

Report on Corporate Governance

Company's philosophy on Corporate Governance

"Corporate Governance is beyond the realm of law. It stems from the culture and mindset of management, which cannot be regulated by legislation alone. Corporate governance deals with conducting the affairs of a company such that there is fairness to all stakeholders and that its actions benefit the greatest number of stakeholders. It is about openness, integrity and accountability. What legislation can and should do, is to lay down a common framework – the 'form' to ensure standards. The 'substance' will ultimately determine the credibility and integrity of the process. Substance is inexorably linked to the mindset and ethical standards of management."

Extract of 'Report of the SEBI Committee on Corporate Governance'
prepared by Narayan Murthy Committee

The Company believes that corporate governance is a set of guidelines to help fulfill its responsibilities to all its stakeholders i.e. investors, customers, vendors, Government, employees, associates and society. It is a voluntary code of self-discipline to ensure transparency, accountability and integrity. The Company has set its corporate governance philosophy to enhance the long-term value of the Company's stakeholders.

Corporate governance practiced at the Company is not restricted to the Board of Directors. It is an approach to sustainable development. Good governance is an essential ingredient of good business. The following report on the implementation of the Corporate Governance Code is a sincere effort of the Company to follow the Corporate Governance Principles in its letter and spirit. It may be worth repeating that consecutively third year after Initial Public Offering, the Company has been recognized as one of the top five companies for excellence in Corporate Governance by the Institute of Company Secretaries of India. The Company was also awarded the prestigious Golden Peacock Award for Excellence in Corporate Governance for the year 2012 at national level and was further ranked with Silver Shield for Excellence in Financial Reporting by the Institute of Chartered Accountants of India for the financial year 2011-12. It was consecutive second year in succession that the Company was awarded for excellence in this category.

1. Board of Directors

A. Size and composition of the Board

The Board of Directors of the Company has a combination of Executive and Independent Directors with varied professional background. Independent Directors help to maintain the independence of the Board and separate the Board functions of governance from business management. As on March 31, 2013, the Company's Board consisted of nine Directors, of whom two are Executive Directors and the rest seven are Independent Directors. The Board is headed by a full time Executive Director. Table 1 gives the composition of the Board and the number of outside directorships held by each of the Directors as on March 31, 2013.

Table 1: Board of Directors

| Name of the Director and Directors' Identification Number (DIN) | Category | Directorships | | | Number of Committee positions held** | |
|---|--------------------------------|------------------|---------|-------------------|--------------------------------------|--------|
| | | Indian Companies | | Foreign Companies | Chairman | Member |
| | | Public* | Private | | | |
| Dr. Anand Deshpande (DIN 00005721) | Chairman and Managing Director | Nil | NIL | 4 | NIL | 1 |
| Mr. Pradeep Kumar Bhargava® (DIN 00525234) | Independent Director | 6 | 1 | 1 | 1 | 1 |
| Mr. S. K. Bhattacharyya (DIN 01924770) | Independent Director | 1 | 1 | NIL | 1 | 1 |
| Dr. Anant Jhingran (DIN 05116722) | Independent Director | NIL | NIL | NIL | NIL | NIL |
| Dr. Dinesh Keskar (DIN 02568771) | Independent Director | NIL | NIL | NIL | NIL | NIL |
| Mr. Nitin Kulkarni® (DIN 03058881) | Executive Director | NIL | NIL | NIL | NIL | 2 |
| Mr. P. B. Kulkarni (DIN 00008451) | Independent Director | 1 | NIL | NIL | NIL | 1 |

| Name of the Director and Directors' Identification Number (DIN) | Category | Directorships | | | Number of Committee positions held** | |
|---|----------------------|------------------|---------|-------------------|--------------------------------------|--------|
| | | Indian Companies | | Foreign Companies | Chairman | Member |
| | | Public* | Private | | | |
| Mr. Prakash Telang (DIN 00012562) | Independent Director | 6 | 1 | NIL | NIL | 3 |
| Mr. Kiran Umrootkar (DIN 00326672) | Independent Director | NIL | 4 | NIL | 1 | NIL |

@ Appointed as an Independent Director with effect from April 26, 2012.

@@ Ceased to be the Chief Operating officer with effect from June 1, 2013.

* Excluding directorship in Persistent Systems Limited.

** Disclosure includes Chairmanship / Membership of Committees as required for computation of maximum number of Committees of which Director can be Chairman or Member in terms of Clause 49 of the Listing Agreement (i.e. Chairmanship / Membership of Audit Committee and Shareholders' / Investors' Grievance Committee in all Indian public companies including Persistent Systems Limited)

None of the Directors of the Company were members of more than 10 Committees or acted as the Chairman of more than five Committees across all companies in India, in which he is a Director, in terms of Clause 49 of the Listing Agreement.

Further, the Directors have made the declaration that they are 'Independent' and their directorships in the above companies and their committees do not conflict with the interest of Persistent Systems Limited.

In addition to disclosure of Chairmanship / Membership of Committees of Directors disclosed in Table 1 above, the Chairmanship / Membership of Directors of the Company in other Committees as on March 31, 2013 is given below:

| Name of the Director | Category | Membership in Committees* | Chairmanship in Committees* |
|------------------------------|--------------------------------|---------------------------|-----------------------------|
| Dr. Anand Deshpande | Chairman and Managing Director | NIL | NIL |
| Mr. Pradeep Kumar Bhargava @ | Independent Director | NIL | NIL |
| Mr. S. K. Bhattacharyya | Independent Director | 1 | NIL |
| Dr. Anant Jhingran | Independent Director | 3 | NIL |
| Dr. Dinesh Keskar | Independent Director | 1 | 1 |
| Mr. Nitin Kulkarni@@ | Executive Director | 1 | NIL |
| Mr. P. B. Kulkarni | Independent Director | 1 | 1 |
| Mr. Prakash Telang | Independent Director | 4 | 1 |
| Mr. Kiran Umrootkar | Independent Director | 2 | NIL |

@ Appointed as an Independent Director with effect from April 26, 2012.

@@ Ceased to be the Chief Operating officer with effect from June 1, 2013.

* Includes Committees (other than Audit Committee and Shareholders' / Investors' Grievance Committee) of all companies in India and abroad, including Persistent Systems Limited.

B. Brief description of terms of reference of the Board of Directors:

- i. To manage and direct the business and affairs of the Company;
- ii. To manage, subject to the Articles of Association of the Company, its own affairs, including planning its composition, selecting its Chairman, appointing Committees, establishing the terms of reference and duties of Committees and determining Directors' compensation;
- iii. To act honestly and in good faith in the best interests of the Company;
- iv. To exercise due care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances;
- v. To participate directly or through its Committees, in developing and approving the mission of the business, its objectives and goals and the strategy for their achievement;
- vi. To ensure congruence between shareholders' expectations, Company's goals, objectives and management performance;
- vii. To monitor the Company's progress towards its goals and to revise and alter its direction in light of changing circumstances;
- viii. To approve and monitor compliance with all significant policies and procedures by which the Company is operated;
- ix. To ensure that the Company operates at all times within applicable laws and regulations and ethical and moral standards;
- x. To ensure that the performance of the Company is adequately reported to shareholders, other stakeholders and regulators on a timely and regular basis;

- xi. To ensure that the audited annual financial statements are reported fairly and in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India;
- xii. To ensure that any developments that have a significant and material impact on the Company are reported from time to time to the concerned authorities; and
- xiii. To act in accordance with the laws and regulations of the country and the Memorandum and Articles of Association of the Company.

C. Board meetings and deliberations:

The Company Secretary, in consultation with the Chairman of the Company and Chairman of the respective Board Committees, prepares the agenda and supporting papers for discussion at each Board meeting and Committee meetings, respectively. Members of the Board or Committees are free to suggest any item to be included in the agenda, in addition to their right to bring up matters for discussion at the meeting with the permission of the Chairman.

