



# THE EVOLUTION OF DIGITAL MONEY...

...and how R.S. Software is playing  
a role in this seminal transformation



**R.S. SOFTWARE (INDIA) LIMITED**

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The electronic payments industry is approaching \$300 billion, processing tens of trillions of dollars of payment transactions. Payments companies can spend as much as 10 percent of their total revenue on technology infrastructure. Reducing these costs by even one percent can liberate millions of dollars for onward reinvestment. Consequently, many global payments organisations possess a technology infrastructure appetite that outpaces the growth of their business.

R.S. Software is attractively positioned to capitalised on this global phenomenon.



R.S. SOFTWARE (INDIA) LIMITED IS A GLOBAL LEADER  
IN PROVIDING TECHNOLOGY SOLUTIONS TO THE  
ELECTRONIC PAYMENTS INDUSTRY.



Parentage

- Founded in 1991 to provide customised software solutions to the payments industry
- Emerged as a 898-strong member enterprise
- Client base comprises the world’s leading payment brands
- The Company’s equity shares are listed and actively traded on the BSE and NSE

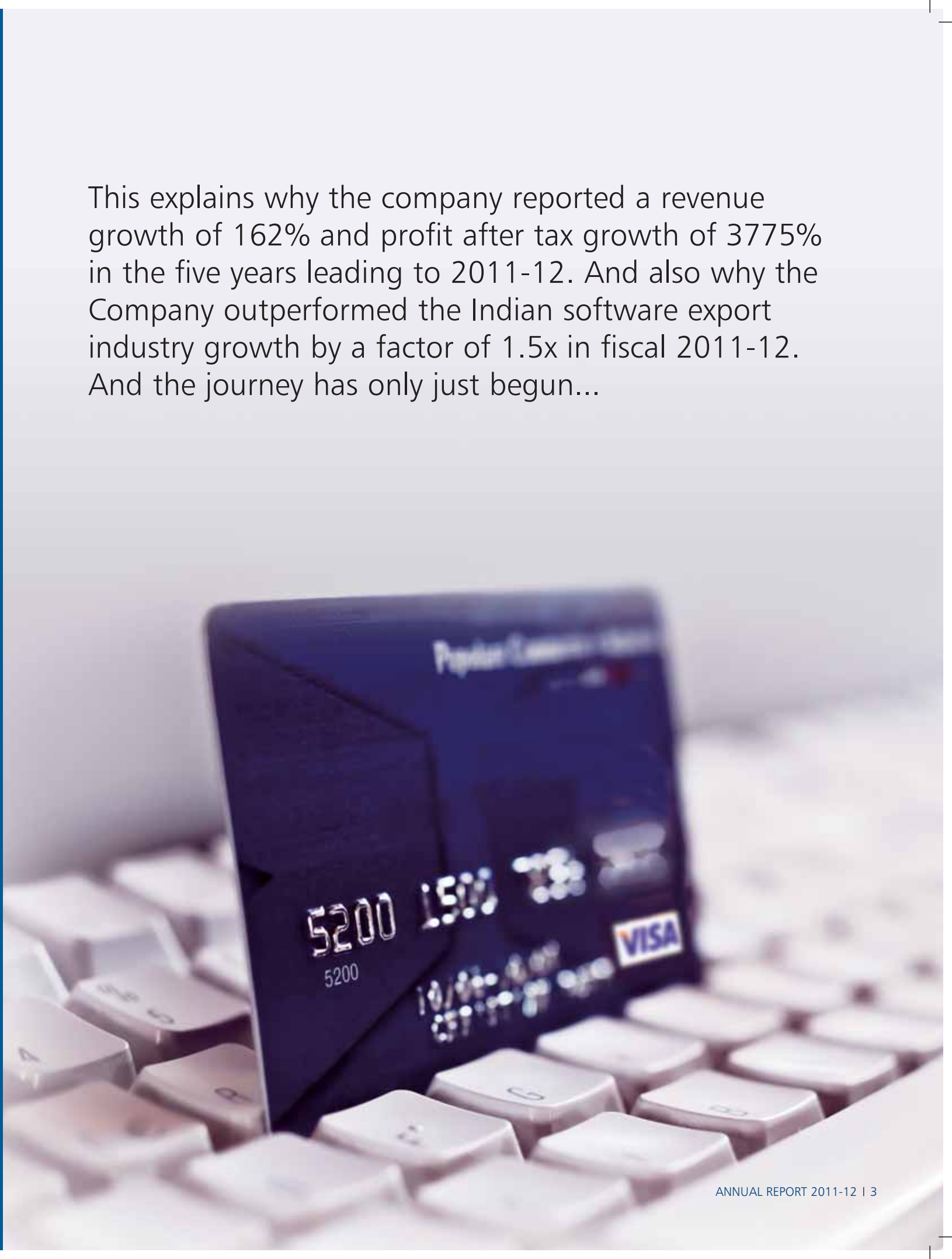
Presence

- Headquartered in Kolkata (India) with four global offices in the US, the UK and Singapore

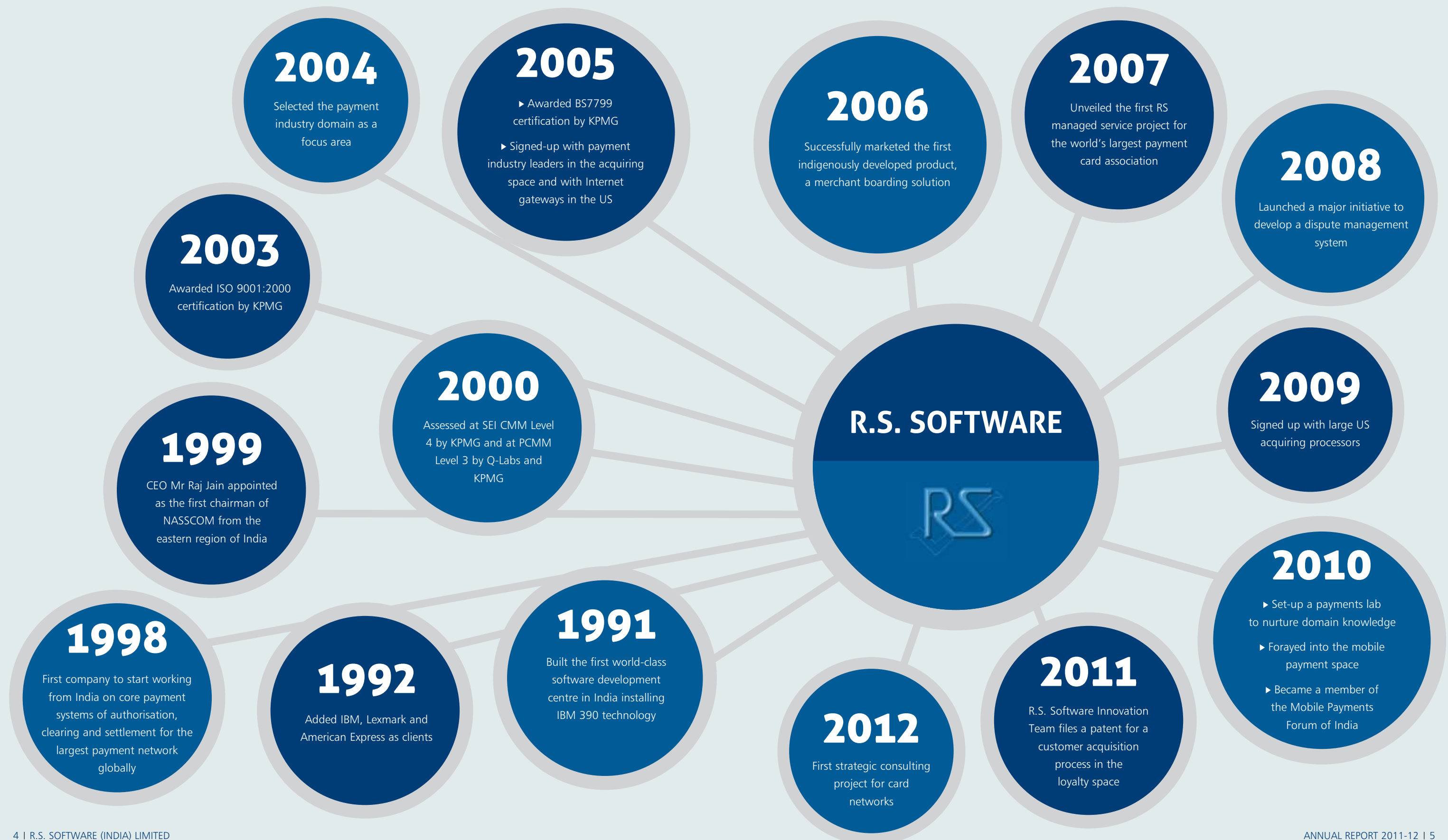
Services

- Custom application development
- Quality assurance and testing
- Application maintenance and support
- Strategic consulting

