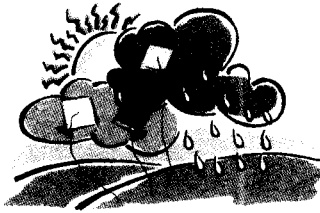


ANNUAL REPORT 2002-2003



RS SOFTWARE (INDIA) LIMITED



Foreword

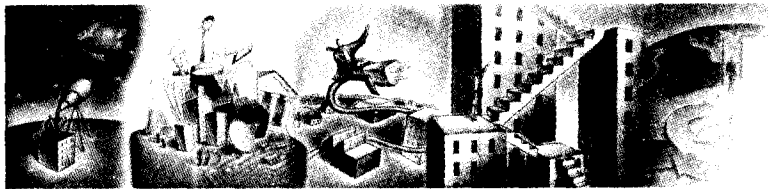
"It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity,..."

The opening line from *A Tale of Two Cities* sums up the current mood in the global IT industry as fittingly as it did at the time of the French Revolution, three centuries back. By the time one reads this, the Gulf region will be a little less tense, and the travel advisories for most of the SARS-affected areas will be lifted. However, a spate of visa restrictions and the move by some US States seeking to limit offshore outsourcing will keep Nasscom busy lobbying on behalf of India Inc. The dollar would probably slide further against the rupee, as would any hope of US Retail Sales picking up quickly after the end of hostilities in Iraq. And with the billing rates coming under pressure, a series of conservative guidance(s) from the scale players in the industry will have set to rest any flamboyant cheerfulness that the industry prediction's earlier in the year may have given wind to.

Yet, 2003-04 does offer room for tempered optimism. In two years time, the size of the outsourced IT Services opportunities is expected to grow to over \$300bn, accounting for more than 44% of total expenditure on IT services in large corporations. A November 2002 survey among 36 outsourcing vendors indicates that offshore application management has the highest growth service potential for vendors in 2003. With focus on price-performance, preference for offshore outsourcing will be increasingly on the rise. It will continue to do so in the next couple of years as a means to offer alternative lower cost labor.

In the last twelve months, RS has exhibited a great deal of resilience and now it can be said that it has largely survived the scare. This has been possible due to initiatives like implementation of performance-linked variable compensation structure for higher roles, significant amount of automation surrounding the corporate decision making process, and astute financial diligence. The SBU structure, that brought about a great deal of contribution orientation (productivity and profitability), was further vertically integrated by segregating the Sales Organization from the Execution Organization, and by the introduction of new roles for managing the domain competency piece. The result of this is already visible, in the form of tools and industry components like Click To Test, Job Manager, and tools for HP e3000 Migration, GTIN and Euro Impact Analysis.

It may still take some time for the recessionary market forces to weaken. But just as storm clouds use turbulence in the winds to keep multi-colored kites fluttering against a dark, intimidating backdrop, RS continues to use its past learnings in staying focused on developing competencies and value-added offerings in the identified verticals.



Vision

- ◆ Provide Quality Software Services from India to the International Markets

Mission

- ◆ To achieve excellence in all our business processes through people empowerment and continuous process improvements leading to highest customer satisfaction

Strategy

- ◆ To transition from T&M based, vanilla offshore outsourcing to fixed-price, domain focused and high value-added offerings in identified verticals, using pre-fabricated solution components

Company Values

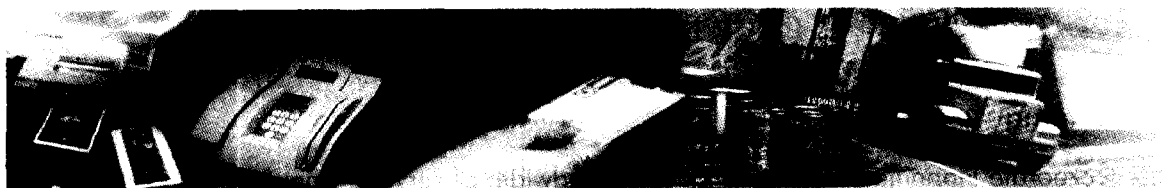
- ◆ To provide price performing quality solutions
- ◆ To achieve the highest levels of customer satisfaction
- ◆ Achieving success through effective leadership
- ◆ Foster an environment of trust
- ◆ Constantly work towards synchronizing the goals of the individual with those of the organization
- ◆ To be a learning organization