Information and data that is important to the Board to understand the business of the Company in general and related matters are tabled for discussion at the meeting. Agenda is circulated in writing to the members of the Board well in advance of the meeting.

The Board and the Audit Committee meets in executive session, at least, four times during a financial year, mostly at quarterly intervals *inter alia* to review quarterly financial statements and other items on the agenda. Additional meetings are held, if deemed necessary, to conduct the business. Those members of the Board, who are not able to participate in the Board meetings in-person, generally, participate in the meeting through audio conferencing or video conferencing. The President of Persistent Systems, Inc., the wholly owned subsidiary of the Company in the USA, Chief Operating Officer, Chief Financial Officer and Chief Planning Officer of the Company attend the Board and Committee meetings upon invitation. The other executives and divisional heads are generally invited at the meetings on need basis. In terms of Clause 49(l)(c) of the Listing Agreement, the gap between two Board meetings has not exceeded four months. The maximum gap between two Board meetings held during the financial year 2012-13 was three months and seven days i.e. from October 18, 2012 to January 26, 2013. The Executive Committee of the Board meets between the two Board Meetings as detailed elsewhere in this report.

During the financial year 2012-13, the Board of Directors met four times on April 21 & 22, 2012, July 17 & 18, 2012, October 17 & 18, 2012 and January 26 & 27, 2013. Further, certain decisions were taken by passing the resolutions by way of circulation and were subsequently ratified by the Board at its next meeting. Table 2 below gives the attendance record of the Directors at the Board meetings and last Annual General Meeting held on July 19, 2012. During the financial year 2012-13, specific Board calls were organized to discuss matters needing immediate attention.

Table 2: Attendance of Directors at the Board Meetings and Annual General Meeting

| Name of the Director | < -----Board Meetings ----- > | | | | Annual General Meeting held on July 19, 2012 |
|---|----------------------------------|--------------------------------|--------------------------------------|--------------------------------------|--|
| | April 21 & 22, 2012 (April 2012) | July 18 & 19, 2012 (July 2012) | October 17 & 18, 2012 (October 2012) | January 26 & 27, 2013 (January 2013) | |
| Dr. Anand Deshpande | Y | Y | Y | Y | Y |
| Mr. Pradeep Kumar Bhargava [@] | N.A. | Y | Y | Y | Y |
| Mr. S. K. Bhattacharyya | Y | Y | Y | Y* | Y |
| Dr. Anant Jhingran | Y | AVC* | AVC* | Y | N |
| Dr. Dinesh Keskar | N | Y | Y | N | Y |
| Mr. Nitin Kulkarni | Y | Y | Y | Y | Y |
| Mr. P. B. Kulkarni | Y | Y | Y | Y | Y |
| Prof. Krithivasan Ramamritham ^{@@} | Y | Y | N.A. | N.A. | Y |
| Mr. Prakash Telang | Y | Y | AVC* | Y* | Y |
| Mr. Kiran Umrootkar | Y | Y | Y | Y | Y |

[@] Appointed as an Independent Director with effect from April 26, 2012.

^{@@} Retired from the Directorship of the Company with effect from July 19, 2012

* Present for part of the meeting.

In this report, the signs below, wherever they appear, denote the following:

- Y – Present for the meeting in-person
- N – Absent for the meeting
- AVC – Present for the meeting through Audio / Video Conferencing
- N.A. – Not Applicable being not a director at the time of meeting

2. Committees of the Board of Directors

The Company has five Committees of the Board of Directors viz. Audit Committee, Compensation and Remuneration Committee, Executive Committee, Nomination and Governance Committee and Shareholders' / Investors' Grievance Committee as on March 31, 2013. The Board Committees are represented by a combination of Executive and Independent Directors. The Chairman of all Committees is an Independent Director.

As per the charter of respective Committees, Committees deliberate on the matters assigned / referred to it by the Board or as mandated by the statutes. Information and data that is important to the Committees to discuss the matter is distributed in writing to the members of the Committees well in advance of the meeting. Recommendations of the Committees are submitted to the Board to take decision on the matter requiring Board's decision. The minutes of all Committee meetings are circulated to the Board members for information / noting.

The members of the Committee, who are not able to participate in the meeting physically, generally participate through audio / video conferencing.

A. Audit Committee

Brief description of terms of reference

The Audit Committee was voluntarily constituted by the Board at its meeting held on April 23, 2004, even before the Company was converted into a public limited company. The Committee was re-constituted by the Board of Directors at its meeting held in October 2012.

The Audit Committee ensures prudent financial and accounting practices, fiscal discipline and transparency in financial reporting. In terms of one of its important charter, the quarterly audited accounts are reviewed by the Audit Committee and recommended to the Board for its adoption.

All the members of the Committee are financially literate whereas the Chairman of the Committee is a financial management expert. Table 3 gives the composition of the Audit Committee of the Board of Directors as on March 31, 2013:

Table 3: Composition of the Audit Committee

| Name of the Director | Category |
|---|--|
| Mr. Kiran Umrootkar | Chairman of the Committee and Independent Director |
| Mr. Pradeep Kumar Bhargava [@] | Independent Director |
| Mr. S. K. Bhattacharyya | Independent Director |
| Mr. Nitin Kulkarni ^{@@} | Executive Director |

[@] Appointed as a member of Committee with effect from October 18, 2012 and Mr. P. B. Kulkarni ceased to be a member from that date.

^{@@} Ceased to be the Chief Operating officer with effect from June 1, 2013.

In addition to the Audit Committee members, Statutory Auditors, Chief Financial Officer, Chief Operating Officer, Chief Planning Officer, Internal Auditor, HR Head, Administration Head, other executives and divisional heads are invited to the Audit Committee Meetings, on need basis.

Necessary information such as Management Discussion and Analysis of financial condition and results of operations, statement of significant related party transactions submitted by the management, management letters/letters of internal control weaknesses issued by the statutory auditors, internal audit reports relating to internal control weaknesses and the terms relating to internal auditors as required by Clause 49(II)(E) of the Listing Agreement are reviewed by the Audit Committee.

The Committee meets statutory auditors without the executive management atleast once in a year.

The Company Secretary of the Company is the Secretary of the Committee.

The Committee has the following powers and responsibilities including but not limited to

- i. To oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;

- ii. To review, with the management, annual financial statements before submission to the Board for approval, with particular reference to
 - a. Matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of Clause (2AA) of Section 217 of the Companies Act, 1956;
 - b. Changes, if any, in accounting policies and practices and reasons for the same;
 - c. Major accounting entries involving estimates based on the exercise of judgment by management;
 - d. Significant adjustments made in the financial statements arising out of audit findings;
 - e. Compliance with listing and other legal requirements relating to financial statements;
 - f. Disclosure of any related party transactions;
 - g. Qualifications in the draft audit report.
- iii. To review, with the management, the quarterly financial statements before submission to the Board for approval;
- iv. To recommend to the Board, the appointment, re-appointment and if required, the replacement or removal of the statutory auditor and fixation of audit fees;
- v. To grant approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- vi. To hold discussion with the statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- vii. To review management letters / letters of internal control weaknesses issued by the statutory auditors;
- viii. To recommend appointment, removal and terms of remuneration of the Chief Internal Auditor;
- ix. To hold discussion with Internal Auditors on any significant findings and follow up there on;
- x. To review internal audit reports relating to internal control weaknesses;
- xi. To review, with the management, performance of statutory and internal auditors and adequacy of internal control systems;
- xii. To review adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- xiii. To review the findings of any internal investigations by the internal auditors in the matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
- xiv. To review financial and risk management policies;
- xv. To review report on compliance of laws and risk management, reports issued by Statutory / Internal Auditors;
- xvi. To review management discussion and analysis of financial condition and results of operations;
- xvii. To review statement of significant related party transactions (as defined by the audit Committee), submitted by management;
- xviii. To review substantial defaults in the payment to the depositors, debentureholders, shareholders (in case of non-payment of declared dividends) and creditors;
- xix. To develop a policy on the engagement of statutory auditors for non-audit services;
- xx. To ensure the compliance with the statutory auditors' recommendations;
- xxi. To meet internal and statutory auditors without presence of the Company's executive management annually;
- xxii. To confirm the engagement of an Independent valuer for the valuation of shares, whenever called for and verify whether the valuer for valuation has an advisory mandate and had past association with the Company management;
- xxiii. To review certificates regarding compliance of legal and regulatory requirements;
- xxiv. To review the functioning of the Whistle Blower mechanism;
- xxv. To review, with the management, the statement of uses / application of funds raised through an initial public offering of the Company, the statement of funds utilized for purposes other than those stated in prospectus and making appropriate recommendations to the Board to take steps in this matter;
- xxvi. Approval of appointment of Chief Financial Officer (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate; and
- xxvii. To carry out any other function as is mentioned in the terms of reference of the Audit Committee and entrusted by the Board.