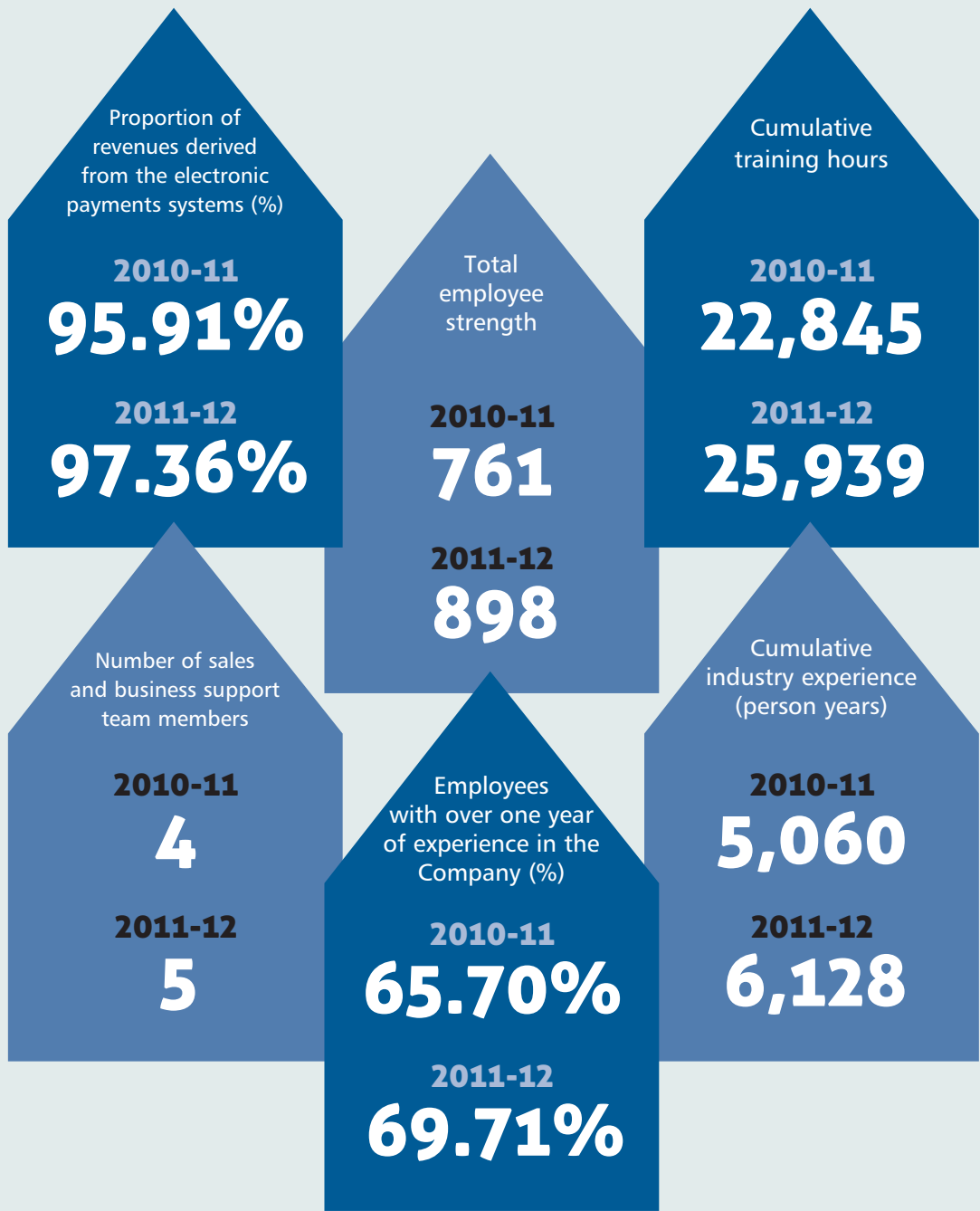
This explains why the company reported a revenue growth of 162% and profit after tax growth of 3775% in the five years leading to 2011-12. And also why the Company outperformed the Indian software export industry growth by a factor of 1.5x in fiscal 2011-12. And the journey has only just begun...



