



payments  
at the speed  
of thought

RS Software puts it into action



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RS Software (India) Limited  
Annual report 2018-19

Forward-looking statement

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make, contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried, wherever possible, to identify such statements by using words such as 'anticipates,' 'estimates,' 'expects,' 'projects,' 'intends,' 'plans,' 'believes' and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

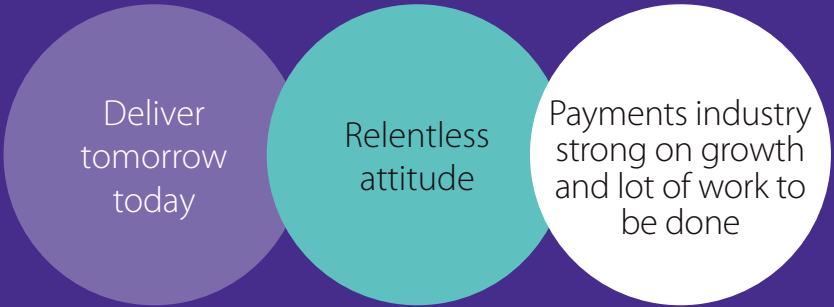
We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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Digital payments  
Reliable and Frictionless through  
innovation and ease of use





Deliver tomorrow today

The regulators globally led by the European regulator are mandating the creation of a dynamic, high speed and innovative payment ecosystem that is open, secure and democratizes the reach to ensure inclusiveness at all levels in the society. The market forces are at work to deliver tomorrow today. This works to our advantage as our economic MOAT is focused on delivering tomorrow today.



Relentless attitude

The only and only way to get to building an environment where payments happen at the speed of thought is to keep working at it with perseverance, commitment levels unheard of, and an achievement protocol that mandates relentless attitude. We have demonstrated time and again that we work with perseverance and total commitment.



Payments industry strong on growth and lot of work to be done

Despite a large continuing growth in digital payments, cash is still the king and 75% – 80% of the payments for personal consumer expenditure still happen in cash. Business-to-Business payments that are estimated at US\$120 trillion annually are dominantly made by cheques. This augurs well for us as we are ready to leverage the secular growth trend in digital payments.





# What combines hope, optimism and reality check

## ◆ Strengthening validated

Many tech companies in India and across the world today are facing the following:

- 1) Low or negative margins
- 2) Relative under performance
- 3) Over-reliance on a single product/ dominant client or legacy business

During the last 3 years RS Software has achieved success in eliminating single dominant client risk and has reinvented itself to move away from executing just legacy technologies business. It has achieved something that no company of the size of RS Software has, and that is the opportunity to build a national payment infrastructure for India. This has positioned India as a leader in digital payments, just like in late 1990s India leapfrogged in the telecom space, and democratized the reach of communication ease to its billion+ population. The Company has achieved success in several areas, foremost amongst which are leadership team building and an agile sales engine that is now ready to respond to dynamic developments in the markets. Turnarounds are a complex phenomenon. Companies in different cultures and different economic environments have had to adopt varying means to achieve success. RS Software is addressing behaviour and capability changes that will make us stronger and more resilient than ever before. However, all turnarounds are painstakingly slow the world over, but we are committed for the long haul.

## ◆ Opportunities continue to grow

As the world is going digital, the way we live and pay for what we need is going through major transformation, and hence the demand for digital payments. As an example, E-commerce is perhaps one of the most visible success stories of the digital age in every part of the world, including India. But even today E-commerce represents no more than 10%-12% of the US\$15 trillion retail industry globally. Clearly we have seen only the tip of the iceberg. Regulators are constantly bringing about changes to help achieve inclusion in digital payments, such that it spreads to all sections of the society. Faster payments/Real time payments are becoming more user friendly. Large global technology players like Apple, Amazon, Facebook, Google and the investor community in general is accelerating investments in digital payments. As a result, the growth in digital payments is now a secular trend, creating ongoing opportunities for companies like RS Software. There are approximately 400 billion electronic/digital payment transactions that happen today globally, and this is likely to reach 1000 Billion within the next 3 years. Research companies and leaders like McKinsey are observing that the pace of growth is higher than forecasted in several markets in the world. Research dollars are pouring into authentication methods to reduce fraud. Acceptance infrastructure needs to expand to accommodate the demand of consumers and businesses and that of governments. Later in this report we have included RS Software's approach and efforts in these two areas.