The Audit Committee is further empowered to do the following:

- i. To investigate any activity within terms of reference;
- ii. To seek information from any employee;
- iii. To obtain outside legal professional advice; and
- iv. To secure attendance of outsiders with relevant expertise, if it considers necessary.

Meetings and attendance

Four meetings of the Audit Committee were held during the financial year 2012-13. Table 4 gives the details of the attendance of the members of the Audit Committee at its meetings held during the financial year 2012-13.

Table 4: Details of the attendance at the Audit Committee meetings held during the financial year 2012-13

| Name of the Director | <----- Audit Committee Meeting -----> | | | |
|---|---------------------------------------|---------------|------------------|------------------|
| | April 21, 2012 | July 18, 2012 | October 17, 2012 | January 26, 2013 |
| Mr. Kiran Umrootkar | Y | Y | Y | Y |
| Mr. Pradeep Kumar Bhargava [@] | N.A. | N.A. | N.A. | Y |
| Mr. S. K. Bhattacharyya | Y | Y | Y | Y |
| Mr. Nitin Kulkarni | Y | Y | Y | Y |
| Mr. P. B. Kulkarni ^{@@} | Y | Y | Y | N.A. |

[@] Appointed as a member of Committee with effect from October 18, 2012.

^{@@} Audit Committee was reconstituted by appointment of Mr. Pradeep Kumar Bhargava in place of Mr. P. B. Kulkarni with effect from October 18, 2012.

B. Shareholders' / Investors' Grievance Committee

Brief description of terms of reference

The Shareholders' / Investors' Grievance Committee was constituted on October 4, 2007. The Committee was reconstituted by the Board of Directors at its meeting held in April 2012.

The Committee specifically looks into the redressal of shareholders' and investors' complaints such as transfer of shares, non-receipt of Balance Sheet, non-receipt of declared dividends.

The Chairman of the Committee is an Independent Director. Table 5 gives the composition of the Shareholders'/Investors' Grievance Committee of the Board of Directors as on March 31, 2013.

Table 5: Composition of the Shareholders' / Investors' Grievance Committee

| Name of the Director | Category |
|--------------------------------------|--|
| Mr. S. K. Bhattacharyya [@] | Chairman of the Committee and Independent Director |
| Dr. Anand Deshpande | Chairman and Managing Director |
| Mr. P. B. Kulkarni | Independent Director |
| Mr. Nitin Kulkarni ^{@@} | Executive Director |

[@] Appointed as a chairman of the Committee with effect from April 21, 2012 in place of Mr. P. B. Kulkarni.

^{@@} Ceased to be the Chief Operating officer with effect from June 1, 2013.

Company Secretary is the Compliance Officer of the Company for the purpose of shareholders'/investors' related matters.

The Committee was constituted with powers and responsibilities including but not limited to

- i. To supervise and ensure efficient share transfers, share transmission, transposition, etc.;
- ii. To approve allotment, transfer, transmission, transposition, consolidation, split, name deletion and issue of duplicate share certificate of equity shares of the Company;
- iii. To redress shareholder and depositor complaints like non-receipt of Balance Sheet, non-receipt of declared dividends, etc.;
- iv. To review service standards and investor service initiatives undertaken by the Company;
- v. To address all matters pertaining to Registrar and Share Transfer Agent including appointment of new Registrar and Share Transfer Agent in place of existing one;

- vi. To address all matters pertaining to Depositories for dematerialization of shares of the Company and other matters connected therewith; and
- vii. To attend to any other responsibility as may be entrusted by the Board within terms of reference.

Meetings and attendance

The Committee meets as and when need arises. One (1) meeting of the Committee was held during the financial year 2012-13. However, certain decisions were taken by passing the resolution by way of circulation and were subsequently ratified by the Board at its next meeting.

| Name of the Director | Shareholders' / Investors' Grievance Committee Meeting October 17, 2012 |
|---|--|
| Mr. Sanjay Kumar Bhattacharyya [®] | Y |
| Dr. Anand Deshpande | Y |
| Mr. P. B. Kulkarni | Y |
| Mr. Nitin Kulkarni | Y |

[®] Appointed as the Chairman of the Committee with effect from April 21, 2012 in place of Mr. P. B. Kulkarni

During the financial year 2012-13, the Company received a few complaints from the shareholders / investors relating to dividend warrants. As on date, there are no outstanding Investor Complaints.

The members may contact the Company Secretary of the Company for their queries, if any, at the contact details provided in the Shareholders' Information part in this report.

C. Compensation and Remuneration Committee

Brief description of terms of reference

The Compensation and Remuneration Committee of the Board (formerly known as 'Compensation Committee') was constituted on April 23, 2004. In terms of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("SEBI ESOP Guidelines"), the Company re-constituted the Compensation Committee for the administration and superintendence of the employee stock options schemes on October 4, 2007. The Committee was re-constituted by the Board of Directors at its meeting held in April 2012.

The name of the Compensation Committee was changed to "Compensation and Remuneration Committee" with effect from January 27, 2013.

The Chairman of the Committee is an Independent Director.

Table 6 gives the composition of the Compensation and Remuneration Committee of the Board of Directors as on March 31, 2013.

Table 6: Composition of the Compensation and Remuneration Committee

| Name of the Director | Category |
|---------------------------------|--|
| Mr. Prakash Telang | Chairman of the Committee and Independent Director |
| Mr. S. K. Bhattacharyya | Independent Director |
| Dr. Anant Jhingran [®] | Independent Director |
| Dr. Dinesh Keskar | Independent Director |

[®] Dr. Anant Jhingran was appointed as a member of the Committee with effect from April 21, 2012.

The Company Secretary of the Company is the Secretary of the Committee.

The Committee is constituted with powers and responsibilities including but not limited to

- i. To decide the quantum of equity shares / options to be granted under Employee Stock Options Schemes (ESOS), per employee and the total number in aggregate;
- ii. To determine at such intervals, as the Compensation and Remuneration Committee considers appropriate, the persons to whom shares or options may be granted;
- iii. To determine the exercise period within which the employee should exercise the option and condition in which option will lapse on failure to exercise the option within the exercise period;
- iv. To decide the conditions under which shares or options vested in employees may lapse in case of termination of employment for any reason;

- v. To lay down the procedure for making a fair and reasonable adjustment to the number of shares or options and to the exercise price in case of rights issues, bonus issues and other corporate actions;
- vi. To lay down the right of the employee to exercise all the options vested in him at one time or at various points of time within the exercise;
- vii. To specify the grant, vest and exercise of shares / option in case of employees who are on long leave;
- viii. To construe and interpret the plan and to establish, amend and revoke rules and regulations for its administration; The Compensation and Remuneration Committee may correct any defect, omission or inconsistency in the plan or any option and/or vary / amend the terms to adjust to the situation that may arise;
- ix. To approve transfer of shares in the name of employee at the time of exercise of options by such employee under ESOS;
- x. To lay down the procedure for cash less exercise of options;
- xi. To make recommendations to the Board about the Company's policy on specific remuneration packages for the Executive Directors including pension rights and any compensation payment;
- xii. To advise the Board in framing remuneration policy for key managerial personnel of the Company from time to time;
- xiii. To review general compensation policy of the Company (including that of ESOPs) and convey its recommendation to the Board, if any; and
- xiv. To attend any other responsibility as may be entrusted by the Board.

