

Persistent Systems France SAS**CONDENSED BALANCE SHEET AS AT MARCH 31, 2020**

	Note	As at March 31, 2020 (In ₹ thousand)	As at March 31, 2019 (In ₹ thousand)
ASSETS			
Non current assets			
Property, Plant and Equipment	5.1	58,310.90	57,656.56
Capital work-in-progress		-	293.42
Other Intangible assets	5.2	193.29	-
Non current financial assets			
Loans	6	123,268.22	85,480.49
Other non-current assets	7	45,587.65	60,216.39
Deferred tax assets	8	4,513.87	-
	(A)	231,873.93	203,646.86
Current assets			
Financial assets			
-Trade receivables	9	122,298.52	102,609.88
-Cash and cash equivalents	10	101,439.97	69,699.59
-Loans	11	165.52	155.25
Other current financial assets	12	65,115.55	5,040.17
Other current assets	13	35,254.82	31,388.27
Current Tax Assets (net)		13,721.49	1,874.81
	(B)	337,995.87	210,767.97
TOTAL	(A)+(B)	569,869.80	414,414.83
EQUITY AND LIABILITIES			
EQUITY			
Equity share capital	4	97,467.00	97,467.00
Other equity		68,512.26	65,238.10
	(A)	165,979.26	162,705.10
LIABILITIES			
Current liabilities			
Financial liabilities			
-Borrowings	14	6,290.46	4,683.16
-Trade payables	15	246,665.52	86,102.41
Other current liabilities	16	98,874.68	118,077.71
Provisions	17	52,059.88	42,846.45
	(B)	403,890.54	251,709.73
TOTAL	(A)+(B)	569,869.80	414,414.83
Summary of significant accounting policies	3		

The accompanying notes are an integral part of the condensed financial statements.

As per our report of even date

For JOSHI APTE & Co.
Firm registration no. 104370W
Chartered Accountants

**For and on behalf of the Board of Directors of
Persistent Systems France SAS**

per C.K. Joshi
Partner
Membership No. 030428

Dr. Anand Deshpande
Director

Arnaud Pierrel
Director General

Place: Pune
Date : May 4, 2020

Place: Pune
Date : May 4, 2020

Place: Grenoble
Date : May 4, 2020

Persistent Systems France SAS
CONDENSED STATEMENT OF PROFIT AND LOSS FOR THE QUARTER AND YEAR ENDED MARCH 31, 2020

	Note	For the quarter ended		For the year ended	
		March 31, 2020 (In ₹ thousand)	March 31, 2019 (In ₹ thousand)	March 31, 2020 (In ₹ thousand)	March 31, 2019 (In ₹ thousand)
Income					
Revenue from operations	18	194,037.49	143,332.39	946,657.24	972,348.50
Other income	19	1,514.12	4,408.12	3,817.82	7,379.32
Total revenue (A)		195,551.61	147,740.51	950,475.06	979,727.82
Expenses					
Employee benefits expense	20.1	85,616.51	65,715.19	317,697.60	282,339.18
Cost of technical professionals	20.2	30,357.72	22,622.32	124,364.30	132,199.19
Other expenses	21	86,734.47	69,714.69	519,370.67	506,835.89
Finance costs		2.13	-	383.10	-
Depreciation and amortization expense	5.3	1,020.19	960.18	3,965.16	3,879.09
Total expense (B)		203,731.02	159,012.38	965,780.83	925,253.35
Profit before tax (A - B)		(8,179.41)	(11,271.87)	(15,305.77)	54,474.47
Tax expense					
Current tax		-	(5,053.67)	-	13,926.34
Deferred tax charge / (credit)		(2,290.29)	(2,825.06)	(4,285.64)	(2,825.06)
Total tax expense		(2,290.29)	(7,878.73)	(4,285.64)	11,101.28
Net profit for the period / year		(5,889.12)	(3,393.14)	(11,020.13)	43,373.19
Other comprehensive income					
Items that will not be reclassified to profit or loss (D)					
- Remeasurements of the defined benefit liabilities / (asset)		-	-	-	-
- Tax effect on remeasurements of the defined benefit liabilities / (asset)		-	-	-	-
Items that may be reclassified to profit or loss (E)					
- Exchange differences in translating the financial statements		5,166.07	(7,262.20)	10,176.74	(10,098.94)
		5,166.07	(7,262.20)	10,176.74	(10,098.94)
Total comprehensive income for the period / year (C) + (D) + (E)		(723.05)	(10,655.34)	(843.39)	33,274.25
Earnings per equity share					
[nominal value of share Euro 1 (Corresponding period and previous year : Euro 1)]	22				
Basic (in ₹)		(3.93)	(2.26)	(7.35)	28.92
Diluted (in ₹)		(3.93)	(2.26)	(7.35)	28.92
Summary of significant accounting policies	3				

The accompanying notes are an integral part of the condensed financial statements.

