R
SYSTEMS
Caring - Innovating - Transforming

ACCELERATING
DIGITAL
TRANSFORMATION

CONTENTS

Cautionary Statement Regarding Forward-Looking Statement
This document contains statements about expected future events and financial and operating results of R Systems International Limited, which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that the assumptions, predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications and risk factors referred to in R Systems International Limited Annual Report 2017.

ACCELERATING THE **DIGITAL TRANSFORMATION**

Digital technology is reshaping the business environment and triggering significant changes in the way businesses operate i.e., going to the market, interacting with customers and managing internal operations. The globe has aligned itself with digitalization at a rapid pace. This has resulted into a gamut of opportunities and challenges for the IT industry to partner with businesses for their successful digital transformation. The entire ecosystem around digitalization is evolving rapidly. Thus, a successful digital transformation requires a mature strategic partner to navigate businesses into a dynamic and agile digital enterprise, having an edge over its competitor.

R Systems has always lived a transfomational life and incorporated agility and innovation in its DNA. We have made thoughtful investments in building right competencies, partnerships and framework around digital technologies like analytics, artificial intelligence, cloud, mobility, Internet of Things (IoT), robotics, etc. Our digital transformation philosophy aims to adapt to the cutting-edge technologies in order to position businesses closer to their customers, empower their employees, and transform their internal business

processes through providing a pleasing user experience. Here, our rich experience around key industrial verticals and product engineering legacy have been paramount in delivering the state-of-the- art digital projects.

We have now moved into another interesting phase of digital transformation where we are delivering tangible ROI to our customers by accelerating their digital transformation. These ROIs are measured in terms of increased user engagements, enhanced user experience, timely access to critical information, and reduction in overall costs, etc. Digital transformation projects are complex, time consuming, and expensive. They affect every aspect of the enterprise. Thus, it becomes essential for the businesses to understand ROI from a successful transformation to allocate their critical resources. Capitalizing on our initial investments, we have been able to demonstrate our digital success stories, ROI derived by our customers and their pleasant experiences. In this next phase of digital transformation, R Systems has positioned itself as a mature strategic partner accelerating the digital transformation journey of our esteemed customers.

OUR **DIGITAL COMPETENCES**

ANALYTICS

R Systems analytics practice gives industry-specific services and solutions, which are of excellent quality and delivers first-rate quantitative actionable insights through data and speech analytics that helps address business challenges. Our expertise lies in collecting, transforming and visualizing these insights and employing cutting-edge methodologies like, organizational case studies, cognitive science, business intelligence, and industry-specific methods to reach the uncharted territories to deliver tangible ROI. Leveraging on the deep domain knowledge across industry verticals, our engagement starts with the particular assessment of an analytics query–build proof of concept–to the deployment of the most scalable model to answer it. Thus, succeeding in creating a rich information pool that encompasses economical, statistical, social media, and speech metrics, providing actionable business insight and real business value.

Solutions for Data and Speech Analytics

Data Aggregation & Transformation

- Unified data framework
- Enables rapid deployment of custom advanced analytics solutions
- Simplifies data acquisition, transformation and visualization from any data source

Analytics Gym

- Consulting Framework
- Discovers and evaluates relevant data, technology and right approach

Anagram

- Customer Interaction Analytics Platform
- Speech text mining capabilities
- Delivers actionable business insights by analyzing unstructured & semi-structured data
- Integrated capabilities for speech, text, social media, big data & predictive analytics

Our Analytical Offerings

- Big Data & Analytics Strategy Consulting
- Predictive Analytics & Visualization
- Architecture & Infrastructure Development
- Big Data Integration & Management
- Custom Analytics Solution
- Speech & Text Analytics Solution

CLOUD COMPUTING

Cloud Computing has completely changed the paradigm. The compelling manner in which it manages to expand the technological know-how and delivers internet services has rapidly changed the landscape of information technology. With this technology, the long-held dream of utility computing has been realized. It does not only provide an unconventional means to reach out to the audience but also provides a flexible mode of delivery bearing minimal or no cost. At R Systems, the cloud practice R–Cloud is the premium offering that aids our customers in achieving their defined goal.

R-Cloud includes cloud offerings for the three principal public cloud platforms - Salesforce, Microsoft Azure and Amazon Cloud Services. It offers services like, hosting, consulting, architecture setup, designing, implementation, and monitoring. Our expertise lies in maximizing clients' ROI by incorporating factors such as business agility, IT flexibility, and data security. In addition, we also focus on enhancing our competencies by equipping ourselves with engineering competencies that would help us serve product companies and enterprises opting

for the cloud route more effectively. We boast of core competencies in cloud computing, such as blueprint for introducing cloud environment, proper cloud selection for individual needs, cloud migration, customized SaaS model, provisions for accelerated scalability and optimized development, enabled with audio and video features.

Furthermore, our subsidiaries, IBIZ and ECnet, offer cloud platforms facilitating SMEs and enterprise customers in capitalizing on their ROIs.

