontinuing operations [refer note 31 (f)]						(Amount in Rs.)		
	Information technology services and products			Business process outsourcing services			Information technology services and products			Corporate and others			Total		
	Year ended December 31,		2013	Year ended December 31,		2013	Year ended December 31,		2013	Year ended December 31,		2013	Year ended December 31,		2013
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	
REVENUE															
External sales	1,708,195,945	1,645,005,284	372,474,637	341,633,133	830,141,971	711,395,374	-	-	-	-	-	-	2,910,812,553	2,698,033,791	
Total revenue	1,708,195,945	1,645,005,284	372,474,637	341,633,133	830,141,971	711,395,374							2,910,812,553	2,698,033,791	
RESULT															
Segment result	382,775,964	387,563,762	66,239,874	62,994,112	128,989,839	102,825,364							578,005,677	553,383,238	
Unallocated corporate expenses					(55,902,970)	(49,719,692)							(55,902,970)	(49,719,692)	
Operating profit													522,102,707	503,663,546	
Interest expenses					(783,514)	(680,810)							(783,514)	(680,810)	
Interest income					39,962,132	38,504,734							39,962,132	38,504,734	
Dividend income [refer note 31 (c)]					55,484,250	-							55,484,250	-	
Other unallocable income					1,005,000	-							1,005,000	-	
Exceptional items (refer note 22)					393,131,346	-							393,131,346	-	
Income taxes expense					(260,612,433)	(175,965,474)							(260,612,433)	(175,965,474)	
Net profit													750,289,488	365,521,996	

The following table provides required information for the primary segments as at December 31, 2014 and December 31, 2013:

Particulars	Continuing Operations						Discontinuing operations [refer note 31 (f)]						(Amount in Rs.)					
	Information technology services and products			Business process outsourcing services			Elimination			Information technology services and products			Corporate and others			Total		
	Year ended December 31,		2013	Year ended December 31,		2013	Year ended December 31,		2013	Year ended December 31,		2013	Year ended December 31,		2013	Year ended December 31,		2013
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
OTHER INFORMATION																		
Segment assets	875,969,181	885,706,870	116,581,818	102,979,919	111,980,052	183,961,550	334,498,315	327,279,951							1,215,069,262	1,132,005,190		
Unallocated corporate assets															1,650,456,611	1,330,581,263		
Income tax assets															71,346,967	88,641,472		
Total assets	875,969,181	885,706,870	116,581,818	102,979,919	111,980,052	183,961,550	334,498,315	327,279,951							1,936,872,840	2,551,227,925		
Segment liabilities	402,599,372	287,404,684	155,497,861	208,232,463	111,980,052	183,961,550	192,242,733	144,746,235							638,359,914	456,421,832		
Unallocated corporate liabilities															448,189,732	121,881,226		
Income tax liabilities															99,501,132	92,385,759		
Total liabilities	402,599,372	287,404,684	155,497,861	208,232,463	111,980,052	183,961,550	192,242,733	144,746,235							1,186,050,778	670,688,817		
Capital expenditures	49,654,952	58,390,698	4,716,696	7,783,088			23,456,289	27,305,858							77,827,937	93,479,644		
Depreciation and amortisation	41,815,906	28,952,619	6,892,250	3,622,662			18,532,326	15,232,408							67,240,482	47,807,690		
Other non-cash expenses	7,791,277	10,945,847	277,519	288,515			1,189,552	6,956,703							9,258,348	18,191,065		

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,	
	2014 (Rs.)	2013 (Rs.)
India	405,547,312	281,240,499
USA	1,602,286,970	1,615,899,967
South East Asia	129,619,974	122,413,253
Europe	608,194,498	521,364,731
Others	165,163,799	157,115,341
Total	2,910,812,553	2,698,033,791

The following is the distribution of the revenue by geographical area in which customer are located from discontinuing operations:

	For the year ended December 31,	
	2014 (Rs.)	2013 (Rs.)
India	354,875,591	248,966,562
USA	66,518,677	76,530,324
South East Asia	85,946,560	86,027,586
Europe	231,822,326	169,343,142
Others	90,978,817	130,527,760
Total	830,141,971	711,395,374

Assets and additions to fixed assets by geographical area:

The following table shows the carrying amount of assets and additions to fixed assets (including capital advances) by geographical area in which assets are located:

	Carrying amount of assets as at December 31,		Additions to fixed assets for the year ended December 31,	
	2014 (Rs.)	2013 (Rs.)	2014 (Rs.)	2013 (Rs.)
India	1,657,482,244	1,146,836,625	77,427,068	92,944,119
USA	566,119,976	624,553,654	400,869	535,525
South East Asia	189,836,107	177,050,654	-	-
Europe	476,218,954	553,270,101	-	-
Others	47,215,559	49,516,891	-	-
Total	2,936,872,840	2,551,227,925	77,827,937	93,479,644

The following table shows the carrying amount of assets and additions to fixed assets (including capital advances) by geographical area in which assets are located for discontinuing operation:

	Carrying amount of assets as at December 31,		Additions to fixed assets for the year ended December 31,	
	2014 (Rs.)	2013 (Rs.)	2014 (Rs.)	2013 (Rs.)
India	302,059,838	385,368,734	23,456,289	27,305,858
USA	19,548,959	23,586,840	-	-
South East Asia	30,977,469	27,671,393	-	-
Europe	14,653,558	34,098,664	-	-
Others	28,680,661	41,807,634	-	-
Total	395,920,485	512,533,265	23,456,289	27,305,858

24. 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 (liquidated on June 24, 2013) R Systems Europe B.V., Netherlands (ceased to be subsidiary w.e.f. November 27, 2014) * R Systems S.A.S., France (ceased to be subsidiary w.e.f. November 27, 2014) * ECnet Ltd, Singapore Computaris International Limited, U.K. Systèmes R. International Ltée, Canada R Systems Product & Technologies Limited, India (incorporated on July 11, 2014)
	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. (liquidated on December 24, 2013)
* The Company has completed the sale of Europe BPO Business comprising of its 100% holding in R Systems Europe B.V., Netherlands and R Systems S.A.S., France on November 27, 2014.	
Names of other related parties with whom transactions have taken place during the year:	
Key management personnel	Satinder Singh Rekhi, Managing Director Lt. Gen. Baldev Singh (Retd.), President and Senior Executive Director Raj Swaminathan, Director and Chief Operating Officer Nand Sardana, Chief Financial Officer ^ Vikash Kumar Tiwari, Company Secretary & Compliance Officer (Resigned on December 20, 2014) ^ Ashish Thakur, Company Secretary & Compliance Officer (Appointed on December 20, 2014) ^
^ Pursuant to the Companies Act, 2013.	
Relatives of Key management personnel	Harpreet Rekhi, (related to Satinder Singh Rekhi) Sartaj Singh Rekhi, (related to Satinder Singh Rekhi) Ramneet Singh Rekhi, (related to Satinder Singh Rekhi) Anita Behl, (related to Satinder Singh Rekhi) Kuldeep Baldev Singh, [related to Lt. Gen. Baldev Singh (Retd.)] Mandeep Singh Sodhi, [related to Lt. Gen. Baldev Singh (Retd.)], Vice President – Sales
Enterprises where key management personnel or their relatives exercise significant influence	U Infosoft Private Limited GM Solutions Private Limited GMU Infosoft Private Limited Right Match Holdings Ltd Satinder and Harpreet Rekhi Family Trust Guru Harkrishan Irrevocable Trust Guru Tegh Bahadur Irrevocable Trust

(ii) Details of transactions with related parties for the year ended December 31, 2014 and December 31, 2013 :-

	(Amount in Rs.)	
	Year ended December 31,	
	2014	2013
Information technology and BPO services rendered to		
ECnet Ltd, Singapore	41,351,703	30,848,949
R Systems, Inc., USA	22,228,086	18,367,823
R Systems Europe B.V., Netherlands	11,687,892	3,392,181
R Systems Solutions, Inc., USA	1,996,325	-
Systèmes R. International Ltée, Canada	-	5,701,830
Computaris International Limited, U.K.	34,399,594	9,653,699
Total	111,663,600	67,964,482
Information technology services received from		
R Systems, Inc., USA	7,627,129	-
Total	7,627,129	-
Dividend received from		
R Systems Europe B.V., Netherlands	55,484,250	-
Total	55,484,250	-
Travel and other expenses reimbursed by the Company to		
ECnet Ltd, Singapore	1,198,191	1,493,340
R Systems, Inc., USA	29,678,863	57,101,659
R Systems (Singapore) Pte Ltd, Singapore	9,802,123	7,294,074
R Systems Europe B.V., Netherlands	70,271	-
Total	40,749,448	65,889,073
Travel and other expenses reimbursed to the Company by		
ECnet Ltd, Singapore	1,905,413	2,780,280
ECnet (Shanghai) Co., Ltd	-	91,870
R Systems, Inc., USA	9,623,028	10,985,513
R Systems (Singapore) Pte Ltd, Singapore	92,718	730,089
R Systems Solutions, Inc., USA	667,984	1,215,176
R Systems Europe B.V., Netherlands	1,216,411	148,714
Systèmes R. International Ltée, Canada	466,479	-
R Systems Product & Technologies Limited, India	25,457	-
Computaris International Limited, U.K.	1,222,756	714,104
Total	15,220,246	16,665,746
Reimbursement to the Company for purchase of assets on behalf of		
R Systems, Inc., USA	15,588	-
ECnet Ltd, Singapore	62,349	-
Computaris International Limited, U.K.	2,615,514	-
Total	2,693,451	-
Reimbursement by the Company for purchase of assets to		
R Systems, Inc., USA	-	168,070
Total	-	168,070
Investment in shares of subsidiary		
R Systems Product & Technologies Limited, India [refer note 31 (f)]	500,000	-
ECnet Ltd, Singapore	-	30,807,962
R Systems Solutions, Inc., USA	-	13,413,875
Systèmes R. International Ltée, Canada	-	11,636
Total	500,000	44,233,473

(Amount in Rs.)

	Year ended December 31,	
	2014	2013
Buy back of shares of subsidiary		
Computaris International Limited, U.K. [refer note 31 (b)]	148,979,660	-
Total	148,979,660	-
Amount received on liquidation of subsidiary		
R Systems N.V., Belgium [refer note 31 (g)]	-	223,662
Total	-	223,662
Assets obtained free of cost on returnable basis		
R Systems, Inc., USA	23,420	-
Total	23,420	-
Remuneration		
Satinder Singh Rekhi	30,133,078	25,292,405
Lt. Gen. Baldev Singh (Retd.)	5,893,452	5,921,889
Raj Swaminathan	6,245,664	6,392,954
Mandeep Singh Sodhi	31,031,483	25,212,198
Nand Sardana	4,883,000	3,621,000
Vikash Kumar Tiwari	1,485,671	1,490,856
Ashish Thakur	21,356	-
Total	79,693,704	67,931,302
Rent		
Satinder Singh Rekhi	6,444,376	6,144,684
Total	6,444,376	6,144,684
Dividend paid *		
Satinder Singh Rekhi	4,320,360	2,422,020
Lt. Gen. Baldev Singh (Retd.)	847,013	817,500
Raj Swaminathan	660,000	395,000
Sartaj Singh Rekhi	19,771,422	6,373,879
Ramneet Singh Rekhi	16,718,229	4,662,241
Harpreet Rekhi	2,508	1,406
Nand Sardana	172,260	96,570
Mandeep Sodhi	2,722,159	1,272,060
Kuldeep Baldev Singh	20,064	11,248
Anita Behl	46,275	141,303
GMU Infosoft Private Limited	27,176,899	14,255,810
U Infosoft Private Limited	27,834,178	14,672,171
GM Solutions Private Limited	28,884,354	15,245,616
Right Match Holdings Ltd	30,597,600	17,153,200
Guru Harkrishan Irrevocable Trust	-	4,710,100
Guru Tegh Bahadur Irrevocable Trust	-	4,710,100
Satinder and Harpreet Rekhi Family Trust	57,112,994	34,812,283
Total	216,886,315	121,752,507

* Excluding fourth interim (special) dividend and final proposed dividend declared during the year 2014, which is not paid till December 31, 2014.

(Amount in Rs.)

Balance outstanding	As at December 31,	
	2014	2013
Trade Receivables		
ECnet Ltd, Singapore	22,391,041	12,929,108
R Systems, Inc., USA	6,890,986	6,696,223
R Systems Solutions, Inc., USA	508,314	-
R Systems Europe B.V., Netherlands	-	667,884
Computaris International Limited, UK	6,787,628	5,380,822
Total	36,577,969	25,674,037
Short-term loans and advances		
ECnet Ltd, Singapore	16,082	-
R Systems, Inc., USA	1,616,220	3,196,530
R Systems Solutions, Inc., USA	-	133,993
R Systems Europe B.V., Netherlands	-	3,582
Systèmes R. International Ltée, Canada	808	-
R Systems Product & Technologies Limited, India	25,457	-
Total	1,658,567	3,334,105
Other current liabilities		
ECnet Ltd, Singapore	1,335	263,376
R Systems, Inc., USA	17,341,577	14,663,309
R Systems (Singapore) Pte Ltd, Singapore	613,828	450,294
Total	17,956,740	15,376,979
Assets obtained free of cost on returnable basis		
R Systems, Inc., USA	18,390,687	18,367,267
R Systems (Singapore) Pte Ltd, Singapore	137,241	137,241
Total	18,527,928	18,504,508
Balance payable to key management personnel		
Satinder Singh Rekhi	5,158,363	7,880,500
Lt. Gen. Baldev Singh (Retd.)	1,098,001	1,090,927
Raj Swaminathan	1,833,399	1,833,333
Nand Sardana	231,988	-
Vikash Kumar Tiwari	147,905	-
Ashish Thakur	49,651	-
Total	8,519,307	10,804,760

25. Research & Development Expenditure

The Company carries out its Research and Development activities at its Pune and Noida development centres. The details of expenditure are given below:

(Amount in Rs.)

Particulars	Year ended December 31,	
	2014	2013
(a) Net amount charged to Statement of Profit and Loss	80,254,965	93,039,843
(b) Amount capitalised as		
(i) Intangible assets (including under development)	8,365,170	15,892,023
(ii) Tangible assets	2,032,768	1,989,606

26. Capital and other commitments

	As at December 31, 2014 (Rs.)	As at December 31, 2013 (Rs.)
(i) Capital commitments:		
Estimated amount of unexecuted capital contracts (net of advances)	3,356,027	5,658,248

(ii) Other commitments:

The Company has committed the buy-back of its equity shares for a total consideration not exceeding Rs. 60,000,000, and at a price not exceeding Rs. 100/- per share. Against the aforesaid buy back the Company has deposited Rs. 15,000,000 in the escrow account [refer note 3 (f)].

27. Contingent liabilities:

	As at December 31, 2014 (Rs.)	As at December 31, 2013 (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	279,000	6,138,000
Total	20,279,000	26,138,000

28. Operating Lease - Company as lessee

The Company has operating lease for office premises. The future minimum payments required under non-cancelable operating lease at year-end are as follows:

	Year ended December 31, 2014 (Rs.)	Year ended December 31, 2013 (Rs.)
Lease payments for the year	33,737,622	33,308,882
Non-cancellable operating lease obligation:		
Not later than one year	32,813,895	22,534,439
Later than one year but not later than five years	63,962,935	51,264,956
Later than five years	13,826,304	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 8% includes option of renewal from 1 to 6 years and there are no restrictions imposed on lease arrangements.

29. Supplementary statutory information

29.1 (a) Directors' remuneration

Particulars	Year ended December 31, 2014 (Rs.)	Year ended December 31, 2013 (Rs.)
Salaries, wages and bonus	41,980,834	37,326,808
Contribution to provident fund	291,360	280,440
Total	42,272,194	37,607,248

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.

29.1 (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, 2014	Year ended December 31, 2013
	Profit after tax and before appropriation	750,289,488	365,521,996
	Add:		
(i)	Loss on fixed assets sold / discarded	1,092,142	3,018,743
(ii)	Provision for doubtful debts / advances (net)	378,596	14,958,943
(iii)	Tax for the year	260,612,433	175,965,474
(iv)	Depreciation and amortisation as per books of accounts	67,240,482	47,807,690
(v)	Loss on liquidation of subsidiary	-	211,233
	Less:		
(i)	Depreciation and amortisation as envisaged under Section 350 of the Companies Act*	67,240,482	47,807,690
(ii)	Profit on sale of subsidiaries	240,687,515	-
(iii)	Profit on buy back of subsidiary share	77,798,790	-
(iv)	Profit on redemption of mutual fund	1,005,000	-
(v)	Provision for diminution in the value of investment written back	74,645,041	-
(vi)	Bad debts written off against provisions	56,277,668	-
	Net Profit as per Section 349 of the Companies Act, 1956	561,958,645	559,676,389
	Add:		
	Remuneration paid to the whole time directors	42,272,194	37,607,248
	Net Profit for the purpose of managerial remuneration as per Section 198 of the Companies Act, 1956	604,230,839	597,283,637
	Overall maximum remuneration to all managerial personnel at 10% of the net profits as calculated above	60,423,084	59,728,364
	Overall maximum remuneration to individual managerial personnel at 5% of the net profits as calculated above	30,211,542	29,864,182

* 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.

29.2 Earnings in foreign currency (on accrual basis)

	Year ended December 31, 2014 (Rs.)	Year ended December 31, 2013 (Rs.)
Sale of product and services	2,505,265,241	2,416,793,292
Dividend received from subsidiary	55,484,250	-
Proceeds from buyback of subsidiary share [refer note 31 (b)]	148,979,660	-
Proceeds from sale of subsidiaries [refer note 31 (d)]	330,841,488	-
Reimbursement of travel, communication and other costs*	46,528,849	38,084,223
Total	3,087,099,488	2,454,877,515

* Out of this Rs. 28,746,337 (previous year Rs. 35,991,300) is reimbursement for expenses which have been netted off from the respective expenses in the Statement of Profit and Loss and balance Rs. 17,782,512 (previous year Rs. 2,092,923) is reimbursement for purchase of fixed assets.

29.3 Expenditure in foreign currency (on accrual basis)

	Year ended December 31, 2014 (Rs.)	Year ended December 31, 2013 (Rs.)
Traveling and conveyance	165,040,145	164,496,225
Commission-others	7,145,685	5,964,635
Employee benefits expense	155,783,802	150,165,348
Communication expenses	17,880,567	18,819,935
Income tax	5,755,402	17,936,096
Cost of reimbursable capital assets	14,727,139	-
Cost of third party items	-	246,144
Other miscellaneous expenses	46,343,988	40,767,500
Total	412,676,728	398,395,883

29.4 Value of imports calculated on CIF basis

	Year ended December 31, 2014 (Rs.)	Year ended December 31, 2013 (Rs.)
Capital goods	16,532,523	42,340,963
Equipments received free of cost on returnable basis	3,206,015	7,145,483
Total	19,738,538	49,486,446

29.5 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)	Amount remitted (Rs.)	Amount remitted (USD)
				2014		2013	
(a)	Final Dividend for year ended December 31, 2012	14	4,179,987*	-	-	31,349,903	566,906
(b)	First Interim dividend for the year ended December 31, 2013	14	4,179,987*	-	-	10,449,968	169,780
(c)	Second Interim dividend for the year ended December 31, 2013	14	3,234,547*	-	-	27,493,650	430,935
(d)	Final Dividend for year ended December 31, 2013	12	41,200,220	39,140,209	667,694	-	-
(e)	First Interim dividend for the year ended December 31, 2014	12	41,200,220	39,140,209	649,846	-	-
(f)	Second Interim dividend for the year ended December 31, 2014	12	39,875,220	19,937,610	328,137	-	-
(g)	Third Interim dividend for the year ended December 31, 2014	12	39,574,220	35,616,798	575,904	-	-

* No. of equity shares were based on face value of Rs. 10/- per share i.e. before subdivision of shares.

- 30.** 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, 2014 (Rs.)	As at December 31, 2013 (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

- 31. (a)** During earlier years, the Company had acquired shares in ECnet Limited, a company incorporated in Singapore at a 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. 12,850,989 (reinstated as at December 31, 2014) [Previous year Rs. 13,153,262 (reinstated as at December 31, 2013)] is shown under 'Other current liabilities'.

- (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 was the initial payout and balance was based on earn outs as well as fulfillment of certain condition by the erstwhile shareholders of Computaris over the next two years.

During the year ended December 31, 2013, the management basis the settlement entered into with erstwhile shareholders of Computaris, has agreed the final consideration at Rs. 421,812,565 and accordingly adjusted the investments value by Rs. 17,209,661.

The Board of Directors at its meeting held on July 07, 2014 has approved the offer of buy-back from Computaris International Limited (a wholly owned subsidiary) of 13,500 shares held by the Company in the said subsidiary at the rate of GBP 111.38 per share amounting to for a consideration of Rs. 148,979,660. The aforesaid buy-back proceeds have been received by the Company on September 17, 2014. Even after this buy-back, Computaris International Limited continues to remain wholly owned subsidiary of the Company. The profit on the buy-back amounting to Rs. 77,798,790 is included in 'Exceptional items' in the financial statements.

- (c)** During the year ended December 31, 2014, the Company has received Rs. 55,484,250 as dividend from R Systems Europe B.V., its wholly owned subsidiary in Netherlands.

- (d) On November 27, 2014, the Company has transferred Europe BPO Business by way of sale of its 100% holding in R Systems Europe B.V., Netherlands and R Systems S.A.S., France, being wholly owned subsidiaries, to Customer Contact Management Group B.V. ("CCMG") a Europe based company by executing the Share Sale Agreement along with other necessary documents for a sale consideration of Euro 4.70 million (Rs. 357,469,488). Accordingly, the Company has reversed the provision considered in earlier period towards diminution in the value of investment amounting to Rs. 42,052,275 and Rs. 32,592,766 for R Systems Europe B.V., Netherlands and R Systems S.A.S., France respectively. These reversals are included in 'Exceptional items' in the financial statements. Out of the sale consideration, Euro 0.35 million (Rs. 26,628,000) has been placed in an escrow account in the Netherlands pursuant to the provision of the Share Sale Agreement. The profit on sale amounting to Rs. 176,158,238 and Rs. 64,529,277 for R Systems Europe B.V., Netherlands and R Systems S.A.S., France respectively are included in 'Exceptional items' in the financial statements.
- (e) As at December 31, 2014, the net worth of R Systems Singapore Pte. Limited and ECnet Limited is partially eroded. However the Company, based on future business plans of these subsidiaries and the continued financial support by the Company to these subsidiaries, does not consider the diminution in its investment value to be permanent.
- (f) On July 11, 2014, the Company incorporated a wholly owned subsidiary in India, namely, R Systems Products & Technologies Limited ("RSPTL"). The shareholders of the Company by passing special resolution through postal ballot on September 23, 2014 have accorded necessary approval for transfer of Indus IT Product and Service business operated out of Pune and Chennai centres to RSPTL to pursue opportunities for its further sale or disinvestment. The said transfer will be on a going concern basis by way of slump sale, for consideration of Rs. 783,900,000 to be discharged by RSPTL through issuance of equity / debenture / loan and / or any other securities, on the terms and conditions as may be agreed by the Board of Directors of the Company and RSPTL. Accordingly, the aforesaid Indus IT Product and Service business, being part of Information technology services and products segment, is considered as "Discontinuing Operations" for the purpose of the financial statements of the Company. As on date of approval of these financials statements, the date of completion of the discontinuance is not yet finalised.