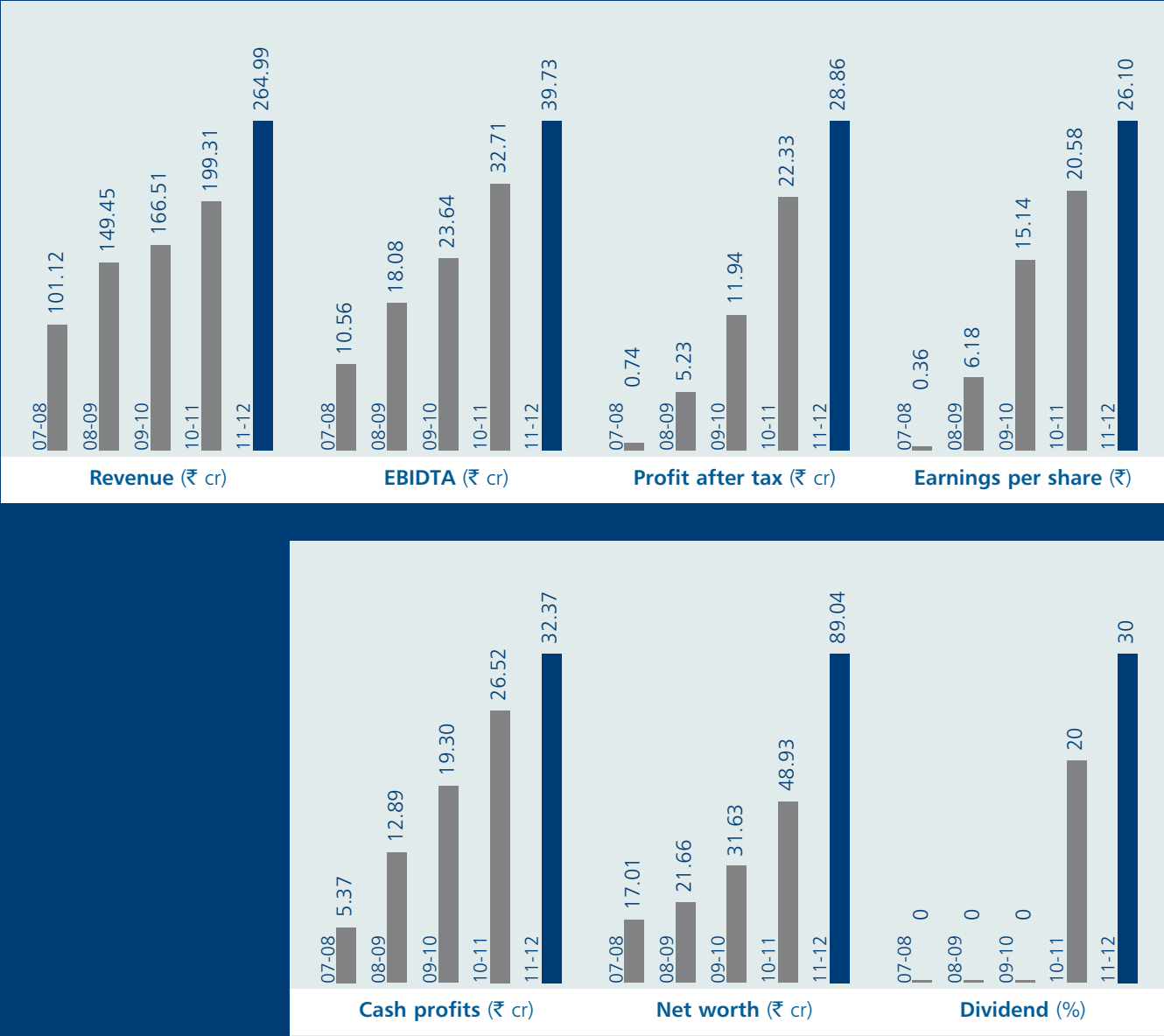
# SETTING MILESTONES



THIS IS HOW WE STRENGTHENED  
**OUR BUSINESS**



THIS IS HOW IT TRANSLATES INTO  
**NUMBERS**



WHAT MAKES

# R.S. SOFTWARE DIFFERENT?

CREATING A ROBUST BUSINESS MODEL FOR SUSTAINABLE AND ATTRACTIVE GROWTH

## FOCUS

R.S. Software has clear focus to be the leader from India in providing technology solutions to the \$300 billion + electronic payments industry.