Meetings and attendance

The Compensation and Remuneration Committee generally meets in the first or second quarter of the financial year to recommend the remuneration to be paid to the Managing Director and Executive Director/s of the Company and to advise the Board in framing remuneration policy for key managerial persons of the Company from time to time. Apart from this, the Compensation and Remuneration Committee meets as and when there is any business to be transacted which has been assigned to it.

Compensation and Remuneration Committee meeting was held on April 21, 2012 during the financial year 2012-13. However, certain decisions were also taken by passing resolutions by way of circulation. The said resolutions were subsequently ratified by the Board at its next meeting. Table 7 gives the details of the attendance of the members of the Compensation and Remuneration Committee at its meetings held during the financial year 2012-13.

Table 7: Details of the attendance at the Compensation and Remuneration Committee meetings during the financial year 2012-13

| Name of the Director | Compensation and Remuneration Committee Meeting April 21, 2012 |
|---------------------------------|---|
| Mr. Prakash Telang | Y |
| Mr. S. K. Bhattacharyya | Y |
| Dr. Anant Jhingran | N.A. |
| Dr. Dinesh Keskar | N |
| Mr. P. B. Kulkarni [@] | Y |

[@] Committee re-constituted and Mr. P. B. Kulkarni ceased to be a member with effect from January 26, 2013.

Remuneration policy

- i. The remuneration of full time directors (Managing Director and Executive Director) is divided in the following proportion:
 - a. Fixed portion which is 60% of the Annual Gross Salary.
 - b. Variable portion by way of Bonus which is 40% of the Annual Gross Salary. The variable portion of the remuneration is payable in terms of the targets set for various parameters including consolidated revenue and consolidated net profits.
 - c. Such perquisites and benefits as authorised by the resolution passed by members of the Company from time to time.
- ii. The Independent Directors are entitled to payment of commission at a sum not exceeding 1% per annum of net profits and eligible Independent Directors are entitled for Employee Stock Options under ESOA - X Scheme of the Company.
- iii. The total managerial remuneration not to exceed 11% of the net profits of the Company and the total remuneration to the managerial persons not to exceed 10% of the net profits of the Company.

Remuneration to the Directors

The Company pays remuneration by way of salary, benefits, perquisites and allowances (fixed component) and performance incentives (variable component) to its Executive Directors. Annual increments are decided by the Compensation and Remuneration Committee of the Board of Directors within the range of the remuneration approved by the members.

Table 8 and Table 9 gives details of remuneration paid to Executive and Independent Directors of the Company, respectively, in the financial years 2011-12 and 2012-13.

Table 8: Remuneration to Executive Directors

(In ` Million)

| Name of the Director | Category | Year ended March 31, | Salary and allowance | Performance Linked Incentive/ Commission | Company's contribution to provident and superannuation fund | Perquisite and other payments | Total |
|---------------------------------|--------------------------------|----------------------|----------------------|--|---|-------------------------------|-------|
| Dr. Anand Deshpande | Chairman and Managing Director | 2013 | 6.02 | 3.93 | 0.84 | 0.08 | 10.87 |
| | | 2012 | 4.03 | 3.55 | 0.79 | 0.10 | 8.47 |
| Mr. Nitin Kulkarni [@] | Executive Director | 2013 | 4.79 | 2.77 | 0.17 | 0.00 | 7.73 |
| | | 2012 | 3.21 | 2.63 | 0.17 | 0.00 | 6.01 |
| Total | | 2013 | 10.81 | 6.70 | 1.01 | 0.08 | 18.60 |
| | | 2012 | 7.24 | 6.18 | 0.96 | 0.10 | 14.48 |

[@] Ceased to be the Chief Operating officer with effect from June 1, 2013.

Section 309 of the Companies Act, 1956 provides that a Director who is neither in the whole-time employment of the Company nor a Managing Director may be paid remuneration by way of commission, if the Company by special resolution authorises such payment. Members of the Company at the Annual General Meeting of the Company held on July 23, 2007, approved payment of remuneration by way of commission to Independent Directors, at a sum not exceeding 1% per annum of net profits.

Table 9: Remuneration to Independent Directors

(In ` Million)

| Name of the Director | Category | Year ended March 31, | Salary and Allowance | Commission* | Sitting fees* | Total |
|---|----------------------|----------------------|----------------------|-------------|---------------|-------|
| Mr. Pradeep Kumar Bhargava [@] | Independent Director | 2013 | N.A. | 1.118 | 0.05 | 1.168 |
| | | 2012 | N.A. | N.A. | N.A. | N.A. |
| Mr. S. K. Bhattacharyya | Independent Director | 2013 | N.A. | 1.200 | 0.14 | 1.340 |
| | | 2012 | N.A. | 0.849 | 0.07 | 0.919 |
| Dr. Anant Jhingran | Independent Director | 2013 | N.A. | 1.200 | 0.02 | 1.220 |
| | | 2012 | N.A. | 0.374 | 0.01 | 0.384 |
| Dr. Dinesh Keskar | Independent Director | 2013 | N.A. | 1.200 | 0.03 | 1.230 |
| | | 2012 | N.A. | 0.956 | 0.07 | 1.026 |
| Mr. P. B. Kulkarni | Independent Director | 2013 | N.A. | 1.200 | 0.18 | 1.380 |
| | | 2012 | N.A. | 0.956 | 0.17 | 1.126 |
| Prof. Krithivasan Ramamritham ^{@@} | Independent Director | 2013 | N.A. | 0.358 | 0.02 | 0.378 |
| | | 2012 | N.A. | 0.956 | 0.04 | 0.996 |
| Mr. Prakash Telang | Independent Director | 2013 | N.A. | 1.200 | 0.09 | 1.290 |
| | | 2012 | N.A. | 0.956 | 0.08 | 1.036 |
| Mr. Kiran Umrootkar | Independent Director | 2013 | N.A. | 1.200 | 0.18 | 1.380 |
| | | 2012 | N.A. | 0.956 | 0.14 | 1.096 |
| Total | | 2013 | N.A. | 8.676 | 0.71 | 9.386 |
| | | 2012 | N.A. | 6.003 | 0.58 | 6.583 |

* Commission and sitting fees are excluding service tax.

[@] Appointed as an Independent Director with effect from April 26, 2012.

^{@@} Retired as an Independent Director with effect from July 19, 2012.

Travel or stay arrangements have been provided mainly to directors residing outside Pune city, for travel and/or stay expenses for attending Board and Committee Meetings.

Under the ESOA – VIII and ESOA - X of the Company, the eligible Independent Directors were granted stock options and the same are exercisable by them according to the terms of the applicable scheme.

Table 10 gives the following details

- A. Details of stock options granted to Independent Directors and stock options granted and vested but not exercised as on March 31, 2013.
- B. Details of Shares held by Independent Directors as on March 31, 2013.