The carrying amount of assets and liabilities attributable to the said operations included in the financial statements are as follows:

	As at December 31, 2014 (Rs.)	As at December 31, 2013 (Rs.)
Total Assets	395,920,485	512,533,265
Total Liabilities	192,242,733	144,746,235
Net Assets	203,677,752	367,787,030

The revenue and expenses attributable to the discontinuing operations included in the financial statements are as follows:

Particulars	(Amount in Rs.)	
	Year Ended December 31, 2014	Year Ended December 31, 2013
Income		
Revenue from operations	830,141,971	711,395,374
Other income	11,199,504	16,737,797
Total revenue	841,341,475	728,133,171
Expenses		
Employee benefits expense	472,051,323	406,705,802
Operational and other expenses	227,514,476	197,984,683
Depreciation and amortisation expense	18,532,326	15,232,408
Finance costs	737,267	742,763
Total expenses	718,835,392	620,665,656
Profit before tax	122,506,083	107,467,515
Tax expense		
Current tax	34,712,337	37,503,761
Deferred tax charge / (credit)	6,927,481	(1,204,996)
Total tax expense	41,639,818	36,298,765
Profit after tax	80,866,265	71,168,750

The revenue and expenses attributable to the continuing operations included in the financial statements are as follows:

Particulars	(Amount in Rs.)	
	Year Ended December 31, 2014	Year Ended December 31, 2013
Income		
Revenue from operations	2,080,670,582	1,986,638,417
Other income	123,642,181	24,949,085
Total revenue	2,204,312,763	2,011,587,502
Expenses		
Employee benefits expense	1,309,380,992	1,195,337,904
Operational and other expenses	347,409,641	347,600,370
Depreciation and amortisation expense	48,708,156	32,575,282
Finance costs	3,549,482	2,053,991
Total expenses	1,709,048,271	1,577,567,547
Profit before tax and exceptional items	495,264,492	434,019,955
Exceptional items	393,131,346	-
Profit before tax	888,395,838	434,019,955
Tax expense		
Current tax	212,819,816	153,370,823
MAT credit entitlement (related to earlier years)	-	(12,321,134)
Deferred tax charge / (credit)	6,152,799	(1,382,980)
Total tax expense	218,972,615	139,666,709
Profit after tax	669,423,223	294,353,246

Net cash flow attributable to the discontinuing operations included in the financial statements is as follows:

Particulars	(Amount in Rs.)	
	For the year ended December 31, 2014	For the year ended December 31, 2013
A. Cash flows from / (used in) operating activities	211,174,308	(2,861,619)
B. Cash flows from / (used in) investing activities	(18,803,485)	(11,947,672)
C. Cash flows from / (used in) financing activities	-	-

Inter unit transactions between continuing and discontinuing operations have been excluded

- (g) 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 above said liquidation had been completed on June 24, 2013, in compliance with the applicable laws of India and Belgium.

During the year ended December 31, 2013, out of the investments value of Rs. 3,471,640, Rs. 223,662 has been received and balance Rs. 3,247,978 has been written off as loss on liquidation of a subsidiary by utilising Rs. 3,036,745 provision created in earlier years towards long term diminution, thus the net loss on liquidation of Rs. 211,233 is disclosed under 'Operational and other expenses'.

32. (a) R Systems International Limited - Year 2004 Employee Stock Option Plan ('the plan')

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 for equity shares of face value of Rs. 10 each, 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. Further, as explained in note 33 (b) regarding sub-division of equity shares of Rs. 10 each into 10 equity shares of Re. 1 each, the exercise price is accordingly adjusted from Rs. 105 per share to Rs. 10.50 per share.

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. As per the plan, the Compensation Committee cannot grant any outstanding options after August 31, 2014, therefore there are no grants outstanding for determination by the Compensation Committee. The movement in the options during the year ended December 31, 2014 and year ended December 31, 2013 [after making adjustment for subdivision of equity shares as explained in note 33 (b)] is set out below:

	Year ended December 31, 2014	Year ended December 31, 2013
	(Nos.)	(Nos.)
At the beginning		
- Grants outstanding under the plan (Re. 1 per share)	515,400	560,350
- Grants pending determination by the Compensation Committee (Re. 1 per share)	931,250	886,300
During the year		
- Options granted (Re. 1 per share)	-	-
- Options exercised (Re. 1 per share)	-	-
- Options/grants lapsed or surrendered (Re. 1 per share)	1,344,500	44,950
At the end		
- Grants outstanding under the plan (Re. 1 per share)	102,150	515,400
- Grants pending determination by the Compensation Committee (Re.1 per share)	-	931,250

The weighted average remaining contractual life for the stock options as at December 31, 2014 is 11.54 months (Previous year 9.10 months).

(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 and further sub-division of each of the equity shares of Rs. 10 each into 10 equity shares of Re. 1 each as per record date of February 28, 2014, consequently the total number of shares issued are now 738,980 equity shares of Re. 1 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, 2014 and the year ended December 31, 2013 [after making adjustment for sub-division of equity shares as explained in note 33 (b)] is set out below:

	Year ended December 31, 2014	Year ended December 31, 2013
	(Nos.)	(Nos.)
<u>At the beginning</u>		
- Grants outstanding under the plan (Re. 1 per share)		
- Grants pending determination by the Compensation Committee (Re. 1 per share)	738,980	738,980
<u>During the year</u>		
- Options granted (Re. 1 per share)	-	-
- Options exercised (Re. 1 per share)	-	-
- Options/grants lapsed or surrendered (Re. 1 per share)	-	-
<u>At the end</u>		
- Grants outstanding under the plan (Re. 1 per share)		-
- Grants pending determination by the Compensation Committee (Re.1 per share)	738,980	738,980

(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. Further, as explained in note 33 (b) regarding sub-division of equity shares of Rs. 10 each into 10 equity shares of Re. 1 each, the exercise price is accordingly adjusted from Rs. 65 per share to Rs. 6.50 per share.

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. During the year ended December 31, 2014 the scheme has been lapsed and therefore there are no grants outstanding for determination by the Compensation Committee. The movement in the options during the year ended December 31, 2014 and year ended December 31, 2013 [after making adjustment for subdivision of equity shares as explained in note 33 (b)] is set out below:

	Year ended December 31, 2014	Year ended December 31, 2013
	(Nos.)	(Nos.)
<u>At the beginning</u>		
- Grants outstanding under the plan (Re. 1 per share)	62,000	62,000
- Grants pending determination by the Compensation Committee (Re. 1 per share)	1,238,410	1,238,410
<u>During the year</u>		
- Options granted (Re. 1 per share)	-	-
- Options exercised (Re. 1 per share)	-	-
- Options/grants lapsed or surrendered (Re. 1 per share)	1,300,410	-
<u>At the end</u>		
- Grants outstanding under the plan (Re. 1 per share)	-	62,000
- Grants pending determination by the Compensation Committee (Re.1 per share)	-	1,238,410

The weighted average remaining contractual life for the stock options as at December 31, 2014 is Nil (Previous year 8 months).

(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. Further, as explained in note 33 (b) regarding sub-division of equity shares of Rs. 10 each into 10 equity shares of Re. 1 each, the exercise price is accordingly adjusted from Rs. 120.70 per share to Rs. 12.07 per share.

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, 2014 and year ended December 31, 2013 [after making adjustment for sub-division of equity shares as explained in note 33 (b)] is set out below:

	Year ended December 31, 2014	Year ended December 31, 2013
	(Nos.)	(Nos.)
<u>At the beginning</u>		
- Grants outstanding under the plan (Re. 1 per share)	1,049,280	2,556,780
- Grants pending determination by the Compensation Committee (Re. 1 per share)	1,965,000	1,905,000
<u>During the year</u>		
- Options granted (Re. 1 per share)	-	-
- Options exercised (Re. 1 per share)	804,000	1,447,500
- Options/grants lapsed or surrendered (Re. 1 per share)	-	60,000
<u>At the end</u>		
- Grants outstanding under the plan (Re. 1 per share)	245,280	1,049,280
- Grants pending determination by the Compensation Committee (Re.1 per share)	1,965,000	1,965,000

For options exercised during the period, the weighted average share price at the exercise date was Rs. 49.72 per share (Previous year Rs. 23.42)

The weighted average remaining contractual life for the stock options as at December 31, 2014 is 31 months (Previous year 43 months).

- (e) For the purpose of valuation of the options granted before year ended December 31, 2004, 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 32 (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 details given above for plan (a), (b) and (c) are before 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 ended December 31, 2006 and further sub-division of each of the equity shares of Rs. 10 each into 10 equity shares of Re. 1 each as per record date of February 28, 2014.

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 and further sub-division of each of the equity shares of Rs. 10 each into 10 equity shares of Re. 1 each as per record date of February 28, 2014.

- (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.

The above information is based on Rs.10 per share before sub-division of each of the equity shares of Rs. 10 each into 10 equity shares of Re. 1 each as per record date of February 28, 2014.

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:

Particulars	(Amount in Rs.)	
	Year ended December 31, 2014	Year ended December 31, 2013
Profit after tax	750,289,488	365,521,996
Add: Intrinsic Value Compensation Cost	-	-
Less: Fair Value Compensation Cost*	-	-
Adjusted Pro-forma Profit after tax	750,289,488	365,521,996
Earnings Per Share [refer note 33 (b)]		
Basic [Nominal value of shares Re. 1 (Previous year: Re. 1)]		
- As reported	5.90	2.90
- Pro-forma	5.90	2.90
Diluted [Nominal value of shares Re. 1 (Previous year: Re. 1)]		
- As reported	5.90	2.90
- Pro-forma	5.90	2.90

*All granted options have been vested during earlier years.

33. (a) Earnings per share (EPS)

Particulars	(Amount in Rs.)	
	Year ended December 31, 2014	Year ended December 31, 2013
Net profit after tax (Rs.)	750,289,488	365,521,996
Weighted average number of equity shares for calculating Basic and Diluted EPS [refer note 33 (b)]	127,239,931	126,141,050
Basic [Nominal value of shares Re. 1 (Previous year: Re. 1)] (Rs.)	5.90	2.90
Diluted [Nominal value of shares Re. 1 (Previous year: Re. 1)] (Rs.)	5.90	2.90

Continuing Operations

Particulars	Year ended December 31, 2014	Year ended December 31, 2013
Net profit after tax (Rs.)	669,423,223	294,353,246
Weighted average number of equity shares for calculating Basic and Diluted EPS [refer note 33 (b)]	127,239,931	126,141,050
Basic [Nominal value of shares Re. 1 (Previous year: Re. 1)] (Rs.)	5.26	2.33
Diluted [Nominal value of shares Re. 1 (Previous year: Re. 1)] (Rs.)	5.26	2.33

- (b) Pursuant to the approval of the shareholders accorded by passing necessary resolution through Postal Ballot on January 14, 2014, each equity share of face value of Rs. 10/- each of the Company was sub-divided into ten equity shares of face value of Re. 1/- each fully paid up. The sub-division has been given effect as per record date fixed by the Board of Directors i.e. February 28, 2014.

Accordingly, the number of equity shares in Note No. 3 and 32 (a) to (d) (including the previous period comparative numbers) has been stated based on face value of Re. 1/- each. Further, for the purpose of computing Earnings Per Share, the effect of sub-division had been considered in accordance with the requirements of Accounting Standard - 20 "Earnings Per Share" in all comparable periods.

34. Post-employment benefits

The Company has funded 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 employee benefits expense recognised in the Statement of Profit and Loss.

Particulars	(Amount in Rs.)	
	Year ended December 31, 2014	Year ended December 31, 2013
Current service cost	14,241,689	14,079,885
Interest cost on benefit obligation	7,162,357	7,295,836
Expected return on plan assets	(353,758)	(195,282)
Net actuarial (gain) / loss recognised in the year	9,924,442	(10,531,738)
Net employee benefits expense (refer note 18)	30,974,730	10,648,701
Actual return on plan assets	370,063	210,141

Details of defined benefit gratuity plan

Particulars	(Amount in Rs.)	
	As at December 31, 2014	As at December 31, 2013
Defined benefit obligation	102,262,322	81,424,215
Fair value of plan assets	3,681,619	4,549,747
Plan liability / (asset)	98,580,703	76,874,468

Changes in the present value of the defined benefit gratuity plan are as follows:

Particulars	(Amount in Rs.)	
	Year ended December 31, 2014	Year ended December 31, 2013
Opening defined benefit obligation	81,424,215	78,143,622
Interest cost	7,162,357	7,295,837
Current service cost	14,241,689	14,079,886
Benefits paid	(10,506,685)	(7,578,249)
Actuarial (gains) / losses on obligation	9,940,746	(10,516,880)
Closing defined benefit obligation	102,262,322	81,424,215

Changes in the fair value of plan assets are as follows:

Particulars	(Amount in Rs.)	
	Year ended December 31, 2014	Year ended December 31, 2013
Opening fair value of plan assets	4,549,747	-
Expected return	353,758	195,282
Contributions by the employer	5,005,000	5,000,000
Benefits paid	(6,243,190)	(660,394)
Actuarial gains / (losses) on obligation	16,304	14,859
Closing fair value of plan assets	3,681,619	4,549,747

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

Particulars	Year ended December 31, 2014	Year ended December 31, 2013
Investments with insurer	100%	100%

The principal assumptions used in determining defined benefit gratuity plan obligations is shown below:

Particulars	Year ended December 31, 2014	Year ended December 31, 2013
Discount rate	7.90% p.a.	9.25% p.a.
Expected rate of return on plan assets	8.75% p.a.	9.00% p.a.
Salary Escalation Rate	10% for 1st year & 7% thereafter	10% for 1st year & 7% thereafter
Attrition rate:	As per table below	As per table below

Attrition rate used for the year ended December 31, 2014 and year ended December 31, 2013 are as per the table below:

Age (Years)	Rates
Below Age 30	15%
Age 30 to 34	10%
Age 35 to 44	5%
Age 45 to 50	3%
Age 51 to 54	2%
Age above 54	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.)				
	December 31, 2014	December 31, 2013	December 31, 2012	December 31, 2011	December 31, 2010
Defined benefit obligation	102,262,322	81,424,215	78,143,622	62,937,379	57,825,653
Plan assets	3,681,619	4,549,747	-	-	-
Surplus / (deficit)	(98,580,703)	(76,874,468)	(78,143,622)	(62,937,379)	(57,825,653)
Experience (Gains)/ Losses adjustments on plan liabilities	(4,196,352)	(3,130,879)	2,63,983	1,934,614	(2,914,547)
Experience adjustments on plan assets	16,304	14,859	-	-	-

35. Particulars of Derivative Instruments and Unhedged Foreign Currency Exposure as at December 31, 2014 and December 31, 2013:

As of December 31, 2014, the Company has derivative financial instruments to sell USD 14,750,000 (Previous year USD 11,450,000), EURO 1,200,000 (Previous year EURO 750,000) and put options USD 150,000 (Previous year Nil). The Company has not applied hedge accounting as these instruments do not qualify for hedge accounting. The Company has recognised mark-to-market loss of Rs. 549,541 (Previous year loss of Rs. 22,918,617) relating to such derivative financial instruments in the Statement of Profit and Loss for the year ended December 31, 2014.

The particulars of Unhedged Foreign Currency Exposure as at December 31, 2014 and December 31, 2013 are as below:

	Currency	Foreign Currency amount		Closing foreign exchange rate		Amount (in Rs.)	
		December 31,		December 31,		December 31,	
		2014	2013	2014	2013	2014	2013
Liabilities							
Deferred compensation to erstwhile-shareholders of subsidiary	SGD	269,285	269,285	47.72	48.85	12,850,989	13,153,262
Trade payables	USD	799,883	845,758	63.04	61.81	50,420,604	52,272,064
	SGD	12,890	14,611	47.72	48.85	615,163	713,671
Assets							
Trade receivables (Gross)	USD	6,161,323	6,910,926	63.04	61.81	388,379,008	427,129,807
	EURO	1,288,764	1,794,370	76.59	85.10	98,699,984	152,706,271
	GBP	132,663	111,344	98.31	102.14	13,042,409	11,372,676
	SGD	35,438	-	47.72	-	1,691,166	-
	AUD	-	4,000	-	55.09	-	220,350
	CHF	56,950	226,516	63.70	69.38	3,627,715	15,716,374
	CAD	242,308	14,877	54.42	58.05	13,187,003	863,647
Loans and advances	USD	33,115	54,685	63.04	61.81	2,087,407	3,379,797
	SGD	24,815	24,000	47.72	48.85	1,184,244	1,172,280
	CAD	15	-	54.42	-	808	-
	EURO	-	42	-	85.10	-	3,582
Bank balances	USD	1,140,682	1,508,153	63.04	61.81	71,902,872	93,211,416
	EURO	113,684	266,125	76.59	85.10	8,706,494	22,648,033
	GBP	926	-	98.31	-	91,037	-
	JPY	-	2,094,105	-	0.59	-	1,233,428
	CHF	94,595	160,662	63.70	69.38	6,025,694	11,147,199

The below table shows the detail of different currencies:

Sl. No.	Currency Abbreviation	Name of Currency	Country
1	GBP	Great Britain Pound	United Kingdom
2	EURO	Euro	European Union
3	CHF	Swiss Franc	Switzerland
4	USD	US Dollar	United States
5	AUD	Australian dollar	Australia
6	SGD	Singapore Dollar	Singapore
7	JPY	Japanese Yen	Japan
8	CAD	Canadian Dollar	Canada

36. Cash and bank balances:

(Amount in Rs.)

Sl. No.	Particulars	As at December 31, 2014	As at December 31, 2013
	Cash on hand (A)	162,955	357,431
	Cheques on hand (B)	-	1,100,000
	Balance with scheduled banks		
	On current accounts		
1	ICICI Bank Limited	82,121,855	3,180,957
2	HDFC Bank Limited	5,894,989	495,419
3	Oriental Bank of Commerce	78,437	48,979
4	State Bank of India	4,896,668	4,994,389
5	Axis Bank Limited	25,263,893	12,305,527
6	State Bank of Bikaner & Jaipur	66,392	99,653
7	Kotak Mahindra Bank Limited	93,854	116,117
8	The Ratnakar Bank Limited	79,985	318,244
	Total (C)	118,496,073	21,559,285
	On cash credit / overdraft accounts*		
1	Axis Bank Limited	-	-
	Total (D)	-	-
	On EEFC accounts		
1	ICICI Bank Limited-USD	22,567,090	1,443,510
2	State Bank of India -USD	3,606,650	1,061,243
3	Axis Bank Limited-USD	22,199,151	48,218,566
4	Axis Bank Limited-EURO	8,706,494	22,648,033
5	Axis Bank Limited-GBP	91,037	-
6	Axis Bank Limited-CHF	6,025,694	11,147,199
	Total (E)	63,196,116	84,518,551
	On deposit accounts		
1	Oriental Bank of Commerce	76,838,828	15,006,473
2	State Bank of India	7,674,574	12,976,807
3	ICICI Bank Limited	31,862,529	2,201,324
4	State Bank of Bikaner & Jaipur	195,300,000	88,850,000
5	Axis Bank Limited	20,755,350	220,909,163
6	Kotak Mahindra Bank Limited	110,200,000	22,938,855
	Total (F)	442,631,281	362,882,622
	On unclaimed dividend accounts		
1	HDFC Bank Limited	1,968,014	1,404,250
2	Kotak Mahindra Bank Limited	116,688	155,125
	Total (G)	2,084,702	1,559,375
	On unpaid dividend accounts		
1	HDFC Bank Limited	325,019,379	-
	Total (H)	325,019,379	-
	Escrow account for buyback		
1	Kotak Mahindra Bank Limited [refer note 3 (f)]	15,000,000	-
	Total (I)	15,000,000	-

(Amount in Rs.)

Sl. No.	Particulars	As at December 31, 2014	As at December 31, 2013
	Balance with other banks		
	On current accounts		
1	California Bank & Trust, USA	23,529,981	42,488,096
2	Sumitomo Mitsui Banking Corporation, Japan	-	1,233,428
	Total (J)	23,529,981	43,721,524
	Less: Amount disclosed under other non- current assets (refer note 14.2)	48,692,453	(74,140,771)
	Total cash and bank balances (refer note 15)	941,428,034	441,558,017

* 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 an immovable property situated in Noida.