Our Commitment

- ◆ Continuous investment in Technology Upgradation
- ◆ Investment in Training and Skill Enhancement
- ◆ Respect for the Individual
- ◆ Commitment of Top Management

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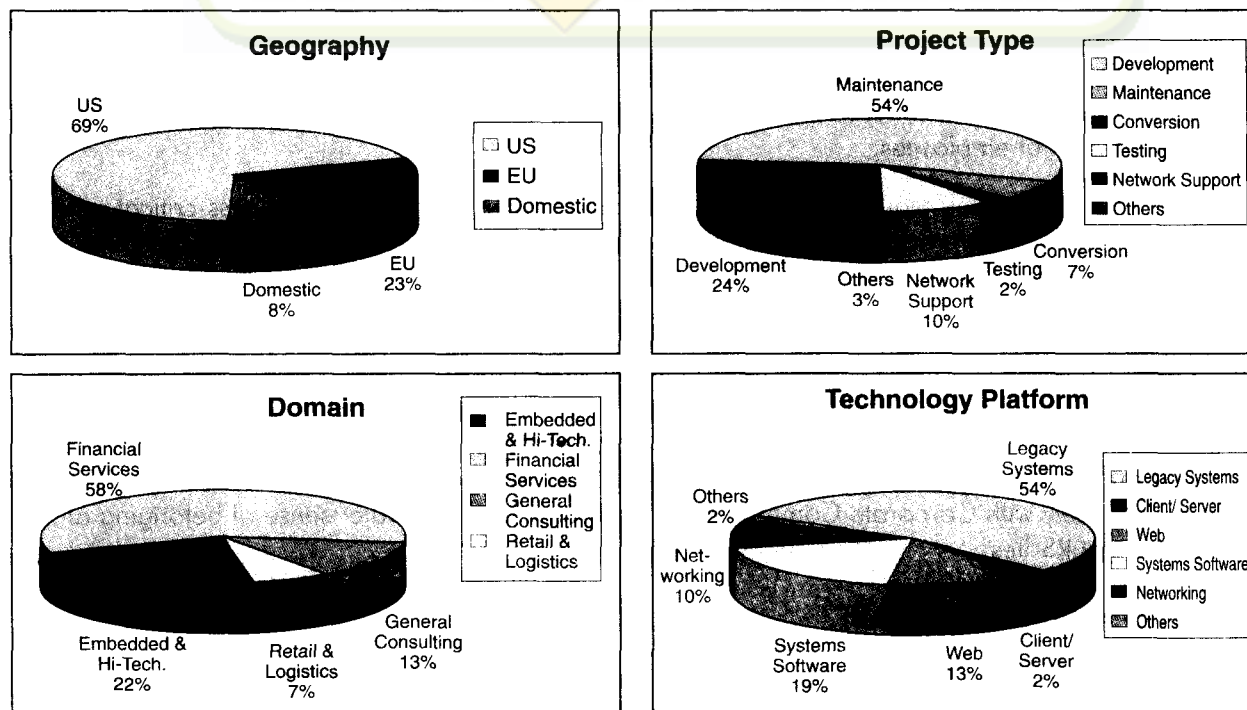
Operational Highlights 2002-03

Among the new projects RS won in the US region this year is one on development involving optimization of product design and manufacturing technology in the area of Six Sigma & Quality Engineering, and an Expert Specimen Processing Shipment Tracking software having extensive interfaces with hand held scanning and barcode printing in the Logistics segment.

In UK, RS was awarded a project to provide Mainframe-based offshore development and enhancement services for a key client in the Insurance sector. This project is expected to go on for a few years. For a UK-based software services company, RS bagged an umbrella project consisting of several child projects in the areas of Inventory Management, Invoice Tracking, Single point Requisition System, Long range Planning, and Work Planning among others.

During the year, RS continued to work with its existing premium clients that include the world's largest payment infrastructure service provider, a large US-based supermarket chain, an UK-based software services company, and leading printer manufacturers both in the international and domestic segments.

Report Junction.com



Corporate Planning

In 02-03, the Corporate Planning Group extended its bandwidth of services from being an extension of MD's Office for Strategic Business Planning purposes, to providing marketing back office services, to mapping the knowledge resources of the organization in alignment with the organization's domain-based competency development roadmap. The Corporate Communication function has also been further streamlined to focus on internal branding, a key health metric for the organization in times of stretch and innovation.