## ◆ Strategic clarity and coherence

The execution of the last three years at the Company has brought about significant learning which is bringing strategic clarity to our market facing direction in particular and coherence across all business functions. Companies that do three things together are better positioned for a sustainable course of high performance, and starting with FY2018-19 the Company continues to be focused on achieving this objective. First, they create clarity and coherence in their strategy, articulating the differentiating capabilities that they will need to win in the marketplace. Second, they put in place an optimized cost structure and approach to capital allocation, with continual investment in the capabilities critical to success, while proactively cutting costs in less-critical areas to fund these investments. Third, they build supportive organizations. They redesign their structures, incentives, decision rights, skill sets, and other organizational and cultural elements to more closely align their behaviour to their strategy, and to harness the collective actions of their people.

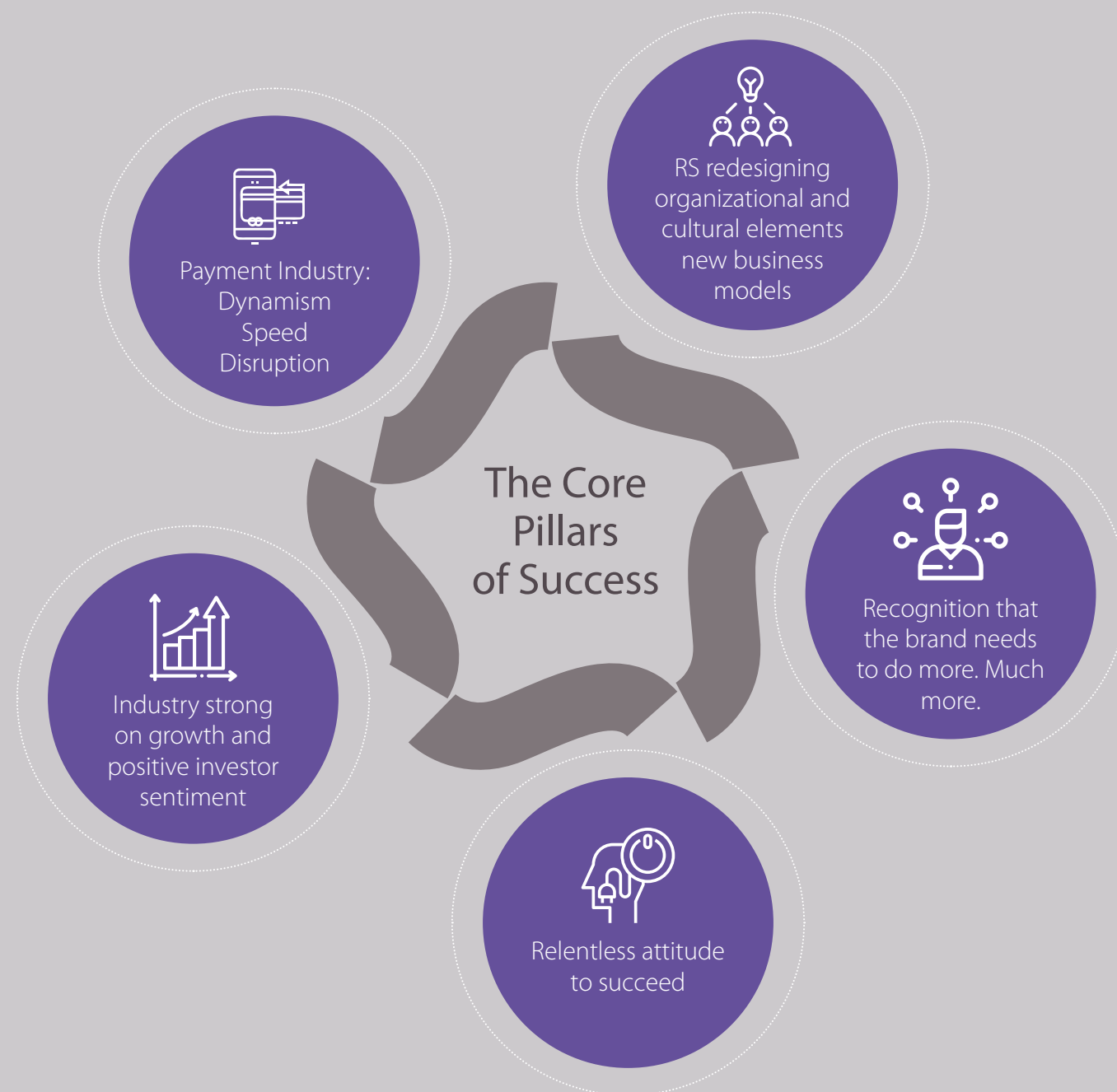
## ◆ Gamechangers

The Company has demonstrated success in building payment platforms that are gamechangers both for RS Software and for India as a country. Even as the Company is marching towards revenue level growth that it is capable of executing, there is a huge validation and reinforcement achieved in fulfilment excellence, which has strengthened the MOAT of the Company forever.



RS Software envisions a world where we can enable transactions that occur as fast as you think it. We want to make payments frictionless and seamless.





## What is strengthening our future



At RS Software we are engaged in strengthening our business around profitability and sustainability. The Company continues to demonstrate the principles of 'invest, perform and create', and during FY2018-19 we achieved consolidation in our efforts across the board to transition our strategy, which will now help to accelerate and expand our reach in the market.