Table 10A: Stock Options granted to the Independent Directors, which are vested but not exercised as on March 31, 2013

| Name of the Director | Year ended March 31, | Scheme under which options are granted | Stock Options Granted | Stock Options vested but not exercised |
|----------------------------|----------------------|--|-----------------------|--|
| Mr. Pradeep Kumar Bhargava | 2013 | | NIL | NIL |
| | 2012 | ESOA - X | 7,000 | NIL |
| Mr. S. K. Bhattacharyya | 2013 | | NIL | NIL |
| | 2012 | ESOA – X | 7,000 | NIL |
| Dr. Anant Jhingran | 2013 | | NIL | NIL |
| | 2012 | ESOA – X | 7,000 | NIL |
| Dr. Dinesh Keskar | 2013 | | NIL | NIL |
| | 2012 | ESOA – X | 7,000 | NIL |
| Mr. P. B. Kulkarni | 2013 | | NIL | NIL |
| | 2012 | NIL | NIL | NIL |
| Mr. Prakash Telang | 2013 | | NIL | NIL |
| | 2012 | ESOA - X | 7,000 | NIL |
| Mr. Kiran Umrootkar | 2013 | | NIL | NIL |
| | 2012 | ESOA - X | 7,000 | NIL |
| Total | 2013 | | NIL | NIL |
| | 2012 | | 42,000 | NIL |

Table 10B: Shares held by the Independent Directors as on March 31, 2013:

| Name of the Director | Year ended March 31, | Shares held (through exercise of vested Stock Options) | Shares held (through allotment under a pre IPO scheme) | Shares held (through market purchase/IPO) | Total Shares held |
|----------------------|----------------------|--|--|---|-------------------|
| Mr. P. B. Kulkarni | 2013 | 7,000 | 7,000 | 300 | 14,300* |
| | 2012 | 7,000 | 7,000 | 300 | 14,300* |
| Mr. Prakash Telang | 2013 | N.A. | N.A. | 2,000 | 2,000** |
| | 2012 | N.A. | N.A. | 2,000 | 2,000** |
| Total | 2013 | 7,000 | 7,000 | 2,300 | 16,300 |
| | 2012 | 7,000 | 7,000 | 2,300 | 16,300 |

* Shares are held jointly with Mrs. Sudha Prabhakar Kulkarni.

** Shares are held jointly with Mrs. Anjali Prakash Telang.

There is no pecuniary and non-pecuniary relationship between the Independent Directors vis-a-vis the Company except as stated above.

D. Executive Committee

Brief description of terms of reference

The Executive Committee of the Board was constituted on January 29, 2005. The Committee was reconstituted by the Board of Directors at its meeting held in April 2012.

The Executive Committee was constituted to review the implementation of decisions taken by the Board of Directors in between two Board meetings. The Chairman of the Committee is an Independent Director. Table 11 gives the composition of the Executive Committee of the Board of Directors as on March 31, 2013.

Table 11: Composition of the Executive Committee

| Name of the Director | Category |
|----------------------------------|--|
| Mr. P. B. Kulkarni | Chairman of the Committee and Independent Director |
| Dr. Anant Jhingran [®] | Independent Director |
| Mr. Nitin Kulkarni ^{®®} | Executive Director and Chief Operating Officer |
| Mr. Prakash Telang | Independent Director |
| Mr. Kiran Umrootkar | Independent Director |

[®] Appointed as a member of the Committee with effect from April 21, 2012.

^{®®} Ceased to be the Chief Operating officer with effect from June 1, 2013.

The Company Secretary of the Company is the Secretary of the Committee.

The Committee is constituted with powers and responsibilities including but not limited to

- i. To review and follow up on the action taken on the Board decisions;
- ii. To review the operations of the Company in general;
- iii. To review the systems followed by the Company;
- iv. To examine proposal for investment in real estate;
- v. To review, propose and monitor annual budget including additional budget, if any, subject to the ratification of the Board;
- vi. To review capital expenditure against the budget;
- vii. To authorise opening and closing of bank accounts;
- viii. To authorise additions / deletions to the signatories pertaining to banking transactions;
- ix. To approve investment of surplus funds for an amount not exceeding ` 25 Crores as per the policy approved by the Board;
- x. To approve transactions relating to foreign exchange exposure including but not limited to forward cover and derivative products;
- xi. To approve donations as per the policy approved by the Board;
- xii. To delegate authority to the Company Officials to represent the Company at various courts, government authorities and so on; and
- xiii. To attend to any other responsibility as may be entrusted by the Board to investigate any activity within terms of reference.

Further, the Executive Committee is empowered to do the following:

- i. To seek information from any employee as considered necessary;
- ii. To obtain outside legal professional advice as considered necessary;
- iii. To secure attendance of outsiders with relevant expertise; and
- iv. To investigate any activity within terms of reference.

Meetings and attendance

The Executive Committee meets generally between two board meetings. The Committee met on June 9, 2012, September 8, 2012, December 1, 2012 and March 9, 2013 during the financial year 2012-13. In addition to this, certain decisions were also taken by passing the resolutions by way of circulation and were subsequently ratified by the Board at its next meeting. Table 12 gives the details of the attendance of the members of the Executive Committee at its meetings held during the financial year 2012-13.

Table 12: Details of the attendance at the Executive Committee meetings during the financial year 2012-13

| Name of the Director | <----- Executive Committee Meetings -----> | | | |
|---------------------------------|--|-------------------|------------------|---------------|
| | June 9, 2012 | September 8, 2012 | December 1, 2012 | March 9, 2013 |
| Mr. P. B. Kulkarni | Y | Y | Y | Y |
| Dr. Anant Jhingran [®] | AVC | AVC | AVC | AVC |
| Mr. Nitin Kulkarni | Y | Y | Y | Y |
| Mr. Prakash Telang | N | Y | Y | Y |
| Mr. Kiran Umrootkar | Y | Y | Y | Y |

[®] Appointed as a member of Committee with effect from April 21, 2012.

E. Nomination and Governance Committee

Brief description of terms of reference

The Nomination and Governance Committee of the Board was constituted on August 21, 2008.

The Committee was formed mainly to ensure overall diversity of representatives and provide guidance to the Board for appointment of top management and to address issues such as required expertise, background, leadership skills, time availability, conflict of interest, willingness to participate actively and inter-organisational relationships of the proposed appointee as a Director or member of the senior management. The committee was reconstituted by the Board of Directors at its meeting held in April 2012. Table 13 gives the present composition of the Nomination and Governance Committee of the Board of Directors as on March 31, 2013.

Table 13: Composition of the Nomination and Governance Committee

| Name of the Director | Category |
|----------------------------------|--|
| Dr. Dinesh Keskar [@] | Chairman of the Committee and Independent Director |
| Dr. Anant Jhingran ^{@@} | Independent Director |
| Mr. P. B. Kulkarni | Independent Director |
| Mr. Prakash Telang | Independent Director |
| Mr. Kiran Umrootkar | Independent Director |

[@] Appointed as the chairman of the Committee with effect from April 21, 2012 in place of Mr. P. B. Kulkarni.

^{@@} Appointed as a member of the Committee with effect from April 21, 2012.

The Company Secretary of the Company is the Secretary of the Committee.

The Committee is constituted with powers and responsibilities including but not limited to

- i. To develop a pool of potential director candidates for consideration in the event of a vacancy on the Board of Directors;
- ii. To determine the future requirements for the Board as well as its Committees and make recommendations to the Board for its approval;
- iii. To identify, screen and review individuals qualified to serve as executive directors, non-executive directors and independent directors;
- iv. To provide its recommendation to the Board for appointment of CEO;
- v. To evaluate the current composition and governance of the Board of Directors and its Committees and make appropriate recommendations to the Board, whenever necessary;
- vi. To review the suitability for continued service as a director of each Board member when his or her term expires and when he or she has a significant change in status such as employment change etc., and shall recommend whether or not the director should be re-appointed;
- vii. To evaluate and recommend termination of membership of an individual director for cause or for other appropriate reasons;
- viii. To evaluate and make recommendations to the Board of Directors concerning the appointment of Directors to Board Committees and the Chairman for each of the Board Committees;
- ix. To recommend to the Board candidates for (a) nomination for re-election of Directors by the Shareholders; and (b) any Board vacancies which are to be filled by the Board;
- x. To play a consultative role for any appointment at top management level namely, Chief Operating Officer, Chief Marketing Officer, Chief Financial Officer, President of Persistent Systems, Inc., or appointment requiring Board approval such as Company Secretary; and
- xi. To carry out annual / periodic performance review of the Board of Directors individually and collectively as well as for its various committees on behalf of/as desired by the Board of Directors.