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 & Associates LLP
ICAI Firm registration number: 101049W
 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 07, 2015	Sd/- Satinder Singh Rekhi [Managing Director] [DIN: 00006955] Place : Singapore Date : February 07, 2015	Sd/- Lt. Gen. Baldev Singh (Retd.) [President & Senior Executive Director] [DIN: 00006966] Place: NOIDA Date : February 07, 2015	Sd/- Raj Swaminathan [Director & Chief Operating Officer] [DIN: 00788158] Place : NOIDA Date : February 07, 2015	Sd/- Nand Sardana [Chief Financial Officer] Place: NOIDA Date : February 07, 2015	Sd/- Ashish Thakur [Company Secretary & Compliance Officer] Place: NOIDA Date : February 07, 2015
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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 became 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	Dealt with in Holding Company's accounts	
						For the financial year ended December 31, 2014	For the financial year ended December 31, 2014	For the previous financial years of the Subsidiary Company since it became the Holding Company's Subsidiary
1	R Systems (Singapore) Pte Limited, Singapore	December 31, 2014	September 19, 2000	4,070,000 ordinary shares of no par value	100.00%	Profit Rs. 4.55 mn	Loss Rs. 10.36 mn	NIL
2	R Systems, Inc., USA	December 31, 2014	January 2, 2001	2,000 common shares of no par value	100.00%	Profit Rs. 79.56 mn	Loss Rs. 48.21 mn	NIL
3	Indus Software, Inc., USA	December 31, 2014	April 1, 2002	243,750 common shares of no par value	100.00%	Profit Rs. 1.19 mn	Loss Rs. 11.12 mn	NIL
4	R Systems Solutions, Inc., USA	December 31, 2014	August 24, 2006	16,335,833 common shares of no par value and 8,666,884 series A preferred stock of no par value	100.00%	Profit Rs. 31.91 mn	Loss Rs. 11.91 mn	NIL
5	R Systems Europe B.V., Netherlands ⁽⁸⁾	Refer note 4	January 23, 2008	3,170 ordinary shares of Euro 100 each	100.00%	Refer note 4	Refer note 4	Refer note 4
6	R Systems S.A.S., France	Refer note 4	January 23, 2008	10,000 ordinary shares of Euro 15.24 each	100.00%	Refer note 4	Refer note 4	Refer note 4
7	ECnet Limited, Singapore ⁽¹⁾	December 31, 2014	January 8, 2004	99.75% of 92,103,530 ordinary shares of no par value	99.75%	Profit Rs. 9.64 mn	Loss Rs. 243.16 mn	NIL
8	ECnet (M) Sdn. Bhd., Malaysia ⁽²⁾	December 31, 2014	January 8, 2004	99.75% of 500,000 ordinary shares of RM 1 each	99.75%	Loss Rs. 13.23 mn	Profit Rs. 17.7 mn	NIL
9	ECnet Inc., USA ⁽²⁾	December 31, 2014	January 8, 2004	99.75% of 1,000 shares of US\$ 2 each	99.75%	Loss Rs. 0.03 mn	Profit Rs. 0.13 mn	NIL
10	ECnet (Hong Kong) Limited, Hong Kong ⁽²⁾	December 31, 2014	January 8, 2004	99.75% of 2 ordinary shares of HK\$1 each	99.75%	Profit Rs. 1.27 mn	Profit Rs. 14.58 mn	NIL
11	ECnet Systems (Thailand) Co. Limited, Thailand ⁽²⁾	December 31, 2014	January 8, 2004	99.75% of 400,000 ordinary shares of 5 THB each	99.75%	Loss Rs. 4.93 mn	Loss Rs. 1.43 mn	NIL
12	ECnet Kabushiki Kaisha, Japan ⁽²⁾	December 31, 2014	January 8, 2004	99.75% of 200 shares of 50,000 Yen each	99.75%	Loss Rs. 5.61 mn	Profit Rs. 5.98 mn	NIL
13	ECnet (Shanghai) Co. Limited, China ⁽²⁾	December 31, 2014	January 8, 2004	99.75% of shares of no par value	99.75%	Loss Rs. 6.19 mn	Loss Rs. 18.77 mn	NIL
14	Computaris International limited, UK ⁽⁷⁾	December 31, 2014	January 26, 2011	66,500 shares of GBP 0.01 each ⁽⁵⁾	100.00%	Profit Rs. 84.51 mn	Loss Rs. 3.44 mn	NIL
15	Computaris Romania Srl, Romania ⁽⁷⁾	December 31, 2014	January 26, 2011	100 shares of RON 16 each	100.00%	Profit Rs. 11.06 mn	Profit Rs. 41.17 mn	NIL
16	Computaris Polska Sp. z o.o., Poland ^{(8)&(7)}	December 31, 2014	January 26, 2011	100 shares of PLN 500 each	100.00%	Profit Rs. 40.61 mn	Loss Rs. 38.10 mn	NIL
17	ICS Computaris International Srl, Moldova ⁽⁵⁾	December 31, 2014	January 26, 2011	Shares of no par value	100.00%	Profit Rs. 4.11 mn	Profit Rs. 25.71 mn	NIL
18	Computaris Malaysia Sdn. Bhd., Malaysia ⁽⁵⁾	December 31, 2014	January 26, 2011	1,000 ordinary shares of RM 1 each	100.00%	Profit Rs. 0.14 mn	Profit Rs. 0.22 mn	NIL
19	Computaris USA, Inc., USA ⁽³⁾	December 31, 2014	January 26, 2011	100 shares of USD 1 each	100.00%	Profit Rs. 10.61 mn	Loss Rs. 0.37 mn	NIL
20	Systèmes R. International Ltée, Canada	December 31, 2014	October 29, 2012	200 common shares of CAD 1 each	100.00%	Loss Rs. 2.37 mn	Loss Rs. 1.25 mn	NIL
21	R Systems Products & Technologies Limited India	Refer note 6	July 11, 2014	5,00,000 Equity Shares of Rs. 1 each.	100.00%	Loss Rs. 0.25 mn	Not Applicable	Not Applicable

Notes:

- R Systems International Limited holds 69.37% directly in ECnet Limited, Singapore and 30.38% shares through its wholly owned subsidiary i.e. R Systems (Singapore) Pte Limited, Singapore and thus together it holds 99.75% of total capital of ECnet Limited, Singapore.
- Wholly owned subsidiary of ECnet Limited, Singapore which is the subsidiary of R Systems International Limited as explained in note no 1.
- Wholly owned subsidiary of Computaris International Limited, United Kingdom, which is the wholly owned subsidiary of R Systems International Limited.
- On November 27, 2014, R Systems International Limited sold off its 100% shareholding in R Systems Europe B.V., Netherlands and R Systems S.A.S., France.
- On September 17, 2014, Computaris International Limited has completed the buy-back of 13,500 its shares. Even after this buy-back, Computaris International Limited continues to remain the wholly owned subsidiary of R Systems International Limited.
- R Systems International Limited has incorporated subsidiary namely R Systems Products And Technologies Limited, India on July 11, 2014. The above mentioned details are for the period ended December 31, 2014. The first financial year of the subsidiary has not yet ended.
- During the year, Computaris Polska Sp. z o.o., Poland has paid dividend amounting to Rs. 55.95 mn to Computaris International Limited, UK.
- During the year ended December 31, 2014, R Systems International Limited has received Rs. 55.48 mn as dividend from R Systems Europe B.V., Netherlands.

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

Sd/-	Sd/-	Sd/-	Sd/-
Satinder Singh Rekhi	Lt. Gen. Baldev Singh (Retd.)	Raj Swaminathan	Nand Sardana
[Managing Director] [DIN: 00006955]	[President & Senior Executive Director] [DIN: 00006966]	[Director & Chief Operating Officer] [DIN: 00788158]	[Chief Financial Officer]
Place : Singapore	Place : NOIDA	Place : NOIDA	Place : NOIDA
Date : February 07, 2015	Date : February 07, 2015	Date : February 07, 2015	Date : February 07, 2015
			Ashish Thakur
			[Company Secretary & Compliance Officer]
			Place : NOIDA
			Date : February 07, 2015

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of R Systems International Limited

We have audited the accompanying consolidated financial statements of R Systems International Limited ("the Company") and its subsidiaries, which comprise the consolidated Balance Sheet as at December 31, 2014, and the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards notified under the Companies Act, 1956, (which are deemed to be applicable as per section 133 of the Companies Act, 2013, read with rule 7 of the Companies (Accounts) Rules, 2014) and read with General Circular 08/2014 dated 4 April 2014, issued by the Ministry of Corporate Affairs, and other accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- in the case of the consolidated Balance Sheet, of the state of affairs of the Company as at December 31, 2014;
- in the case of the consolidated Statement of Profit and Loss, of the profit for the year ended on that date; and
- in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

Other Matter

We did not audit total assets of Rs.1,273,739,162 as at December 31, 2014, total revenues of Rs.3,685,809,661 and net cash outflows amounting to Rs.159,425,963 for the year then ended, included in the accompanying consolidated financial statements in respect of certain subsidiaries namely R Systems, Inc., USA, Indus Software, Inc., USA, R Systems Solutions, Inc., USA, ECnet Limited, Singapore and its subsidiaries, R System (Singapore) Pte. Limited, Singapore, R Systems S.A.S., France, R Systems Europe B.V., Netherlands, Computaris International Limited, U.K. and its subsidiaries and Systemes R. International Ltee., Canada, whose financial statements and other financial information have been audited by other auditors and whose reports have been furnished to us.

The financial statements and other financial information 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 shareholder of the respective companies, copies of which have been provided to us by the Company. The management has converted these financial statements of the Company's subsidiaries to accounting principles generally accepted in India. Our opinion thus, insofar 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. Our opinion, in so far as it relates to the affairs of such subsidiaries is based solely on the report of other auditors. Our opinion is not qualified in respect of this matter.

For S.R. Batliboi & Associates LLP
ICAI Firm Registration Number: 101049W
Chartered Accountants

Sd/-
per Yogender Seth

Place : NOIDA
Date : February 07, 2015

Partner
Membership Number: 94524

CONSOLIDATED BALANCE SHEET as at December 31, 2014

	Notes	As at December 31, 2014 (Rs.)	As at December 31, 2013 (Rs.)
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	126,719,600	125,915,600
Reserves and surplus	4	2,004,331,641	2,191,691,647
		2,131,051,241	2,317,607,247
Minority Interest			
	5	-	-
Non-current liabilities			
Long-term borrowings	6	6,285,234	8,806,690
Deferred tax liabilities (net)	7.1	662,438	-
Other long-term liabilities	8	4,994,715	4,378,566
Long-term provisions	9	95,215,947	73,437,567
		107,158,334	86,622,823
Current liabilities			
Trade payables	10	508,887,723	527,118,337
Other current liabilities	10	590,248,233	177,455,395
Short-term provisions	9	392,731,307	363,150,353
		1,491,867,263	1,067,724,085
TOTAL		3,730,076,838	3,471,954,155
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	11	349,245,943	378,026,457
Intangible assets	12	66,386,272	70,842,330
Capital work in progress		182,700	-
Intangible assets under development		-	14,129,170
Goodwill on consolidation	29 (b)	280,203,651	291,111,050
Non-current investments	13.1	25,000	25,000
Deferred tax assets (net)	7.2	38,298,987	55,349,313
Long-term loans and advances	14	68,841,286	84,380,732
Other non-current assets	15.2	58,571,642	96,232,816
		861,755,481	990,096,868
Current assets			
Current investments	13.2	18,000,000	10,000,000
Trade receivables	15.1	1,250,765,042	1,040,933,738
Cash and bank balances	16	1,363,834,550	1,014,535,543
Short-term loans and advances	14	118,574,903	150,153,308
Other current assets	15.2	117,146,862	266,234,698
		2,868,321,357	2,481,857,287
TOTAL		3,730,076,838	3,471,954,155
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 & Associates LLP For and on behalf of the Board of Directors of R Systems International Limited

ICAI Firm registration

number: 101049W

Chartered Accountants

Sd/- per Yogender Seth Partner Membership No. 94524	Sd/- Satinder Singh Rekhi [Managing Director] [DIN: 00006955]	Sd/- Lt. Gen. Baldev Singh (Retd.) [President & Senior Executive Director] [DIN: 00006966]	Sd/- Raj Swaminathan [Director & Chief Operating Officer] [DIN: 00788158]	Sd/- Nand Sardana [Chief Financial Officer]	Sd/- Ashish Thakur [Company Secretary & Compliance Officer]
Place: NOIDA Date : February 07, 2015	Place : Singapore Date : February 07, 2015	Place: NOIDA Date : February 07, 2015	Place : NOIDA Date : February 07, 2015	Place: NOIDA Date : February 07, 2015	Place: NOIDA Date : February 07, 2015

CONSOLIDATED STATEMENT OF PROFIT AND LOSS for the year ended December 31, 2014

	Notes	For the Year ended December 31, 2014 (Rs.)	For the Year ended December 31, 2013 (Rs.)
Income			
Revenue from operations	17	6,484,958,614	5,960,541,885
Other income	18	90,726,159	47,148,578
Total revenue		6,575,684,773	6,007,690,463
Expenses			
Employee benefits expense	19	3,935,220,758	3,573,867,307
Operational and other expenses	20	1,645,005,704	1,606,377,710
Depreciation and amortisation expense	21	112,453,011	101,706,617
Finance costs	22	8,910,172	7,484,005
Total expenses		5,701,589,645	5,289,435,639
Profit before tax and exceptional items		874,095,128	718,254,824
Exceptional items	23	250,109,782	-
Profit before tax		1,124,204,910	718,254,824
Tax expense			
Current tax		325,289,478	204,819,843
MAT credit entitlement (related to earlier years)		-	(12,321,134)
Deferred tax charge / (credit)		17,577,974	(1,230,517)
Total tax expense		342,867,452	191,268,192
Profit for the year		781,337,458	526,986,632
Earnings per equity share:			
Basic [Nominal value of shares Re. 1 (Previous year: Re. 1)]	31	6.14	4.18
Diluted [Nominal value of shares Re. 1 (Previous year: Re. 1)]		6.14	4.18
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 & Associates LLP For and on behalf of the Board of Directors of R Systems International Limited

ICAI Firm registration number: 101049W
Chartered Accountants

Sd/-
per Yogender Seth
Partner
Membership No. 94524

Sd/-
Satinder Singh Rekhi
[Managing Director]
[DIN: 00006955]

Sd/-
Lt. Gen. Baldev Singh (Retd.)
[President & Senior
Executive Director]
[DIN: 00006966]

Sd/-
Raj Swaminathan
[Director & Chief
Operating Officer]
[DIN: 00788158]

Sd/-
Nand Sardana
[Chief Financial Officer]

Sd/-
Ashish Thakur
[Company Secretary &
Compliance Officer]

Place: NOIDA
Date : February 07, 2015

Place : Singapore
Date : February 07, 2015

Place: NOIDA
Date : February 07, 2015

Place : NOIDA
Date : February 07, 2015

Place: NOIDA
Date : February 07, 2015

Place: NOIDA
Date : February 07, 2015

CONSOLIDATED CASH FLOW STATEMENT for the year ended December 31, 2014

	For the year ended December 31, 2014 (Rs.)	For the year ended December 31, 2013 (Rs.)
A. Cash flows from operating activities		
Net profit before taxation	1,124,204,910	718,254,824
Adjustments for:		
Depreciation and amortisation expense	112,453,011	101,706,617
Debts and advances provided / written off (net)	(3,445,516)	34,104,433
Profit on redemption of mutual fund	(1,005,000)	-
Currency translation reserve released on buy back of subsidiary share [refer note 29 (b)]	(26,084,902)	-
Profit on sale of subsidiaries [refer note 29 (f)]	(224,024,880)	-
Loss on sale / discard of fixed assets (net)	1,609,875	3,006,410
Unrealised foreign exchange loss / (gain)	(18,782,984)	(5,753,089)
Unrealised loss / (gain) on derivative instruments	(22,369,076)	28,732,878
Interest income	(41,016,484)	(40,346,189)
Excess provisions written back	(1,182,856)	(1,037,085)
Interest on loans	1,174,750	1,233,749
Operating profit before working capital changes	901,530,848	839,902,548
Movements in working capital :		
(Increase) / Decrease in trade receivables	(256,762,771)	(35,124,331)
(Increase) / Decrease in other current assets	122,572,397	(88,794,102)
(Increase) / Decrease in loans and advances	10,086,223	(50,013,228)
(Increase) / Decrease in other non-current assets	13,595,078	(46,959,717)
Increase / (Decrease) in short-term and long-term provision	27,096,207	9,922,419
Increase / (Decrease) in trade payables, other current liabilities and other long-term liabilities	170,980,780	(11,709,327)
Cash generated from operations	989,098,762	617,224,262
Direct taxes paid, net of refunds	(264,525,000)	(136,205,692)
Net cash flows from operating activities (A)	724,573,762	481,018,570
B. Cash flows used in investing activities		
Purchase of fixed assets	(98,243,098)	(168,660,534)
Proceeds from sale of fixed assets	636,742	2,815,300
Investment in mutual fund	(18,000,000)	(10,000,000)
Proceeds from redemption of mutual fund	11,005,000	-
Amount received on sale of subsidiaries [refer note 29 (f)]	229,279,031	-
Interest received	41,241,603	45,396,654
Investment in long term fixed deposits with banks	(441,477,934)	(393,860,267)
Proceeds from long term fixed deposits with banks	356,080,957	464,932,016
Net cash used in investing activities (B)	80,522,301	(59,376,831)
C. Cash flows used in financing activities		
Proceeds from long-term borrowings	5,296,143	12,964,297
Repayment of long-term borrowings - current maturities	(5,953,479)	(4,715,265)
Proceeds from other non-current assets	20,102,062	35,850,000
Proceeds from issuance of share capital	9,704,280	17,471,325
Interest paid	(1,157,357)	(1,223,906)

	For the year ended December 31, 2014 (Rs.)	For the year ended December 31, 2013 (Rs.)
Dividends paid	(419,786,367)	(233,154,614)
Tax on dividend paid	(139,854,632)	(39,686,767)
Net cash used in financing activities (C)	(531,649,350)	(212,494,930)
Net increase / (decrease) in cash and cash equivalents during the year (A + B + C)	273,446,713	209,146,809
Add : Cash and cash equivalents at the beginning of the year	795,193,692	524,142,219
Add : Effect of exchange rate changes on cash and cash equivalents	(9,544,683)	61,904,664
Cash and cash equivalents at the end of the year (also refer note 16)	1,059,095,722	795,193,692

Notes:

- (1) Figures in brackets indicate cash out flow.
- (2) Cash and cash equivalents includes unclaimed dividend liabilities of Rs. 2,084,702 (Previous year Rs. 1,559,375), unpaid dividend liabilities (refer note 10) of Rs. 325,019,379 (Previous year Rs. Nil) and Rs. 15,000,000 (Previous year Rs. Nil) kept in the escrow account for buyback of share capital of the Company. The aforesaid amounts are not available for use by the Company.

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

As per our report of even date.

For S.R. Batliboi & Associates LLP
ICAI Firm registration number: 101049W
 Chartered Accountants

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

Sd/- per Yogender Seth Partner Membership No. 94524	Sd/- Satinder Singh Rekhi [Managing Director] [DIN: 00006955]	Sd/- Lt. Gen. Baldev Singh (Retd.) [President & Senior Executive Director] [DIN: 00006966]	Sd/- Raj Swaminathan [Director & Chief Operating Officer] [DIN: 00788158]	Sd/- Nand Sardana [Chief Financial Officer]	Sd/- Ashish Thakur [Company Secretary & Compliance Officer]
Place: NOIDA Date : February 07, 2015	Place : Singapore Date : February 07, 2015	Place: NOIDA Date : February 07, 2015	Place : NOIDA Date : February 07, 2015	Place: NOIDA Date : February 07, 2015	Place: NOIDA Date : February 07, 2015

NOTES to the Consolidated Financial Statements for the year ended December 31, 2014

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 under the Companies Act, 1956 read with General Circular 8/2014 dated 4 April 2014, issued by the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013 read with rule 7 of the Companies (Accounts) Rules, 2014 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention except for certain financial instruments which are measured at fair value. The accounting policies have been consistently applied by the Company and are consistent with those used in previous year.

All figures are in Rupees except where expressly stated.

1.1 Summary of significant accounting policies

(a) 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 "Consolidated Financial Statements".

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 30 (b) below) as not required to be consolidated as per Accounting Standard 21 "Consolidated Financial Statements".

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. The Group follows 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.

(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. 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 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 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 are considered fully depreciated in the year of purchase.

(e) Intangibles assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the statement of profit and loss in the year in which the expenditure is incurred.

Intangible assets are amortised on a straight line basis over the estimated useful economic life and are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method are reviewed at least at each financial year end. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly. If there has been a significant change in the expected pattern of economic benefits from the asset, the amortisation method is changed to reflect the changed pattern. Such changes are accounted for in accordance with AS 5 Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies.

Research and development costs

Research costs are expensed as incurred. Development expenditure incurred on an individual project is recognised as an intangible asset when the company can demonstrate all the following:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete the asset
- Its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of adequate resources to complete the development and to use or sell the asset
- The ability to measure reliably the expenditure attributable to the intangible asset during development.

Following the initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised on a straight line basis over the period of expected future benefit from the related project. Amortisation is recognised in the statement of profit and loss. During the period of development, the asset is tested for impairment annually.

A summary of amortisation policies applied to intangible assets are as below:

Category of intangible fixed assets	Estimated useful life
Computer software	Lower of license period or 3 to 5 Years
Internally generated	4 years

(f) 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.

(g) 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.

(h) 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.

(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 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 / unearned 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.

(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 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, 2014, the rates used were US \$ 1 = Rs. 61.02, Euro 1 = Rs. 81.04, GBP 1 = Rs. 100.51, Singapore \$ 1 = Rs. 48.16 and Canadian \$ 1 = Rs. 55.25. For translating assets and liabilities at the year-end, the rates used were US \$ 1 = Rs. 63.04, Euro 1 = Rs. 76.59, GBP 1 = Rs. 98.31, Singapore \$ 1 = Rs. 47.72 and Canadian \$ 1 = Rs. 54.42.

For translating income, expense and cash flows items, during the year ended December 31, 2013, the rates used were US \$ 1 = Rs. 58.58, Euro 1 = Rs. 77.86, GBP 1 = Rs. 91.74, Singapore \$ 1 = Rs. 46.80 and Canadian \$ 1 = Rs. 56.83. For translating assets and liabilities at the year-end, the rates used were US \$ 1 = Rs. 61.81, Euro 1 = Rs. 85.10, GBP 1 = Rs. 102.14, Singapore \$ 1 = Rs. 48.85 and Canadian \$ 1 = Rs. 58.05.

(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.

(I) 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 an employee renders related services. 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 of the Company is 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 Group 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 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.

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 do not represent tax liability / income attributable to Group results, if these were to be analysed under the local legislation of the Company.

(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) 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.

(p) 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.

(q) Provision

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 each Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the management's current estimates.

(r) 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.

(s) 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.

(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) Accounting for derivatives

The Group 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 Group and the Group 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 Group formally designates and documents the hedge relationship to which the Group 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.

(v) 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 Group 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' also 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 Limited develops and markets its proprietary supply chain solution under the brand name "ECnet", primarily to the high technology sector.