and industry SMEs, with the objective of benchmarking its technology architecture and feature functionalities to that of the best available in the industry. We have enhanced the integration of this platform with more financial institutions, and have implemented the learnings from the beta launch of this platform. This is a major progress towards the transition of our strategy.

♦ We are evolving new business models. Services and products produce a single revenue stream, while platforms – intermediaries that connect two or more distinct groups of users and enable their direct interaction – can generate many. Recognizing that 75% to 80% of the world, especially emerging economies, still pays in cash at merchant locations, there is need in the market for high quality acceptance infrastructure and platform play, which is what we are now ready for.

♦ We have strengthened significantly our abilities to recruit the best talent needed to achieve our goals and we now have our winning team in place.

♦ We have successfully reduced our cash losses by 16% and ensured each dollar of investment is measured for returns.

♦ We have enhanced the productivity of our sales and marketing engine by 30%.

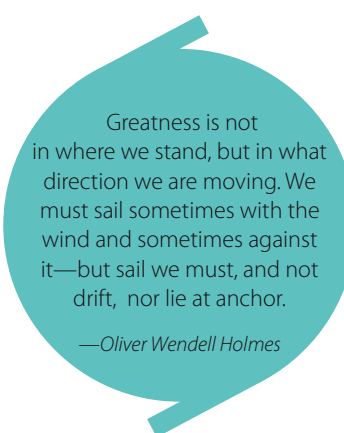
♦ We have successfully reallocated costs away from general and administrative expenses, and have instituted high focus on managing employee costs effectively.

♦ The payments platform UPI that we have built for India has become the most

successful icon for India's leadership in payments globally, and is now executing 800 million transactions a month. UPI is a game changer for the Indian payments space.

♦ We have successfully won the most coveted RFP globally to build the world's first Enterprise Fraud and Risk Management (EFRM) platform that covers 18 payment channels, with both cards and alternate payments on the same platform yet another factor that strengthens India's leadership in digital payments.