Our Cloud Computing Offerings

- Consulting Services
- SaaS Strategy & Enablement
- Integration Services
- Pre-built Application in SCM
- SaaS Testing

MOBILITY

In recent times, mobility has emerged as one of the key enablers of the digital transformation. In many ways, it has improved the service environment for the end consumer, accelerated the delivery time, added to the qualitative and quantitative experience of the customer. It has also upgraded the quality availability, accessibility, and portability of information. It helps in the frequent engagements of the customer with the software and increases ROI in enterprise software. It also picks up enterprise software and enhances their existing ecosystem. R Systems offers tailor-made service in the field of mobility solution to its clients by actively participating in envisioning, designing, developing, deploying, and supporting it.

In mobile technology, we are well–adept in delivering solution around the leading mobile platforms like Andriod, iOS, and Hybrid to Web apps. We have also the credit of being an expert in calibrating several mobile applications with enterprise's business goal, thus, creating a new value proposition for our customer.

Our Mobility Offerings

- Audio and Video Streaming over HTTP and RTSP
- Location Based Services (GPS etc.)
- Socket Programming
- Porting
- Security
- Gaming
- Internationalization
- SIP and VoIP
- Barcode and QR Code Analyzing
- XML Parsing and Local Database Management
- Wi-Fi, Bluetooth, WAP

INTERNET OF THINGS (IoT)

Undoubtedly, IoT remains the undisputed monarch of digital space today with its capacity to capture insights and real-time data across the assets 24/7. IHS Markit forecasts show that the global installed base of IoT devices will rise to 73 billion in 2025.

R Systems' IoT services include a combination of procedures like enabling seamless data acquisition, processing, and analytics, thus, helping the client to explore the ocean of specific knowledge we possess in terms of design thinking, and technical expertise that aids in speed tracking their business operations. Our IoT expertise focuses on processing intelligence in an innovative manner and designing advanced sensor devices that will come handy in learning mechanical functioning & artificial intelligence.

In today's digital space, Artificial Intelligence has emerged as one of the most potent platforms for deep learning, natural language processing, image recognition and neural-network driven decision-making. IoT solutions need precision, an aggregate of embedded software, and application development that appropriately defines the cloud ecology. And it is here that R Systems brings in brilliance with its expertise and premium offerings like the unique assortment of IoT consulting, strategy, implementation, and operational support that not only simplifies the procedure but also makes it resilient.

During 2017, R Systems participated in Intel IoT Online DevFest and has presented Insights on AI and Machine Learning for IoT.
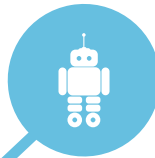
Our IoT Offerings
- Conceptualize New IoT Business Opportunity Development
- Proof of Concept Development for IoT
- IoT Edge Security
- Central Data Aggregation for IoT Devices
- IoT Sensor Device Management & Alert Management
- IoT in Factory & Manufacturing Automation Systems
- IoT in Home Automation Systems
- IoT in Healthcare Sector
- IoT Data Analytics
- Protocol Software Development & Testing
- IoT Service Architecture & Back-end Development

ROBOTIC PROCESS AUTOMATION (RPA)

Robotic Process Automation has emerged as a critical component of 'Future of the Work' and refers to a style of automation where a machine, or computer, mimics a human's action in completing rules-based tasks. R Systems works at enhancing the productivity, reducing the cycle time and improving the accuracy of any business process through RPA services. Our RPA capabilities assist in overcoming challenges like, navigating towards financial confidence, applying key operational innovations, continually adopting technology-in changing the digital environment, a respite from the burden of repetitive and time-consuming processes, reducing cost, improving delivery and ensuring consistent quality.

RPA Implementation Methodology

9 **Deployment & Training**
- Training
- Handover
- Team Orientation

8 **Testing**
- Manual
- Automated
- Error Handling

7 **Holistic Governance**
- End-to-End Management
- Process Documents

6 **Robotization Factory**
- Robot Orchestration
- Server Provisioning

5 **Target Operating Model**
- Operating metrics
- Feedback Correction

4 **Continuous Agile Delivery**
- Project Timelines
- Scrum and Sprint

3 **RPA Automation Pilot**
- POC Design
- POC Dry Run

2 **RPA Tool Selection**
- Problem Analysis
- Tool and Suite Selection

1 **Roadmap Definition**
- RPA Process Cycle
- Improvement Plan

R Systems possess immense experience in all leading RPA tools. Furthermore, we have associated as a partner with Automation Anywhere Enterprise, which provides best front-end UI automation, top security, scalability and usability features. Our RPA offerings include process simplification, workflow management, robotic analytics and IT infrastructure.

FROM THE DESK OF
THE MANAGING DIRECTOR

Dear Fellow Stakeholders,

A continuous transformation is the only way to survive in the hyper-changing IT ecosystem. Such transformations make a company innovative and agile. In the last 25 years, R Systems has championed this transformation process through practice. We started as an IT consulting company in California in 1993 and later moved to be an offshore based software engineering company. To continue our transformation journey, we aligned ourselves to key industry verticals and it has strengthened our competencies, insights and offerings. In the last few years, we have transformed R Systems into a digital organization where we partner with businesses to transform them into a digital enterprise.

"During last year, R Systems has positioned itself as an accelerator for digital transformation by effectively delivering digital transformational projects."