The Company, R Systems International Limited is registered under the Companies Act, 1956 with its Registered Office at New Delhi and during the year ended December 31, 2014 had following subsidiaries:-

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 [refer note 29 (d)]	Nil (Previous year 100%)	A company registered under the laws of Belgium in 2007 and subsidiary of the Company since August 28, 2007 (Liquidated on June 24, 2013).
R Systems Europe B.V., Netherlands [refer note 29 (f)]	100% (Previous year 100%)	A company registered under the laws of Netherlands in 1999 and subsidiary of the Company since January 23, 2008 (Ceased to be subsidiary of the Company w.e.f. November 27, 2014).
R Systems S.A.S, France [refer note 29 (f)]	100% (Previous year 100%)	A company registered under the laws of France in 2000 and subsidiary of the Company since January 23, 2008 (Ceased to be subsidiary of the Company w.e.f. November 27, 2014).
ECnet Limited, Singapore	99.75%# (Previous year 99.56%)	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.
Computaris International Limited [refer note 29 (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 Romania, Poland, Moldova, Malaysia and USA.
Systèmes R. International Ltée, Canada	100% (Previous year 100%)	A company registered under the laws of Canada in 2012 and subsidiary of the Company since October 29, 2012.
R Systems Products & Technologies Limited [refer note 29 (g)]	100% (Previous year Nil)	A company incorporated under the provision of Companies Act, 2013 in India on July 11, 2014

#The shareholding by the Company and R Systems (Singapore) Pte Limited is 69.37% and 30.38% respectively.

ECnet Limited, Singapore has following wholly owned subsidiaries:

Name	Holding	Country of incorporation
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:

Name	Holding	Country of incorporation
Computaris Romania SRL	100 % (Previous year 100%)	Romania
Computaris Polska sp z o.o.	100 % (Previous year 100%)	Poland
Computaris USA, Inc.	100 % (Previous year 100%)	United States of America
ICS Computaris International Srl	100 % (Previous year 100%)	Moldova
Computaris Malaysia Sdn. Bhd.	100 % (Previous year 100%)	Malaysia
Computaris Limited	Nil (Previous year 100%)	United Kingdom (Liquidated on December 24, 2013)

3. Share capital

Particulars	As at December 31, 2014 (Rs.)	As at December 31, 2013 (Rs.)
Authorised shares [refer note 31 (b)]		
200,000,000 (Previous year 200,000,000) equity shares of Re. 1 each	200,000,000	200,000,000
Issued, subscribed and fully paid up- shares [refer note 31 (b)]		
127,458,580 (Previous year 126,654,580) equity shares of Re. 1 each fully paid-up	127,458,580	126,654,580
Less: Advance to Indus Software Employees Welfare Trust [refer note 30 (b)]	738,980	738,980
Total	126,719,600	125,915,600

A. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period [refer note 31 (b)]

Particulars	As at December 31, 2014		As at December 31, 2013	
	No.	(Rs.)	No.	(Rs.)
Shares outstanding at the beginning of the year	126,654,580	126,654,580	125,207,080	125,207,080
Add: Shares issued during the year [#]	804,000	804,000	1,447,500	1,447,500
Shares outstanding at the end of the year	127,458,580	127,458,580	126,654,580	126,654,580

[#] The Company has issued 804,000 equity shares of Re. 1 each at an exercise price of Rs. 12.07 per share pursuant to exercise of employee stock options under the R Systems International Limited Employee Stock Option Scheme 2007. Refer note 30 (d).

B. Terms / rights attached to the equity share [refer note 31 (b)]

The Company has only one class of equity shares having a par value of Re. 1 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian Rupee.

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.

D. Details of shareholders holding more than 5% shares in the Company [refer note 31 (b)]

Particulars	As at December 31, 2014		As at December 31, 2013	
	No.	% holding in the class	No.	% holding in the class
GMU Infosoft Private Limited	8,603,535	6.75	7,862,600	6.21
U Infosoft Private Limited	8,771,660	6.88	8,087,660	6.39
GM Solutions Private Limited	9,100,824	7.14	8,397,630	6.63
Rightmatch Holdings Ltd.	9,272,000	7.27	9,272,000	7.32
Satinder & Harpreet Rekhi Family Trust (Trustee: Satinder Singh Rekhi & Harpreet Rekhi)	16,325,180	12.81	18,347,180	14.49
Bhavook Tripathi	46,596,238	36.56	46,291,100	36.55

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.

E. Shares reserved for issue under options [refer note 31 (b)]

For details of shares reserved for issue under the employee stock option plans (ESOP) of the company, please refer note 30.

F. Buy back Offer

The Board of Directors of the Company at its meeting held on December 20, 2014 has approved the buy-back of the Company's fully paid-up equity shares of face value of Re. 1/- each from its existing shareholders, other than those who are promoters, members of the promoter group and persons acting in concert, from the open market through stock exchange(s) for a total consideration not exceeding Rs. 60,000,000, and at a price not exceeding Rs. 100/- per share, payable in cash. Pursuant to above buy back offer, the Company has deposited an amount aggregating to Rs. 15,000,000, being 25% of the maximum buy-back size as approved in the meeting, in an escrow account with a bank. This offer for buy back opened on January 06, 2015 subsequent to the financial year ended December 31, 2014, and therefore has not been accounted in the financial statements.

4. Reserves and surplus

Particulars	As at December 31, 2014 (Rs.)	As at December 31, 2013 (Rs.)
Capital redemption reserve	12,658,200	12,658,200
Securities premium account	952,932,715	936,908,890
Add: Addition on exercise of vested options as per ESOP plan [refer note 30 (d)]	8,900,280	16,023,825
	961,832,995	952,932,715
Less: Advance to Indus Software Employees Welfare Trust [refer note 30 (b)]	2,282,728	2,282,728
Closing balance	959,550,267	950,649,987
Capital reserve	31,726	31,726
General reserve		
Balance as per last financial statements	157,482,023	120,929,823
Add: Amount transferred from surplus balance in the statement of profit and loss (refer note 1 below)	-	36,552,200
Closing balance	157,482,023	157,482,023
Surplus in the statement of profit and loss		
Balance as per last financial statements	767,736,767	582,140,805
Add: Profit for the current year	781,337,458	526,986,632
Less: Appropriations		
Proposed dividend (refer note 1 and 2 below)	121,762,621	120,697,601
Tax on proposed dividend (refer note 2 below)	24,325,059	21,237,977
Interim dividend (refer note 1 below)	624,332,252	139,239,191
Tax on interim dividend	119,290,882	23,663,701
Transfer to general reserve (refer note 1 below)	-	36,552,200
Total appropriations	889,710,814	341,390,670
Net surplus in the statement of profit and loss	659,363,411	767,736,767
Foreign currency translation reserve		
Balance as per last account	303,132,944	171,142,836
Add : Current year translation differences	(50,929,953)	131,990,108
Less : Currency translation released on buy back of subsidiary share [refer note 29 (b)]	26,084,902	-
Less : Currency translation released on sale of subsidiaries [refer note 29 (f)]	10,872,075	-
Closing balance	215,246,014	303,132,944
Total	2,004,331,641	2,191,691,647

Notes:

- (1) For the year ended December 31, 2014, the Board of Directors at its meeting held on February 07, 2015 has recommended a final dividend of Re. 0.95/- per equity share of face value of Re. 1/- each. This is in addition to four interim dividends aggregating to Rs. 4.90 per equity share of face value of Re. 1/- each declared during the year ended December 31, 2014. The shareholder's assent for final

and interim dividends will be taken in forthcoming Annual General Meeting. Based on Companies Act, 2013 provisions applicable on the aforesaid dividends, the Company has not transferred any amount to the general reserves as the dividends has been declared and paid after April 1, 2014. Further for the year ended December 2013, the Board of Directors of the Company had recommended a final dividend of Re. 0.95 per equity share of face value of Re. 1/- each, in addition to first and second interim dividend of Rs. 2.50 and Rs.8.50 per equity share of face value of 10/- each paid in August 2013 and November 2013, which had been approved and confirmed by the shareholder's at the Annual General Meeting on May 10, 2014.

- (2) The Company has issued 712,600 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, 2013 and accordingly increased the appropriation in the current year by Rs. 676,970 and Rs. 115,051 as dividend and tax on dividend respectively.

5. Minority interest

Particulars	As at December 31, 2014 (Rs.)	As at December 31, 2013 (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, 2014 (Rs.)	As at December 31, 2013 (Rs.)	As at December 31, 2014 (Rs.)	As at December 31, 2013 (Rs.)
Term loans				
For motor vehicles				
From non banking financial corporation (refer note 1 below)	6,285,234	4,403,189	3,004,292	2,375,945
For equipment				
From bank (refer note 2 below)	-	4,403,501	-	3,359,101
Total	6,285,234	8,806,690	3,004,292	5,735,046
The above amount includes				
Secured borrowings	6,285,234	8,806,690	3,004,292	5,735,046
Amount shown under other current liabilities (refer note 10)			(3,004,292)	(5,735,046)
Total	6,285,234	8,806,690	-	-

Notes:

- (1) Term loans for motor vehicles from non banking financial corporation are secured by hypothecation of underlying motor vehicles and carries interest rate ranging from 10.10% to 11.94% per annum. The said term loans are repayable in equated monthly installments ranging from 35 to 60 months from the date of loan.
- (2) Term loans for equipment from bank in R Systems Europe B.V., Netherlands, were secured by hypothecation of underlying assets and carries interest rate of 4.97 % per annum. The said term loan was repayable in 36 months equated monthly installments from the date of loan. During the year, the Company has completed the sale of R Systems Europe B.V., Netherlands, therefore the aforesaid loan is transferred on November 27, 2014. [refer note 29 (f)]

7.1 Deferred tax liability (net)

Particulars	As at December 31, 2014 (Rs.)	As at December 31, 2013 (Rs.)
Deferred tax liability		
Differences in depreciation / amortisation and other differences in block of fixed assets as per tax books and financial books	272,402	-
Provision for compensated absences	297,066	-
Other timing differences	92,970	-
Deferred tax liability (net)	662,438	-

7.2 Deferred tax assets (net)

Particulars	As at December 31, 2014 (Rs.)	As at December 31, 2013 (Rs.)
Deferred tax assets		
Provision for gratuity	33,507,581	27,676,089
Provision for compensated absences	27,022,132	24,246,363
Provision for doubtful debts and advances	6,590,262	25,819,791
Other timing differences	8,182,047	15,363,427
Gross deferred tax assets	75,302,022	93,105,670
Deferred tax liability		
Differences in depreciation / amortisation and other differences in block of fixed assets as per tax books and financial books	37,003,035	33,882,414
Other timing differences	-	3,873,943
Gross deferred tax liability	37,003,035	37,756,357
Deferred tax assets (net)	38,298,987	55,349,313

8. Other long-term liabilities

Particulars	As at December 31, 2014 (Rs.)	As at December 31, 2013 (Rs.)
Security deposits	4,759,444	3,862,220
Deferred payable others	235,271	516,346
Total	4,994,715	4,378,566

9. Provisions

Particulars	Long-term		Short-term	
	As at December 31, 2014 (Rs.)	As at December 31, 2013 (Rs.)	As at December 31, 2014 (Rs.)	As at December 31, 2013 (Rs.)
Provision for employee benefits				
Gratuity	95,215,947	73,437,567	3,364,756	3,436,901
Compensated absences			111,040,062	116,334,115
Sub total (A)	95,215,947	73,437,567	114,404,818	119,771,016
Other provisions				
Income tax [net of advance tax amounting to Rs. 360,028,957 (Previous year Rs. 111,873,150)]			132,481,289	79,690,170
Proposed dividend			121,085,651	120,321,851
Tax on proposed dividend			24,210,008	20,448,699
Mark-to-market losses on derivative instruments (refer note 33)			549,541	22,918,617
Sub total (B)	-	-	278,326,489	243,379,337
Total (A+B)	95,215,947	73,437,567	392,731,307	363,150,353

10. Other current liabilities

Particulars	As at December 31, 2014 (Rs.)	As at December 31, 2013 (Rs.)
Trade payables	508,887,723	527,118,337
Sub total (A)	508,887,723	527,118,337
Other liabilities		
Current maturities of long-term borrowing (refer note 6)	3,004,292	5,735,046
Deferred payment compensation to the erstwhile shareholders of subsidiary [refer note 29 (a)]	12,850,989	13,153,262
Unearned revenues	193,476,640	89,691,476
Book overdraft	-	333,326
Investor education and protection fund (not due) - Unclaimed dividend	2,084,702	1,559,375
Unpaid dividend (refer note below)	325,019,379	-
Payable for purchase of fixed assets	9,793,545	12,654,540
Tax deducted at source	13,063,414	10,306,198
Service tax / GST / VAT	11,249,621	9,120,844
Others	19,705,651	34,901,328
Sub total (B)	590,248,233	177,455,395
Total (A+B)	1,099,135,956	704,573,732

Note:

The Board of Directors at its meeting held on December 20, 2014, has declared fourth interim (special) dividend for the year 2014 @ Rs. 2.55 per equity share of face value of Re. 1/- each to the shareholders as per record date December 29, 2014. The amount payable has been transferred in a separate bank account before the year ended December 31, 2014 and the same has been paid on January 07, 2015.

11. Tangible assets

Particulars	(Amount in Rs.)									
	Land - freehold	Land - leasehold	Building - freehold	Building - leasehold ⁽¹⁾	Leasehold improvements	Computers	Office equipments	Furniture and fittings	Vehicles ⁽²⁾	Total
Gross block										
As at January 1, 2013	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
Additions	-	-	-	152,500	1,485,522	77,448,024	12,972,584	5,118,489	8,570,262	105,747,381
Deletions	-	-	-	-	1,080,808	38,246,009	3,961,641	1,782,554	5,807,306	50,878,318
Foreign currency translation	-	-	-	-	8,967,778	30,200,422	12,299,831	10,740,862	2,259,023	64,467,916
At December 31, 2013	4,765,674	10,005,968	31,198,298	89,165,701	67,059,119	538,014,155	190,681,727	165,434,011	49,495,826	1,145,820,479
Additions	-	-	-	-	1,493,421	39,065,698	7,952,393	3,398,375	9,502,201	61,412,088
Deletions	-	-	-	-	3,707,656	32,407,724	48,896,672	3,582,385	1,238,999	89,833,436
Foreign currency translation	-	-	-	-	(4,812,626)	(9,090,797)	(5,623,803)	(5,663,366)	408,113	(24,782,479)
Sale of subsidiaries [refer note 29 (f)]	-	-	-	-	45,286,949	44,886,343	49,781,800	9,747,493	-	149,702,585
At December 31, 2014	4,765,674	10,005,968	31,198,298	89,165,701	14,745,309	490,694,989	94,331,845	149,839,142	58,167,141	942,914,067
Depreciation										
As at January 1, 2013	-	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
Charge for the year	-	159,142	513,504	1,451,874	1,937,513	34,721,218	13,739,406	6,548,328	4,866,029	63,937,014
Deletions	-	-	-	-	1,080,808	38,074,657	1,953,620	858,157	3,061,729	45,028,971
Foreign currency translation	-	-	-	-	8,588,382	27,522,605	10,592,141	10,256,224	1,949,323	58,908,675
At December 31, 2013	-	1,569,516	6,249,175	13,059,227	62,885,924	415,192,362	121,528,333	120,911,854	26,397,631	767,794,022
Charge for the year	-	149,371	513,976	1,455,012	1,334,728	38,426,610	13,876,755	7,311,951	4,878,475	67,946,878
Deletions	-	-	-	-	3,185,895	32,174,255	47,894,174	3,442,361	886,848	87,583,533
Foreign currency translation	-	-	-	-	(4,718,012)	(6,348,202)	(5,449,316)	(5,539,214)	410,070	(21,644,674)
Sale of subsidiaries [refer note 29 (f)]	-	-	-	-	44,612,335	29,938,762	9,338,677	48,954,795	-	132,844,569
At December 31, 2014	-	1,718,887	6,763,151	14,514,239	11,704,410	385,157,753	72,722,921	70,287,435	30,799,328	593,668,124
Net block										
At December 31, 2013	4,765,674	8,436,452	24,949,123	76,106,474	4,173,195	122,821,793	69,153,394	44,522,157	23,098,195	378,026,457
At December 31, 2014	4,765,674	8,287,081	24,435,147	74,651,462	3,040,899	105,557,236	21,608,924	79,551,707	27,367,813	349,245,943

Notes:

- (1) Includes Rs. 21,155,390 (Previous year Rs. 21,155,390) paid towards land and building under a composite lease taken in earlier year for which no separate values are assignable.
- (2) Vehicles amounting to Rs. 17,842,555 (Previous year Rs. 15,323,824) are hypothecated against terms loans for vehicle finance from non banking financial corporation.

12. Intangible assets

(Amount in Rs.)

Particulars	Softwares	Product development costs (Internally generated software)	Customer contract*	Non compete fee*	Goodwill on business acquisition*	Total
Gross block						
As at January 1, 2013	258,897,746	34,580,899	-	-	-	293,478,645
Additions	19,341,847	12,103,851				31,445,698
Addition through business acquisition	-	-	7,405,408	7,492,381	17,935,280	32,833,069
Deletions	7,662,439	-	-	-	-	7,662,439
Foreign currency translation	18,341,343	-	900,001	910,571	2,179,726	22,331,641
At December 31, 2013	288,918,497	46,684,750	8,305,409	8,402,952	20,115,006	372,426,614
Additions	30,973,630	21,987,834	-	-	-	52,961,464
Deletions	36,383,751	-	-	-	-	36,383,751
Foreign currency translation	(10,561,413)	-	(190,780)	(193,021)	(462,054)	(11,407,268)
Sale of subsidiaries [refer note 29 (f)]	62,986,331	-	-	-	-	62,986,331
At December 31, 2014	209,960,632	68,672,584	8,114,629	8,209,931	19,652,952	314,610,728
Amortisation						
As at January 1, 2013	225,343,705	29,889,343	-	-	-	255,233,048
Charge for the year	19,515,921	6,022,709	7,829,105	1,297,043	3,104,825	37,769,603
Deletions	7,657,628	-	-	-	-	7,657,628
Foreign currency translation	15,705,082	-	341,931	56,647	135,601	16,239,261
At December 31, 2013	252,907,080	35,912,052	8,171,036	1,353,690	3,240,426	301,584,284
Charge for the year	30,663,532	8,086,629	132,485	1,656,987	3,966,500	44,506,133
Deletions	36,383,718	-	-	-	-	36,383,718
Foreign currency translation	(9,249,485)	-	(188,892)	(46,097)	(110,345)	(9,594,819)
Sale of subsidiaries [refer note 29 (f)]	51,887,424	-	-	-	-	51,887,424
At December 31, 2014	186,049,985	43,998,681	8,114,629	2,964,580	7,096,581	248,224,456
Net block						
At December 31, 2013	36,011,417	10,772,698	134,373	7,049,262	16,874,580	70,842,330
At December 31, 2014	23,910,647	24,673,903	-	5,245,351	12,556,371	66,386,272

*refer note 29 (e).

13.1 Non-current investments

Particulars	As at December 31, 2014 (Rs.)	As at December 31, 2013 (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

13.2 Current investments

Particulars	As at December 31, 2014 (Rs.)	As at December 31, 2013 (Rs.)
Non-trade, quoted mutual funds (valued at cost or fair value, which ever is lower)		
Investment in SBI Debt Fund [1,800,000 units (Previous year 1,000,000) of Rs.10 each]	18,000,000	10,000,000
Total	18,000,000	10,000,000

Aggregate amount of quoted investments [Market value of Rs. 19,310,580 (Previous year Rs. 10,711,500)]

14. Loans and advances

Particulars	Non-current		Current	
	As at December 31, 2014 (Rs.)	As at December 31, 2013 (Rs.)	As at December 31, 2014 (Rs.)	As at December 31, 2013 (Rs.)
Capital advances				
Unsecured, considered good	450,000	218,400		
Sub total (A)	450,000	218,400		
Advances recoverable in cash or in kind or for value to be received				
Unsecured, considered good	7,371,251	16,688,222	93,554,290	130,030,676
Unsecured, considered doubtful	-	-	3,073,684	3,027,895
	7,371,251	16,688,222	96,627,974	133,058,571
Provision for doubtful advances	-	-	(3,073,684)	(3,027,895)
Sub total (B)	7,371,251	16,688,222	93,554,290	130,030,676
Security deposit				
Unsecured, considered good	26,612,483	26,579,231	4,361,460	1,736,554
Unsecured, considered doubtful	-	-	-	3,000,000
	26,612,483	26,579,231	4,361,460	4,736,554
Provision for doubtful advances	-	-	-	(3,000,000)
Sub total (C)	26,612,483	26,579,231	4,361,460	1,736,554
Other loans and advances				
Unsecured, considered good				
MAT credit entitlement	-	4,486,620		
Balances with customs, excise, etc.	-	-	20,659,153	18,386,078
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. 251,640,403 (Previous year Rs. 250,380,114)]	34,239,888	36,240,595	-	-
Sub total (D)	34,407,552	40,894,879	20,659,153	18,386,078
Total (A+B+C+D)	68,841,286	84,380,732	118,574,903	150,153,308

15. Trade receivables and other assets
15.1 Trade receivables

Particulars	Current	
	As at December 31, 2014 (Rs.)	As at December 31, 2013 (Rs.)
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	18,713,598	14,608,253
Unsecured, considered doubtful	77,445,165	148,889,673
	96,158,763	163,497,926
Provision for doubtful receivables	(77,445,165)	(148,889,673)
Sub total (A)	18,713,598	14,608,253
Other receivables		
Unsecured, considered good	1,232,051,444	1,026,325,485
Unsecured, considered doubtful	20,634,953	15,033,325
	1,252,686,397	1,041,358,810
Provision for doubtful receivables	(20,634,953)	(15,033,325)
Sub total (B)	1,232,051,444	1,026,325,485
Total (A+B)	1,250,765,042	1,040,933,738

15.2 Other assets

Particulars	Non-current		Current	
	As at December 31, 2014 (Rs.)	As at December 31, 2013 (Rs.)	As at December 31, 2014 (Rs.)	As at December 31, 2013 (Rs.)
Non-current bank balances (refer note 16)	56,425,080	90,663,751		
Interest accrued on deposits	2,146,562	5,569,065	5,271,757	2,094,922
Interest accrued on staff advances	-	-	43,163	22,615
Unbilled revenues	-	-	111,831,942	264,117,161
Total	58,571,642	96,232,816	117,146,862	266,234,698

16. Cash and bank balances

Particulars	Non-current		Current	
	As at December 31, 2014 (Rs.)	As at December 31, 2013 (Rs.)	As at December 31, 2014 (Rs.)	As at December 31, 2013 (Rs.)
Cash and cash equivalents				
Cash on hand			750,646	961,744
Cheques on hand			-	1,100,000
Balances with scheduled banks:				
On current accounts			118,888,448	21,559,285
On EEFC accounts			63,196,116	84,518,551
On deposit accounts with original maturity of less than 3 months			89,200,000	69,400,000
On unclaimed dividend *			2,084,702	1,559,375
On unpaid dividend (refer note below) *			325,019,379	-
Escrow account for buyback [refer note 3 (f)] *			15,000,000	-
Balance with other banks:				
On current accounts			433,183,530	516,246,994
On deposit accounts			11,772,901	99,847,743
			1,059,095,722	795,193,692
Other bank balances				
Deposits with original maturity for more than 12 months			150,300,000	99,800,000
Deposits with original maturity for more than 3 months but less than 12 months			154,438,828	119,541,851
Margin money deposits (refer detail below)	56,425,080	90,663,751		
	56,425,080	90,663,751	304,738,828	219,341,851
Amount disclosed under non-current assets (refer note 15.2)	(56,425,080)	(90,663,751)		
Total	-	-	1,363,834,550	1,014,535,543

* Company can utilise these balances for respective dividend / buy back, as the case may be.