As per our report of even date

For JOSHI APTE & Co.
Firm registration no. 104370W
Chartered Accountants

**For and on behalf of the Board of Directors of
Persistent Systems France SAS**

per C.K. Joshi
Partner
Membership No. 030428

Dr. Anand Deshpande
Director

Arnaud Pierrel
Director General

Place: Pune
Date : May 4, 2020

Place: Pune
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Place: Grenoble
Date : May 4, 2020

Persistent Systems France SAS

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2020

	For the year ended	
	March 31, 2020 (In ₹ thousand)	March 31, 2019 (In ₹ thousand)
Cash flow from operating activities		
Profit before tax	(15,305.77)	54,474.47
Adjustments for:		
Depreciation and amortization expense	3,965.16	3,879.09
Interest income	(1,759.37)	(538.45)
Provision for doubtful debts	46.20	1,448.72
Finance costs	383.10	
Unrealised exchange loss/ (gain) (net)	6,526.32	7,231.28
Foreign currency translation reserve	5,472.96	(8,540.68)
Operating profit before working capital changes	(671.40)	57,954.43
Movements in working capital :		
(Increase) / Decrease in trade receivables	(19,596.69)	(26,464.86)
(Increase) / Decrease in other current assets	(49,313.19)	(83,236.01)
Decrease / (Increase) in loans and advances	(37,038.72)	6.36
Increase / (Decrease) in trade payables and current liabilities (including short term borrowings)	136,874.38	137,880.94
Increase in provisions	9,213.43	10,194.93
Operating profit after working capital changes	39,467.81	96,335.79
Direct taxes paid (net of refunds)	(11,024.07)	(7,270.05)
Net cash generated from / (used in) operating activities (A)	28,443.74	89,065.74
Cash flow from investing activities		
Payment towards capital expenditure	(820.91)	(1,160.22)
Inter corporate deposits (made) / refunded	-	(89,988.53)
Net cash (used in) investing activities (B)	(820.91)	(91,148.75)
Cash flow from financing activities		
Dividend refund / (paid)	4,117.55	(81,709.90)
Tax on dividend	-	
Net cash (used in) financing activities (C)	4,117.55 -	81,709.90
Net increase in cash and cash equivalents (A + B + C)	31,740.38	(83,792.91)
Cash and cash equivalents at the beginning of the period/year	69,699.59	153,492.50
Cash and cash equivalents at the end of the quarter/year	101,439.97	69,699.59
Components of cash and cash equivalents		
Balances with banks		
- on current account	101,439.97	69,699.59
Cash and cash equivalents in cash flow statement as per note 10	101,439.97	69,699.59

Summary of significant accounting policies (note 3)

The accompanying notes are an integral part of the condensed financial statements.

As per our report of even date

For JOSHI APTE & Co.
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Chartered Accountants

For and on behalf of the Board of Directors of
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per C.K. Joshi
Partner
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Place: Pune
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Dr. Anand Deshpande
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Place: Pune
Date : May 4, 2020

Arnaud Pierrel
Director General

Place: Grenoble
Date : May 4, 2020

Persistent Systems France SAS**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2020****A. Equity share capital**

(Refer Note: 4)

(In ₹ thousand)

Balance as at April 1, 2019	Changes in equity share capital during the period	Balance as at March 31, 2020
97,467.00	-	97,467.00

(In ₹ thousand)

Balance as at April 1, 2018	Changes in equity share capital during the year	Balance as at March 31, 2019
97,467.00	-	97,467.00

Persistent Systems France SAS**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2020****B. Other equity****(In ₹ thousand)**

Particulars	<u>Reserves and surplus</u>	<u>Items of other comprehensive income</u>	Total
	Retained earnings	Exchange differences on translating the financial statements	
Balance as at April 1, 2019	46,397.27	18,840.83	65,238.10
Net profit for the period	(11,020.13)	-	(11,020.13)
Dividend	4,117.55	-	4,117.55
Other comprehensive income for the period	-	10,176.74	10,176.74
Balance at March 31, 2020	39,494.69	29,017.57	68,512.26

(In ₹ thousand)

Particulars	<u>Reserves and surplus</u>	<u>Items of other comprehensive income</u>	Total
	Retained earnings	Exchange differences on translating the financial statements	
Balance as at April 1, 2018	84,733.98	28,939.77	113,673.75
Net profit for the year	43,373.19	-	43,373.19
Dividend	(81,709.90)	-	(81,709.90)
Other comprehensive income for the year	-	(10,098.94)	(10,098.94)
Balance at March 31, 2019	46,397.27	18,840.83	65,238.10

Nature and purpose of reserves**a) Foreign currency translation reserve**

The exchange differences arising from the translation of financial statements with functional currency other than Indian rupees is recognised in other comprehensive income, net of taxes and is presented within equity in the foreign currency translation reserve.

Summary of significant accounting policies - Refer note 3

The accompanying notes are an integral part of the condensed financial statements.

As per our report of even date

For JOSHI APTE & Co.
Firm registration no. 104370W
Chartered Accountants

For and on behalf of the Board of Directors of
Persistent Systems France SAS

per C.K. Joshi
Partner
Membership No. 030428
Place: Pune
Date : May 4, 2020

Dr. Anand Deshpande
Director
Place: Pune
Date : May 4, 2020

Arnaud Pierrel
Director General
Place: Grenoble
Date : May 4, 2020

1. Nature of operations

Persistent Systems France SAS ("the Company") is a wholly owned subsidiary of Persistent Systems Ltd. The Company is specialised in software products, services and technology innovation.

