



CMD, Mr. Raj Jain comments to the media after announcement of Q3 fiscal 2015-16 result

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 continue to create. As communicated in October 2015, our strategy is consistent and we are committed to the same. We had posted on the company website an investor communication note at the time of announcement of results for Q2, you are requested to read the same.

Regarding our results for Q3 of this fiscal year, please find the following commentary.

1. We have articulated from the beginning of this fiscal year that the highest priority for us is to eliminate the risk of our dominant client concentration. The reduction in revenue and the loss this quarter is primarily attributed to this. The company continues to work with its largest client, albeit with reduced business and our contract is valid with them through 2017. The reduced revenue is incrementally being replaced with business from new clients. The effort to go aggressively after new customers could begin only about 12 months ago, and hence this timing mismatch. The current situation though unfortunate, is inevitable during any transition. We have dealt with strategy transition earlier as well, post the dot com bubble burst and are confident of achieving success and repeating the enviable growth curve of the last 10 years again.
2. The next major factor impacting the profitability is our investment in products, platform, changing talent profile and sales and marketing to execute our strategy in the market place.
3. Exploring the different options for acquisition, we had identified two companies located in Europe and US. We are continuing to explore additional acquisition targets as well, and though we were hopeful of completing an acquisition soon, we are finding that it is taking us longer than planned. More importantly, we are clear that we need to make sure that the acquisition is not made in a hurry and definitely fits in with our strategy moving forward. We are importantly continuing to make investments for our growth strategy, as mentioned in point 2 above, and that is just as important as making acquisitions.
4. These investments are enabling us to go after the new opportunities such as mobile and digital payments, in-country processing and platform consolidation, all of which require deep domain expertise that RS can leverage to win in the market. Since 2004, we have doubled our revenues almost every 5 years and this trend is expected to continue. The good news is we have already acquired 10 new clients since we started to transition our strategy, and this validates the approach we have adopted.
5. The Payments industry is fraught with opportunities like never before. The incumbents are spending to maintain their leadership and disruptors are spending to get their win. Either way,

the domain expertise is needed and that is the MOAT RS Software is building upon as it executes its strategy to leverage these developments in the 2 trillion dollar industry.

6. Our strategy is working and is validated by the fact that with two of the new clients, we have already signed multi-million dollar deals which are to be executed over the next 3 years.
7. We have a strong balance sheet, with book value of our share at Rs. 92 per share. Our free cashflow has increased beyond Rs. 190 crores and this will certainly help us to find our deserving place in the emerging on demand economy, where we will compete with product, platform and solutions.
8. Focusing on India has been a right decision since there is a great opportunity in the country. Last year we had zero revenue and this year we will have 10% of our revenue from the domestic market. India is an important part of our strategy and its share in our overall revenue will continue to increase.

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.