"We are making strategic investments in building competencies and partnerships which are critical for leadership in this digital space."

I am delighted that your company has now moved into the next phase of digital transformation whereby we are accelerating digital transformation of our customers. As we are in an age of digital disruption, the businesses face increasing pressure to improve time to market and ensure their offerings are the best in class. It requires their digital transformation process to be sufficiently agile to consider their fast-changing business requirements. At R Systems, we see digital technologies such as, analytics, artificial intelligence, cloud, mobility, IoT, robotics, etc. as the enabler of digital transformation. We utilize these technologies to acquire customer insight which includes, how they interact with their customer, understanding their business needs, their internal operations, and to some extent their business models. We are leveraging our product engineering DNA and vast transformational experience to accelerate digital transformation for our customers.

R Systems' 2017 Performance

R Systems reported revenues of ₹ 5,926 million (US$ 91.01 million) in 2017 as against ₹ 5,882 million (US$ 87.55 million) in 2016. During 2017, the revenue grew approximately 0.75% (3.96 % in US$). We had margin challenges as EBITDA for 2017 was ₹ 350 million (US$ 5.37 million) i.e. 5.9% of revenue, against ₹ 711 million (US$ 10.58 million) in 2016 i.e. 12.1% of revenue. The net profit for 2017 was ₹ 245 million (US$ 3.76 million) as against ₹ 537 million (US$ 7.99 million) in 2016.

Although these numbers reflect a challenging last year, looking beyond the numbers, we concluded an eventful year. Your company has delivered cutting-edge digital transformation projects like, partnering with leading ISVs in telecom, digital media, retail, healthcare and automotive in digitalizing their solutions, as well as, digitalizing the operations of leading enterprises in telecom, education, household appliances, etc. Each of these success stories has contributed to our revenues during 2017 along with yielding a satisfied customer relationship base for the future. Furthermore, these success stories have laid down a robust foundation to showcase R Systems capabilities in accelerating digital transformation.

Since we are transforming from a traditional product engineering company to a digital transformation accelerator, we have been investing to align our resources in areas such as, engineering talent, sales, marketing and other internal infrastructure to market requirements for digital space. This has impacted our margin during the last year coupled with the impact of rupee appreciation. However, we are committed to grow and improve our margins by leveraging our digital success. Furthermore, we concluded last year with a strong balance sheet with a cash reserve of ₹ 1,607 million (US$ 25.16 million) and R Systems' shareholders fund of ₹ 3,033 milllion (USD 47.49 million).

During last year, R Systems has positioned itself as an accelerator for digital transformation by effectively delivering digital transformational projects. We have also implemented organizational changes to transform R Systems to take up new challenges in this digital era. These structured investments to some extent impacted our profitability but these have extended the reach of our market from traditional software companies to enterprise customers who are looking to transform into digital businesses. In 2018, we will continue to accelerate digital transformation for our precious customers to get profitable and sustainable growth. We are making strategic investments in building competencies and partnerships which are critical for leadership in this digital space.

I am thankful to R Systems' intellectual capital, i.e., our employees across the globe for their agile thinking, adaptability to newer technologies and relentless dedication. I am equally grateful to their family for their immense support. I also thank all our shareholders, customers, bankers, various government agencies, industry associations and all other organizations for their continued support.

With warm Regards,

Satinder Singh Rekhi
Managing Director

FROM THE DESK OF
SARTAJ REKHI

Dear Fellow Stakeholders,

Digital technology affects every function of an enterprise. It requires a fundamental shift in the way we do business and how we operate. R Systems, over the past 25 years has lived a transformational life whereby we have successfully adapted to the changes in the IT ecosystem to stay relevant and progressive. We have kept our core strengths and culture, i.e. product engineering DNA and customer centric approach together while embracing innovation and learning from digital natives.

As a strong advocator of digitalization and with an aim to fuel transformational growth for businesses, we have realigned our internal organizational functions such as, HR, sales, marketing, and IT infrastructure to live digitally.

Digital talent inspires change in the right structures, leverage technology to create and innovate and to increase speed and agility. R Systems has aligned its people practice to hire, develop, motivate, and retain digital talent. We have nurtured the entrepreneur ecosystem by providing resources and impetus on connecting, transferring, co-developing and co-creating ideas, and business gain.

Today, contemporary digital buyers want to buy from state-of-the-art sellers. They want to interact fluidly across channels and while doing so, they expect to have a consistent brand and engagement experience. Our marketing team has adopted cutting-edge tools to connect with the target audience. Our sales team has also become smarter and productive by accessing better data and platforms. We have modernized our IT infrastructure to be agile and highly secured to cater to the present digital landscape.

Today, R Systems is accelerating digital transformation by the application of breakthrough technologies like, analytics, artificial intelligence, cloud, mobility, IoT, RPA, etc. It will help to radically reshape businesses and indeed create a broader society. I am confident that all these initiatives will provide us a strong foundation to cultivate a digital enterprise for the future.

Best Regards

Sartaj Rekhi

> **"We have realigned our internal organizational functions such as, HR, sales, marketing, and IT infrastructure to live digitally."**