The Nomination and Governance Committee is further empowered to

- i. To conduct or authorise studies of matters within the Committee's scope of responsibility with full access to all books, records, facilities and personnel of the Company;
- ii. To hire legal, accounting, financial or other advisors in their best judgment;
- iii. To have sole authority to retain or terminate any search firm to be used to identify candidates for directorship;

- iv. To have sole authority to approve the search firm's fees and other retention terms;
- v. The Committee may act on its own in identifying potential candidates, inside or outside the Company or may act upon proposals submitted by the Chairman of the Board; and
- vi. The Committee may consider advice and recommendations from the management, shareholders or others, as it deems appropriate.

Meetings and attendance

The Nomination and Governance Committee meets in the first quarter of the financial year to recommend to the Board the Directors retiring by rotation to be re-appointed at the Annual General Meeting. Apart from this, the Nomination and Governance Committee meets as and when there is any business to be transacted which has been assigned to it.

Two meetings of the Committee were held on April 21, 2012 and July 18, 2012. Table 14 gives attendance record of members of the Committee at its in-person meeting held during the financial year 2012-13.

Table 14: Attendance at the Nomination and Governance Committee meetings held during the financial year 2012-13

| Name of the Director | Nomination and Governance Committee Meetings | |
|---------------------------------|--|---------------|
| | April 21, 2012 | July 18, 2012 |
| Mr. P. B. Kulkarni | Y | Y |
| Dr. Dinesh Keskar | N | Y |
| Dr. Anant Jhingran [@] | N.A. | N |
| Mr. Prakash Telang | Y | Y |
| Mr. Kiran Umrootkar | Y | Y |

@ Appointed as a member of the committee with effect from April 21, 2012.

3. Subsidiary Companies

The Company does not have any material non-listed Indian subsidiary Company, whose turnover or net worth (paid-up capital and free reserves) exceeds 20% of the consolidated turnover or net worth of the Company.

Further, the Audit Committee and the Board of Directors review the consolidated financial statements of the Company and its subsidiary companies on a quarterly basis.

The Audit Committee and the Board of Directors look into the related party transactions entered into by the Company including those with the subsidiary companies.

Details of percentage holding of the Company in the subsidiary companies as on March 31, 2013

| Name of the Subsidiary Company | Registered in | Holding percentage |
|-----------------------------------|---------------|---|
| Persistent Systems, Inc. | U.S.A. | 100% |
| Persistent Systems Pte. Ltd. | Singapore | 100% |
| Persistent Systems France S.A.S. | France | 100% |
| Persistent Telecom Solutions Inc. | U.S.A. | (Wholly owned - step down subsidiary of Persistent Systems, Inc.) |

4. General meeting details

A. The details of the last three years Annual General Meetings (AGM) held are as follows

| Financial year | Date | Time | Venue |
|----------------|---------------|------------|--|
| 2009-10 | July 20, 2010 | 4.00 p.m. | Persistent Systems Limited, Dewang Mehta Auditorium, Bhageerath, 402 Senapati Bapat Road, Pune 411 016 |
| 2010-11 | July 18, 2011 | 9.30 a.m. | Persistent Systems Limited, Dewang Mehta Auditorium, Bhageerath, 402 Senapati Bapat Road, Pune 411 016 |
| 2011-12 | July 19, 2012 | 11.00 a.m. | Persistent Systems Limited, Dewang Mehta Auditorium, Bhageerath, 402 Senapati Bapat Road, Pune 411 016 |

B. The following Special Resolutions were passed by the members during the last three Annual General Meetings

| Date of AGM | No. | Details of Special Resolution |
|---------------|------|---|
| July 20, 2010 | i | Create, offer, issue, transfer and allot at any to or for the benefit of such person(s) who are in permanent employment of the Company, including Directors of the Company, whether part time or full time, whether working in India or out of India, except to Promoters or members of Promoter Group under scheme titled " Employee Stock Option Award-X" (hereinafter referred to as the "ESOA - X"), such number of stock options which could give rise to the transfer of Equity Shares not exceeding 910,000 (Nine Lakh Ten Thousand only) Equity Shares from PSPL ESOP Management Trust at such price, in one or more tranches and on such terms and conditions as may be fixed or determined by the Board of directors in accordance with the ESOA – X Guidelines or other provisions of the law as may be prevailing at that time. |
| | ii | Extend the benefits of Employees Stock Option Award – X ("ESOA – X") proposed in the resolution as mentioned in point (i) above, to the eligible employees/directors of the subsidiary companies, except to Promoters or Promoter Group, as may from time to time be allowed under prevailing laws, rules and regulations, and/ or amendments thereto from time to time, on such terms and conditions as may be decided by the Board of Directors. |
| July 18, 2011 | i | Grant Stock Options to employees and directors of the Company in future, Stock Options (earmarked Shares) under ESOA – X Scheme were increased from 9,10,000 (Nine Lakhs Ten Thousand only) to 20,00,000 (Twenty Lakhs only)". |
| | ii | In addition to the objects stated in the Prospectus of the Initial Public Offering (IPO) of the Company, funds of IPO could further be utilized for the following: a. Capitalizing the subsidiaries of the Company not restricted to establishment of development facilities in SEZ; b. Establishment of development facilities; c. Procuring software; and d. Other general corporate purposes. |
| July 19, 2012 | i. | Payment of commission to Non-Executive Directors of the Company – pursuant to Sections 198, 309, 310 of the company not exceeding 1% (one percent) of the Net Profits of the company computed in the manner laid down in Section 198 of the Companies Act, 1956. |
| | ii. | Approval to create grants, offer, issue and allot Restricted Stock Units under the "Restricted Stock Unit Scheme 2012" to eligible employees of the Company. |
| | iii. | Approval to extend the benefit of "Restricted Stock Unit Scheme 2012" to eligible employees of the subsidiary companies. |

The Special resolutions moved at the AGMs above were passed on a show of hands by the Members present at the meeting.

C. No postal ballot was conducted by the Company during the last three financial years.

5. Disclosures

A. Code of conduct

The Company obtains the affirmation compliance of the Code of Conduct from its Directors and Senior Management on yearly basis since the financial year 2005-06.

The Code of Conduct is an annual declaration that helps to maintain high standards of ethical business conduct for the Company. In terms of Code of Conduct, Directors and Senior Management must act within the boundaries of the authority conferred upon them and with a duty to make and enact informed decisions and policies in the best interests of the Company and its shareholders and stakeholders. Further, Directors and Senior Management should ensure that they do not derive any undue personal benefit because of their position in the Company and/or certain confidential information coming to their knowledge.

The Company has obtained declaration from Directors and Senior Management affirming their compliance to the Code of Conduct for the current year. The Chairman has affirmed to the Board of Directors that this Code of Conduct has been complied with by the Board members and Senior Management and a declaration to this effect forms part of this report. A copy of the Code of Conduct is made available on the website of the Company.

B. Whistle blower policy

The Board of Directors of the Company has adopted a Whistle Blower Policy for its employees. The employees are encouraged to report to the Whistle Blower Administrator, any fraudulent financial or other information to the stakeholders, any conduct that results in the instances of unethical behaviour, actual or suspected violation of the Company's Code of Conduct and ethics, which may come to their knowledge. The Board of Directors has appointed the Chairman of the Audit Committee as the Whistle Blower Administrator.

This policy provides for adequate safeguards against victimisation of employees who report to the Whistle Blower Administrator. The policy also provides for direct access to the Chairman of the Audit Committee.