♦ We have successfully demonstrated our digital merchant acquiring platform Payabbhi to several global organizations





# Our brand communication and how it solidifies our market facing approach

Brand equity has always mattered to companies. What has changed over the past decade, primarily as a result of digital communications, is a company’s loss of control over information related to its brand and the democratization of influence. A company’s senior management and traditional media sources no longer have exclusive or primary control over brand equity. In the last six months we have done significant brainstorming and have engaged with a world class marketing specialist team.

Our goal is to ensure that all our stakeholders benefit by knowing about our successes as they occur and the progress we are making in the transitioning of our company. More importantly, it helps us to bring coherence in our market facing strategy and help accelerate our revenue growth. As part of this direction, the Company while keeping its core strengths as an anchor, will now aim to communicate clearly and build itself as a brand that shows its full commitment and passion towards every aspect of this payment revolution, from products to platforms and beyond. This translates into a new *avatar* for RS Software.

We now have a new identity in the form of a new logo, visual expression and tone and manner, true to our core philosophy as a brand. This new identity aims at establishing ourselves in a unique and dominant position in this dynamic, high speed, and innovative payments revolution.



**Our logo** The logo is a delightful combination of *Thought meeting Action*. It strongly embodies the spirit of what RS stands for and captures the reality of today’s payments industry. The ultimate expressions of a robust payments ecosystem and its future, is being frictionless, where payment solutions of tomorrow are built today, and where payments work at the speed of thought. And this expression very clearly captures the spirit that drives RS Software, and forms part of the new identity.



❖ Our Team

We now have a team in place that has the ethos, stamina, discipline and the grit to execute the core values of the organization, and successfully deliver on an accelerated growth phase, capitalising the large opportunities in the payments industry globally.

❖ Our Strategy

To leverage the revolutionary changes which are happening in the payments industry globally.

The new world of digital commerce needs a new revolutionary payments system, addressing the growing needs of the merchant and the consumer.

At a macro level, RS Software's strategy is to offer capabilities in payments infrastructure building at the national level and helping businesses to enable digital payments globally.

❖ Our Certifications

RS Software was appraised with the ISO 9001:2015 and ISO/IEC 27001:2013 Certifications.

❖ Our People

RS Software comprises some of the most experienced professionals and engineers in the global payments solutions sector. This competence has been reinforced through the recruitment, training and retention of professionals.

❖ Our Listing

RS Software is listed in Bombay Stock Exchange (BSE) (BSE: 517447) and National Stock Exchange (NSE) (NSE:RSSOFTWAREEQ).

Our customers



# Chairman's Overview



Amongst the most glaring realities in the world is that success is a journey and not a destination. This is because the goal post keeps moving, and in this move lies the foundation of continued ambition to transform and change to maximize the returns to all stakeholders of a business entity.

At RS Software, as we traverse this journey, there are several goals we have scored in these 3 years, and each of these goals have strengthened our ability to win in the market place. In the words of the Dalai Lama, it is worth remembering that the time of greatest gain in terms of wisdom and inner strength is often that of greatest difficulty. The history of the corporate world bears testimony to the fact that the organizations which continue to demonstrate small successes throughout their journey of transformation, and those who live with values of engaging with consistent reality checks are best able to inspire themselves with hope and optimism for maximum rewards for stakeholders the best. We have not only eliminated the highest risk to our long term leadership, we have most importantly architected our capabilities to participate in the secular growth trend of digital payments globally.

Change represents progress. In business or in life, for change to be effective, one must accept that its very nature is complex, multi-layered and time consuming. The process of change – transformation, turnarounds, call it what you will – is expensive. Companies don't have unlimited cash, investors do not have endless patience, managing communications (so critical to eventual success) is an extremely daunting task, and entrepreneurs need nerves of steel to stay alert, disciplined and be agile during the process. The truth is that companies are complex entities with lots of moving parts like highly imperfect human beings, where attention to details is constantly tested, and the mysterious luck factor is highly sought after. The entropy factor is huge. It's a control freak's nightmare.