Detail of margin money deposits

Particulars	As at December 31, 2014 (Rs.)	As at December 31, 2013 (Rs.)
Margin money deposits against performance guarantees	35,669,730	49,806,339
Margin money deposits against credit / derivative facilities	20,755,350	40,857,412
Total	56,425,080	90,663,751

Note:

The Board of Directors at its meeting held on December 20, 2014, has declared fourth interim (special) dividend for the year 2014 @ Rs. 2.55 per equity share of face value of Re. 1/- each to the shareholders as per record date December 29, 2014. The amount payable has been transferred in a separate bank account.

17. Revenue from operations

Particulars	For the Year ended December 31, 2014 (Rs.)	For the Year ended December 31, 2013 (Rs.)
Sale of services*	6,483,643,958	5,957,729,689
Sale of third party items	1,314,656	2,812,196
Total	6,484,958,614	5,960,541,885

*include revenue from Information technology services Rs. 5,296,102,913 (Previous year Rs. 4,830,041,783) and Business process outsourcing services Rs. 1,187,541,045 (Previous year Rs. 1,127,687,906).

18. Other income

Particulars	For the Year ended December 31, 2014 (Rs.)	For the Year ended December 31, 2013 (Rs.)
Interest income on bank deposits	41,016,484	40,346,189
Foreign exchange fluctuation (net)	17,476,967	-
Profit on redemption of mutual fund	1,005,000	-
Provision for doubtful debts and advances written back (net)	3,474,430	-
Excess provisions written back	1,182,856	1,037,085
Miscellaneous income	26,570,422	5,765,304
Total	90,726,159	47,148,578

19. Employee benefits expense

Particulars	For the Year ended December 31, 2014 (Rs.)	For the Year ended December 31, 2013 (Rs.)
Salaries, wages and bonus	3,583,781,252	3,253,466,800
Gratuity (refer note 32)	30,974,730	10,648,701
Contribution to provident fund and other funds	283,019,766	275,146,849
Staff welfare expenses	37,445,010	34,604,957
Total	3,935,220,758	3,573,867,307

20. Operational and other expenses

Particulars	For the Year ended December 31, 2014 (Rs.)	For the Year ended December 31, 2013 (Rs.)
Contract cost	32,997,381	106,582,006
Power and fuel	55,290,997	55,100,894
Rent - premises	129,054,956	128,164,523
Rent - equipments	4,230,477	5,414,162
Rates and taxes	11,335,882	7,879,598
Insurance	24,211,355	21,602,844
Repair and maintenance	109,717,897	109,168,731
Advertising and sales promotion	31,886,643	21,215,704
Commission - others	7,314,837	5,633,350
Traveling and conveyance	347,763,699	345,943,945
Communication costs	87,467,648	83,566,328
Printing and stationery	6,876,010	7,951,959
Legal and professional fees	722,717,286	598,296,976
Cost of third party items	1,103,857	1,620,874
Directors' sitting fee	935,000	435,000
Auditors' remuneration (refer detail below)	5,878,196	5,592,200
Foreign exchange fluctuation (net)	-	11,839,689
Provision for doubtful debts and advances (net)	-	33,450,241
Bad debts and advances written off [net of Rs. 67,989,552 (previous year Rs. 43,821,551) utilisation from provision for doubt debts and advances]	28,914	654,192
Loss on sale / discard of fixed assets (net)	1,609,875	3,006,410
Recruitment and training expenses	34,136,471	28,298,771
Security expenses	9,466,764	7,520,134
Membership and subscription	11,227,381	11,074,625
Miscellaneous expenses	9,754,178	6,364,554
Total	1,645,005,704	1,606,377,710

Detail of auditors remuneration

Particulars	For the Year ended December 31, 2014 (Rs.)	For the Year ended December 31, 2013 (Rs.)
As auditor:		
- Audit fee		
- Statutory audit fee	1,677,500	1,507,500
- Quarterly audit fee	2,130,000	2,070,000
- Limited Review	570,000	555,000
- Out-of-pocket expenses	245,696	304,700
In other capacity:		
- Certification	880,000	880,000
- Other services	375,000	275,000
Total	5,878,196	5,592,200

21. Depreciation and amortisation expense

Particulars	For the Year ended December 31, 2014 (Rs.)	For the Year ended December 31, 2013 (Rs.)
Depreciation on tangible assets	67,946,878	63,937,014
Amortisation on intangible assets	44,506,133	37,769,603
Total	112,453,011	101,706,617

22. Finance costs

Particulars	For the Year ended December 31, 2014 (Rs.)	For the Year ended December 31, 2013 (Rs.)
Interest on loans	1,174,750	1,233,749
Bank charges	7,735,422	6,250,256
Total	8,910,172	7,484,005

23. Exceptional items

Particulars	For the Year ended December 31, 2014 (Rs.)	For the Year ended December 31, 2013 (Rs.)
Currency translation reserve released on buy back of subsidiary share [refer note 29 (b)]	26,084,902	-
Profit on sale of subsidiaries [refer note 29 (f)]	224,024,880	-
Total	250,109,782	-

24. 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 – Information technology services and products and Business process outsourcing 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, 2014 and December 31, 2013:

Particulars	(Amount in Rs.)									
	Information technology services and products		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	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
REVENUE										
External sales	5,297,417,569	4,832,853,979	1,187,541,045	1,127,687,906					6,484,958,614	5,960,541,885
Inter-segment sales	1,172,881	6,813,758	17,247,805	16,618,587	18,420,686	23,432,345			-	-
Total revenue	5,298,590,450	4,839,667,737	1,204,788,850	1,144,306,493	18,420,686	23,432,345			6,484,958,614	5,960,541,885
RESULT										
Segment result	762,069,874	621,886,018	143,508,421	123,924,986					905,578,295	745,811,004
Unallocated corporate expenses							(72,329,901)	(66,668,620)	(72,329,901)	(66,668,620)
Operating profit									833,248,394	679,142,384
Interest expenses							(1,174,750)	(1,233,749)	(1,174,750)	(1,233,749)
Interest income							41,016,484	40,346,189	41,016,484	40,346,189
Other Unallocable income							1,005,000	-	1,005,000	-
Exceptional items (refer note 23)							250,109,782	-	250,109,782	-
Income taxes expense							(342,867,452)	(191,268,192)	(342,867,452)	(191,268,192)
Net profit									781,337,458	526,986,632

The following table provides required information for the primary segments as at December 31, 2014 and December 31, 2013:

Particulars	(Amount in Rs.)									
	Information technology services and products		Business process outsourcing services		Eliminations		Corporate and others		Total	
	December 31		December 31		December 31		December 31		December 31	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
OTHER INFORMATION										
Segment assets	2,192,391,639	2,173,184,350	270,732,940	429,631,243	39,198,293	198,065,623			2,423,926,286	2,404,749,970
Unallocated corporate assets							1,233,444,013	970,959,993	1,233,444,013	970,959,993
Income tax assets							72,706,539	96,244,192	72,706,539	96,244,192
Total assets	2,192,391,639	2,173,184,350	270,732,940	429,631,243	39,198,293	198,065,623	1,306,150,552	1,067,204,185	3,730,076,838	3,471,954,155
Segment liabilities	953,635,631	775,951,104	79,044,792	354,441,332	39,198,293	198,065,623			993,482,130	932,326,813
Unallocated corporate liabilities							448,852,170	121,881,226	448,852,170	121,881,226
Income tax liabilities							156,691,297	100,138,869	156,691,297	100,138,869
Total liabilities	953,635,631	775,951,104	79,044,792	354,441,332	39,198,293	198,065,623	605,543,467	222,020,095	1,599,025,597	1,154,346,908
Capital expenditures	89,839,472	139,946,226	10,819,210	30,594,221					100,658,682	170,540,447
Depreciation and amortisation	89,404,710	83,676,286	23,048,301	18,030,331					112,453,011	101,706,617
Other non-cash expenses	1,613,918	36,822,328	24,871	288,515					1,638,789	37,110,843

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 area in which customers are located:

	For the year ended December 31,	
	2014 (Rs.)	2013 (Rs.)
India	413,281,662	284,027,611
USA	3,701,587,121	3,317,857,603
South East Asia	586,813,434	606,375,061
Europe	1,516,302,927	1,517,640,314
Others	266,973,470	234,641,296
Total	6,484,958,614	5,960,541,885

Assets and additions to fixed assets by geographical area:

The following table shows the carrying amount of assets and additions to fixed assets (including capital advances) by geographical area in which assets are located:

	Carrying amount of assets as at December 31,		Additions to fixed assets for the year ended December 31,	
	2014 (Rs.)	2013 (Rs.)	2014 (Rs.)	2013 (Rs.)
India	1,658,379,333	1,146,836,625	77,427,068	92,944,119
USA	923,383,328	883,032,008	3,877,951	5,731,933
South East Asia	201,907,530	201,901,447	2,899,145	45,216,667
Europe	860,912,773	1,159,069,634	16,454,518	26,647,728
Others	85,493,874	81,114,441	-	-
Total	3,730,076,838	3,471,954,155	100,658,682	170,540,447

25. Related party disclosure

Names of related parties (refer note 2 for 'R Systems Group')

(i) Key management personnel

Sl. No.	Name of person	Designation	Company
1	Satinder Singh Rekhi	Managing Director	R Systems International Limited, India
		Director	R Systems, Inc., USA
		Director	R Systems (Singapore) Pte Ltd, Singapore
		Director	Indus Software, Inc., USA
		Director	R Systems Solution, Inc, USA
		Director (till June 24, 2013)	R Systems, NV, Belgium (Liquidated on June 24, 2013)
		Director (till November 27, 2014)	R Systems Europe B.V., Netherlands (ceased to be subsidiary w.e.f. November 27, 2014)
		Director	Computaris International Limited, UK
		Director	Systèmes R. International Ltée, Canada
2	Lt. Gen. Baldev Singh (Retd.)	President and Senior Executive Director	R Systems International Limited
		Director (appointed on July 11, 2014)	R Systems Products & Technologies Limited, India
3	Raj Swaminathan	Director and Chief Operating Officer	R Systems International Limited, India
		Director (appointed on July 11, 2014)	R Systems Products & Technologies Limited, India
4	Sartaj Singh Rekhi	Director	R Systems Solution, Inc., USA
		Director (till November 27, 2014)	R Systems Europe B.V., Netherlands (ceased to be subsidiary w.e.f. November 27, 2014)
		Director (appointed on February 1, 2014)	ECnet Ltd, Singapore
		Director (till June 24, 2013)	R Systems, NV, Belgium (Liquidated on June 24, 2013)
		Director	Indus Software, Inc., USA
		Director	R Systems, Inc., USA
		Director	Systèmes R. International Ltée, Canada
5	Sidhartha Shankar Dubey	Director (till November 27, 2014)	R Systems Europe B.V., Netherlands (ceased to be subsidiary w.e.f. November 27, 2014)
		Director (till November 27, 2014)	R Systems S.A.S ,France (ceased to be subsidiary w.e.f. November 27, 2014)
		Vice President – BPO	R Systems International Limited, India
6	Vinay Narjit Singh Behl	Director	R Systems, Inc., USA
7	Chan Kum Ming	Director	ECnet Limited, Singapore
		Director	R Systems (Singapore) Pte Ltd, Singapore
8	Bogdan Mihai Danila	Director	Computaris International Limited, UK
9	Raluca Marina Rusu	Director	Computaris International Limited, UK
10	Michal Misiaszek	Director	Computaris International Limited, UK
11	Ramneet Singh Rekhi	Director (till November 27, 2014)	R Systems Europe B.V., Netherlands (ceased to be subsidiary w.e.f. November 27, 2014)

Sl. No.	Name of person	Designation	Company
12	Avirag Jain	Director (appointed on July 11, 2014)	R Systems Products & Technologies Limited, India
		EVP & Chief Technology Officer	R Systems International Limited, India
13	Joydeep Sen Chaudhuri	Director (appointed on February 1, 2014)	R Systems (Singapore) Pte Ltd, Singapore
14	Teo Lye Choon	Director (appointed on February 1, 2014)	ECnet Limited, Singapore
15	Cai Li Ting	Director (resigned on February 1, 2014)	ECnet Limited, Singapore
		Director (resigned on February 1, 2014)	R Systems (Singapore) Pte Ltd, Singapore
16	Nand Sardana ^	Chief Financial Officer	R Systems International Limited, India
17	Vikash Kumar Tiwari ^	Company Secretary & Compliance Officer (resigned on December 20, 2014)	R Systems International Limited, India
18	Ashish Thakur ^	Company Secretary & Compliance Officer (appointed on December 20, 2014)	R Systems International Limited, India
19	Harpreet Rekhi	Director	R Systems, Inc., USA
		Director	Indus Software, Inc., USA
		Director	R Systems Solution, Inc, USA
		Director	R Systems (Singapore) Pte Ltd, Singapore
20	Ian Adrian Tidder	Director (resigned on December 2, 2013)	Computaris International Limited, UK

^ Pursuant to the Companies Act, 2013.

(ii) Relatives of Key management personnel

Anita Behl, (related to Satinder Singh Rekhi)

Kuldeep Baldev Singh, [related to Lt. Gen. Baldev Singh (Retd.)]

Mandeep Singh Sodhi [related to Lt. Gen. Baldev Singh (Retd.)], Vice President – Sales

(iii) Enterprises where key management personnel or their relatives exercise significant influence

U Infosoft Private Limited

GM Solutions Private Limited

GMU Infosoft Private Limited

Right Match Holdings Ltd

Satinder and Harpreet Rekhi Family Trust

Guru Harkrishan Irrevocable Trust

Guru Tegh Bahadur Irrevocable Trust

Euro IT Limited

Details of transactions with related parties for the year ended December 31, 2014 and December 31, 2013:

(Amount in Rs.)

	For the year ended December 31, 2014	For the year ended December 31, 2013
Remuneration		
Satinder Singh Rekhi	30,133,078	25,292,405
Lt. Gen. Baldev Singh (Retd.)	5,893,452	5,921,889
Raj Swaminathan	6,245,664	6,392,954
Cai Li Ting (Resigned in 2014)	-	6,222,549
Sartaj Singh Rekhi	10,848,566	10,251,964
Vinay Narjit Singh Behl	2,288,668	1,757,250
Mandeep Singh Sodhi	31,031,483	25,212,198
Chan Kum Ming	9,321,992	8,255,151
Bogdan Mihai Danila	6,617,326	6,430,844
Raluca Marina Rusu	7,989,088	7,221,624
Michal Misiaszek	8,010,194	8,106,505
Sidhartha Shankar Dubey	4,123,780	4,295,502
Ramneet Singh Rekhi	3,392,652	3,221,625
Teo Lye Choon	6,771,251	-
Joydeep Sen Chaudhuri	7,261,896	-
Avirag Jain	2,633,003	-
Nand Sardana	4,883,000	3,621,000
Vikash Kumar Tiwari	1,485,671	1,490,856
Ashish Thakur	21,356	-
Total	148,952,120	123,694,316
Services received		
Euro IT Limited	-	15,405,301
Total	-	15,405,301
Rent		
Satinder Singh Rekhi	10,105,756	9,659,184
Total	10,105,756	9,659,184
Dividend paid *		
Satinder Singh Rekhi	4,320,360	2,422,020
Lt. Gen. Baldev Singh (Retd.)	847,013	817,500
Raj Swaminathan	660,000	395,000
Sartaj Singh Rekhi	19,771,422	6,373,879
Ramneet Singh Rekhi	16,718,229	4,662,241
Vinay Narjit Singh Behl	405,525	39,313
Chan Kum Ming	7,200	-
Sidhartha Shankar Dubey	2,749	-
Avirag Jain	330	185
Harpreet Rekhi	2,508	1,406
Nand Sardana	172,260	96,570
Mandeep Sodhi	2,722,159	1,272,060

(Amount in Rs.)

	For the year ended December 31, 2014	For the year ended December 31, 2013
Kuldeep Baldev Singh	20,064	11,248
Anita Behl	46,275	141,303
GMU Infosoft Private Limited	27,176,899	14,255,810
U Infosoft Private Limited	27,834,178	14,672,171
GM Solutions Private Limited	28,884,354	15,245,616
Right Match Holdings Ltd	30,597,600	17,153,200
Guru Harkrishan Irrevocable Trust	-	4,710,100
Guru Tegh Bahadur Irrevocable Trust	-	4,710,100
Satinder and Harpreet Rekhi Family Trust	57,112,994	34,812,283
Total	217,302,119	121,792,005

* Excluding fourth interim (special) dividend and final proposed dividend declared during the year 2014, which is not paid till December 31, 2014

(Amount in Rs.)

Balance payable to key management personnel	As at December 31,	
	2014	2013
Satinder Singh Rekhi	5,158,363	7,880,500
Lt. Gen. Baldev Singh (Retd.)	1,098,001	1,090,927
Raj Swaminathan	1,833,399	1,833,333
Raluca Marina Rusu	621,452	1,126,917
Bogdan Mihai Danila	238,027	433,430
Avirag Jain	1,207,740	-
Nand Sardana	231,988	-
Vikash Kumar Tiwari	147,905	-
Ashish Thakur	49,651	-
Total	10,588,540	12,367,120

26. Capital and other commitments

(i) Capital commitments:

	As at December 31, 2014 (Rs.)	As at December 31, 2013 (Rs.)
Estimated amount of unexecuted capital contracts (net of advances)	3,356,027	5,658,248

(ii) Other commitments:

The Company has committed the buy-back of its equity shares for a total consideration not exceeding Rs. 60,000,000, and at a price not exceeding Rs. 100/- per share. Against the aforesaid buy back the Company has deposited Rs. 15,000,000 in the escrow account [refer note 3 (f)].

27. Contingent liabilities:

	As at December 31, 2014 (Rs.)	As at December 31, 2013 (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	279,000	6,138,000
Total	20,279,000	26,138,000

28. 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, 2014 (Rs.)	Year ended December 31, 2013 (Rs.)
Lease payments for the year	137,569,131	134,332,942
Non-cancellable operating lease obligation :		
Not later than one year	79,374,877	95,321,827
Later than one year but not later than five years	111,571,819	135,739,494
Later than five years	13,826,304	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 8% includes option of renewal from 1 to 6 years and there are no restrictions imposed on lease arrangements.

29. (a) During earlier years, the Company had acquired shares in ECnet Limited, a company incorporated in Singapore at a 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. 12,850,989 (reinstated as at December 31, 2014) [Previous year Rs. 13,153,262 (reinstated as at December 31, 2013)] is shown under 'Other current liabilities'.

- (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 was the initial payout and balance was based on earn outs as well as fulfillment of certain condition by the erstwhile shareholders of Computaris over the next two years.

During the year ended December 31, 2013, the management basis the settlement entered with erstwhile shareholders of Computaris, has agreed the final consideration at Rs. 421,812,565 and accordingly adjusted the investment value and goodwill on acquisition by Rs. 17,209,661. The restated Goodwill as at December 31, 2014 amounts to Rs. 280,203,651 [Previous year Rs. 291,111,050 (reinstated as at December 31, 2013)].

The Board of Directors at its meeting held on July 07, 2014 has approved the offer of buy-back from Computaris International Limited (a wholly owned subsidiary) of 13,500 shares held by the Company in the said subsidiary at the rate of GBP 111.38 per share amounting to for a consideration of Rs. 148,979,660. The aforesaid buy-back proceeds have been received by the Company on September 17, 2014. Even after this buy-back, Computaris International Limited continues to remain wholly owned subsidiary of the Company.

On account of this buy-back, the Company has released proportionate currency translation reserve amounting to Rs. 26,084,902 to the foreign exchange fluctuation which is disclosed as 'Exceptional Items' in the consolidated financial statement.

- (c) One of the step down subsidiaries i.e. Computaris Limited (a wholly owned dormant subsidiary of Computaris International Limited) had been liquidated as per applicable laws in United Kingdom and India on December 24, 2013.
- (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 above said liquidation had been completed on June 24, 2013, in compliance with the applicable laws of India and Belgium.
- (e) During March, 2013, ECnet Limited (a Singapore based subsidiary of the Company) has acquired an ERP business from another company in Singapore. The management has settled the purchase consideration at SGD 753,882 after considering the conditions fulfilled by the seller as specified under Asset Purchase Agreement. The consideration paid has been allocated on the basis of the independent valuation to following assets :-

	Amount in SGD	Amount in Rs.
Customer contracts	170,036	7,405,408
Non-compete fee	172,033	7,492,381
Goodwill on business acquisition	411,813	17,935,280
Total consideration paid	753,882	32,833,069

The assets acquired through business acquisition are amortised on following basis :-

Intangible assets	Amortisation period
Customer contracts	Over the period of contract
Non-compete fee	Non-compete period of 5 years
Goodwill on business acquisition	5 years

- (f) On November 27, 2014, the Company has transferred Europe BPO Business by way of sale of its 100% holding in R Systems Europe B.V., Netherlands and R Systems S.A.S., France, being wholly owned subsidiaries, to Customer Contact Management Group B.V. ("CCMG") a Europe based company by executing the Share Sale Agreement along with other necessary documents for a sale consideration of Euros 4.70 million (Rs. 357,469,488). Out of the sale consideration, Euro 0.35 million (Rs. 26,628,000) has been placed in an escrow account in the Netherlands pursuant to the provision of the Share Sale Agreement. The profit on aforesaid transfer of subsidiaries amounting to Rs. 224,024,880 is disclosed as 'Exceptional Items' in the consolidated financial statements.
- (g) On July 11, 2014, the Company incorporated a wholly owned subsidiary in India, namely, R Systems Products & Technologies Limited ("RSPTL"). The shareholders of the Company by passing special resolution through postal ballot on September 23, 2014 have accorded necessary approval for transfer of Indus IT Product and Service business operated out of Pune and Chennai centres to RSPTL to pursue opportunities for its further sale or disinvestment. The said transfer will be on a going concern basis by way of slump sale, for consideration of Rs 783,900,000 to be discharged by RSPTL through issuance of equity / debenture / loan and / or any other securities, on the terms and conditions as may be agreed by the Board of Directors of the Company and RSPTL. Further, the aforesaid transfer to the subsidiary will not affect the consolidated financial statements of the Company.