2. Basis of preparation

The financial statements of the Company have been prepared on an accrual basis and under the historical cost convention except for certain financial instruments which have been measured at fair value. Historical cost is generally based on the fair value of consideration given in exchange of goods and services. The accounting policies are consistently applied by the Company during the period / year and are consistent with those used in previous period / year except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

Statement of compliance

These financial statements have been prepared in accordance with Ind AS 34 Interim Financial Reporting for the quarter and year ended March 31, 2020 as notified under the Companies (Indian Accounting Standards) Rules, 2015 read with Section 133 of the Companies Act, 2013.

3. Summary of significant accounting policies

(a) Accounting year

The accounting year of the Company is from April 01 to March 31.

(b) Functional currency

The Company's functional currency is Euro.

(c) Use of estimates

The preparation of the condensed financial statements in conformity with the Ind AS requires the management to make judgments estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and disclosure of contingent liabilities at the end of reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

Critical accounting estimates

i) Revenue recognition

The Company uses the percentage-of-completion method in accounting for its fixed-price contracts. Use of the percentage-of-completion method requires the Company to estimate the efforts or costs expended to date as a proportion of the total efforts or costs to be expended. Efforts or costs expended have been used to measure progress towards completion. Provisions for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the expected contract estimates at the reporting date.

Further, the Company uses significant judgement while determining the transaction price allocated to performance obligations using the expected cost plus margin approach.

In respect of the contracts where the transaction price is payable as royalty at pre-defined percentage of customer revenue and bearing in mind, the time gap between the close of the accounting period and availability of the revenue report from the customer, the Company is required to use its judgement to ascertain the income from royalty on the basis of historical trends of customer revenue.

ii) Income taxes

The Company's tax jurisdictions is France. Significant judgements are involved in determining the provision for income taxes.

iii) Property, plant and equipment

Property, plant and equipment represent a significant proportion of the asset base of the Company. The charge in respect of depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. The useful lives and residual values of Company's assets are determined by management at the time the asset is acquired and reviewed periodically. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology.

iv) Provisions

Provisions are determined based on the best estimate required to settle the obligation at the reporting date. If the effect of time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. These estimates are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

v) Estimation of uncertainties relating to the global health pandemic from COVID-19 (COVID-19):

The Company has evaluated likely impact of the coronavirus (COVID – 19) on the overall business of the company. Though it is too early to estimate the same in view of the volatility in the global economic condition due this pandemic. Company as at the date of the approval of these financials, has used various available sources of information to analyse the carrying amount of its financial assets. The impact of COVID-19 on the Company's financial statement may differ from the estimate as on the date of the approval of the financial statement.

Expected credit loss:

The Company considered current as well as anticipated future economic condition relating to industries the company deals with and the countries it operates. In calculating expected credit loss the company has also considered the liquidity crunch that is possible effect from global pandemic relating to COVID – 19. Based on current estimates company expects carrying amount of these assets to be recovered. The impact of COVID-19 on the Company's financial statement may differ from the estimate as on the date of the approval of the financial statement.

Impact on unhedged foreign currency exposure:

Based on its assessment, the Company believes that the current volatility in currency due to COVID-19 is a short term phenomena and is not likely to have any adverse impact on the foreign currency transactions of the company. .

Carrying value of financial instruments:

The company has financial instruments in the nature of inter group deposits hence there is no risk of default or liquidity.

Impact on revenue:

The Company has evaluated its customers to assess any drop in revenue due to the impact of COVID – 19 and it is of the opinion that the customers would re-prioritise their discretionary spend in immediate future to conserve resources. The Company has considered such impact to the extent known currently and has taken steps to measure the cost budget required to complete its performance obligations in respect of fixed price contracts and has incorporated impact of likely delays and costs in meeting its obligations. However, impact assessment of COVID – 19 is a continuing process given the uncertainties associated with its nature and duration.

(d) Property, Plant and Equipment

Property, Plant and Equipment are stated at cost, less accumulated depreciation and accumulated impairment losses, if any. The cost comprises the purchase price and directly attributable costs of bringing the asset to its working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price. Capital work-in-progress includes cost of fixed assets that are not ready to be put to use.

Subsequent expenditure related to an item of Property, Plant and Equipment is added to its book value only if it is probable that future economic benefits associated with the item will flow to the Company. All other expenses on existing Property, Plant and Equipment, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the year during which such expenses are incurred.

Gains or losses arising from disposal of Property, Plant and Equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is disposed.

(e) Intangible assets

(i) Acquired Intangible assets

Intangible assets including software licenses of enduring nature and contractual rights acquired separately are measured on initial recognition at cost. Intangible assets are carried at cost less accumulated amortization and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Gains or losses arising from disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is disposed.

(ii) Research and development cost

Research costs are expensed as incurred. Development expenditure incurred on an individual project is recognized as an intangible asset when the Company can demonstrate:

- technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the asset;
- its ability to use or sell the asset;
- how the asset will generate probable future economic benefits;
- the availability of adequate resources to complete the development and to use or sell the asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during development.

Such development expenditure, until capitalization, is reflected as intangibles under development. Following the initial recognition, internally generated intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Amortization of internally generated intangible asset begins when the development is complete and the asset is available for use.

