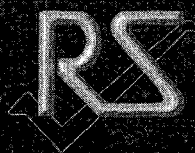


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R.S. SOFTWARE (INDIA) LTD
ANNUAL REPORT 2006- 2007

CONTENTS

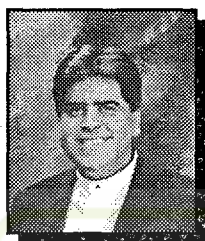
Board of Directors	2
Management Team	3
Notice to Members	4
Directors' Report	12
General Shareholders' Information	27
Auditors' Report	29
Balance Sheet	34
Profit and Loss Account	35
Schedules to Balance Sheet and Notes on Accounts	36
Cash Flow Statement	48
Balance Sheet Abstract	49
Section 212 of the Companies Act, 1956	50
Responsive Solutions Inc.	51
Consolidated Accounts of R S Software India Limited and its Subsidiaries	56
Enclosed : Proxy	71



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. S. Khasnobis, Nominee Director (ICICI)



Mrs. S. Jain, Director

MANAGEMENT TEAM



Mr. R.R. Jain
CEO



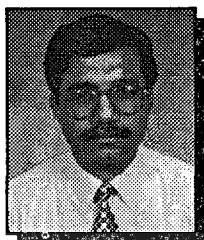
Dr. Shurjo Ghosh
COO



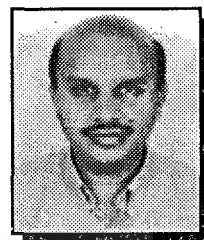
Ms. Diana Adachi
VP Marketing



Mr. Kunal Sen
VP Finance & Company Secretary



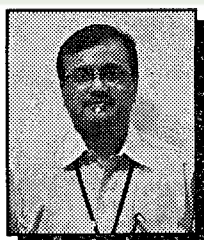
Mr. Bibek Shankar Das
VP Corporate



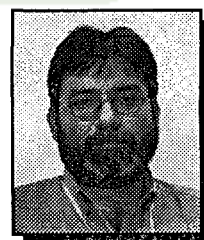
Mr. Rakesh Srivastava
General Manager,
Business Development



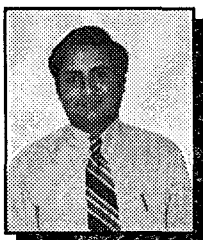
Mr. Debasis Bandyopadhyay
Associate Vice-President,
Execution



Mr. Aniruddha De Choudhury
General Manager,
Corporate Communications



Mr. Aniruddha Rai Chaudhuri
General Manager,
Quality & Benchmarking



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



Ms. Indrani Banerjee
Senior Manager, HR



Mr. Ghanshyam Binani
General Manager,
Finance



NOTICE TO MEMBERS

The Nineteenth Annual General Meeting of R S Software (India) Limited will be held on Friday, 10th August 2007 at 3.30 pm at Sisir Mitra Hall, Webel Bhavan, Block EP & GP, Sector V, Bidhan Nagar, Kolkata - 700 091 to transact the following business :

ORDINARY BUSINESS

1. To consider and adopt the Audited Balance Sheet as on 31.03.2007 and Profit & Loss Account for the year ended on that date and the Report of Auditors and Directors thereon.
2. To appoint a Director in place of Mrs. Sarita Jain who retires by rotation and being eligible offers herself for re-appointment.
3. To appoint a Director in place of Mr. K S Bhatnagar who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration and for this purpose to consider and, if thought fit, to pass the following resolution as an Ordinary Resolution.

"Resolved that pursuant to the provision of Sec 224 and other appropriate provision, if any, of the Companies Act 1956, Messrs Chaturvedi & Company to retire at the conclusion of the Meeting be and are hereby re-appointed Auditors of the company to hold office from conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company at a remuneration to be decided by the Board of Directors of the Company".