C. Disclosures on materially significant related party transactions that may have potential conflict with the interests of the Company

During the financial year 2012-13, there were no materially significant transactions, pecuniary transactions or relationships between the Company and the Promoters, Directors and their relatives and the management that has potential conflict with the interest of the Company.

Details of all transactions entered into by the Company with the related parties have been disclosed under "Related Party Transactions" in the Notes to Accounts of the Company which form part of this Annual Report.

D. Risk management and internal control policies adopted by the Company

The report on Risk Management and Internal Control Policies adopted by the Company forms separate part of this Annual Report.

E. Adherence to accounting standards

The Company follows the mandatory Accounting Standards prescribed by the Institute of Chartered Accountants of India (ICAI) and to the best of its knowledge there are no deviations in the accounting treatments that require specific disclosure.

F. Details of non-compliance

Details of non-compliance by the Company, penalties and strictures imposed on the Company by Stock Exchanges, SEBI or any statutory authority, on any matter related to the capital markets, during the period from April 1, 2012 to March 31, 2013 – NIL.

The Company has disclosed all the mandatory requirements under Clause 49 of the Listing Agreement.

Among the non-mandatory requirements of the Listing Agreement, the Company has Whistle Blower Policy in place along with other non-mandatory initiatives taken by the Company for this purpose.

G. Remuneration to the Directors of the Company

Information relating to the remuneration to the Directors during the financial year 2012-13 has been provided under the details of the Compensation and Remuneration Committee.

6. Management Discussion and Analysis

As required by Clause 49 of the Listing Agreement, the Management Discussion and Analysis is provided elsewhere in the Annual Report.

7. Corporate Social Responsibility Report

A Report on the Corporate Social Responsibility (CSR) Initiatives of the Company has been provided elsewhere in the Annual Report.

8. Shareholders' Information

A. Means of Communication

The Company constantly communicates to the institutional investors about the operations and financial results of the Company. Besides publishing the abridged financial results in one national and one regional daily newspaper respectively, as per Clause 41 of the Listing Agreement, the complete audited financial statements are published on the Company's website (www.persistent.com) under 'Investors' Section. The transcripts of calls with analysts are also available on the Company's website.

The Company uses a wide array of communication tools including face-to-face, online and offline channels to ensure that information reaches all the stakeholders in their preferred medium.

The table below gives the snapshot of the communication channels used by the Company to communicate with its stakeholders:

| Particulars | Board Meetings | Shareholder Meetings | Formal Notices | Website Information | Press/Web Releases | E-mails | Annual Reports |
|--------------------|----------------|----------------------|----------------|---------------------|--------------------|---------|----------------|
| Board of Directors | √ | √ | √ | √ | √ | √ | √ |
| Shareholders | - | √ | √ | √ | √ | - | √ |
| Employees | - | - | - | √ | √ | √ | √ |
| Financial Analysts | - | - | - | √ | √ | √ | √ |
| General Public | - | - | - | √ | √ | - | - |
| Frequency | Quarterly | Annual | Ongoing | Ongoing | Ongoing | Ongoing | Ongoing |

e-voting agreement entered into with Depositories

The Company has entered into an agreement with both the Central Depository Services (India) Limited (CDSL) and the National Securities Depository Limited (NSDL) to provide facility to the Members to vote on the resolutions through e-voting mechanism during postal ballot. The Company may choose from either of the Depositories, when the Company proposes to obtain voting on the resolutions through e-voting or wishes to send any communication to its Members.

B. Corporate Identity Number (CIN)

The Corporate Identity Number (CIN), allotted by the Ministry of Corporate Affairs, Government of India is L72300PN1990PLC056696 and the Company Registration Number is 056696. The Company is registered in the State of Maharashtra, India.

C. General details of the Company

i. Registered Office

Bhageerath, 402, Senapati Bapat Road,
Pune 411016, India.

ii. Financial year of the Company is from 1st of April of every year to 31st of March next year.

iii. Forthcoming Annual General Meeting of the Company

The next Annual General Meeting of the Company will be held on Friday, July 29, 2013 at Persistent Systems Limited, Dewang Mehta Auditorium, Bhageerath, 402 Senapati Bapat Road, Pune 411 016 at 1100 hrs. (IST).

iv. Book Closure date: July 26, 2013

v. Company Secretary and Compliance Officer of the Company

Mr. Amit Atre
Company Secretary
Bhageerath,
402 Senapati Bapat Road,
Pune 411 016, India
Tel. : +91 (20) 6703 0000
Fax : +91 (20) 6703 0009
E-mail : investors@persistent.co.in / companysecretary@persistent.co.in
Website : www.persistent.com

The members may communicate investor complaints to the Company Secretary on the above-mentioned address.

vi. Dividend payment date

The Company had declared an interim dividend of ₹ 6.00 in its Board meeting held in January 2013 for the financial year 2012-13 to those members whose names were appearing in the Register of Members on February 2, 2013. The Board of Directors has recommended a final dividend of ₹ 3 per equity share for the financial year 2012-13 at its meeting concluded on April 22, 2013. If approved by the members in the Twenty Third Annual General Meeting, dividend will be paid to those members of the Company whose names would appear in the register of members on July 26, 2013.

vii. Unclaimed Dividend

According to the provisions of the Companies Act, 1956, the amount in the dividend account remaining unclaimed for a period of seven years from the date of its disbursement, has to be transferred to the Investor Education and Protection Fund (IEPF) maintained by the Central Government.

Following are the details of the unclaimed dividend. If not, claimed within the period of seven years, then, the same will be transferred to the Investors Education and Protection Fund (IEPF) in accordance with the schedule given below:

| Financial Year | Date of declaration of dividend and type of dividend | Total Dividend (in `) | Unclaimed Dividend as on March 31, 2013 (In `) | Due date for transfer of unclaimed dividend to Investor Education and Protection Fund (IEPF) |
|----------------|--|-----------------------|--|--|
| 2012-13 | January 2013 – Interim | 24,00,00,000 | 216,042 | February 1, 2020 |
| 2011-12 | July 2012 – Final | 10,00,00,000 | 57,790 | July 17, 2019 |
| 2011-12 | January 2012 – Interim | 14,00,00,000 | 96,845 | January 27, 2019 |
| 2010-11 | July 2011 – Final | 8,00,00,000 | 50,046 | July 14, 2018 |
| 2010-11 | January 2011 - Interim | 160,000,000 | 91,280 | February 24, 2018 |
| 2009-10 | July 2010 - Final | 20,000,000 | 20,207 | August 24, 2017 |
| 2009-10 | April 2010 - Interim | 60,000,000 | 69,075 | May 29, 2017 |

viii. Name of Stock Exchanges where the Company has been listed

The Equity Shares of the Company have been listed on the following stock exchanges on April 6, 2010:

| Stock Exchange | Script Symbol/Code |
|--|--------------------|
| National Stock Exchange of India Limited (NSE) | PERSISTENT |
| Bombay Stock Exchange Limited (BSE) | 533179 |

Listing fees for the financial year 2012-13 have been paid for both NSE and BSE within prescribed time.