That's why turnarounds, especially in business, are so hard. It isn't a science. It isn't even an art. In reality, it's a very complicated challenge, irrespective of the size of the organization. Perhaps the most

underestimated and least appreciated effort from outside or inside.

Examples abound of people and companies who once performed at the top of their game because they were zestful and adventurous, until they became complacent or they did not have the courage to take the more difficult path to strengthen their future. Take for example Yahoo when it was overpowered by Google, the Company responded with significant turnaround efforts. It has been several years of hard work and the Yahoo brand today is live and kicking. IBM which practically 'died' in mid 1990s, revived itself to become a leader in yet another offering, software and software services. Needless to say, both these organizations made progress but success was painstakingly slow.

The most effective way to manage change successfully is to create it. The river that goes to the sea undergoes several changes, including twists and turns during its journey. It flows slow and fast as per the situation. At RS Software, we were very clear when we began the journey of our strategic change in 2016, that we were embarking on a path that is going to be treacherous and painful. Several wins along the way have helped us to march forward with our head held high. While these successes may not be that obvious to those stakeholders who are not able to connect the dots leading to a stronger foundation, we know that the opportunity is boundless for us to grow and today we are better equipped than ever before.

### Demonstrated success

Between April 2016 and April 2019, RS Software has achieved successful transition of its capabilities, strengthening its future significantly higher for mid to long term. We are now ready to help our clients achieve digital enablement. We are an API-first, Cloud-first, Mobile-first organization that coexists with

our capabilities to work with legacy technologies. Our conviction of this future is evidenced by our decision to make an investment exceeding ₹100 crores during the last three years, ensuring that we are best prepared to capitalize on the digital payment opportunities which are only increasing globally. Our customers are moving at a rapid pace to benefit from the accelerated move to embrace the digital technologies that are transforming the payments industry and bringing in newer and rewarding business models. Additional sources of growth come from redesigning business models, creating something innovative, and exploring disruptive services. We are creating new offerings and business models that are custom-designed to satisfy unmet needs more completely, quickly, and flexibly than before. This is now enabling us to build a sales pipeline that fuels growth far into the future.

Our investment in building API-first capabilities have resulted in us acquiring 30+ new clients, large and small. We have learnt hugely by executing what is known as the Silicon Valley mantra, "fail fast, learn fast and move towards your goals". We have tested our learning and demonstrated success with new clients – large and small. Importantly we have demonstrated repeat success in winning RFPs against global competition to build national level payment infrastructure. There are about 100 countries today that are at different stages of their roadmaps to make digital payments available to their citizens.

### RS Software - The new avatar

While our core foundation and our MOAT is anchored in the depth of our experiences and existence of 27+ years, we have gained significantly from our learning over the last 3 years. We have revisited our direction and arrived at our new *avatar*. This will now establish us in a unique and dominant position, and we



It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is the most adaptable to change. —Charles Darwin





work with full commitment and passion towards every aspect of this dynamic, high speed, and innovative payments revolution, from services - products - platforms and beyond. This is what we term as our enhanced three-pronged business model which will ensure that we deliver the highest returns to all our stakeholders.

We believe our enhanced redesigned business model with three-pronged approach, combined with the team we now have in place to leverage our MOAT will accelerate our reach in the market, which in turn translates to demonstrated success, leading to scalable opportunities. We are confident of earning the trust and faith of all our stakeholders. RS Software is absolutely committed to leave no stone

unturned to make our growth strategy a great implementation success. Our leadership team and I are excited to bring all this to fruition. Strength and growth come only through continuous effort and struggle.