SPECIAL BUSINESS

5. To consider and, if thought fit to pass, with or without modifications the following Special Resolution :
 "RESOLVED THAT based on the facts and circumstances of the situation as laid before the Board trading of Company's Shares at the three Stock Exchanges at Delhi, Ahmedabad and Calcutta be closed subject to Shareholders' approval."
6. To consider and, if thought fit to pass, with or without modifications the following Special Resolution :
 "RESOLVED THAT pursuant to the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 [including any statutory modification(s) or re-enactment thereof] and subject to the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and subject to such approvals, permissions and sanctions as may be necessary and subject to such conditions as may be prescribed or imposed while granting such approvals and which may be agreed to or accepted by the Board of Directors (hereinafter referred to as "the Board" which expression shall include a committee thereof) at its sole discretion, the consent of the Company be and is hereby accorded to the Board to grant 21,00,000 stock options.
 - 1) to the eligible Employees of the Company working in India or out of India;
 - 2) to the Directors of the Company, in India or outside India whether whole time director or otherwise excluding Promoters;

- 3) to the eligible Employees of its Subsidiaries in India or out of India; through "Employee Stock Option Scheme" (ESOS), which entitles the Option holders to subscribe to 21,00,000 Equity Shares of the Company."

"Further Resolved that the Company's aforesaid ESOS Scheme shall conform to the Accounting Policy as specified in Clause 13.1 of SEBI (ESOS & ESPS) Guidelines, 1999, as amended."

"Further Resolved that the Company's aforesaid ESOS Scheme shall also be applicable to the employees of the subsidiary companies in India or outside India and the Directors of the Company whether whole - time or otherwise."

7. To consider and, if thought fit to pass, with or without modifications the following Special Resolution :

"RESOLVED THAT pursuant to Section 81(1A) and other applicable provisions, if any, of the Companies act, 1956, relevant guidelines of the Securities Exchange Board of India, listing agreement entered into with the stock exchanges and any other applicable laws/rules/regulations and subject to the consent/ approval of any other authorities/institutions, consent of the company be and is hereby accorded to the Board of Directors to create, offer and allot up to 7,00,000 Equity warrants on a preferential basis to the Promoters/ Promoter Group(s) (hereinafter referred to as "Warrants") with each warrant convertible into one equity share of the company of nominal value of Rs.10/- each at a price of Rs. 66/- which includes a premium of Rs. 56/- per share calculated in accordance with SEBI guidelines for preferential allotment of equity shares/warrants and on such terms and conditions as may be decided and deemed appropriate by the Board of Directors of the Company (hereinafter referred to as the "Board" which shall be deemed to include any duly authorized committee thereof) at the time of issue allotment"

"RESOLVED FURTHER THAT the 'relevant date' in relation to the issue of warrants in accordance with the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 would be, 10th July 2007, being the date 30 days prior to the date of passing of this resolution".

"RESOLVED FURTHER THAT the issue of warrants, if any, as above, shall be subject to the following terms and conditions :

1. The Warrants shall be convertible (at the option of the warrant holders) at any time within a period of 18 months from the date of allotment of warrants.
2. Each warrants shall be convertible into one equity share of nominal value of Rs. 10/- each at a price of Rs. 66/-, which includes a premium of Rs. 56/- per share, calculated in accordance with SEBI guidelines for preferential allotment of shares.
3. The Warrant Holder(s) shall, on the date of allotment, pay an amount equivalent to 10% of the total consideration per warrant.
4. The Warrant Holder(s) shall, on the date of conversion, pay the balance 90% of the consideration towards the subscription to each equity share.
5. The amount referred in (3) above shall be forfeited, if the option to acquire shares is not exercised within a period of 18 months from the date of allotment of warrants.



6. The number of warrants and the price per warrant shall be appropriately adjusted, subject to the Companies Act, 1956 and SEBI guidelines, for corporate actions such as bonus issue, rights issue, stock split, merger, demerger, transfer of undertaking, sale of a division or any such capital or corporate restructuring.
7. The lock in of shares acquired by exercise of warrants shall be for a period of three years reduced to the extent of holding period of the Warrants."