30. (a) R Systems International Limited - Year 2004 Employee Stock Option Plan ('the plan')

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 for equity shares of face value of Rs. 10 each, 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. Further, as explained in note 31 (b) regarding sub-division of equity shares of Rs. 10 each into 10 equity shares of Re. 1 each, the exercise price is accordingly adjusted from Rs. 105 per share to Rs. 10.50 per share.

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. As per the plan, the Compensation Committee cannot grant any outstanding options after August 31, 2014, therefore there are no grants outstanding for determination by the Compensation Committee. The movement in the options during the year ended December 31, 2014 and year ended December 31, 2013 [after making adjustment for subdivision of equity shares as explained in note 31 (b)] is set out below:

	Year ended December 31, 2014 (Nos.)	Year ended December 31, 2013 (Nos.)
<u>At the beginning</u>		
- Grants outstanding under the plan (Re. 1 per share)	515,400	560,350
- Grants pending determination by the Compensation Committee (Re. 1 per share)	931,250	886,300
<u>During the year</u>		
- Options granted (Re. 1 per share)	-	-
- Options exercised (Re. 1 per share)	-	-
- Options/grants lapsed or surrendered (Re. 1 per share)	1,344,500	44,950
<u>At the end</u>		
- Grants outstanding under the plan (Re. 1 per share)	102,150	515,400
- Grants pending determination by the Compensation Committee (Re.1 per share)	-	931,250

The weighted average remaining contractual life for the stock options as at December 31, 2014 is 11.54 months (Previous year 9.10 months).

(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 and further sub-division of each of the equity shares of Rs. 10 each into 10 equity shares of Re. 1 each as per record date of February 28, 2014, consequently the total number of shares issued are now 738,980 equity shares of Re. 1 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, 2014 and the year ended December 31, 2013 [after making adjustment for sub-division of equity shares as explained in note 31 (b)] is set out below:

	Year ended December 31, 2014 (Nos.)	Year ended December 31, 2013 (Nos.)
<u>At the beginning</u>		
- Grants outstanding under the plan (Re. 1 per share)		
- Grants pending determination by the Compensation Committee (Re. 1 per share)	738,980	738,980
<u>During the year</u>		
- Options granted (Re. 1 per share)	-	-
- Options exercised (Re. 1 per share)	-	-
- Options/grants lapsed or surrendered (Re. 1 per share)	-	-
<u>At the end</u>		
- Grants outstanding under the plan (Re. 1 per share)	-	-
- Grants pending determination by the Compensation Committee (Re.1 per share)	738,980	738,980

(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. Further, as explained in note 31 (b) regarding sub-division of equity shares of Rs. 10 each into 10 equity shares of Re. 1 each, the exercise price is accordingly adjusted from Rs. 65 per share to Rs. 6.50 per share.

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. During the year ended December 31, 2014 the scheme has been lapsed and therefore there are no grants outstanding for determination by the Compensation Committee. The movement in the options during the year ended December 31, 2014 and year ended December 31, 2013 [after making adjustment for subdivision of equity shares as explained in note 31 (b)] is set out below:

	Year ended December 31, 2014 (Nos.)	Year ended December 31, 2013 (Nos.)
At the beginning		
- Grants outstanding under the plan (Re. 1 per share)	62,000	62,000
- Grants pending determination by the Compensation Committee (Re. 1 per share)	1,238,410	1,238,410
During the year		
- Options granted (Re. 1 per share)	-	-
- Options exercised (Re. 1 per share)	-	-
- Options/grants lapsed or surrendered (Re. 1 per share)	1,300,410	-
At the end		
- Grants outstanding under the plan (Re. 1 per share)	-	62,000
- Grants pending determination by the Compensation Committee (Re.1 per share)	-	1,238,410

The weighted average remaining contractual life for the stock options as at December 31, 2014 is Nil (Previous year 8 months).

(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. Further, as explained in note 31(b) regarding sub-division of equity shares of Rs. 10 each into 10 equity shares of Re. 1 each, the exercise price is accordingly adjusted from Rs. 120.70 per share to Rs. 12.07 per share.

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, 2014 and year ended December 31, 2013 [after making adjustment for sub-division of equity shares as explained in note 31(b)] is set out below:

	Year ended December 31, 2014 (Nos.)	Year ended December 31, 2013 (Nos.)
At the beginning	1,049,280	2,556,780
- Grants outstanding under the plan (Re. 1 per share)	1,965,000	1,905,000
- Grants pending determination by the Compensation Committee (Re. 1 per share)		
During the year		
- Options granted (Re. 1 per share)	-	-
- Options exercised (Re. 1 per share)	804,000	1,447,500
- Options/grants lapsed or surrendered (Re. 1 per share)	-	60,000
At the end		
- Grants outstanding under the plan (Re. 1 per share)	245,280	1,049,280
- Grants pending determination by the Compensation Committee (Re.1 per share)	1,965,000	1,965,000

For options exercised during the period, the weighted average share price at the exercise date was Rs. 49.72 per share (Previous year Rs. 23.42)

The weighted average remaining contractual life for the stock options as at December 31, 2014 is 31 months (Previous year 43 months).

- (e) For the purpose of valuation of the options granted before year ended December 31, 2004, 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 details given above for plan (a), (b) and (c) are before 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 ended December 31, 2006 and further sub-division of each of the equity shares of Rs. 10 each into 10 equity shares of Re. 1 each as per record date of February 28, 2014.

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 and further sub-division of each of the equity shares of Rs. 10 each into 10 equity shares of Re. 1 each as per record date of February 28, 2014.

- (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.

The above information is based on Rs.10 per share before sub-division of each of the equity shares of Rs. 10 each into 10 equity shares of Re. 1 each as per record date of February 28, 2014.

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:

Particulars	(Amount in Rs.)	
	Year ended December 31, 2014	Year ended December 31, 2013
Profit after tax	781,337,458	526,986,632
Add: Intrinsic Value Compensation Cost	-	-
Less: Fair Value Compensation Cost *	-	-
Adjusted Pro-forma Profit after tax	781,337,458	526,986,632
Earnings Per Share [refer note 31 (b)]		
Basic [Nominal value of shares Re. 1 (Previous year: Re. 1)]		
- As reported	6.14	4.18
- Pro-forma	6.14	4.18
Diluted [Nominal value of shares Re. 1 (Previous year: Re. 1)]		
- As reported	6.14	4.18
- Pro-forma	6.14	4.18

*All granted options have been vested during earlier years.

31. (a) Earnings per share (EPS)

Particulars	Year ended	
	December 31, 2014	December 31, 2013
Net profit after tax (Rs.)	781,337,458	526,986,632
Weighted average number of equity shares for calculating Basic and Diluted EPS [refer note 31(b)]	127,239,931	126,141,050
Basic [Nominal value of shares Re. 1 (Previous year: Re. 1)] (Rs.)	6.14	4.18
Diluted [Nominal value of shares Re. 1 (Previous year: Re. 1)] (Rs.)	6.14	4.18

- (b) Pursuant to the approval of the shareholders accorded by passing necessary resolution through Postal Ballot on January 14, 2014, each equity share of face value of Rs. 10/- each of the Company was sub-divided into ten equity shares of face value of Re. 1/- each fully paid up. The sub-division has been given effect as per record date fixed by the Board of Directors i.e. February 28, 2014.

Accordingly, the number of equity shares in Note No. 3 and 30 (a) to (d) (including the previous period comparative numbers) has been stated based on face value of Re. 1/- each. Further, for the purpose of computing Earnings Per Share, the effect of sub-division had been considered in accordance with the requirements of Accounting Standard - 20 "Earnings Per Share" in all comparable periods.

32. Post-employment benefits

The Company has funded 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 employee benefits expense recognised in the Statement of Profit and Loss.

Particulars	(Amount in Rs.)	
	Year ended December 31, 2014	Year ended December 31, 2013
Current service cost	14,241,689	14,079,885
Interest cost on benefit obligation	7,162,357	7,295,836
Expected return on plan assets	(353,758)	(195,282)
Net actuarial (gain) / loss recognised in the year	9,924,442	(10,531,738)
Net employee benefits expense (refer note 19)	30,974,730	10,648,701
Actual return on plan assets	370,063	210,141

Details of defined benefit gratuity plan

Particulars	(Amount in Rs.)	
	As at December 31, 2014	As at December 31, 2013
Defined benefit obligation	102,262,322	81,424,215
Fair value of plan assets	3,681,619	4,549,747
Plan liability / (asset)	98,580,703	76,874,468

Changes in the present value of the defined benefit gratuity plan are as follows:

Particulars	(Amount in Rs.)	
	Year ended December 31, 2014	Year ended December 31, 2013
Opening defined benefit obligation	81,424,215	78,143,622
Interest cost	7,162,357	7,295,837
Current service cost	14,241,689	14,079,886
Benefits paid	(10,506,685)	(7,578,249)
Actuarial (gains) / losses on obligation	9,940,746	(10,516,880)
Closing defined benefit obligation	102,262,322	81,424,215

Changes in the fair value of plan assets are as follows:

Particulars	(Amount in Rs.)	
	Year ended December 31, 2014	Year ended December 31, 2013
Opening fair value of plan assets	4,549,747	-
Expected return	353,758	195,282
Contributions by the employer	5,005,000	5,000,000
Benefits paid	(6,243,190)	(660,394)
Actuarial gains / (losses) on obligation	16,304	14,859
Closing fair value of plan assets	3,681,619	4,549,747

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

Particulars	Year ended December 31, 2014	Year ended December 31, 2013
Investments with insurer	100%	100%

The principal assumptions used in determining defined benefit gratuity plan obligations is shown below:

Particulars	Year ended December 31, 2014	Year ended December 31, 2013
Discount rate	7.90% p.a.	9.25% p.a.
Expected rate of return on plan assets	8.75% p.a.	9.00% p.a.
Salary Escalation Rate	10% for 1st year & 7% thereafter	10% for 1st year & 7% thereafter
Attrition rate:	As per table below	As per table below

Attrition rate used for the year ended December 31, 2014 and year ended December 31, 2013 are as per the table below:

Age (Years)	Rates
Below Age 30	15%
Age 30 to 34	10%
Age 35 to 44	5%
Age 45 to 50	3%
Age 51 to 54	2%
Age above 54	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, 2014	December 31, 2013	December 31, 2012	December 31, 2011	December 31, 2010
Defined benefit obligation	102,262,322	81,424,215	78,143,622	62,937,379	57,825,653
Plan assets	3,681,619	4,549,747	-	-	-
Surplus / (deficit)	(98,580,703)	(76,874,468)	(78,143,622)	(62,937,379)	(57,825,653)
Experience (Gains)/ Losses adjustments on plan liabilities	(4,196,352)	(3,130,879)	2,63,983	1,934,614	(2,914,547)
Experience adjustments on plan assets	16,304	14,859	-	-	-

33. Particulars of Derivative Instruments and Unhedged Foreign Currency Exposure as at December 31, 2014 and December 31, 2013:

As of December 31, 2014, the Company has derivative financial instruments to sell USD 14,750,000 (Previous year USD 11,450,000), EURO 1,200,000 (Previous year EURO 750,000) and put options USD 150,000 (Previous year Nil). The Company has not applied hedge accounting as these instruments do not qualify for hedge accounting. The Group has recognised mark-to-market loss of Rs. 549,541 (Previous year loss of Rs. 22,918,617) relating to such derivative financial instruments in the Profit and Loss Account for the year ended December 31, 2014.

The particulars of Unhedged Foreign Currency Exposure as at December 31, 2014 and December 31, 2013 are as below:

	Currency	Foreign Currency amount		Closing foreign exchange rate		Amount (in Rs.)	
		December 31,		December 31,		December 31,	
		2014	2013	2014	2013	2014	2013
Liabilities							
Deferred compensation to erstwhile shareholders of subsidiary	SGD	269,285	269,285	47.72	48.85	12,850,989	13,153,262
Trade payables	USD	529,056	612,448	63.04	61.81	33,349,067	37,852,328
	EURO	1,105,194	1,234,649	76.59	85.10	84,641,282	105,072,334
	CHF	1,286	-	63.70	-	81,918	-
Assets							
Trade receivables (Gross)	USD	6,067,109	6,690,675	63.04	61.81	382,440,210	413,517,175
	EURO	4,518,411	3,364,011	76.59	85.10	346,042,529	286,287,419
	GBP	132,663	111,344	98.31	102.14	13,042,409	11,372,676
	AUD	-	4,000	-	55.09	-	220,350
	CHF	56,950	226,516	63.70	69.38	3,627,715	15,716,374
	MYR	1,250	-	18.12	-	22,648	-
	CAD	242,308	-	54.42	-	13,187,003	-
Loans and advances	USD	7,475	797	63.04	61.81	471,188	49,274
	SGD	24,815	24,000	47.72	48.85	1,184,244	1,172,280
Cash and bank balances	USD	1,441,288	1,764,469	63.04	61.81	90,851,607	109,053,032
	EURO	1,282,755	2,702,993	76.59	85.10	98,239,797	230,032,844
	GBP	926	-	98.31	102.14	91,037	-
	JPY	-	2,094,105	-	0.59	-	1,233,428
	CHF	103,204	162,111	63.70	69.38	6,574,087	11,247,770
	HKD	-	14	-	7.98	-	112
	BGN	113	113	39.52	43.20	4,465	4,882
	PLN	124	124	17.81	20.42	2,209	2,523
	UAH	719	719	3.95	7.51	2,841	5,400
	MYR	-	537	-	18.87	-	10,125
	SEK	210	120	8.14	9.62	1,710	1,152
	MDL	827	797	4.04	4.74	3,344	3,779
	SGD	14	14	47.72	48.85	668	684
	RUB	2,350	700	1.12	1.88	2,630	1,313
	MOP	-	14	-	7.75	-	105
	PHP	-	660	-	1.39	-	919
	HRK	-	48	-	11.17	-	533
	INR	670	670	1.00	1.00	670	670
	TRY	17	17	27.37	28.79	465	489

Above is on the basis of unhedged foreign currency exposures outstanding as at reporting date in the Company and its subsidiaries

The below table shows the detail of different currencies:

Sl. No.	Currency Abbreviation	Name of Currency	Country
1	GBP	Great Britain Pound	United Kingdom
2	EURO	Euro	European Union
3	CHF	Swiss Franc	Switzerland
4	USD	US Dollar	United States
5	AUD	Australian dollar	Australia
6	SGD	Singapore Dollar	Singapore
7	BGN	Bulgarian Lev	Bulgaria
8	TRY	Turkish Lira	Turkey
9	PLN	Polish Zloty	Poland
10	MYR	Malaysian Ringgit	Malaysia
11	HRK	Croatian Kuna	Croatia
12	SEK	Swedish Krona	Sweden
13	HKD	Hong Kong Dollar	Hong Kong
14	MOP	Macau Pataca	Macau
15	UAH	Ukrainian Hryvna	Ukraine
16	MDL	Moldovan Leu	Moldova
17	RUB	Russian Ruble	Russia
18	PHP	Philippine Peso	Philippines
19	INR	Indian Rupee	India
20	JPY	Japanese Yen	Japan

34. Cash and bank balances

Sl. No.	Particulars	(Amount in Rs.)	
		As at December 31, 2014	As at December 31, 2013
	Cash on hand (A)	750,646	961,744
	Cheques on hand (B)	-	1,100,000
	Balance with scheduled banks		
	On current accounts		
1	ICICI Bank Limited	82,121,855	3,180,957
2	HDFC Bank Limited	5,894,989	495,419
3	Oriental Bank of Commerce	78,437	48,979
4	State Bank of India	4,896,668	4,994,389
5	Axis Bank Limited	25,656,268	12,305,527
6	State Bank of Bikaner & Jaipur	66,392	99,653
7	Kotak Mahindra Bank Limited	93,854	116,117
8	The Ratnakar Bank Limited	79,985	318,244
	Total (C)	118,888,448	21,559,285
	On cash credit / overdraft accounts*		
1	Axis Bank Limited	-	-
	Total (D)	-	-

(Amount in Rs.)

Sl. No.	Particulars	As at December 31, 2014	As at December 31, 2013
On EEFC accounts			
1	ICICI Bank Limited-USD	22,567,090	1,443,510
2	State Bank of India-USD	3,606,650	1,061,243
3	Axis Bank Limited-USD	22,199,151	48,218,566
4	Axis Bank Limited-EURO	8,706,494	22,648,033
5	Axis Bank Limited-GBP	91,037	-
6	Axis Bank Limited-CHF	6,025,694	11,147,199
Total (E)		63,196,116	84,518,551
On deposit accounts			
1	Oriental Bank of Commerce	76,838,828	15,006,473
2	State Bank of India	7,674,574	12,976,807
3	ICICI Bank Limited	31,862,529	2,201,324
4	State Bank of Bikaner & Jaipur	195,300,000	88,850,000
5	Axis Bank Limited	20,755,350	220,909,163
6	Kotak Mahindra Bank Limited	110,200,000	22,938,855
Total (F)		442,631,281	362,882,622
On unclaimed dividend accounts			
1	Kotak Mahindra Bank Limited	1,968,014	1,404,250
2	HDFC Bank Limited	116,688	155,125
Total (G)		2,084,702	1,559,375
On unpaid dividend			
1	Kotak Mahindra Bank Limited	325,019,379	-
Total (H)		325,019,379	-
Escrow account for buyback			
1	Kotak Mahindra Bank Limited [refer note 3 (f)]	15,000,000	-
Total (I)		15,000,000	-
Balance with other banks			
On current accounts			
1	California Bank & Trust, USA	250,880,772	200,866,459
2	Citibank Singapore Ltd, Singapore	25,637,094	8,583,033
3	DBS Bank Ltd, Singapore	2,390,970	2,266,475
4	Malayan Banking Berhad, Malaysia	15,126,751	14,596,725
5	Hang Seng Bank Limited, Hong Kong	2,053,363	358,931
6	Citibank NA, Thailand	3,138,745	1,991,060
7	Bank of China, China	17,241,578	18,578,418
8	Sumitomo Mitsui Banking Corporation, Japan	137,588	1,271,498
9	Mizuho Bank Ltd, Japan	186,461	83,183
10	The Bank of Tokyo-Mitsubishi UFJ, Ltd., Japan	218,546	107,970
11	ABN Amro Bank, Netherlands	-	91,865,029
12	ABN Amro Bank, France	-	2,447,127
13	Natwest Bank	91,165,330	117,627,797
14	Bank Zachodni WBK SA	16,059,926	28,206,401
15	Mobiasbanca - Groupe Societe Generale SA	4,836,981	17,025,428
16	BRD Groupe Societe Generale SA	2,453,574	9,652,356
17	CIMB Bank BHD	905,739	719,104
18	Royal Bank of Canada	64,953	-
19	ING Bank N.V. Amsterdam - Bucharest	684,960	-
Total (J)		433,183,530	516,246,994

(Amount in Rs.)

Sl. No.	Particulars	As at December 31, 2014	As at December 31, 2013
On deposit accounts			
1	Mobiasbanca - Groupe Societe Generale SA	642,859	753,888
2	ABN Amro Bank, Netherland	-	6,117,629
3	Bank Zachodni WBK SA	-	43,540,184
4	BRD Groupe Societe Generale SA	14,566,865	59,944,385
5	Natwest Bank	-	3,083,937
6	Citibank Singapore Ltd, Singapore	4,295,804	2,930,700
Total (K)		19,505,528	116,370,723
Less: Amount disclosed under other non - current assets (refer note 15.2)		(56,425,080)	(90,663,751)
Total cash and bank balance (refer note 16)		1,363,834,550	1,014,535,543

* 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 an immovable property situated in Noida.