**The RS Software and UPI connect**

UPI's transaction volume has crossed the 800 million per month mark as it celebrated its 3rd anniversary post the launch in April 2016 – a remarkable success indeed. At RS Software, we take a moment to step back to reflect on the journey of us building UPI for Indian government owned NPCI, and enabling India's banks to connect to its rails. We believe that a faster payments infrastructure is not an end in itself; it is an opportunity for banks to deliver innovative

products and services in both consumer and corporate payments and accelerating digital commerce thereby transforming humanity. The success of UPI has made India a leader in digital payments globally.

Unlike in developed countries – US, UK or EU countries where electronic payments have evolved over the years from offline card based payments to online card payments, digital wallets and now real time payments. India has jumped ahead to an entirely new age of digital payments backed by a robust payments infrastructure. This is the best testimony to the success of our abilities to exclusively build India's digital payments infrastructure.

The RS Payments and Innovation Lab has innovated and built several products

and frameworks for enhancing the acceptance infrastructure in the digital payments economy. As the regulators globally push down the interchange cost for merchants for accepting digital payments and the wealth moves from the banks to merchants, so the opportunity is to enable merchants to spend some of that additional wealth on the value adds that payment aggregators can provide to them.

**Larger opportunities ahead**

The global payments industry is facing more disruptions than ever before, in its efforts to keep pace with the value creation needed to meet rising customer expectations. A wave of consolidation in the form of mergers and cross-border acquisitions are creating large payments players with market caps bigger than the largest banks. Just in the first 5 months of 2019, M&A activities amounting to US\$100 Billion are reshaping the industry. Powered by the digital revolution enabling a number of cashless payment instruments, large fintechs like Adyen and Stripe, and technology giants like Apple, Alibaba and Google are moving in to grab a piece of the market. According to McKinsey, the US\$2 trillion payments market is racing toward the US\$3 trillion mark primarily fuelled by the growth in APAC, especially China, followed by LATAM, Eastern Europe and Africa.

McKinsey forecasts mobile commerce to reach 70% of global digital commerce sales by 2022. Cross-border E-commerce is poised for huge growth with the current trend of high-ticket transactions trending downwards to low-ticket casual online purchases. The growing adoption of ISO 20022 standards is also helping instant cross-border payments gain traction. Other consumer to business categories like international tuition or subscription payments are growing substantially. As new and redesigned business models pose competitive threats, it becomes

imperative for every player in this ecosystem to plan for transformation in order to survive and retain their positions.

All of this augurs well for our company. The ₹100+ crores that we have invested in re-skilling ourselves, and building new business models that enable a good mix of services and platform play have positioned us strategically to reach out to our customers in more than one way.

**Our economic moat**

A deliberate choice of operating only in the payments space, a sharp focus on our customers and a relentless attitude towards our work have helped us create a position of strength - as a domain expert. Our work ranges from creating solutions for VISA, the pioneer and a leader in the payments space, to building and operating one of the biggest payment platforms in the world – UPI. We deliver, full-spectrum, end-to-end, large scale and global projects because of our experience and expertise.

**Achievement protocol**

FY2018-19 performance is testimony to how in the most challenging times of the life cycle of our company's history, we have continued to work with total belief in ourselves, with absolute commitment to achieve the best returns for all our stakeholders.

**Strengthening validated :** There are several successes that the Company has achieved during the last three years. The dots are connecting together that reinforce our path to the future.

**Opportunities continue to grow :** Data from all sources validate the continuing and boundless growth opportunities in digital payments, and we have mapped our competencies against each of these growth areas. The large demand in acceptance infrastructure, and leading edge authentication technology have been detailed in this report.

**Strategic clarity and coherence:** We continue to learn from each of our actions executed since the launch of our strategy transition and this is helping to bring coherence between our market facing approach, and our fulfilment engine. Equally important is the recognition that the brand needs to do more. Much more.

**Gamechangers:** Our investment of ₹100 crores over the last 3 years have resulted in building capabilities for the digital payments world, which have been well tested while building payment platforms that are scalable globally.

The Company continues to demonstrate the principles of invest, perform and create, and during FY2018-19 achieved consolidation in its efforts across the board to transition its strategy, which will now help to accelerate and expand the reach in the market.