## HOLISTIC

R.S. Software continues to enhance its intellectual platform in the areas of retail electronic payments, keeping pace with the major developments that power the stakeholders across this industry.

## CORE

R.S. Software's major capabilities are in the core areas of authorisation, clearing and settlement of electronic payment transactions.

## EXPERIENCE

R.S. Software has rich experience of over twenty years in this industry, while working with the world's largest payments network, giving it the opportunity to customise its global execution methodology for this industry.

## STABILITY

R.S. Software has a stable business model, validated by its solid financial foundation, and strengthened through the difficult periods of 9/11 event in United States, dot com bubble burst and the two significant economic downturns.

R.S. Software carved out a niche to bring to the market place, the combination of its expertise in global outsourcing and the domain knowledge in electronic payment transactions. R.S. Software defined its business strategy to work with the major global stakeholders in the payments industry.



To fulfill its vision of becoming a global leader in providing technology solutions to the electronic payments industry, the Company, will work with major payment networks, acquiring and issuing processors, emerging payment players and technology solution providers. These companies continually invest in developing their systems to compete in an increasing competitive market. The marketing and sales strategy, complemented by the Company's innovation and fulfillment strategy, are aligned to target the next phase of growth.

The Company's financial strategy is to commit investments in building:

- Diversified talent pool with globalised recruiting and HR practices
- Multiple management tracks, globalised expertise
- Emphasis on learning, knowledge management, research spending
- Deployable and specialised talent pools

The Company continues to demonstrate process scalability and management agility, focusing on its core values of bringing responsive solutions to its customers, and reinforcing the culture of working with passion to help its customers compete.

The global software services industry is marked by a number of large multi-vertical companies. In this space, the large companies usually prefer to engage with large software service providers.

Over the years, R.S. Software competed successfully against considerably larger multi-vertical companies, carved contracts and grew twice as fast as India's broad offshoring sector.

The Company reinforced its presence through its distinctive business model.

## 1

R.S. Software has clear focus to be the leader from India in providing technology solutions to the \$300 billion + electronic payments industry.

- The Company positioned itself as a specialist in this dynamic space, resulting in projects accretion from reputed global downstream customers.

- The Company reinforced its specialisation by developing innovation labs, addressing rapid changes in business technologies.
- The Company helped clients offer innovative solutions with a quicker time-to-market.
- The Company graduated towards a vertical IT specialist with a focus on solutions and consulting.

- The Company emerged as the only one in the world with a competence in the core payment network for more than a decade.

## 2

R.S. Software continues to enhance its intellectual platform in the areas of retail electronic payments, keeping pace with the major developments that power the





stakeholders across this industry.

- ▶ The Company is among few active global players present in the payments industry since it emerged, and now addresses both contemporary and legacy systems.
- ▶ The Company is present across the electronic payment ecosystem.
- ▶ The Company integrates into client processes, understands how the various systems work and re-engineers to influence a holistic solution.
- ▶ The Company leveraged its holistic understanding of its space to emerge as a consultant rather than a vendor.
- ▶ The Company extended its technology understanding to business applications, helping take the business of its customers ahead

## Core

R.S. Software's major capabilities are in the core areas of authorisation, clearing and settlement of electronic payment transactions.

- ▶ The Company developed and maintained mission-critical applications for leading payment networks, making itself relatively inseparable from customer existence and growth.
- ▶ The Company developed a deep understanding of customer domains, making it possible to

enhance customer productivity through its business-cum-technology understanding.

- ▶ The high cost of switching a knowledgeable partner like R.S. Software ensured business continuity; average account per customer grew attractively in the five years leading to 2011-12.

## Experience

R.S. Software has rich experience of over twenty years in this industry, while working with the world's largest payments network, giving it the opportunity to customise its global execution methodology for this industry.

