

ANNUAL REPORT

2009 - 2010

PAYMENT INDUSTRY

RS SOFTWARE



R.S. SOFTWARE (INDIA) LTD.

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Mr. R. R. Jain
Chairman & Managing Director



Mr. S.K. Jain
Director



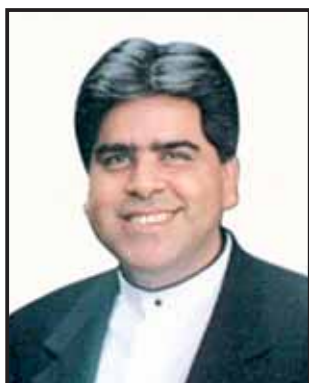
Mr. R. Ramaraj
Director



Mr Richard Launder
Additional Director



Mrs Sarita Jain
Director



Mr. R. R. Jain
Chairman & Managing Director



Ms. Diana Adachi
President



Mr. Biswanath Sengupta
Senior Vice President,
Execution & Delivery



Mr. Bibek Das
Vice President, Corporate



Mr. Vijendra Surana
CFO & Company Secretary



Mr. Rakesh Srivastava
General Manager,
Business Development



Mr. Aniruddha Rai Chaudhuri
General Manager,
Quality & Benchmarking



Mr. Sumit Misra
General Manager, Technology



Mr. Colonel Perminder Gill
Senior Manager
(Operations & Support)



The Twenty Second Annual General Meeting of R S Software (India) Limited will be held on Saturday, July 24, 2010 at 11 am at Aikatan Cultural Centre, Eastern Zonal Cultural Centre, IA- 190, Sector III, Salt Lake City, Kolkata 700 097 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as on 31.03.2010 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 Mr. Shital Kumar Jain who retires by rotation and being eligible offers himself for reappointment.
3. 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

4. To appoint Mr. Richard Launder, the Additional Director whose office expires at this Annual General Meeting as a Director and to consider and, if thought fit to pass, with or without modifications the following Ordinary Resolution:

“Resolved that Mr. Richard Launder who had been appointed as an Additional Director by the Board at its Meeting held on July 28, 2009 and whose term expires at this Annual General Meeting and in respect of whom the Company has received a Notice u/s 257 of the Companies Act, 1956, from a Member proposing the candidature of Mr. Richard Launder for the Office of Director be and is hereby appointed a Director of the Company whose period of Office will be liable to determine through retirement by rotation,”
5. 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 20,00,000 stock options.

 - 1) to the eligible Employees of the Company working in India or out of India;
 - 2) to the Directors of the Company and of its Subsidiary Companies, whether in India or outside India, whether whole time directors 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 2000000 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.”

By Order of the Board

Corporate Office
 234/3A, A.J.C. Bose Road
 Kolkata – 700 020
 April 26, 2010

Vijendra Surana
 CFO & 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 July 23, 2010 to July 24, 2010 (both days inclusive).
3. A Corporate Member shall be deemed to be personally present only if it is represented in accordance with Section 187 of the Companies Act, 1956, i.e. only if the Corporate Member sends certified true copy of the board resolution / power of attorney authorizing the representative to attend and vote at the Annual General Meeting.
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.

EXPLANATORY STATEMENT TO THE ITEM OF SPECIAL BUSINESS SET OUT IN THE ANNEXED NOTICE**Item 4**

Mr. Richard Launder has 20 years experience in the Payments Business. He understands the overall payments landscape, the key players, the issues they are facing, the unique aspects of the payments arena, the nature of payments solutions and the drivers behind the decisions to change, the suppliers and competitors in the payments arena and a lot of the people in this industry. This could help in sales campaigns and for recruiting. Mr. Launder has grown and developed a Payments Company from revenues of \$15 million to \$150 million. He built a distribution model spanning all EMEA. That covers, acquiring companies, opening direct operations, forming JV's, distributors and sales agents and therefore understand a lot about the various geographic markets and their unique aspects. He built a very successful sales operation and understands strategic selling and all aspects of the sales process (including building company plans that direct how sales behave, in line with company direction). He has been a key player in the setting company strategy and plans and helping to build value propositions. He has a good understanding of senior management company plans and share option schemes. He has been involved with, acquisitions, fund raising, and due diligence.

Mr. Richard Launder would bring in value addition by virtue of his experience and knowledge in payments business.

Item 5

The last ESOS Scheme was approved by the Shareholders on 10th August 2007. That Scheme was valid for 3 years effective 1st April 2007 and lapsed on 31st March 2010. The said Scheme had a total ceiling of 21,00,000 Options of which 760400 Options were granted during those 3 years. We have therefore to introduce a new Scheme with a total ceiling of 20,00,000 option which would be effective from 1st April 2010 for a further period of 3 years. The Remuneration 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 get the new ESOS approved by the shareholders for a period 3 years from April 1, 2010.

The Board of Directors recommends the approval by the shareholders of the new Employee Stock Option Scheme (ESOS) for a period of three years starting with effective from 1st April, 2010 to the eligible Employees of the Company as well as to the eligible employees of its Subsidiaries.

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

- (a) The total number of options to be granted: 2000000 options.
- (b) Identification of classes of employees entitled to participate in the ESOS:
 - ❖ Permanent employees of the Company and of its holding and/or Subsidiary Companies, whether working in India or outside India; and
 - ❖ Directors, whether whole time or not, of the Company and of its Subsidiary Companies, whether working in India or outside India, excluding the Promoters.
- (c) Requirements of vesting and period of vesting: The Employees Stock Options to be granted to the employees shall vest in a minimum period of one year and a staggered vesting period over 4 years from the date of grant of options. 25% of the total options granted to an employee will become vested after each year from the date of grant of the options and for Directors 100% of the total options granted will become vested after one year from the date of grant of the options.