Registered Office
234/3A, A.J.C. Bose Road
Kolkata - 700 020

By Order of the Board
For R S Software (India) Limited

3rd May 2007 / 12th July 2007

Kunal Sen
VP - Finance & Company Secretary

NOTES

1. A member entitled to attend and vote at this meeting is entitled to appoint a Proxy to attend and vote instead of himself. A Proxy need not be a member of the Company. Proxies, in order to be effective, must be received at the registered office of the Company not less than 48 hours before the meeting.
2. The Register of Members and Transfer Books of the Company will remain closed from 3rd August 2007 to 10th August 2007 (both days inclusive).
3. Members/Proxy holder must bring the Attendance Slip to the Meeting and hand it over at the entrance duly signed.
4. Members desirous of any information on the Accounts at the Meeting are requested to send their queries at least 10 days before the Meeting.
5. PLEASE BRING YOUR COPY OF THE ANNUAL REPORT AT THE MEETING.
6. **Conveyance facility would be available from our Corporate Office on the date of the AGM for reaching the venue and back. Those interested in availing the same may kindly register their names with their names and folio nos. to the desk of the Corporate Office at least 72 hours prior to the Meeting.**

EXPLANATORY STATEMENT TO THE ITEM OF SPECIAL BUSINESS SET OUT IN THE ANNEXED NOTICE**Item 5**

When the Company went into the first IPO in March 1994 it was listed with Calcutta, Mumbai, Delhi and Ahmedabad. Thereafter six months later the Company as per the SEBI requirements got also listed with National Stock Exchange (NSE), Mumbai. For the last three years as per the report received from Delhi, Ahmedabad and Calcutta Stock Exchanges there have been no transactions reported. Moreover as per the concept prevailing now trading is done through the Stock Exchanges, which has the highest number of trading terminal in India, and those are either BSE or NSE.

We have been paying Annual Membership fee of Rs.7,500/- to each of the two Stock Exchanges - Delhi & Ahmedabad and Rs.10,000/- to Calcutta Stock Exchange and these will increase further after our expanded capital base post Rights Issue. Fees for Delhi & Ahmedabad Stock Exchanges would be around Rs.10,000/- each and Calcutta Stock Exchange Rs.17,500/-. Apart from the fees whenever we need any approvals we have to apply to all the Stock Exchanges and as no trading is taking place for the last three years in Delhi, Ahmedabad and Calcutta Exchanges and there are also considerable delays in getting response which add to administrative hassles. We therefore propose that our Share trading of R S Software (India) Ltd. at Delhi, Ahmedabad and Calcutta Stock Exchanges be closed down with the work restricted to the remaining two - BSE & NSE.

This matter was earlier taken up at the Board Meeting held on 10th Feb.'06 but it was later felt that since the Company's Rights Issue was in process it would not be expedient to discontinue this at that stage. Since the Rights Issue is now over, this matter is being taken up afresh and after the Board's approval it would be put before the forthcoming Annual General Meeting for Shareholders' approval as per the Statutory requirements.

Item 6

The last ESOS Scheme was approved by the Shareholders in August 2004. That Scheme was valid for 3 years effective 1st April 2004 and lapsed on 31st March 2007. The said Scheme had a total ceiling of 500,000 Options of which 416,600 Options were used within those 3 years. We have to therefore introduce a new Scheme, which would be effective from 1st April 2007 for a further period of 3 years. The Compensation Committee would decide on the vesting and the exercise period for Employees, which includes Directors. The ESOS Scheme has always been useful in rewarding and attracting talents and the Company therefore wants to extend the Scheme for another 3 years.

The Board of Directors recommend the approval by the shareholders of the existing employee stock option scheme for a period of three years starting with 1st April. 2007 to the eligible Employees of the Company as well as to the eligible employees of its Subsidiaries.

None of the Directors of the Company is concerned or interested in the Resolution.

Information regarding ESOS for Explanatory of Notice to Members

The information for ESOS as per SEBI (ESOS & ESPS) Guidelines, 1999, as amended are as follows:

- (a) The total number of options to be granted: 21,00,000
- (b) Identification of classes of employees entitled to participate in the ESOS :
 - Permanent employees of the Company and of its holding and/or subsidiary company (ies), whether working in India or out of India; and
 - Directors, whether whole time director or not, of the Company, and of its holding and/or subsidiary company (ies), whether working in India or out of India.