- ▶ The Company did so with the express objective of working with the largest electronic payments network company at the cutting-edge of the technology curve
- ▶ The Company did so with the objective to grow with the global leader in what would soon become one of the world's busiest verticals
- ▶ The Company future-proofed its business through this association, leveraging the research and business understanding of its largest customer
- ▶ The Company developed a comprehensive understanding of the entire electronic payment transaction life cycle

## Stability

R.S. Software has a stable business model, validated by its solid financial foundation, and strengthened through the difficult periods of 9/11 event in United States, dot com bubble burst and the two significant economic downturns.

- ▶ The Company's receivables cycle improved from 53 days of turnover equivalent in 2011-12 to 38 days, bringing cash in faster than before
- ▶ The Company reinforced its cash-richness with a cash equivalent balance of ₹21.60 cr as on March 31, 2012
- ▶ The Company's investment in liquid short-term instruments of ₹24 cr possesses the capacity to generate an annuity income of ₹2.16 cr
- ▶ The Company became debt-free in 2010-11 and had reserves and surplus of ₹76 cr, and investments of ₹42 cr against a market capitalisation of ₹69 cr at the close of 2011-12
- ▶ The Company's net margin remained constant at 11% during the year under report

## RAJ JAIN'S PERSPECTIVE

# WHY MULTI-BILLION DOLLAR FORTUNE-50 COMPANIES CONSISTENTLY DO BUSINESS WITH R.S. SOFTWARE...



The DNA of R.S. Software is demonstrated in its ability to be responsive to changing times, with an entrepreneurial culture, persuasive in its commitment to help its customers become more competitive.

R.S. Software came into existence in the mid-Nineties at the cusp of one of the most significant transformations in history.

More than a-decade-and-a-half ago, some of the most sweeping changes transpired in the world of technology – the commercialisation of the Internet, the telecom deregulation and the convergence of telecommunications and computers.

One of the most remarkable by-products of this seminal leap was a progressive decline in the importance of physical money. People no longer needed to physically transfer cash from one point to another or engage in extensive banking documentation to move financial assets. Thus, paper currency gradually became digital; physical payments became 'virtual'; acquisitions were successfully concluded by paying online without visiting stores.

**This is the result:** Global e-commerce growth is projected at 19.4% per year. Worldwide e-commerce totaled \$572.5 billion in 2010, and by 2014, global online retail sales are expected to reach \$778.6 billion.

## A differentiated strategy

R.S. Software was at the right place at the right time with the right strategy.

The Company recognised that this shift from the physical to the virtual was not fleeting; it represented a seminal evolution in the history of the world.

The Company recognised that this opportunity direction would be linear and lateral; while the size of the core opportunity would continue to grow, it would keep creating adjacent business opportunities as well.

The Company recognised that while much of the IT services segment within its industry was marked by consolidation, the only way the



### The four sweeping changes

- Companies today face a set of new and inescapable challenges that lie outside the performance envelope of management as usual.
- The second driving force is the Internet. Thousands of people can collaborate around the world online with little in the way of formal hierarchy or management structures.
- The new web-based tools will democratise the workplace and give everyone the chance to help create strategy and offer advice on critical issues.
- Values and attitudes of the Millennials now entering the work force make up the third challenge that will compel organisations to retool their legacy management models.

Company could escape assimilation was through a distinctive value that it could provide customers.

The Company recognised that while there was an overriding temptation to play the generic software services card at a time when it was fashionable to do so, its distinctiveness would come from specialisation around its singular vertical.

The Company recognised that within this vertical it needed to cover the entire ecosystem – merchants, acquiring processors, issuing processors, payment networks (Visa/Master Card), financial institutions (banks), financial software product vendors and emerging players [e-commerce, mobile payments, Facebook payments (a subsidiary of Facebook)].

The Company recognised that a brand characterised by a competence in the

core electronic payments system would translate into a first-mover advantage, distinctive recall, mission-critical presence in customer assignments, repeat customer engagements, growing assignment ticket size and increasing profitability.

At R.S. Software, the passion and innovation makes it stay ahead and value add to customers

### Deep domain competence

The result of this singular approach is that we possess a burgeoning body of focused engineers – over 7,000 person-months of experience spanning over 150 client applications - globally respected for their electronic payments system insight and experience.

Over the last decade, this consciously distinctive business positioning helped evolve R.S. Software from a vendor into a partner for a number of its large customers.