We envision a world where the brand enables transactions that occur as fast as you think it. The essential benefit of which is frictionless and seamless payments.

We are today even more confident of our future.

**Raj Jain**  
*Chairman & Managing Director*

# Board of Directors



**Raj Jain**  
*Chairman and  
Managing Director*

**Mr. Raj Jain** has pioneered the domain-focused model to provide technology solutions in the area of electronic/ digital payments. He is the founder CEO and CMD of RS software, a company that builds world class payment platforms which are highly reliable and available at high volumes and very secure. The Company has the distinction of building today the digital payment infrastructure at national level, and is transforming emerging markets like India.

Raj Jain was acknowledged by Ernst & Young as one of the top 20 Outstanding Entrepreneurs of the Year, and he speaks at various global forums and at universities. He is the past Chairman of NASSCOM, an industry association that has helped India to provide leadership in information technology and now enabling the global corporations to transform to digital technologies.

Raj Jain co-founded the fourth chapter in Silicon Valley of Young Presidents Organisation (YPO). YPO is a global network of chief executives that connects 24,000 peers and their families in more than 130 countries to learn, exchange ideas and address the challenges leaders face today. Altogether, YPO member run companies that employ 15 million people and generate US\$ 6 trillion in annual revenues.



**R. Ramaraj**  
*Director*

**R. Ramaraj** is an icon in his field. His last venture was Sify, where he was the co-founder and Chief Executive Officer. He was recognized as the 'Evangelist of the Year' at the India Internet World Convention in September 2000 and voted 'IT Person of the Year' in a CNET.com poll in India that same year.

In 2010, the Confederation of Indian Industry (CII) recognized him with a Life Time Achievement Award for nurturing the Spirit of Entrepreneurship and

inspiring and mentoring numerous entrepreneurs. He was the Senior Advisor at Sequoia Capital and is currently Senior Advisor at Elevar Equity. Mr. Ramaraj is the Chairman of Villgro Foundation, an incubator for social enterprises. He is also a Member of the Board of Governors of the Indian Institute of Management, Calcutta.

Mr. Ramaraj was a member of the Global Board of Trustees of TiE (The Indus Entrepreneurs) and the first Indian to be invited to serve on the Board of Directors of ICANN (Internet Corporation for Assigned Names and Numbers).

He holds a B.Tech. degree in Chemical Engineering from the University of Madras as well as an MBA from the Indian Institute of Management, Calcutta and a Ph.D. from SRM University.



**Shital Jain**  
*Director*

**Shital Jain** brings to our Board more than 31 years of experience with Citibank, one of the world's largest financial service providers. Mr. Jain's assignments

with Citibank involved work in Hong Kong, Taiwan, the Philippines, Thailand, and Canada. He played a lead role in establishing the consumer credit practice for Citibank in India.

Currently, he is also on the Board of PNB Housing. Mr. Jain is a Fulbright scholar, receiving his MBA from Indiana University, where he was elected to the Beta Gamma Society, whose membership includes the top 25% of MBAs in the US.



**Richard Launder**  
*Director*

**Richard Launder** has more than 30 years of experience in the payments industry with strengths in sales, marketing and operations. He is an expert in strategic selling, building effective sales teams

and marketing within diverse markets and cultures. As a Managing Director in Europe, Middle East and Africa for one of the largest software companies in the payments industry, Mr. Launder generated more than US\$130 million in revenue by developing a distribution model for the region based on acquisitions, direct operations, joint ventures, distributors and sales agents. His vast experience in payments application software is particularly relevant to RS Software's strategic direction.



**Sarita Jain**  
*Director*

**Sarita Jain** has been a Director on the RS Software Board since the Company's inception in 1989. In addition to

possessing exemplary administrative, communication and organisational skills, Mrs. Jain holds a degree in English Honors and a Masters degree in English from Delhi University and an associate degree in Mass Communication.