Today, the Corporate Planning Group offers a wide and diverse bouquet of services that include the Strategic Business Planning & Budgeting exercises, managing the Corporate MIS, conducting core Market Research driven by the Sales and Execution Organizations, designing and managing the RS Website and the Intranet, creating smart collateral and tools for the Sales Organization, facilitating the Knowledge Management and Training function, creating greater cultural bonding between employees through the activities of the RS Club, ensuring corporate participation in events like Nasscom, as well as publication of company newsletters and the Annual Report.

To ensure higher productivity in the area of training, the Corporate Planning group commissioned the services of the Embedded & Hitech SBU to help it develop a CBT Authoring Tool (cum Player) for its Learning Resources function. Once developed, the authoring tool would enable the Training function to build a repository of Self-Paced Learning Resources, which RS-ites can use in their free time for acquiring functional familiarity in areas of topical interest.

HR & Sourcing

02-03 was a busy year for HR. Organizational policies were reviewed and presented to the HR Committee, and new policies including those for UK and US were reviewed and implemented in various areas. A variable pay structure was introduced for those in the roles of Project Leader and above, to encourage employee efficiency. During the year, HR also developed a retention strategy to help address the problem of attrition in the company and initiated the identification of business critical members within projects. An Opinion Survey and an Employee Satisfaction Survey were also conducted during the year to gauge the satisfaction level of employees.

After a brief lull, the Sourcing team has started recruitment activities for filling up business-critical roles. About 80 professionals were added to the RS Family in 02-03. An important step was the initiation of employment on contract basis, which resulted in substantial flexibility. Campus Recruitment activities were also reinitiated.

In 03-04, the crux of the HR & Sourcing Business Plan will be to maintain a fine balance between person power cost alignment, and timely recruitment & management of an optimal resource pool. As more and more people come under the performance-linked variable pay structure, HR will have to constantly remain alert to possible attrition/poaching of our critical resources due to competition. At the same time, it has to work closely with Corporate Communication to bring about a greater sense of belonging and bonding amongst RS-ites.

Quality & Benchmarking (Q&B)

The focus of the Quality & Benchmarking function this year was on automating the project management function to the extent possible to support on-line web based project planning and tracking. In this context,

the Project Dashboard was launched along with the On-line Defect Logging and Tracking system. The objective of this initiative was to create an organizational repository of project performance data, which can be re-used for future projects. The other focus area in this fiscal was to define a set of critical metrics, which would monitor the performance of the organization. As the custodian of all processes, Q&B continues to work towards maximizing RS's effectiveness in delivering complete satisfaction to its growing base of customers.

The Technology Organization (TO)

The goals of the Technology Organization are to develop and maintain the corporate MIS on the RS Intranet, to maintain the RS web site, and to create new tools and competencies for your organization. A significant achievement this year has been the automation of the Fortnightly Report, a key management report detailing person power, project, billing and support services information. Among the important Intranet-based applications developed by TO this year are the Internal Audit Reporting System, Invoice Generation System, and Dashboard Enhancement (a project management tool) for the Quality and Benchmarking process to further strengthen the quality of our software deliverables. To enable our clients to view their respective project status or to raise any issues on-line, TO has developed a Customer Intranet using .NET technology.

As part of the initiative to develop an Employee Self-Service Portal to enhance employee productivity and satisfaction, TO has developed a Training & Development Self Nomination system to enable employees to nominate themselves for training programs, and a web-based application for Problem Tracking & Reporting, to enable the Facility team to provide better service.

Among the tools and competencies developed by TO this year were the Euro Impact Analysis Tool, and expertise on .NET and XML platforms.

Infrastructure Support

In 02-03, the Facility team and the Operations & Support (O&S) team worked closely on two assignments that merit special mention. The first involved smooth relocation of some of the key projects from one location to another within Kolkata. Considering that this happened involving projects in the payments card industry right at the peak of the US Retail season, without causing any loss in work productivity, makes the achievement a truly commendable one. The second instance was the installation of Voice over IP (VoIP) to route all official calls to US through an existing 256 Kbps IPLC link. This has resulted in significant savings in ISD charges.