- (c) Requirements of vesting and period of vesting: The Employee Stock Options granted under ESOP 2007 shall vest in a minimum period of 1 year and a maximum of 5 years from the date of grant of the option. The exact proportion in which the options would vest shall be determined by the Compensation Committee, subject to the minimum vesting period of one year from the date of grant of options.
- (d) Maximum period within which the options shall be vested: 5 years
- (e) Exercise price or pricing formula: The Exercise Price shall be the price payable by the employee for exercising the Options granted to him under the ESOP 2007 as may be decided by the Compensation Committee from time to time, such price being not less than the then existing face value of the share of the Company.
- (f) Exercise period and process of exercise: The exercise period would commence from the date of vesting and will expire on completion of not more than five (5) years from such date of vesting of options as may be decided by the Compensation Committee from time to time.

The vested options will be exercisable by the Employee by a written application to the Company to exercise the options on full payment of Exercise Price and in such manner and on execution of such documents, as may be prescribed by the Compensation Committee from time to time. The options will lapse if not exercised within the specified exercise period. Payment of the Exercise Price shall be made by a crossed cheque or a demand draft drawn in favour of the Company, or in such other manner as the Compensation Committee may decide.

- (g) The appraisal process for determining the eligibility of employees to the ESOS: The appraisal process for determining the eligibility of the Employee will be specified by the Compensation Committee and will be based on criteria such as performance record, role & criticality of the employee, future contribution potential of the employee and/or such other criteria as may be determined by the Compensation Committee at its sole discretion.
- (h) Maximum number of options to be issued per employee and in aggregate: The maximum number of options that may be granted to any specific Employee under the ESOP 2007 shall not exceed 2,10,000
- (i) A statement to the effect that the company shall conform to the accounting policies specified in clause 13.1: The Company shall confirm to the Accounting Policies specified in Clause 13.1 of SEBI (ESOS & ESPS) Guidelines, 1999 as amended.
- (ii) The method, which the company shall use to value its options whether, fair value or intrinsic value: Intrinsic Value considering the market price of share.
- (k) The following statement;

'In case the company calculates the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed in the Directors' Report and also the impact of this difference on profits and on EPS of the company shall also be disclosed in the Directors' Report.'
- (l) The price of the shares and also the number of shares to be offered to each employee: To be decided by the Compensation Committee
- (m) Total number of shares to be issued: N.A.

Item 7

As per Section 81 (1A) of the Companies Act, 1956, approval of Shareholders in the General Meeting is required for allotment of warrants on preferential basis and hence the resolution is placed before the shareholders.

The Directors recommended the resolution for your approval.

Mr. Rajnit Rai Jain, Vice Chairman & Managing Director may be deemed to be concerned or interested in the resolution.

The required disclosure as per 13.1A of SEBI (Disclosure and Investor Protection) Guidelines, 2000 as amended from time to time, are furnished as under :

1. Objects of the Issue through Preferential Offer

The Objects of the issue of warrants on preferential basis is to augment the long term resources of the Company and for the repayment of the high cost debt from the Financial Institutions and to part finance the expansion plans to match the revenue growth.

2. Intention of Promoters / Directors / Key Management Persons to subscribe to the Offer :

The person who intend to subscribe to the warrants proposed to be issued :

Sl.No.	Name of the Proposed Allottee	No. of Warrants to be subscribed
1.	Rajnit Rai Jain	7,00,000
	TOTAL	7,00,000

3. Shareholding pattern before and after the Offer :

The Shareholding pattern before and after completion of the proposed preferential issue would be as under :

Shareholding Pattern					
		Pre -Issue		Post-Issue	
Sl. No.	Category	No. of Shares	% of Capital	No. of Shares	% of Capital
A	Promoters Holding				
1	Indian Promoters	1463965	19.69	2163965	26.60
	Foreign Promoters	-	-	-	-
2	Persons Acting in Concert	-	-	-	-
	Sub-Total	1463965	19.69	2163965	26.60
B	Non Promoter Holding				
3	Institutional Investors				
a.	Mutual Funds & UTI	12000	0.16	12000	0.15