- (d) Maximum period within which the options shall be vested: Maximum period of 4 years from the date of grant of options for the employees and maximum period of 1 year from the date of grant of options for the Directors of the Company.
- (e) Exercise price or pricing formula: Exercise price will either be equal to the market price of RS shares on the date of grant or alternately a price recommended by the Evaluation Committee, and approved thereafter by the Remuneration Committee. For the purpose of the market price it will be determined as per the SEBI Guidelines on ESOS.
- (f) Exercise period and process of exercise: 25% of the total options granted to an employee will become vested and will be eligible to exercise of the options by the employees after each year from the date of grant of the options and for the Directors 100% of the total option granted will become vested and will be eligible to exercise after one year from the date of grant.
- (g) The appraisal process for determining the eligibility of employees to the ESOS: The appraisal process for determining the eligibility of the Employees will be specified by the Remuneration Committee and will be based on the criteria such as performance record, role & criticality of the employees, future contribution potential of the employees and /or such other criteria as may be determined by the Remuneration 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 in any financial year to any specific employee under the ESOS shall not exceed 1% of the total issued capital of the Company.
- (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.
- (j) 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 Remuneration Committee.
- (m) Total number of shares to be issued: To be decided by the Remuneration Committee.

Corporate Office
234/3A, A.J.C. Bose Road
Kolkata – 700 020

April 26, 2010

By Order of the Board

Vijendra Surana
CFO & Company Secretary



Mr. R. R. Jain, CMD

Dear Member,

Your Directors are pleased to present the Twenty Second Annual Report and the audited statement of Accounts, highlighting the business operations and financial results for the year ended 31st March 2010.

Financial Highlights

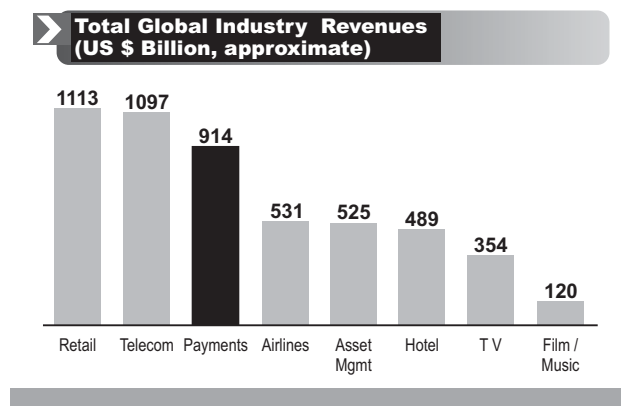
(Rs. in Millions)

Particulars	R S Software (I) Ltd.		R S Software (I) Ltd. (Consolidated)	
	2009-10	2008-09	2009-10	2008-09
Gross Revenue	1618.74	1494.55	1665.10	1494.55
Operating Profit (PBDIT)	211.84	191.71	236.37	180.85
Interest	22.72	40.16	23.15	40.17
Depreciation	71.18	57.40	71.33	57.48
Profit before Tax	117.94	94.15	141.88	83.19
Provision for Tax	22.37	30.92	22.50	30.92
Profit after Tax	95.57	63.23	119.38	52.27

Review & Analysis of the Financial Performance

During this fiscal year when Nasscom industry growth has been the lowest in years, averaging around 7%, your company has achieved a growth rate of 12%. The continued focus on a single domain, and aligning the sales and marketing investments with this domain are helping to increase the quality of revenues, and at the same time helping the company to get traction with some of the key players in the Electronic Payments Industry. The most significant part of the performance improvement has been the 120% growth in Net Profits, made possible through effective implementation of strategic cost management initiatives. The Finance process is maintaining a crucial balance between debt reduction levels, and making investments from internal accruals to build the foundation for achieving high growth rates. There is an organization-wide effort to enhance the productivity in each process area, and company's management methodology is constantly benchmarked to best practices globally. Your company is committed to take leadership from India in building a domain focused, high value add partner for its customers, and a uniquely rewarding investments for its stakeholders. The growth of five times in the market capitalization value of your company is a testimony to pursuance of this philosophy by your management.

The Electronic Payments Industry



The Payment Industry is an archaic restricted industry which is finally opening up to competition and innovation. Decentralization of the market is occurring accelerated by the economic contraction and changes in the regulations. RS Software is committed to a business model that leverages opportunistic global outsourcing against mastery or market – changing and value – creating innovations that obviate historic product, market and processing silos to ensure secure and efficient end-to-end transacting for the 21st Century

Business Model

Delivering Technology that Drives Innovation
RS Software is the glue that makes critical applications doable



Our marketing strategy to reposition the Company as a domain focused player has already started to pay off already and as we continue to develop more competencies, we are in discussion with and confident of winning strategic clients in the payments domain during 2010-11.

Issue of Bonus Shares

Your Directors are pleased to recommend issue of 28 bonus equity shares against every 100 equity shares held by the Members as on the record date subject to approval of shareholders and pursuant to the Guidelines issued by the Securities and Exchange Board of India (SEBI) in this behalf, out of the Capital Redemption Reserve account of Rs. 245 lacs.