(f) Depreciation and amortization

Depreciation on tangible fixed assets is provided using the Straight Line Method ('SLM') over the useful lives of the assets estimated by the management.

The management estimates the useful lives for the fixed assets as follows:

Assets	Useful lives
Buildings*	25 years
Computers	3 years
Computers - Servers and networks*	3 years
Plant and equipment*	5 years
Furniture and fixtures*	5 years

*For these classes of assets, based on internal assessment and independent technical evaluation carried out by external valuers the management believes that the useful lives as given above best represent the period over which the management expects to use these assets. Hence the useful lives of these assets are different from the useful lives as prescribed under Part C of Schedule II of the Companies Act 2013.

Individual assets whose cost does not exceed ₹ 5,000 are fully depreciated in the year of acquisition.

Intangible assets are amortized on a straight line basis over their estimated useful lives commencing from the day the asset is made available for use.

(g) Financial instruments

i) Financial assets

Initial recognition and measurement

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets (other than financial assets at fair value through profit or loss) are added to the fair value of the financial assets on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

Subsequent measurement

For the purpose of subsequent measurement, financial assets are classified as:

- Financial assets at amortized cost

Financial assets that are held within a business model whose objective is to hold assets for collecting contractual cash flows and whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are subsequently measured at amortized cost using the effective interest rate method. The change in measurements are recognized as finance income in the statement of profit and loss.

- Financial assets at fair value through other comprehensive income (FVTOCI)

Financial assets that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling the financial assets and the assets' contractual cash flows represent solely payments of principal and interest on the principal amount outstanding are subsequently measured at fair value. Fair value movements are recognized in other comprehensive income.

- Financial assets at fair value through profit or loss (FVTPL)

Any financial assets which does not meet the criteria for categorization as financial assets at amortized cost or as FVTOCI, is classified as financial assets at FVTPL. Financial assets included within the FVTPL category are subsequently measured at fair value with all changes recognized in the statement of profit and loss.

Derecognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity, if any, is recognised in profit or loss.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to issue of financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are deducted from the fair value of the financial liabilities on initial recognition. Transaction costs directly attributable to the issue of financial liabilities at fair value through profit or loss are recognised immediately in profit or loss..

Subsequent measurement

For the purpose of subsequent measurement, financial liabilities are classified as:

- **Financial liabilities at amortized cost**

Financial liabilities such as loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. The change in measurements are recognized as finance costs in the statement of profit and loss.

- **Financial liabilities at fair value through profit or loss (FVTPL)**

Financial liabilities include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss if the recognition criteria as per Ind AS 109 – “Financial Instruments” are satisfied. Gains or losses on liabilities held for trading are recognized in statement of profit and loss. Fair value gains or losses on liabilities designated as FVTPL attributable to changes in own credit risk are recognized in other comprehensive income. All other changes in fair value of liabilities designated as FVTPL are recognized in the statement of profit and loss. The Company has not designated any financial liability as at FVTPL.

Derecognition

The Company derecognizes financial liabilities when the Company’s obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognised in profit or loss.

iii) Impairment

i) Financial assets

The Company applies Expected Credit Loss (ECL) model for measurement and recognition of impairment loss on financial assets measured at amortized cost and financial assets that are debts instruments and are measured at fair value through other comprehensive income (FVTOCI). ECL is the difference between contractual cash flows that are due and the cash flows that the Company expects to receive, discounted at the original effective interest rate.

For trade receivables, the Company recognizes impairment loss allowance based on lifetime ECL at each reporting date, right from its initial recognition. For other financial assets, the Company determines whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12 months ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used.

ii) Non-Financial assets

The carrying amounts of Property, Plant and Equipment and Goodwill are reviewed at each balance sheet date or whenever there is any indication of impairment based on internal/external factors. If any indications exist, the Company estimates the asset’s recoverable amount unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the Cash Generating Unit (CGU) to which the asset belongs.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised in the statement of profit and loss.

Recoverable amount of intangible under development that is not yet available for use is estimated at least at each financial year end even if there is no indication that the asset is impaired.

An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's fair value and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

(h) Borrowing costs

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings. Borrowing costs directly attributable to the acquisition, construction or development of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the year they occur.

(i) Leases

Where the Company is a lessee

The Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract and allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Company recognises right-of-use asset representing its right to use the underlying asset for the lease term at the lease commencement date. The cost of the right-of-use asset measured at inception shall comprise of the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date less any lease incentives received, plus any initial direct costs incurred and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset or restoring the underlying asset or site on which it is located.

The right-of-use assets is subsequently measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability. The right-of-use assets is depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset. The estimated useful lives of right-of use assets are determined on the same basis as those of property, plant and equipment.

Right-of-use assets are tested for impairment whenever there is any indication that their carrying amounts may not be recoverable. Impairment loss, if any, is recognised in the statement of profit and loss.

The Company measures the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses incremental borrowing rate.

The lease payments shall include fixed payments, variable lease payments, residual value guarantees, exercise price of a purchase option where the Company is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is subsequently remeasured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

The Company recognises the amount of the re-measurement of lease liability as an adjustment to the right-of-use asset. Where the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company recognises any remaining amount of the re-measurement in statement of profit and loss.