As a partner, we are able to fuse our understanding of technology and the customer’s business requirements, leading to a business-strengthening solution.

As a partner, we leverage the experience of working with financial institutions, payment network providers, payment processors and software companies to deliver products to the payment industry, thereby bringing to each a holistic understanding of how a relevant service intervention can enhance their organisational efficiency.

As a partner, we bring to our customers a comprehensive knowledge of the entire lifecycle of an electronic payments transaction on account of our association with the world’s largest processing infrastructure, making it possible for us to advise our customers

on where the overall vertical is headed.

As a partner, we do not just provide software services; we provide services that take the businesses of our customers ahead through a tangible improvement in time efficiency, uptime, speed, cost management and profitability. As a partner, we do not just provide software engineering capabilities; we proactively consult with our companies beyond the immediate nature of our assignment to explain how we can strengthen their business models and make them more successful in a competitive market place.

As a partner, we help our customers address the convergence of payment types, mobile device proliferation, cloud computing and emerging strategies like behavioural targeting, that help them create innovative solutions that enhance their market share.

As a partner, we extend our understanding of the payment lifecycle to regulatory issues covering electronic payments, resulting in a complete workable solution for our clients in the geographies of their presence.

### Presence across the payment ecosystem

The electronic payments system is one of the most challenging spaces in the global IT industry due to its burgeoning size, intensive throughput (15,000 transactions per second), size of market (transaction volume equivalent to four times India’s GDP), uncompromising need for uptime and unbreachable security.

R.S. Software possesses competencies in the following areas that make the electronic payment system a dynamic reality:

- Acquiring processors
  - Issuing processors
  - Payment networks
  - Financial institutions (bank)
  - Emerging players
- To continuously evolve its competence in line with the cutting-edge requirements of the day, the Company created the RS Payment Lab to strengthen skills in emerging payment technologies. The Company also commissioned an architectural framework for enterprise integration of the mobile channel along with mobile library development. As a result, the company engaged actively in product enhancement, risk and fraud management, customisation and compliance testing in the e-commerce space with a growing presence in emerging m-commerce technologies.
- So even as a mid-sized R.S. Software is pitted against relatively larger global IT companies within its vertical, it has been able to carve a widening slice of a growing opportunity and reinforce its position as one of the largest customised solution providers to the global payments industry.
- R.S. Software is committed to invest in innovation, accompanied by flexible framework for tacit knowledge exchange. The game changer is constant focus on how to narrow to zero the gap between the value proposition and what it delivers to its customers and all stakeholders. This will help to achieve its goal of becoming:
- An employer of choice for its employees
  - An investment of choice for its investors
  - A partner of choice for its customers

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graph TD
    RS((R.S. SOFTWARE)) --- A((Acquirers))
    RS --- PN((Payment Network))
    RS --- I((Issuers))
    RS --- M((Merchants))
    RS --- FIB((Financial Institutions/Banks))
    RS --- FSV((Financial Software Vendors))
    EPV((Emerging Payment Provider)) --- FSV
    
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### Reasons for optimism

At R.S. Software, we are optimistic for some good reasons.

E-payments and m-payments collectively accounted for an estimated 22.5 billion transactions in 2010. E-payments (online payments for e-commerce activities) are expected to grow globally from 17.9 to 30.3 billion transactions (between 2010 and 2013), while m-payments are expected to grow globally from 4.6 to 15.3 billion transactions in the same period.

There are a number of areas within the electronic payments space where the Company possesses competence but is relatively under-represented, a reality that should progressively correct, catalysing the Company’s growth.

The company has embarked on the exercise to broaden its customer base, reducing its large exposure to a Silicon

Valley payment giant as a proportion of its growing revenues.

A large percentage of the global population owns a mobile phone even though it is ‘unbanked’, a reality we expect to bridge through technology solutions like mobile payments.

More customers are progressing towards one-stop solutions in the area of electronic payments, strengthening the relevance of companies like ours with a strong consulting and implementation focus.

In view of these realities and reasons, we expect R.S. Software to report sustainable growth in revenues, margins and profits, enhancing value for all those who hold shares in our Company.

Sincerely  
Raj Jain

WORLD-CLASS DELIVERY TO OUR

# DEMANDING GLOBAL CLIENTELE