35. Previous year figures have been regrouped / reclassified where necessary to make them comparable to the current year classification. 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 & Associates LLP
ICAI Firm registration number: 101049W
 Chartered Accountants

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

Sd/- per Yogender Seth Partner Membership No. 94524	Sd/- Satinder Singh Rekhi [Managing Director] [DIN: 00006955]	Sd/- Lt. Gen. Baldev Singh (Retd.) [President & Senior Executive Director] [DIN: 00006966]	Sd/- Raj Swaminathan [Director & Chief Operating Officer] [DIN: 00788158]	Sd/- Nand Sardana [Chief Financial Officer]	Sd/- Ashish Thakur [Company Secretary & Compliance Officer]
Place: NOIDA Date : February 07, 2015	Place : Singapore Date : February 07, 2015	Place: NOIDA Date : February 07, 2015	Place : NOIDA Date : February 07, 2015	Place: NOIDA Date : February 07, 2015	Place: NOIDA Date : February 07, 2015

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 in case of investment in subsidiaries)	Turnover	Profit/ (loss) before taxation	Provisions for taxation	Profit/ (loss) after taxation	Proposed dividend
1	R Systems (Singapore) Pte Limited, Singapore	December 31, 2014	100.00%	4,07,00,000 ordinary shares of no par value	105.93	62.30	190.66	22.43	-	223.49	4.83	0.28	4.55	Nil
2	R Systems, Inc., USA	December 31, 2014	100.00%	2,000 common shares of no par value	27.80	281.12	484.90	175.98	-	1,323.25	126.38	46.82	79.56	Nil
3	Indus Software, Inc., USA	December 31, 2014	100.00%	243,750 common shares of no par value	10.79	(31.48)	11.00	31.69	-	81.81	2.05	0.86	1.19	Nil
4	R Systems Solutions, Inc., USA	December 31, 2014	100.00%	16,335,883 common shares of no par value and 8,666,884 Series A preferred stock of no par value	96.14	(11.70)	120.67	36.23	-	354.52	32.04	0.13	31.91	Nil
5	R Systems Europe B.V., Netherlands ⁽⁸⁾	Refer note 6	100.00%	3,170 ordinary shares of Euro 100 each	-	-	-	-	-	486.56	46.12	10.33	35.79	Nil
6	R Systems S.A.S., France	Refer note 6	100.00%	10,000 ordinary shares of Euro 15.24 each	-	-	-	-	-	83.84	(3.50)	-	(3.50)	Nil
7	ECnet Limited, Singapore ⁽¹⁾	December 31, 2014	99.75%	99.75% of 92,103,530 ordinary shares of no par value	2,438.89	(2,321.73)	159.66	42.50	-	178.82	9.64	-	9.64	Nil
8	ECnet (M) Sdn. Bhd., Malaysia ⁽²⁾	December 31, 2014	99.75%	99.75% of 500,000 ordinary shares of RM 1 each	7.35	(14.90)	43.28	50.83	-	90.30	(13.52)	(0.29)	(13.23)	Nil
9	ECnet, Inc., USA ⁽²⁾	December 31, 2014	99.75%	99.75% of 1,000 shares of US\$ 2 each	0.09	(199.98)	2.35	202.24	-	-	(0.03)	-	(0.03)	Nil
10	ECnet (Hong Kong) Limited, Hong Kong ^(3&4)	December 31, 2014	99.75%	99.75% of 2 ordinary shares of HK\$1 each	0.00	8.19	9.03	0.84	-	7.66	1.42	0.15	1.27	Nil
11	ECnet Systems (Thailand) Co. Limited, Thailand ⁽²⁾	December 31, 2014	99.75%	99.75% of 400,000 ordinary shares of 5 THB each	2.34	(0.51)	19.59	17.76	-	20.73	(4.93)	-	(4.93)	Nil
12	ECnet (Kabushiki Kaisha, Japan) ⁽²⁾	December 31, 2014	99.75%	99.75% of 200 shares of 50,000 Yen each	4.29	(38.16)	0.55	34.42	-	2.26	(5.61)	-	(5.61)	Nil
13	ECnet (Shanghai) Co. Limited, China ⁽²⁾	December 31, 2014	99.75%	99.75% of shares of no par value	9.12	(37.14)	19.63	47.65	-	32.87	(6.19)	-	(6.19)	Nil
14	Computaris International limited, UK ⁽¹⁰⁾	December 31, 2014	100.00%	66,500 shares of GBP 0.01 each ⁽³⁾	0.05	165.83	380.78	214.90	-	834.88	72.11	(12.40)	84.51	Nil
15	Computaris Romania Srl, Romania ⁽⁸⁾	December 31, 2014	100.00%	100 shares of RON 16 each	0.02	79.32	93.83	14.49	-	399.43	14.02	2.96	11.06	Nil
16	Computaris Polska Sp. z o.o., Poland ^(3&4)	December 31, 2014	100.00%	100 shares of PLN 500 each	0.80	20.56	117.11	95.75	-	275.97	50.74	10.13	40.61	Nil
17	ICS Computaris International Srl, Moldova ⁽³⁾	December 31, 2014	100.00%	Shares of no par value	0.02	38.07	39.54	1.45	-	58.22	5.70	1.59	4.11	Nil
18	Computaris Malaysia Sdn. Bhd., Malaysia ⁽⁸⁾	December 31, 2014	100.00%	1,000 ordinary shares of RM 1 each	0.01	0.85	1.19	0.33	-	14.57	0.32	0.18	0.14	Nil
19	Computaris USA, Inc., USA ^(3&4)	December 31, 2014	100.00%	100 shares of USD 1 each	0.00	9.55	63.75	54.20	-	181.70	17.53	6.92	10.61	Nil
20	Systèmes R. International Ltée, Canada	December 31, 2014	100.00%	200 common shares of CAD 1 each	0.01	(3.54)	7.91	11.44	-	13.92	(2.37)	-	(2.37)	Nil
21	R Systems Products & Technologies Limited, India	Refer note 8	100.00%	5,00,000 Equity Shares of Rs. 1 each.	0.50	(0.25)	0.44	0.19	-	-	(0.25)	-	(0.25)	Nil

Notes:

- R Systems International Limited holds 69.37% directly in ECnet Limited, Singapore and 30.38% shares through its wholly owned subsidiary i.e. R Systems (Singapore) Pte Limited, Singapore and thus together it holds 99.75% of total capital of ECnet Limited, Singapore.
- Wholly owned subsidiary of ECnet Limited, Singapore which is the subsidiary of R Systems International Limited as explained in note no 1.
- Wholly owned subsidiary of Computaris International Limited, United Kingdom, which is the wholly owned subsidiary of R Systems International Limited.
- The absolute amount of share capital in ECnet (Hong Kong) Limited, Hong Kong is Rs. 12 /- (2 ordinary shares of HKD 1 each).
- The absolute amount of share capital in Computaris USA, Inc., USA is Rs. 4,558 /- (100 ordinary shares of USD 1 each).
- On November 27, 2014, R Systems International Limited sold of its 100% shareholding in R Systems Europe B.V., Netherlands and R Systems S.A.S., France. Hence Balance sheet items are reported as nil as at December 31, 2014 and profit and loss items are reported up to the date of sale i.e. November 27, 2014.
- On September 17, 2014, Computaris International Limited has completed the buy-back of 13,500 its shares. Even after this buy-back, Computaris International Limited continues to remain the wholly owned subsidiary of R Systems International Limited.
- R Systems International Limited has incorporated subsidiary namely R Systems Products & Technologies Limited, India on July 11, 2014. The above mentioned details are for the period ended December 31, 2014. The first financial year of the subsidiary has not yet ended.
- During the year ended December 31, 2014, R Systems International Limited has received Rs. 55.48 mn as dividend from R Systems Europe B.V., Netherlands.
- During the year Computaris Polska Sp. z o.o., Poland has paid dividend amounting to rs.5595 mn to Computaris International limited, UK.

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

Sd/-
Satinder Singh Rekhi
 [Managing Director]
 [DIN: 00006955]
 Place : Singapore
 Date : February 07, 2015

Sd/-
Lt. Gen. Baldev Singh (Retd.)
 [President & Senior Executive Director]
 [DIN: 00788158]
 Place : NOIDA
 Date : February 07, 2015

Sd/-
Raj Swaminathan
 [Director & Chief Operating Officer]
 [DIN: 00788158]
 Place : NOIDA
 Date : February 07, 2015

Sd/-
Nand Sardana
 [Chief Financial Officer]
 Place : NOIDA
 Date : February 07, 2015

Sd/-
Ashish Thakur
 [Company Secretary & Compliance Officer]
 Place : NOIDA
 Date : February 07, 2015

STATEMENT PURSUANT TO SECTION 215(2) OF THE COMPANIES ACT, 1956

As per Section 215 of the Companies Act, 1956 every balance sheet and every profit and loss account of a company shall be signed on behalf of the Board of Directors - by its manager or secretary, if any, and by not less than two directors of the company one of whom shall be the managing director where there is one. Since Mr. Satinder Singh Rekhi, Managing Director, was travelling overseas for business reasons he could not sign the financial statements as required under Section 215 of the Companies Act, 1956 in India and has signed the financial statements in Singapore. This statement of explanation is therefore attached along with the Balance Sheet and the Statement of Profit and Loss of R Systems International Limited for the year ended December 31, 2014.

It may please be noted that the annual report of R Systems International Limited contains amongst others the following financial statements:

- » Balance Sheet as at December 31, 2014 (standalone);
- » Statement of Profit and Loss for the year ended December 31, 2014 (standalone);
- » Cash flow statement for the year ended December 31, 2014 (standalone);
- » Statements pursuant to Section 212 of the Companies Act, 1956 relating to the subsidiary companies;
- » Balance Sheet as at December 31, 2014 (consolidated);
- » Statement of Profit and Loss for the year ended December 31, 2014 (consolidated) and;
- » Cash flow statement for the year ended December 31, 2014 (consolidated).

These were placed before the Board of Directors at its meeting held on February 07, 2015 for its approval. The Board of Directors has approved the aforementioned financial statements and authorised Mr. Satinder Singh Rekhi, Managing Director, Lt. Gen. Baldev Singh (Retd), President and Senior Executive Director, Mr. Raj Swaminathan, Director and Chief Operating Officer, Mr. Nand Sardana, Chief Financial Officer and Mr. Ashish Thakur, Company Secretary and Compliance Officer of the Company to sign the same on behalf of the Board. The Board also took note of the fact that Mr. Satinder Singh Rekhi, Managing Director of the Company, could not physically attend the said Board meeting as explained above. He has however attended the meeting via teleconference. The Board therefore authorised Mr. Satinder Singh Rekhi to simultaneously sign the financial statements in Singapore and forward the same to India.

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

Sd/-

Lt. Gen. Baldev Singh (Retd.)

[President and Senior Executive Director]

(DIN: 00006966)

Place : NOIDA

Date : February 07, 2015

Sd/-

Raj Swaminathan

[Director and Chief Operating Officer]

(DIN: 00788158)

Place : NOIDA

Date : February 07, 2015

NOTICE

R SYSTEMS INTERNATIONAL LIMITED

NOTICE OF THE TWENTY FIRST ANNUAL GENERAL MEETING

[Corporate Identification Number – L74899DL1993PLC053579]

Registered Office: B-104 A, Greater Kailash – I, New Delhi – 110 048

Corporate Office C-40, Sector -59, NOIDA, Distt. Gautam Budh Nagar, U.P. – 201 307, India

Tel.: +91 – 120- 4303500 ; Fax: +91 – 120 – 2587123

Website: www.rsystems.com ; Email: investors@rsystems.com

NOTICE is hereby given that Twenty First Annual General Meeting of the shareholders of R SYSTEMS INTERNATIONAL LIMITED (the “Company”/ “R Systems”) will be held on Tuesday, June 09, 2015 at 9:00 A.M. at Air Force Auditorium, Subroto Park, New Delhi - 110 010 for transacting the following business:

As Ordinary Business

1. To receive, consider and adopt the audited balance sheet as at December 31, 2014 and the Statement of Profit and Loss for the year ended on that date together with the reports of Auditors and Directors thereon and also the consolidated audited Balance Sheet as at December 31, 2014 and the consolidated Statement of Profit and Loss for the year ended on that date together with the reports of Auditors.
2. To declare final dividend for the year ended December 31, 2014 and confirm the four interim dividends of Re. 0.95, Re. 0.50, Re. 0.90 and Rs. 2.55 per equity share of Re. 1/- declared and paid during the year ended December 31, 2014.
3. To appoint a director in place of Mr. Raj Swaminathan (DIN: 00788158), who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint Auditors of the Company to hold office from the conclusion of twenty first Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration. M/s. S. R. Batliboi & Associates LLP, Chartered Accountants (ICAI FRN:101049W), the retiring Auditors are eligible for reappointment.

As Special Business

Appointment of Independent Directors

5. To consider the appointment of Mr. Raj Kumar Gogia (DIN:00007364), as an Independent Director and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

“RESOLVED THAT pursuant to the provisions of Sections 149, 152 read with Schedule IV and any other applicable provisions of the Companies Act, 2013 and the Companies (Appointment

and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Mr. Raj Kumar Gogia (DIN: 00007364) whose period of office was liable to retirement by rotation as per the Companies Act, 1956 and who has submitted a declaration that he meets the criteria for Independence as provided in section 149(6) of the Companies Act, 2013 and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director be and is hereby appointed as an Independent Director of the Company, not liable to retire by rotation for a term commencing from March 29, 2015 till the conclusion of the twenty second Annual General Meeting of the Company.”

6. To consider appointment of Mr. Suresh Paruthi (DIN:00777887) as an Independent Director and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

“RESOLVED THAT pursuant to the provisions of Sections 149, 152 read with Schedule IV and any other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Mr. Suresh Paruthi (DIN:00777887) whose period of office was liable to retirement by rotation as per the Companies Act, 1956 and who has submitted a declaration that he meets the criteria for Independence as provided in section 149(6) of the Companies Act, 2013 and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director be and is hereby appointed as an Independent Director of the Company, not liable to retirement by rotation for a term commencing from March 29, 2015 till the conclusion of the twenty second Annual General Meeting of the Company.”

7. To consider appointment of Mr. Gurbax Singh Bhasin (DIN:00012628) as an Independent Director and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

“RESOLVED THAT pursuant to the provisions of Sections 149, 152 read with Schedule IV and any other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Mr. Gurbax Singh Bhasin (DIN: 00012628) whose period of office was liable to retirement by rotation as per the Companies Act, 1956 and who has submitted a declaration that he meets the criteria for Independence as provided in section 149(6) of the Companies Act, 2013 and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director be and is hereby appointed as an Independent Director of the Company, not liable to retirement by rotation for a term commencing from March 29, 2015 till the conclusion of the twenty second Annual General Meeting of the Company.”

8. To consider appointment of Mr. Amardeep Singh Ranghar (DIN:06916409) as an Independent Director and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution:**

“RESOLVED THAT pursuant to the provisions of Sections 149, 152 read with Schedule IV and any other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Mr. Amardeep Singh Ranghar (DIN: 06916409) who was appointed as an additional director in the meeting of the Board of Directors held on July 07, 2014 upto the ensuing Annual General Meeting and who has submitted a declaration that he meets the criteria of independence under Section 149(6) of the Companies Act, 2013 and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director be and is hereby appointed as an Independent Director of the Company, not liable to retirement by rotation for a term commencing from March 29, 2015 till the conclusion of the twenty second Annual General Meeting of the Company.”

9. Regularisation of the appointment of Mrs. Ruchica Gupta (DIN: 06912329) as a Director of the Company

To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution:**

“RESOLVED THAT pursuant to the provisions of Section 149, 150, 152 & 160 and other applicable provisions (including any

modification or re-enactment thereof), if any, of the Companies Act, 2013 and Companies (Appointment and Qualification of Directors) Rules, 2014, Mrs. Ruchica Gupta (DIN: 06912329) who was appointed as an additional director in the meeting of the Board of Directors held on July 07, 2014 upto the ensuing Annual General Meeting and in respect of whom the Company has received a notice in writing from a member proposing her candidature for the office of the Director be and is hereby appointed as a Director of the Company whose period of office will be liable to retire by rotation.”

10. Reappointment and payment of remuneration to Lt. Gen. Baldev Singh (Retd.) (DIN: 00006966) as President and Senior Executive Director 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 subject to the approval of the Central Government and other authorities, if applicable and pursuant to the provisions of Sections 196, 197, 198, Schedule V and other applicable provisions, if any, of the Companies Act, 2013, other applicable provisions, if any, of the Companies Act, 1956, consent of the shareholders be and is hereby granted for the reappointment of Lt. Gen. Baldev Singh (Retd.) (DIN: 00006966) as President and Senior Executive Director of the Company liable to retire by rotation for a period of three years i.e. w.e.f April 01, 2015 to April 01, 2018 on the following terms and conditions:

1. Consolidated annual salary of Rs. 3,965,775/- (Rupees Thirty Nine Lakhs Sixty Five Thousand Seven Hundred Seventy Five Only).
2. Periodic bonus as per the incentive scheme of the Company subject to a maximum of Rs. 18 lakhs (Rupees Eighteen Lakhs Only) per annum.
3. A chauffeur driven car for official purpose only and reimbursement of fuel and maintenance expenses subject to a maximum of Rs. 150,000 (Rupees One Lakh Fifty Thousand Only) per annum.
4. Reimbursement of telephone bills and internet bills for his residence subject to a maximum of Rs. 50,000 (Rupees Fifty Thousand Only) per annum.
5. He will also be eligible for the reimbursement of Medical Expenses incurred, for himself and his family only on actual incurred basis.
6. Leave travel assistance amounting to one ticket to U. S.A. once in a year. This may be in the form of one US ticket for any person to either accompany him on a business trip or just independent of his business trip.

7. He will be entitled to participate in Company's stock options plan approved by the Board from time to time.
8. He will be entitled for payment of gratuity as per the policy of the Company.
9. He will be entitled for a bonus up to Rs. 600,000 (Rupees Six Lakhs Only) at the end of the every year subject to overall customer satisfaction, employee motivation & morale, growth in revenue & profitability with approval of Managing Director.
10. He will be entitled to a maximum annual increment of 15% per annum on his consolidated annual salary of the immediate preceding year at the discretion of the Board w.e.f. January 01, 2016, January 01, 2017 and January 01, 2018.
11. The revised compensation plan replaces all existing compensation plans, benefits and perquisites.

RESOLVED FURTHER THAT in the event of absence or inadequacy of profits in any financial year during the tenure of Lt. Gen. Baldev Singh (Retd.) as the President and Senior Executive Director of the Company, the Company shall pay him the remuneration as specified above as minimum remuneration.

RESOLVED FURTHER THAT Lt. Gen. Baldev Singh (Retd.) shall work under the superintendence and control of the Board of Directors and shall be responsible for the management of all the Noida operations, further he is also empowered to do all such acts, deeds, matters and things as deemed necessary or expedient for carrying on the business of the Company, including power to appoint, suspend and dismiss any officer, staff or workman of the Company, to incur capital or revenue expenditure on behalf of the Company, to sell any old or used assets of the Company in compliance with the applicable internal checks and control systems, entering into contracts, taking suitable legal actions, operating of bank accounts, making investments and such other subjects as may be assigned to him by the Board.

RESOLVED FURTHER THAT Mr. Satinder Singh Rekhi, Managing Director and / or Mr. Raj Swamintahan, Director and Chief Operating Officer and / or Mr. Nand Sardana, Chief Financial Officer and / or Mr. Ashish Thakur, Company Secretary and Compliance Officer and / or Mr. Prem Goswami, Vice President – H.R. of the Company be and are hereby authorized, jointly and severally, to make an application before the Central Government for obtaining the approval for the said reappointment and remuneration, if applicable and required, and to do all such acts, deeds, matters and things as may be necessary, proper or expedient, to give effect to this resolution including filing and verifying the documents, affidavits, affixing the Common

Seal of the Company wherever required in accordance with the provisions of the Article of Association of the Company and to appear before the Government or any other authority including Registrar of Companies."

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) Pursuant to Section 105 of Companies Act, 2013 and rules made thereunder, a person shall not act as a proxy for more than 50 members and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. However, a member holding more than ten percent of the total share capital of the company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person.
- (iii) 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.
- (iv) 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.
- (v) The register of members and share transfer books of the Company shall remain closed from June 05, 2015 to June 09, 2015 (both days inclusive).
- (vi) The final dividend of 95% for the year ended December 31, 2014 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 at opening business hours on June 05, 2015 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 June 04, 2015.

- (vii) 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.
- (viii) 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.
- (ix) 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. Ashish Thakur, Company Secretary & Compliance Officer".
- (x) 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.
- (xi) The statutory register maintained under Section 307 of the Companies Act, 1956 and Section 189 of the Companies Act, 2013 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.
- (xii) 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.
- (xiii) Members / proxies are requested to bring the attendance slips duly filled in and signed for attending the Meeting.
- (xiv) Pursuant to the provisions of Section 72 of the Companies Act, 2013 (erstwhile 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 SH-13 (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
- (xv) 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.
- (xvi) As a part of its green initiative in Corporate Governance, the Ministry of Corporate Affairs, Government of India through its Circular Nos. 17/2011 and 18/2011 dated 21st April, 2011 and 29th April, 2011, respectively had allowed companies to send various notices/documents to their Members through electronic mail. In terms of the provisions of the Companies Act, 2013, a company can serve Annual Report through electronic mode to the shareholders who have registered their e-mail address either with the Company or with the Depository Participant. Accordingly, the Annual Report of the Company comprising of Notice, Balance Sheet, Statement of Profit & Loss, Directors' Report, Auditors' Reports, etc. are being sent on the email

addresses of the members made available to the Company by the Depositories (NSDL/CDSL) or registered by the Members with the Company or RTA of the Company.

(xvii) The Annual Report for the year ended December 31, 2014 and Notice for convening the Twenty First Annual General Meeting of the Company being circulated to the members of the Company is available on the Company's website, viz. www.rsystems.com.

(xviii) Members who have not registered their e-mail addresses so far are requested to register their e-mail addresses for receiving all communications including Annual Report, Notices etc. from the Company in electronic mode.

(xix) 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 102 of the Companies Act, 2013, in respect of special business under item numbers 5 to 10 of the Notice is appended hereto and forms part of this Notice.

(xx) In compliance with the provisions of Clause 35B of the Listing Agreement and Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014, as substituted by Rule 20 of the Companies (Management and Administration) Amendment Rules, 2015, the Company is pleased to provide electronic voting facility to its members for transacting all the businesses as stated in the Notice for the Twenty First Annual General Meeting of the Company through e-voting services being provided by Central Depository Services (India) Limited (CDSL).

(xxi) The instructions for shareholders for e-voting are as under:

1. The facility for voting through ballot paper shall be made available at the AGM and the members attending the meeting who have not cast their vote by remote e-voting shall be able to exercise their right at the meeting through ballot paper.
2. The members who have cast their vote by remote e-voting prior to the AGM may also attend the AGM but shall not be entitled to cast their vote again.
3. The remote e-voting period begins on Friday, June 05, 2015 at 10.00 A.M. and ends on Monday, June 08, 2015 at 5.00 P.M. During this period shareholders of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of Tuesday, June 02, 2015, may cast their vote through remote e-voting. The remote e-voting module shall be disabled by CDSL for voting thereafter. Once the vote on a resolution is cast

by the member, the member shall not be allowed to change it subsequently

4. The Shareholders should log on to the e-voting website www.evotingindia.com
5. Click on "Shareholders".
6. Now Enter your User ID
 - a. For CDSL: 16 digits beneficiary ID,
 - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
7. Next enter the Image Verification as displayed and Click on Login.
8. If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.
9. If you are a first time user follow the steps given below:

For Members holding shares in Demat Form and Physical Form	
PAN	Enter your 10 digit alpha-numeric PAN* issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) *Members who have not updated their PAN with the Company/Depository Participant are requested to use the Sequence Number printed on the attendance slip in the PAN field.
D.O.B.#	Enter the Date of Birth as recorded in your demat account or in the company records for the said demat account or folio in dd/mm/yyyy format. There are two fields provided viz. D.O.B. and dividend bank details. Any one details may be entered.
Dividend Bank Details#	Enter the Dividend Bank Details as recorded in your demat account or in the company records for the said demat account or folio. #Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded with the depository or company, please enter the member ID / Folio number in 'the Dividend Bank details' field as mentioned in instruction (6). Dividend Bank Details means Bank account number which is recorded in the demat account.