The Company has elected not to apply the requirements of Ind AS 116 to short-term leases of all assets that have a lease term of 12 months or less and leases for which the underlying asset is of low value. The lease expenses associated with these leases are recognized in the statement of profit and loss on accrual basis.

Company as a lessor

At the inception of the lease the Company classifies each of its leases as either an operating lease or a finance lease. The Company recognises lease payments received under operating leases as income over the lease term.

(j) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Company. Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

(i) Income from software licenses and services

The company derives revenues primarily from IT services comprising of software development and related services and from the licensing of software products.

Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration expected to receive in exchange for those products or services.

Arrangements with customers for software related services are either on a time-and-material or a fixed-price basis.

Revenue on time-and-material contracts are recognized as and when the related services are performed. Revenue from fixed-price contracts, where the performance obligations are satisfied over time and where there is no uncertainty as to measurement or collectability of consideration, is recognized as per the percentage-of-completion method. When there is uncertainty as to measurement or ultimate collectability, revenue recognition is postponed until such uncertainty is resolved.

Revenue from licenses where the customer obtains a "right to use" the licenses is recognized at the time the license is made available to the customer. Revenue from licenses where the customer obtains a "right to access" is recognized over the access period.

When support services are provided in conjunction with the licensing arrangement and the license and the support services have been identified as two separate performance obligations, the transaction price for such contracts are allocated to each performance obligation of the contract based on their relative selling prices. Maintenance revenue is recognized proportionately over the period in which the services are rendered.

Revenue from royalty is recognized in accordance with the terms of the relevant agreements.

The company accounts for volume discounts and pricing incentives to customers as a reduction of revenue based on the proportionate allocation of the discounts amount to each of the underlying performance obligation that corresponds to the progress by the customer towards earning the discount. Also, when the level of discount varies with increases in levels of revenue transactions, the Company recognizes the liability based on its estimate of the customer's future purchases. If it is probable that the criteria for the discount will not be met, or if the amount thereof cannot be estimated reliably, then discount is not recognized until the payment is probable and the amount can be estimated reliably. The company recognizes changes in the estimated amount of obligations for discounts in the period in which the change occurs.

Unbilled revenue represents revenue recognized in relation to work done until the balance sheet date for which billing has not taken place.

Unearned revenue represents the billing in respect of contracts for which the revenue is not recognized.

The company collects value added taxes (VAT) on behalf of the government and, therefore, these are not economic benefits flowing to the company. Hence, they are excluded from revenue.

(ii) Interest

Interest income is recognized on a time proportion basis taking into account the carrying amount and the effective interest rate. Interest income is included under the head 'Other income' in the statement of profit and loss.

(iii) Dividends

Dividend income is recognized when the Company's right to receive dividend is established by the reporting date. Dividend income is included under the head 'Other income' in the statement of profit and loss.

(k) Foreign currency translation

(i) Foreign currency transactions and balances

Initial recognition

Foreign currency transactions are recorded in the functional currency viz. Euro, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Conversion

The transactions are in Euro, which are converted for reporting in Indian currency on the following basis. The equity share capital is translated on the date of transaction and fixed assets are translated at the closing rate as at the date of the balance sheet. All current assets and current liabilities are translated at the closing rate as at the date of the balance sheet. All Income and Expense items are converted at weighted average of Inter Bank Selling Rate for the period.

Exchange Difference

Revenue and expenses denominated in foreign currencies are translated using the exchange rate in effect on the date of the transaction. Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit or loss for the period in which the transaction is settled.

Exchange differences arising on conversion / settlement of foreign currency monetary items and on foreign currency liabilities relating to Property, Plant and Equipment acquisition are recognized as income or expenses in the period in which they arise.

Translation of foreign operations

The Company presents the financial statements in INR which is the functional currency of the parent company.

The assets and liabilities of a foreign operation are translated into the reporting currency (INR) at the exchange rate prevailing at the reporting date. Their statement of profit and loss are translated at exchange rates prevailing at the dates of transactions or weighted average rates, where such rates approximate the exchange rate at the date of transaction. The exchange differences arising on translation are accumulated in the foreign currency translation reserve under other comprehensive income. On disposal of a foreign operation, the accumulated foreign currency translation reserve relating to that foreign operation is recognized in the statement of profit and loss.

(l) Retirement and other employee benefits

Leave encashment

Accumulated leave, which is expected to be utilized within the next twelve months, is treated as short-term employee benefit. The company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

Expense on non-accumulating compensated absences is recognized in the period in which the absences occur.

The Company presents the entire leave encashment liability as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for twelve months after the reporting date.

(m) Income taxes

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the French Inland Revenue Service (FIRS). The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Deferred income taxes reflect the impact of temporary differences between tax base of assets and liabilities and their carrying amounts. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except deferred tax liability arising from initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, affects neither accounting nor taxable profit/ loss at the time of transaction. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses, except deferred tax assets arising from initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, affects neither accounting nor taxable profit/ loss at the time of transaction. Deferred tax assets are recognized only to the extent that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available against which such deferred tax assets can be realized.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the same taxable entity and the same taxation authority.

Deferred tax relating to items recognized outside the statement of profit and loss is recognized in co-relation to the underlying transaction either in other comprehensive income or directly in equity.