In order to increase productivity and to achieve higher business goals, Facility also enhanced the Internet bandwidth from 128 Kbps to 512 Kbps, introduced an online Problem Tracking System, and restructured the network to provide better scalability, performance and security. In the next fiscal, Facility plans to acquire BS7799 security certification, implement high-speed Internet connectivity for mail and workflow, and provide Active Directory Services as well as a high-speed centralized backup system for Business Continuity and Disaster recovery. The Operations & Support team too plans to bring about significant reduction in its cost of services without compromising service quality or customer satisfaction.

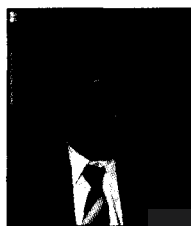
Board of Directors



Mr. K. S. Bhatnagar
Chairman



Mr. R. R. Jain
Vice Chairman & Managing Director



Maj. Gen. A. Balasubramaniam (Retd.)
Director



Mr. S. K. Jain
Director



Mr. D. Pal
Nominee Director (ICICI)
(replaced by Dr. P. K. Basu
w.e.f. Aug 27, 2002)



Mrs. S. Jain
Director



Maj. Gen. K C Mehra (Retd.)
Director (retired from the board w.e.f Oct 30, 2002)

Executive Committee



Mr. R. R. Jain
C.E.O



Mr. Kunal Sen
VP Finance & Company Secretary



Mr. Bibek Sankar Das
VP Corporate



Mr. Aniruddha De Choudhury
General Manager- Corporate Planning
& Development



Mr. Aniruddha Rai Chaudhuri
General Manager- Quality
& Benchmarking



Mr. Sabyasachi Chatterjee
CTO & Business Manager



Mr. Sanjib K. Mukherjee
Manager- Corporate HR



Mr. Prasun Maharatna
Manager- HR & Sourcing (US)



Mr. Rajil Vohra
Sales Manager, US



Mr. Harmeet Kalra
Sales Manager, UK

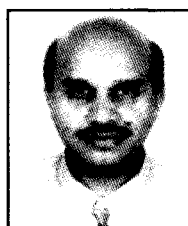
On-site Marketing Team



Mr. Rajil Vohra
Sales Manager, US



Mr. Harmeet Kalra
Sales Manager, UK



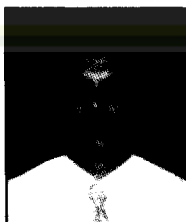
Mr. Rakesh Srivastava
Account Manager



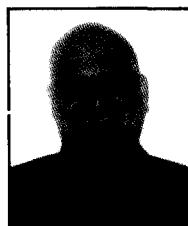
Mr. Bob Sinha
Business Development Manager



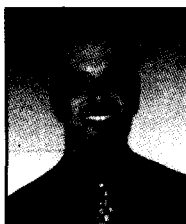
Mr. B. N. Jha
Business Support Manager



Mr. Rajnish Singh
Business Development Manager



Mr. Mike Rafati
Business Development Manager



Mr. John Le Grande
Business Development Manager

General Management (Review) Team

The General Management Review Team was set up in 2001-2 to assist the Top Management in the following areas:

- To review organizational policies so as to ensure greater synchronization amongst all functions, leading to an increase in the operational efficiency of the organization
- To guide the organization on the adoption of new technology, creating opportunities for the organization to venture into newer areas of business
- To research industry best practices and assist the organization in benchmarking the same to enhance productivity

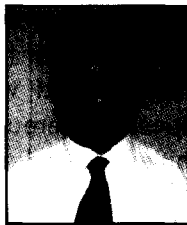
This year, the team focused on three strategic areas, leveraging which would not only improve internal efficiencies but also enable competitive advantage in your company's positioning. The team came up with specific recommendations in the following areas:

- Knowledge management
- Competency development in alignment with our vertical-driven roadmap
- Ways to improve organizational productivity

In 2003-4, the team plans to explore opportunities for Strategic Business Initiatives in HR, Sales & Marketing, Technology and Project Management, with special focus on Talent Management as a means to attract, motivate and retain talent in your organization.



Mr. Sumit Misra
Business Manager



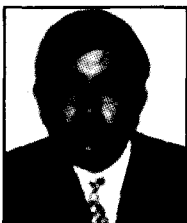
Mr. Sabyasachi Chatterjee
Business Manager



Mr. Arup Ranjan Das
Business Manager



Ms. Paramita Das
Manager, Sourcing



Mr. Debasis Gupta
Deputy General Manager, Finance



Ms. P. Manju
Project Manager