10. After entering these details appropriately, click on "SUBMIT" tab.
11. Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be

also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for remote e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

12. For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
13. Click on the EVSN for the relevant <Company Name > (R Systems International Limited) on which you choose to vote.
14. On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
15. Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
16. After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
17. Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
18. You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.
19. If you as a Demat account holder have forgotten the existing password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
20. Note for Non – Individual Shareholders and Custodians
 - Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to www.evotingindia.com and register themselves as Corporates.
 - A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
 - After receiving the login details a compliance user should be created using the admin login and password. The Compliance user would be able to link the account(s) for which they wish to vote on.

- The list of accounts should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
- A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.

In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com, under help section or write an email to helpdesk.evoting@cdslindia.com.

21. In the event, the draft resolution is assented to by the requisite majority of Members by means of electronic voting, the date of declaration of result shall be deemed to be the date of passing of the said resolution at the Annual General Meeting.
22. The voting rights of Shareholders shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date i.e. June 02, 2015
23. Members are requested to notify the change in the address, if any, in case of shares held in electronic form to the concerned Depository Participant quoting their Client ID and in case of Physical shares to the Registrar and Transfer Agent.
24. Mr. Sanjay Grover, Company Secretary in whole time practice (C.P No. 3850), has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.
25. The Scrutinizer shall after the conclusion of voting at the AGM, will first count the votes cast at the meeting and thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company and shall make, not later than three days of the conclusion of the AGM, a consolidated scrutinizer's report of the total votes cast in favour or against, if any, to the Chairman or a person authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith.
26. The Results declared along with the report of the Scrutinizer shall be placed on the website of the Company www.rsystems.com and on the website of CDSL immediately after the declaration of result by the Chairman or a person authorized by him in writing. The results shall also be immediately forwarded to the Stock Exchanges i.e. NSE and BSE Limited.

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

ITEM NOS. 05 to 08

Appointment of Independent Directors

Pursuant to the provisions of Section 149 and other applicable provisions of the Companies Act, 2013 with respect to appointment and tenure of the Independent Directors which came into effect from April 01, 2014, the Independent Directors shall be appointed for not more than two terms upto maximum of five years each and shall not be liable to retire by rotation. The Board of Directors of the Company has adopted the provisions with respect to appointment and tenure of Independent Directors which is consistent with the Companies Act, 2013 and the Listing Agreement.

Mr. Raj Kumar Gogia, Mr. Suresh Paruthi, Mr. Gurbax Singh Bhasin who are proposed to be appointed under the above said provisions are existing Non-Executive Independent Directors of the Company and the period of office of these Directors was liable to determination by retirement by rotation, under the erstwhile applicable provisions of the Companies Act, 1956. Mr. Amardeep Singh Ranghar was appointed as additional director in the capacity of Non-Executive Independent Director at the meeting of Board of Directors of the Company held on July 07, 2014 and shall hold the office up to the date of ensuing Annual General Meeting. The Nomination and Remuneration Committee has recommended the appointment of Mr. Raj Kumar Gogia, Mr. Suresh Paruthi, Mr. Gurbax Singh Bhasin and Mr. Amardeep Singh Ranghar as Independent Directors, not liable to retire by rotation under Section 149 and other applicable provisions of the Companies Act, 2013.

Mr. Raj Kumar Gogia, Mr. Suresh Paruthi, Mr. Gurbax Singh Bhasin and Mr. Amardeep Singh Ranghar, Non-Executive Independent Directors of the Company, have given a declaration to the Board that they meet the criteria of independence as provided under Section 149(6) of the Companies Act, 2013. In the opinion of the Board, all of these directors fulfil the conditions specified in the Companies Act, 2013 and rules made thereunder for their appointment as Independent Directors of the Company and they are independent of the management. These Directors are not disqualified from being appointed as a Director in terms of Section 164 of the Companies Act, 2013 and they have given their consent to act as Director. Notices have been received from member(s) signifying their intention to propose appointment of these Directors along with a deposit of Rs. 100,000/- (Rupees One Lac) each.

A brief profile of Independent Directors to be appointed, including nature of their expertise and other disclosure as required under Clause 49 of the Listing Agreement, is provided in Annexure-A of this Notice.

Except these Directors being appointees, none of the Directors and Key Managerial Personnel of the Company and their relatives are concerned or interested, financially or otherwise, in the resolutions set out at Item Nos. 05 to 08.

The Board recommends the resolution in relation to the appointment of these Directors as Independent Directors, for the approval by the shareholders of the Company.

ITEM NO. 09

Regularisation of the appointment of Mrs. Ruchica Gupta as Director of the Company

Pursuant to the provisions of Section 161 (1) of the Companies Act, 2013 Mrs. Ruchica Gupta was appointed as additional director (designated as Non-Executive Director) of the Company with effect from July 07, 2014 and shall hold the office up to the date of the ensuing Annual General Meeting and is eligible for appointment as Director.

The Company has received notice, in writing, from member under Section 160 of the Companies Act, 2013, proposing the candidature of Mrs. Ruchica Gupta for the office of Director of the Company.

Your Board of Directors considers that her association as Director will be beneficial to and in the interest of the Company.

Your Board of Directors recommends the resolution set out at Item No. 09 of the notice, for appointment of Mrs. Ruchica Gupta as Non-Executive Director of the Company, with office term liable to retire by rotation.

Except being appointee, none of the directors and key managerial personnel of the Company and their relatives are concerned or interested, financially or otherwise, in the resolution set out at Item No. 09.

The brief resume of Mrs. Ruchica Gupta, the nature of her expertise in specific functional areas, names of Companies in which she has held directorships, committee memberships/ chairmanships, her shareholding etc., are separately annexed hereto as Annexure-A.

ITEM NO. 10

Reappointment and Payment of remuneration to Lt. Gen. Baldev Singh (Retd.) as President and Senior Executive Director of the Company

Lt. Gen. Baldev Singh (Retd.) aged about 74 years has more than 48 years of experience, including handling top managerial, diplomatic and human resource development related assignments. Mr. Singh has a Masters in Military Sciences from the prestigious Madras University in India and attended two short courses at University of California at Berkeley, in Strategic Account Management and Marketing. Lt. Gen. Baldev Singh (Retd.) joined the Board of R Systems on September 01, 1997. Since then he is continuously providing his guidance and support on the Board.

Presently, Mr. Singh is heading the entire Noida IT and BPO Operations and his presence is crucial for the effective and efficient operations of the business. Lt. Gen. Baldev Singh (Retd.) was reappointed as President and Senior Executive Director of the Company for a term of three years i.e. from April 01, 2012 to April 01, 2015. The present term of his appointment has completed and considering continued need of his services for the success of the Company, the Board on the recommendation of the Nomination & Remuneration Committee and subject to the approval of the Shareholders, Central Government and other authorities, if applicable has reappointed him for a further period of three years i.e. w.e.f. April 01, 2015 to April 01, 2018.

As on the date of this notice, Lt. Gen. Baldev Singh (Retd.) holds 142,330 equity shares of Re. 1/- each being 0.11% of the total paid up share capital of the Company. Apart from the employment benefits as President and Senior Executive Director of R Systems, he does not have any pecuniary or other relationship with the Company.

Further, he does not hold any office of director / member in other company's board / committee except the directorship in R Systems Products & Technologies Limited, wholly owned subsidiary of the Company. The board of directors recommends that the shareholders approve the said reappointment and remuneration by way of a special resolution.

None of the directors except Lt. Gen. Baldev Singh (Retd.), being appointee and Mr. Satinder Singh Rekhi being the relative of Lt. Gen. Baldev Singh (Retd.) is concerned or interested in the proposed resolution.

Statement as required under Section II, Part II of the Schedule V of the Companies Act, 2013 with reference to the Resolution at Item No. 10 of the notice for the Twenty First Annual General Meeting of R Systems International Limited

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		
	31.12.2014	31.12.2013	31.12.2012
Total Income	30,456.54	27,397.20	23,314.88
Profit before depreciation, exceptional items and tax	6,850.12	5,892.95	3,696.62
Less : Depreciation & amortization	672.41	478.08	624.01
Add: Exceptional item	3,931.31	-	-

(Rs. in lakhs)

Particulars	Financial Year ended		
	31.12.2014	31.12.2013	31.12.2012
Profit before tax	10,109.02	5,414.87	3,072.61
Less : Current tax (net of MAT credit)	2,475.33	1,785.53	954.02
Less : Deferred tax	130.80	(25.88)	65.82
Profit after tax	7,502.89	3,655.22	2,052.77
Balance as per last financial statements	6,338.33	6,097.02	8,050.09
Add: Profit for the current year	7,502.89	3,655.22	2,052.77
Surplus in the statement of profit and loss			
Proposed dividend	1,217.63	1,206.98	942.55
Tax on proposed dividend	243.25	212.38	152.91
Interim dividend	6,243.32	1,392.39	1,991.95
Tax on interim dividend	1,192.90	236.64	323.14
Transfer to General Reserve	-	365.52	595.29
Total appropriations	8,897.10	3,413.91	4,005.85
Net surplus in the statement of profit and loss	4,944.12	6,338.33	6,097.02

(5) 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 seven subsidiaries which are incorporated and based outside India and one wholly owned subsidiary incorporated and based in India. Out of the said seven overseas subsidiaries, ECnet Limited, based in Singapore has six subsidiaries and Computaris International Limited, based in United Kingdom also has five subsidiaries. Therefore in terms of the provisions of the Companies Act, 2013 R Systems has an aggregate of eighteen subsidiaries incorporated outside India and one wholly owned subsidiary incorporated and based in India.

(6) 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		
	31.12.2014	31.12.2013	31.12.2012
(a) Earnings (Accrual Basis)	3,0870.99	24,548.78	20,822.06
(b) Expenditure (Accrual Basis)	4,126.77	3,983.96	3,776.85
(c) CIF value of imports	197.39	494.86	91.16

II. INFORMATION ABOUT THE APPOINTEE

(1) Background details:

Lt. Gen. Baldev Singh (Retd.) aged about 74 years has more than 48 years of experience, including handling top managerial, diplomatic and human resource development related assignments. Mr. Singh has a Masters in Military Sciences from the prestigious Madras University in India and attended two short courses at University of California at Berkeley, in Strategic Account Management and Marketing.

Lt. Gen. Baldev Singh (Retd.) joined the Board of R Systems on September 01, 1997. Since then he is continuously providing his guidance and support on the Board.

Presently, Lt. Gen. Baldev Singh (Retd.) is heading the entire Noida IT and BPO Operations and his presence is crucial for the effective and efficient operations of the business. Lt. Gen. Baldev Singh (Retd.) is related to Mr. Satinder Singh Rekhi.

(2) Past remuneration:

Remuneration paid during the last three financial year

(Amount in Rs.)

Financial Year	Total Cost to the Company	Per Month
For the year ended December 31, 2014	5,893,452	491,121
For the year ended December 31, 2013	5,921,889	493,491
For the year ended December 31, 2012	5,149,446	429,121

(3) Recognition or awards:

Lt. Gen. Baldev Singh (Retd.) has a Masters in Military Sciences from the prestigious Madras University in India and attended two short courses at University of California at Berkeley, in Strategic Account Management and Marketing.

(4) Job profile and his suitability:

Lt. Gen. Baldev Singh (Retd.), being the President and Senior Executive Director of R Systems is heading the entire Noida IT and BPO Operations. Lt. Gen. Baldev Singh (Retd.) aged about 74 years has more than 48 years of experience, including handling top managerial, diplomatic and human resource development related assignments. Mr. Singh has a Masters in Military Sciences from the prestigious Madras University in India and attended two short courses at University of California at Berkeley, in Strategic Account Management and Marketing.

He had joined the Board of R Systems on September 01, 1997. Since then he is continuously providing his guidance and support on the Board and his presence is crucial for the effective and efficient operations of the business. R Systems will benefit from his capabilities and therefore the Board wishes to reappoint him as the President and Senior Executive Director of the Company.

(5) Remuneration proposed:

Lt. Gen. Baldev Singh (Retd.) is proposed to be reappointed on the following remuneration:

1. Consolidated annual salary of Rs. 3,965,775/- (Rupees Thirty Nine Lakhs Sixty Five Thousand Seven Hundred Seventy Five Only).
2. Periodic bonus as per the incentive scheme of the Company subject to a maximum of Rs. 18 lakhs (Rupees Eighteen Lakhs Only) per annum.
3. A chauffeur driven car for official purpose only and reimbursement of fuel and maintenance expenses subject to a maximum of Rs. 150,000 (Rupees One Lakh Fifty Thousand Only) per annum.
4. Reimbursement of telephone bills and internet bills for his residence subject to a maximum of Rs. 50,000 (Rupees Fifty Thousand Only) per annum.
5. He will also be eligible for the reimbursement of Medical Expenses incurred, for himself and his family only on actual incurred basis.
6. Leave travel assistance amounting to one ticket to U.S.A. once in a year. This may be in the form of one US ticket for any person to either accompany him on a business trip or just independent of his business trip.
7. He will be entitled to participate in Company's stock options plan approved by the Board from time to time.
8. He will be entitled for payment of gratuity as per the policy of the Company.
9. He will be entitled for a bonus up to Rs. 600,000 (Rupees Six Lakhs Only) at the end of the every year subject to overall customer satisfaction, employee motivation & morale, growth in revenue & profitability with approval of Managing Director.
10. He will be entitled to a maximum annual increment of 15% per annum on his consolidated annual salary of the immediate preceding year at the discretion of the Board w.e.f. January 01, 2016, January 01, 2017 and January 01, 2018.
11. The revised compensation plan replaces all existing compensation plans, benefits and perquisites.

(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:

As on the date of this notice, Lt. Gen. Baldev Singh (Retd.) holds 142,330 equity shares of Re. 1/- each being 0.11 % of the total paid up share capital in R Systems. Apart from the employment benefits as President and Senior Executive Director of R Systems, he does not have any pecuniary or other relationship with the Company. As on the date of this report, he had no Options in force as options equivalent to 27,700 equity shares of Re. 1/- each lapsed on August 31, 2014 pursuant to completion of time limit for exercising of vested option.

Lt. Gen. Baldev Singh (Retd.) is related to Mr. Satinder Singh Rekhi, Managing Director of the Company.

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 on December 31, 2014. R Systems total income increased to Rs. 30,456.54 lakhs as against Rs. 27,397.20 lakhs during the same period in the previous year, a growth of 11.17%. Profit after tax for

the year ended on December 31, 2014 was Rs. 7,502.89 lakhs as against Rs. 3,655.22 lakhs during the same period in the previous year, a growth of 105.27%.

- (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) Remuneration package of the managerial person: Same is fully described in the respective Resolution and/or Explanatory Statement;
- (2) The details of remuneration etc. of other directors are included in the Directors' report under the heading Corporate Governance.

By Order of the Board
For R Systems International Limited
Sd/-

Place : NOIDA

Date : April 23, 2015

(Company Secretary & Compliance Officer)

Ashish Thakur

Annexure A
Details of Directors as on December 31, 2014 seeking appointment/ re-appointment at the Annual General Meeting to be held on June 09, 2015
(Pursuant to Clause 49(VIII)(E)(i) of the Listing Agreement

Name of Director	Lt. Gen. Baldev Singh (Retd.)	Mr. Raj Swaminathan	Mr. Raj Kumar Gogia	Mr. Suresh Paruthi	Mr. Gurbax Singh Bhasin	Mr. Amardeep Singh Ranghar	Mrs. Ruchica Gupta
Date of Birth	September 21, 1940	May 23, 1959	November 09, 1939	November 01, 1950	September 01, 1956	November 13, 1966	April 21, 1970
Date of Appointment	September 01, 1997	September 29, 2006	July 09, 2002	September 29, 2006	December 27, 2005	July 07, 2014	July 07, 2014
Qualifications	Masters in Military Sciences- Madras University	Bachelor of Engineering from Bangalore University and MBA from Xavier Labour Relations Institute.	B. Tech Honors (First Class First) in Electrical Engineering from IIT, Kharagpur	Bachelor of Technology (Hons.) from IIT, Kharagpur, India	Bachelor of Engineering	MBA-University of Chicago, PGDM/Marketing Management- Iyola College, (India), Export Marketing Certification-Indian Institute of Foreign Trade, (India), B.E.(Electronics & Communications)-Manipal Institute of Technology, (India)	M.Phil- University of Delhi
Expertise in specific functional area	Lt. Gen. Baldev Singh (Retd.) has more than 48 years of experience, including handling top managerial, diplomatic and human resource development related assignments. Mr. Singh has a Masters in Military Sciences from the prestigious Madras University in India and attended two short courses at University of California at Berkeley, in Strategic Account Management and Marketing.	Mr. Raj Swaminathan has over 30 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	Mr. Raj Kumar Gogia, aged about 75 years, has a rich and vast experience of 52 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. Paruthi completed his Bachelor of Technology (Hons.) from IIT, Kharagpur in 1972. He has also completed a certificate course in export marketing from the Indian Institute of Foreign Trade, New Delhi. He is having a wide experience of efficiently serving various multinationals; some of them are Siemens Limited, Bhartia Cutler Hammer Ltd. & Omron Asia Pacific Pte. Ltd.	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 33 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. Amardeep Singh Ranghar has vast corporate experience, having served in American Express at senior positions for more than 20 years. Currently, he practices as an independent business consultant and is engaged in projects covering strategy, revenue and profitability.	Mrs. Ruchica Gupta had been associated as a lecturer in University of Delhi for more than 15 years. She is a leading corporate trainer in the areas of Organization Development, Change Management, Leadership, and Motivation.
Directorship held in other Companies as on date	R Systems Products & Technologies Limited	R Systems Products & Technologies Limited	Nil	Paruthi Consultants and Engineers	Prego, Inc.(U.S.A.), Agro Foods, Inc.(U.S.A.), Quinby Willshire, LLC Shivam Investments, LLC(U.S.A.), Suraj Victorville, LLC(U.S.A.), Corporativo Alberdy S.A. DEC.V. (Mexico), Comercializadora Y Distribuidora Dauces S.A.(Mexico), Riverbrook, LLC G & B Riverside, L.P B&G Mohler, LLC(U.S.A.), Bhasin Victorville, LLC(U.S.A.)	Nil	Nil
Membership/ Chairmanship in Committees of other companies as on date	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Number of shares held in Company as on December 31, 2014	142,330 equity shares	200,000 equity shares	Nil	Nil	Nil	Nil	Nil



R SYSTEMS INTERNATIONAL LIMITED

[Corporate Identification Number – L74899DL1993PLC053579]
 Registered Office: B-104 A, Greater Kailash – I, New Delhi – 110 048
 Corporate Office C-40, Sector -59, NOIDA, Distt. Gautam Budh Nagar, U.P. – 201 307, India
 Tel.: +91 – 120- 4303500; Fax: +91 – 120 – 2587123
 Website: www.rsystems.com; Email: investors@rsystems.com
 Twenty First Annual General Meeting to be held on Tuesday, June 09, 2015 at 9:00 A.M. at
 Air Force Auditorium, Subroto Park, New Delhi - 110 010

PROXY FORM (Form no. MGT-11)

[Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies
 (Management and Administration) Rules, 2014]

Name of the member (s).....
 Registered address
 E-mail Id..... Folio No. DP ID..... Client Id.....

I/We, being the member (s) ofshares of the R Systems International Limited, hereby appoint

1. Name :.....
 Address :.....
 E-mail Id :.....
 Signature :.....or failing him
2. Name :.....
 Address :.....
 E-mail Id :.....
 Signature :.....or failing him
3. Name :.....
 Address :.....
 E-mail Id :.....
 Signature :.....

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the as my/our proxy to attend and vote (on a poll) for me/
 us and on my/our behalf at the Twenty First Annual General Meeting of the Company, to be held on the Tuesday, June 09, 2015 at 09:00 a.m. at
 Air Force Auditorium, Subroto Park, New Delhi - 110 010 and at any adjournment thereof in respect of such resolutions as are indicated below:

Ordinary business:

1. Adoption of Accounts
2. Declaration of Dividend
3. Re-appointment of Mr. Raj Swaminathan (DIN: 00788158) who retires by rotation.
4. Appointment of Auditors

Special Business:

5. Appointment of Mr. Raj Kumar Gogia (DIN: 00007364), as an Independent Director
6. Appointment of Mr. Suresh Paruthi (DIN: 00777887) as an Independent Director
7. Appointment of Mr. Gurbax Singh Bhasin (DIN: 00012628) as an Independent Director
8. Appointment of Mr. Amardeep Singh Ranghar (DIN: 06916409) as an Independent Director
9. Appointment of Mrs. Ruchica Gupta (DIN: 06912329) as Non-Executive Director.
10. Re-appointment and payment of remuneration to Lt. Gen. Baldev Singh (Retd.) (DIN: 00006966) as President and Senior Executive
 Director of the Company.

Signed this.....day of..... 2015.

Signature of Shareholder

Signature of Proxy Holder(s)

Affix
Revenue
Stamp

Note: This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.



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

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 Twenty First Annual General Meeting of the Company to be held on Tuesday, June 09, 2015 At 09:00 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.
4. Shareholders/proxy holders desiring to attend the meeting may bring his/her copy of Annual Report for reference at meeting.



Electronic voting particulars

Electronic Voting Sequence No. (EVSN)	User ID	Sequence Number

Note: Please read the instructions printed under the Note No. xxi to the Notice dated April 23, 2015 of the Twenty First Annual General Meeting. The voting period starts from 10:00 a.m. (IST) on Friday, June 05, 2015 and ends at 05:00 p.m. (IST) on Monday, June 08, 2015. The voting module shall be disabled by CDSL for voting thereafter.



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Twenty First Annual General Meeting to be held on Tuesday, June 09, 2015 at 9:00 A.M. at

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

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 e-mail 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, 2013 & 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/-

Ashish Thakur

(Company Secretary & Compliance Officer)

Place : Noida

Date : April 23, 2015



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 Registered address,
 E-mail Id..... Folio No. DP ID..... Client Id.....

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Signed this.....day of..... 2015.

Signature of Shareholder

Signature of Proxy Holder(s)

Affix
 Revenue
 Stamp

Note: This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.



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Notes:

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- 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 e-mail 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, 2013 & 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.

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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/-

Ashish Thakur

(Company Secretary & Compliance Officer)

Place : Noida

Date : April 23, 2015



R Systems' journey of the last 21 years is similar to the journey of an oyster through the oceans of opportunities. An oyster travels across the oceans of opportunities and endures the challenges of the ocean currents in order to deliver value in the form of a pearl.

Similarly, we at R Systems, have grown in depth and expanded globally the scale of our operations by overcoming various odds and challenges in the last 21 years. In doing so, we have been delivering exceptional value to each of our stakeholders through our unstinted dedication, diligence and hard work.