(n) Earnings per share (EPS)

Basic earnings per share are calculated by dividing the net profit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the period is adjusted for events such as bonus issue, bonus element in a rights issue, share split, and reverse share split (consolidation of shares), if any occurred during the reporting period, that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit for the year attributable to the equity shareholders and the weighted average number of equity shares outstanding during the year, are adjusted for the effects of all dilutive potential equity shares.

The number of shares and potential dilutive equity shares are adjusted retrospectively for all periods presented for any bonus shares issues including for changes effected prior to the approval of the financial statements by the Board of Directors.

(o) Provisions

A provision is recognized when the Company has a present obligation as a result of past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are determined based on the best estimate required to settle the obligation at the reporting date. If the effect of time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. These estimates are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

(p) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

(q) Cash and cash equivalents

Cash and cash equivalents in the cash flow statement comprises cash at bank and in hand and short term deposits with an original maturity period of three months or less.

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Persistent Systems France SAS
NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

4.Share capital

	As at March 31, 2020 (In ₹ 000)	As at March 31, 2019 (In ₹ 000)
Authorised 1,500,000 (previous year 1,500,000) Equity Shares of 1 Euro each	EURO 1,500,000	EURO 1,500,000
	EURO 1,500,000	EURO 1,500,000
Issued, subscribed and paid-up 1,500,000 (previous year 1,500,000) Equity shares of 1 Euro each fully paid. All Shares are held by the Holding Company viz : Persistent Systems Limited.	97,467.00	97,467.00
	97,467.00	97,467.00

a) Reconciliation of the shares outstanding at the beginning and at the end of the period / year

The reconciliation of the number of shares outstanding and the amount of share capital is set out below:

	As at March 31, 2020		As at March 31, 2019	
	No of shares	Amount (In ₹ 000)	No of shares	Amount (In ₹ 000)
Number of shares at the beginning of the period / year	1,500,000	97,467.00	1,500,000	97,467.00
Add: Issued during the period / year	-	-	-	-
Number of shares at the end of the period / year	1,500,000	97,467.00	1,500,000	97,467.00

Persistent Systems France SAS

NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

5.1 Property, Plant and Equipment

(In ₹ thousand)

	Freehold Land	Building	Computers	Plant & Machinery	Furniture & Fixtures	Total
Gross Block						
As at April 01, 2019	13,565.26	60,759.73	7,273.30	1,109.54	3,569.07	86,276.90
Additions	-	-	798.53	18.79	-	817.32
Effect of foreign currency translation from functional currency to reporting currency	897.39	4,019.53	530.03	104.01	236.11	5,787.07
As at March 31, 2020	14,462.65	64,779.26	8,601.86	1,232.34	3,805.18	92,881.29
Depreciation and Amortization						
As at April 01, 2019	-	18,629.24	5,546.89	1,047.15	3,397.06	28,620.34
Charge for the period	-	2,583.83	1,176.90	59.15	31.78	3,851.66
Effect of foreign currency translation from functional currency to reporting currency	-	1,242.39	429.54	50.20	376.26	2,098.39
As at March 31, 2020	-	22,455.46	7,153.33	1,156.50	3,805.10	34,570.39
Net Block						
As at March 31, 2020	14,462.65	42,323.80	1,448.53	75.84	0.08	58,310.90
As at March 31, 2019	13,565.26	42,130.49	1,726.41	62.39	172.01	57,656.56
Gross Block						
As at April 01, 2018	14,120.96	63,248.76	6,761.42	1,097.78	3,715.28	88,944.20
Additions	-	-	809.38	57.42	-	866.80
Disposals	-	-	-	-	-	-
Effect of foreign currency translation from functional currency to reporting currency	(555.70)	(2,489.03)	(297.50)	(45.66)	(146.21)	(3,534.10)
As at March 31, 2019	13,565.26	60,759.73	7,273.30	1,109.54	3,569.07	86,276.90
Depreciation and Amortization						
As at April 01, 2018	-	16,864.20	4,712.16	728.37	3,616.69	25,921.42
Charge for the year	-	2,533.24	1,064.08	215.81	65.96	3,879.09
Disposals	-	-	-	-	-	-
Effect of foreign currency translation from functional currency to reporting currency	-	(768.20)	(229.35)	102.97	(285.59)	(1,180.17)
As at March 31, 2019	-	18,629.24	5,546.89	1,047.15	3,397.06	28,620.34
Net Block						
As at March 31, 2019	13,565.26	42,130.49	1,726.41	62.39	172.01	57,656.56
As at March 31, 2018	14,120.96	46,384.56	2,049.26	369.41	98.59	63,022.78

NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS
5.2 Other Intangible assets

