



Attn. : Equity Investment Manager

Sub: Your investment in R S Software (I) Ltd portfolio

Thank you very much for your confidence and faith in RS Software. We believe that a fundamental measure of our success will be the shareholder value we create over the long term. This value will be a direct result of our ability to extend and solidify our leadership in being a niche company that has its MOAT in its exclusive focus in the domain area of electronic payments industry. The stronger our market leadership, the more powerful our economic model. Market leadership can translate directly to higher revenue, higher profitability, greater capital velocity, and correspondingly stronger returns on invested capital. Our decisions have consistently reflected this focus. We have invested and will continue to invest aggressively to expand our customer base, brand, and infrastructure as we move to establish an enduring franchise.

- We are very clear that the purpose of RS Software is to help enhance the economic circumstances of individuals, communities and countries through the transformative power of electronic payments in combination with our clients and enabled by our software development skills and capabilities.
- We will continue to make investment decisions in light of long-term market leadership considerations rather than short-term profitability considerations or short-term stock market reactions.
- We will continue to measure our programs and the effectiveness of our investments analytically, to jettison those that do not provide acceptable returns, and to step up our investment in those that work best. We will continue to learn from both our successes and our failures.
- We will make bold rather than timid investment decisions where we see a sufficient probability of gaining market leadership advantages. RS Software has a track record of making bold decisions: In 1991 RS Software was the first company to bring IBM 390 technology to India, which has been the lead technology to build India's foundation in IT services leadership globally; In 2004 RS Software was the first company to take a decision to focus exclusively in one domain, electronic payments. Domain focus is now the key to future growth.
- We will share our strategic thought processes with you when we make bold choices (to the extent competitive pressures allow, so that you may evaluate for yourselves whether we are making rational long-term leadership investments.

Because of our emphasis on the long term, we may make decisions and weigh tradeoffs differently than some companies. Accordingly, we want to share with you our strategic direction, so that you, our shareholders, may confirm that it is consistent with your investment philosophy.

With this foundation, we would like to share with you that the highest risk for our company has been the dominance of one client in our revenue stream. We do realize that

it is imperative for us to eliminate this risk, and gain the empowerment to leverage the huge opportunities that are now emerging in the payments industry. We have made this



bold decision, and It is now a few months since we made it our top priority to significantly reduce client concentration. I am pleased to inform that we are on track to achieve the same. The impact of rapidly reducing client concentration is now starting to reflect in our financial results.

The strategy of the company is to diversify its client base through organic growth, and at the same time, to accelerate the new client acquisition through a combination of M&A and strategic alliances. To accelerate implementation of this strategy the company has hired a senior executive at EVP level. This individual is working at our US headquarters and has single focus on accelerating revenue. RS Software strategy is now in transition to move away from its client concentration, and capitalize on the adoption of digital technology, with total addressable market for global technology and business services likely to expand to about USD 4 trillion by 2025. According to McKinsey India IT industry revenues have increased about six-fold between 2004 and 2014, and RS Software has achieved similar progress. Indian IT industry is likely to grow from present levels of \$130 billion to \$350 billion in the next 10 years, that is an incremental growth of \$220 billion.

Our strategy for growth is to leverage the revolutionary changes that are happening in the payments industry globally including India. The industry needs continual enhancement, new build and maintenance of the core infrastructure and this is where we have been executing for the last 20+ years, working with global leaders. Equally important is the new world of Digital commerce that needs a new revolutionary payment reach to the dual constituency of the merchant and the consumer. Ecommerce/M commerce, after 15+ years of being in the evolution stage is now ready to explode, being made possible by technology and the ease of adoption of technology by the millennial generation. At a macro level RS Software strategy is to offer capabilities both in infrastructure building and digital payments. The company over the last 20 years has built a unique distinction of being a leadership company in combining IT outsourcing and exclusive focus on retail electronic payments. The macro strategy will translate in four specific areas of A: Digital payments; B: Testing; C: Analytics; D: Building of core payment infrastructure to facilitate authorization, clearing and settlement of electronic payment transactions, along with risk management, security and dispute management.

Execution of our strategy to eliminate client concentration in the next two years is founded on 3 distinct components:

- 1) Acceleration of organic growth, we have hired a senior executive at EVP level who will be responsible for all market facing activities and based at our US headquarters in Silicon valley.
- 2) Launch of our India strategy: RS Software won against global competition and is now building India's digital payment infrastructure which will be the foundation for India to leapfrog into electronic payments, led by the mobile revolution. India has the

potential of enabling every cell phone into an ATM thru P2P transfers .this means a possibility of 1billion ATMs. India today has the lowest per capita point of sale



infrastructure and this will change dramatically with mobile phones enabled at point of sale. This infrastructure will be the foundation to achieve Government's vision of digital India and lead us to continually engage for the next several years to achieve inclusion, and equally important India to compete effectively across the world.

- 3) Execution of our acquisition strategy. Our aggressive search for potential acquisition is in progress and we are very hopeful to complete our first transaction before the end of this fiscal year. We are evaluating several target companies in the US, European and India geography. We have already allocated the budget to do the diligence on short listed acquisition targets, and during Q2 itself we spent part of the budget to evaluate a target in Europe. This ofcourse impacts the profitability in short term, but will lead to a longer term growth for the company.

The impact of rapidly reducing client concentration is now fully factored in our planning and we are confident of achieving this transition over the next 18 months. This journey will require patience and faith from all our stakeholders, knowing that at the end of this period we will emerge as a significantly stronger company.

Best wishes,

A handwritten signature in black ink, appearing to read 'Raj Jain'. The signature is fluid and cursive, with the first letter 'R' being particularly large and stylized.

Raj Jain

Chairman and Managing Director