	(In ₹ thousand)	
	Software	Total
Gross Block		
As at April 01, 2019	4,401.38	4,401.38
Additions	297.01	297.01
Effect of foreign currency translation from functional currency to reporting currency	306.99	306.99
As at March 31, 2020	5,005.38	5,005.38
Amortization		
As at April 01, 2019	4,401.38	4,401.38
Charge for the period	113.50	113.50
Effect of foreign currency translation from functional currency to reporting currency	297.21	297.21
As at March 31, 2020	4,812.09	4,812.09
Net Block		
As at March 31, 2020	193.29	193.29
As at March 31, 2019	-	-
Gross Block		
As at April 01, 2018	4,581.68	4,581.68
Additions	-	-
Disposals	-	-
Effect of foreign currency translation from functional currency to reporting currency	(180.30)	(180.30)
As at March 31, 2019	4,401.38	4,401.38
Amortization		
As at April 01, 2018	4,581.68	4,581.68
charge for the period	-	-
Disposals	-	-
Effect of foreign currency translation from functional currency to reporting currency	(180.30)	(180.30)
As at March 31, 2019	4,401.38	4,401.38
Net Block		
As at March 31, 2019	-	-
As at March 31, 2018	-	-

5.3 Depreciation and amortization expense

	(In ₹ thousand)			
	For the quarter ended		For the year ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
On Property, Plant and Equipment	906.69	960.18	3,851.66	3,879.09
On Other intangible assets	113.50	-	113.50	-
	1,020.19	960.18	3,965.16	3,879.09

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NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

6. Non-current financial assets : Loans

	As at March 31, 2020 (In ₹ thousand)	As at March 31, 2019 (In ₹ thousand)
Carried at amortised cost		
Loan to related parties		
Unsecured, considered good	123,268.22	85,480.49
- PARX Werk AG	<u>123,268.22</u>	<u>85,480.49</u>

7. Other non current assets

	As at March 31, 2020 (In ₹ thousand)	As at March 31, 2019 (In ₹ thousand)
Advances recoverable in cash or kind or for value to be received	45,587.65	60,216.39
	<u>45,587.65</u>	<u>60,216.39</u>

8. Deferred tax assets

	As at March 31, 2020 (In ₹ 000)	As at March 31, 2019 (In ₹ 000)
Deferred tax assets		
Brought forward and current year losses	4,513.87	-
	<u>4,513.87</u>	<u>-</u>

9. Trade receivables

	As at March 31, 2020 (In ₹ thousand)	As at March 31, 2019 (In ₹ thousand)
Others		
Unsecured (considered good)	122,298.52	102,609.88
Unsecured, Credit impaired	1,480.62	1,388.90
	123,779.14	103,998.78
Less : Allowance for credit loss	1,480.62	1,388.90
	<u>122,298.52</u>	<u>102,609.88</u>
	<u>122,298.52</u>	<u>102,609.88</u>

10. Cash and cash equivalents

	As at March 31, 2020 (In ₹ thousand)	As at March 31, 2019 (In ₹ thousand)
Cash and cash equivalents as presented in cash flow statement		
Balances with banks		
-On current accounts	101,439.97	69,699.59
	<u>101,439.97</u>	<u>69,699.59</u>

11. Current financial assets : Loans

	As at March 31, 2020 (In ₹ thousand)	As at March 31, 2019 (In ₹ thousand)
Security Deposits		
Unsecured, considered good	165.52	155.25
	<u>165.52</u>	<u>155.25</u>

12. Other current financial assets

	As at March 31, 2020 (In ₹ thousand)	As at March 31, 2019 (In ₹ thousand)
Unbilled revenue	65,115.55	5,040.17
	<u>65,115.55</u>	<u>5,040.17</u>

Persistent Systems France SAS**NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS****13. Other current assets**

	As at March 31, 2020 (In ₹ thousand)	As at March 31, 2019 (In ₹ thousand)
Other loans and advances (unsecured, considered good)		
Advances recoverable in cash or kind or for value to be received	25,450.62	22,458.78
-Others	9,804.20	8,929.49
	35,254.82	31,388.27

14. Current financial liabilities: Borrowings

	As at March 31, 2020 (In ₹ thousand)	As at March 31, 2019 (In ₹ thousand)
Accrued employee liabilities	-	441.61
Loans and advances from related parties (unsecured)*		
- Persistent Systems Limited	4,554.77	4,137.08
- Persistent Systems Inc.	617.07	17.22
- Persistent Systems Germany GmbH	-	87.25
- Parx Werk AG	1,118.62	-
	6,290.46	4,683.16

* There is no repayment schedule in respect of this advance. It is repayable on demand.

15. Trade payables

	As at March 31, 2020 (In ₹ thousand)	As at March 31, 2019 (In ₹ thousand)
Trade payables	246,665.52	86,102.41
	246,665.52	86,102.41

16. Other Current liabilities

	As at March 31, 2020 (In ₹ thousand)	As at March 31, 2019 (In ₹ thousand)
Other current liabilities		
-Unearned revenue	85,674.47	101,047.05
-Statutory liabilities	-	14,287.00
-VAT payable	12,489.12	2,079.89
-Advance from customers	711.09	663.77
	98,874.68	118,077.71

17. Current Liabilities : Provisions

	As at March 31, 2020 (In ₹ thousand)	As at March 31, 2019 (In ₹ thousand)
Provision for employee benefits		
- Leave encashment	37,856.81	29,821.83
- Other employee benefits	14,203.07	13,024.62
	52,059.88	42,846.45

NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS
18. Revenue from operations

	For the quarter ended		For the year ended	
	March 31, 2020 (In ₹ thousand)	March 31, 2019 (In ₹ thousand)	March 31, 2020 (In ₹ thousand)	March 31, 2019 (In ₹ thousand)
Software licenses	54,024.44	25,604.65	468,750.21	527,683.99
Software services	140,013.05	117,727.74	477,907.03	444,664.51
	194,037.49	143,332.39	946,657.24	972,348.50

19. Other income

	For the quarter ended		For the year ended	
	March 31, 2020 (In ₹ thousand)	March 31, 2019 (In ₹ thousand)	March 31, 2020 (In ₹ thousand)	March 31, 2019 (In ₹ thousand)
Foreign exchange gain (net)	-	-	-	-
Excess provision written back	1,000.96	-	1,513.32	-
Miscellaneous income	3.04	3,905.71	545.13	6,840.87
Int on inter corp deposit and others	510.12	502.41	1,759.37	538.45
Advances written back	-	-	-	-
	1,514.12	4,408.12	3,817.82	7,379.32

20. Personnel expenses

	For the quarter ended		For the year ended	
	March 31, 2020 (In ₹ thousand)	March 31, 2019 (In ₹ thousand)	March 31, 2020 (In ₹ thousand)	March 31, 2019 (In ₹ thousand)
20.1 Employee benefits expense				
Salaries and wages	57,328.77	43,598.53	209,303.98	184,783.81
Defined contribution to other funds	25,888.62	19,918.17	98,551.13	87,528.57
Staff welfare and benefits	2,399.12	2,198.49	9,842.49	10,026.80
	85,616.51	65,715.19	317,697.60	282,339.18
20.2 Cost of technical professionals				
Technical professionals - related parties	22,408.88	30,509.36	103,511.39	94,486.35
Technical professionals - others	7,948.84	(7,887.04)	20,852.91	37,712.84
	30,357.72	22,622.32	124,364.30	132,199.19
	115,974.23	88,337.51	442,061.90	414,538.37

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NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS
21. Other expenses

	For the quarter ended		For the year ended	
	March 31, 2020 (In ₹ thousand)	March 31, 2019 (In ₹ thousand)	March 31, 2020 (In ₹ thousand)	March 31, 2019 (In ₹ thousand)
Travelling and conveyance	5,358.76	3,481.39	18,824.25	13,382.04
Electricity expenses	481.25	980.22	1,710.76	2,405.80
Internet link expenses	363.31	120.47	785.02	502.61
Communication expenses	94.38	376.17	844.31	1,529.19
Recruitment expenses	-	0.37	-	145.74
Provision for doubtful debts / (written back)	0.25	1,448.72	46.20	1,448.72
Training and seminars	299.14	1,103.24	1,535.94	2,189.06
Purchase of software licenses and support expenses	63,548.21	35,619.17	442,321.59	427,358.72
Corporate Guarantee Fee	1,490.48	3,005.72	5,917.67	3,005.72
Insurance	305.62	352.03	1,482.99	1,395.44
Rent	283.06	15.56	855.43	72.22
Rates, fees and taxes	1,116.59	4,042.35	8,449.78	6,844.82
Legal and professional fees	2,130.46	17,713.93	2,876.38	37,102.64
Bad debts	-	-	-	-
Repairs and maintenance				
-Plant and Machinery	272.50	65.80	481.93	288.79
-Building	40.71	92.60	1,359.79	1,264.43
- Others	510.77	9.27	1,442.12	801.14
Commission on sales	5,297.05	-	13,682.65	-
Foreign exchange loss (net)	2,247.34	242.21	6,456.27	2,858.46
Advertisements and sponsorship fees	669.01	199.18	4,969.77	233.76
Computer consumables	75.41	69.60	216.61	169.73
Books, memberships and subscriptions	153.21	13.31	166.22	13.31
Auditors' remuneration	359.48	276.10	1,414.35	1,472.18
Miscellaneous expenses	1,637.48	488.02	3,530.64	2,351.37
	86,734.47	69,714.69	519,370.67	506,835.89

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NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

22. Earnings per share

		For the quarter ended		For the year ended	
		March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
		(In ₹ thousand)	(In ₹ thousand)	(In ₹ thousand)	(In ₹ thousand)
Basic and diluted earnings per share					
<u>Numerator</u>					
Net Profit / (loss) after tax	A	(5,889.12)	(3,393.14)	(11,020.13)	43,373.19
<u>Denominator</u>					
Weighted average number of ordinary shares	B	1,500,000	1,500,000	1,500,000	1,500,000
Basic/Diluted earnings per share (Face Value of Euro 1 each)	A / B	(3.93)	(2.26)	(7.35)	28.92

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23. Results for the Quarter ended 31.03.2020 are balancing figures between audited figures for the full financial year and reviewed year to date figures up to 31.12.2019 of the financial year.

24. Contingent Liabilities:

The Company does not have any contingent liability as on 31st March 2020 (previous period / year: NIL)

As per our report of even date

For Joshi Apte &Co.,
Firm registration no. 104370W
Chartered Accountants

For and on behalf of the Board of Directors of
Persistent Systems France SAS

per C.K. Joshi
Partner
Membership No.030428
Place: Pune
Date: May 4, 2020

Dr. Anand Deshpande
Director
Place: Pune
Date: May 4 ,2020

Arnaud Pierrel
Director General
Place: Grenoble
Date: May 4, 2020