The ISIN of the Company for its shares is INE262H01013.

ix. Contact details of Company's intermediaries are as follows:

Registrar and Share Transfer Agent

Link Intime India Private Limited
(Unit – Persistent Systems Limited)
Website : www.linkintime.co.in
Contact Person: Mr. Bhagwant Sawant
Block No. 202, Second Floor,
Akshay Complex, Off Dhole Patil Road,
Pune 411 001, India
Tel. : +91 (20) 2616 0084 / 2616 1629
Fax : +91 (20) 2616 3503
E-mail : pune@linkintime.co.in
Website : www.linkintime.co.in

Depositories of the Company

- National Securities Depository Limited
4th and 5th Floor, 'A' Wing, Trade World
Kamala Mills Compound, Senapati Bapat Marg
Lower Parel, Mumbai 400 013, India.
Tel. : +91 (22) 2499 4200
Fax : +91 (22) 2497 6351
E-mail : info@nsdl.co.in
Website : www.nsdl.co.in
- Central Depository Services (India) Limited
Phiroze Jeejeebhoy Towers
16th Floor, Dalal Street
Fort, Mumbai 400 001, India.
Tel. : +91 (22) 2272 3333
Fax : +91 (20) 2272 3199
E-mail: investors@cdslindia.com
Website: www.cdslindia.com

x. Details of bonus shares issued / sub-division of shares since inception are as follows:

| Financial year | 1996-97 | 2002-03 | 2007-08 |
|----------------|---------|---------|---------|
| Bonus Issue | 15:1 | 9:1 | 5:2 |

In the financial year 2002-03, one equity share of ₹ 100 was sub-divided into 10 fully paid equity shares of ₹ 10 each.

xi. Legal proceedings

There are no cases related to disputes over title to shares in which the Company was made a party.

xii. Dematerialisation of shares and liquidity

The Company's Equity Shares have been dematerialised with the Central Depository Services (India) Limited (CDSL) and the National Securities Depository Limited (NSDL). The International Security Identification Number (ISIN) is an identification number for traded shares. This number is to be quoted in each transaction relating to the dematerialised shares of the Company. The ISIN of the Company for its shares is mentioned above.

As on March 31, 2013, 3,98,16,565 Equity Shares comprising 99.54% of the Company's shares are held in dematerialised form.

xiii. Share Transfer System

The Company has Shareholders' / Investors' Grievance Committee represented by the Board of Directors to examine and redress shareholders' and investor complaints. The status on share transfers is reported to the Board on a regular basis.

The process and approval of share transfer has been delegated to the Shareholders' / Investors' Grievance Committee of the Board of Directors. For shares transferred in physical form, the Shareholders' / Investors' Grievance Committee gives adequate notice to the seller before registering the transfer of shares. The Shareholders' / Investors' Grievance Committee approves the share transfers and reports the same to the Board of Directors at its next meeting. For matters regarding shares transferred in physical form, share certificates, dividends, change of address, etc., shareholders should communicate with Link Intime India Private Limited. The address is given in the section on shareholder information under this report.

For shares transferred in electronic form, after confirmation of sale / purchase transaction from the broker, shareholders should approach the depository participant with a request to debit or credit the account for the transaction. The depository participant will immediately arrange to complete the transaction by updating the account. There is no need for separate communication to register the share transfer.

xiv. Distribution of shareholding as on March 31, 2013

| Shareholding of nominal value | Shareholders | Percentage | Nominal value of Equity Shares (in ₹) | Percentage |
|-------------------------------|---------------|------------|---------------------------------------|------------|
| 1 - 5000 | 21,966 | 95.30 | 10,358,340 | 2.59 |
| 5001 - 10000 | 350 | 1.52 | 2,717,970 | 0.68 |
| 10001 - 20000 | 257 | 1.12 | 3,783,430 | 0.95 |
| 20001 - 30000 | 117 | 0.50 | 2,981,100 | 0.74 |
| 30001 - 40000 | 67 | 0.29 | 2,326,690 | 0.58 |
| 40001 - 50000 | 45 | 0.20 | 2,015,590 | 0.50 |
| 50001 - 100000 | 95 | 0.41 | 6,916,180 | 1.73 |
| 100001 and above | 151 | 0.66 | 368,900,700 | 92.23 |
| | 23,048 | 100 | 400,000,000 | 100 |

xv. Shareholding pattern as on March 31, 2013

| Sr. No. | Category of Shareholders | No. of Shareholders | No. of Equity Shares | Nominal Value of Equity Shares (in ₹) | Percentage |
|---------|------------------------------|---------------------|----------------------|---------------------------------------|------------|
| 1 | Promoters | 2 | 15,212,920 | 152,129,200 | 38.03 |
| 2 | Promoters Group | 5 | 369,350 | 3,693,500 | 0.92 |
| 3 | Institutions | | | | |
| a | Mutual Funds | 34 | 6,692,922 | 66,929,220 | 16.73 |
| b | Financial Institutions/Banks | 3 | 3,398 | 33,980 | 0.01 |

| Sr. No. | Category of Shareholders | No. of Shareholders | No. of Equity Shares | Nominal Value of Equity Shares (in `) | Percentage |
|---------|-----------------------------------|---------------------|----------------------|---------------------------------------|------------|
| c | Foreign Institutional Investors | 43 | 4,770,472 | 47,704,720 | 11.93 |
| d | Foreign Venture Capital Investors | 1 | 1,943,716 | 19,437,160 | 4.86 |
| e | Foreign Company | 1 | 183,431 | 1,834,310 | 0.46 |
| f | Foreign National | 1 | 3,500 | 35,000 | 0.01 |
| 4 | Non-institutions | | | | |
| a | Bodies Corporate | 325 | 789,276 | 7,892,760 | 1.97 |
| b | Individuals | 22,118 | 6,335,169 | 63,351,690 | 15.84 |
| c | Any other | | | | |
| i | NRI | 399 | 348,684 | 3,486,840 | 0.87 |
| ii | Trust | 4 | 3,301,556 | 33,015,560 | 8.25 |
| iii | Directors | 3 | 27,226 | 272,260 | 0.07 |
| iv | Clearing Members | 106 | 18,380 | 183,800 | 0.05 |
| | | 23,045 | 40,000,000 | 400,000,000 | 100 |

xvi. Shareholders (other than Promoters) holding more than 1% of the share capital as on March 31, 2013

| Shareholder's name | No. of Shares | Percentage holding |
|--|-------------------|--------------------|
| PSPL ESOP Management Trust* | 3,301,476 | 8.25 |
| Reliance Capital Trustee Co. Ltd. – A/C Reliance Equity Opportunities Fund | 2,428,418 | 6.07 |
| SmallCap World Fund, INC. | 1,999,379 | 5.00 |
| Gabriel Venture Partners II (Mauritius) | 1,943,716 | 4.86 |
| HDFC Trustee Company Ltd. A/C HDFC mid-cap Opportunities Fund | 1,419,177 | 3.55 |
| SAIF Advisors Mauritius Limited A/C SAIF India IV FII Holdings Limited | 1,120,000 | 2.80 |
| ICICI Prudential Discovery Fund | 1,113,751 | 2.78 |
| Ashutosh Vinayak Joshi | 1,050,000 | 2.63 |
| Shridhar Bhalchandra Shukla | 1,050,000 | 2.63 |
| DSP Blackrock Equity Fund | 661,683 | 1.65 |
| Axis Mutual Fund Trustee Limited A/c – Axis Mutual Fund A/C Axis Long Term Equity Fund | 539,491 | 1.35 |
| American Funds Insurance Series Global Small Capitalization Fund | 455,000 | 1.14 |
| Total | 17,082,091 | 42.71 |

* Shares held by Mr. Prabhakar Bhagwant Kulkarni jointly with Mr. Rohit Kamat, as trustees of PSPL ESOP Management Trust as on March 31, 2013

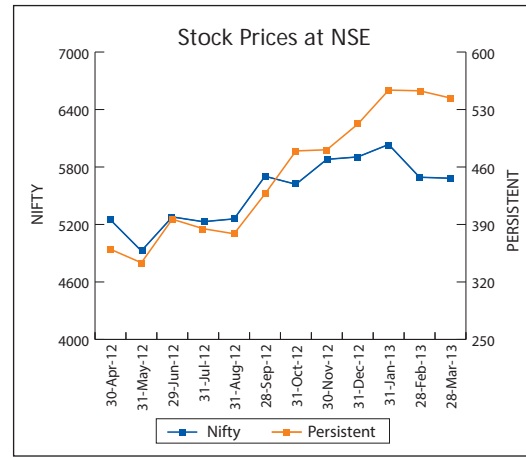
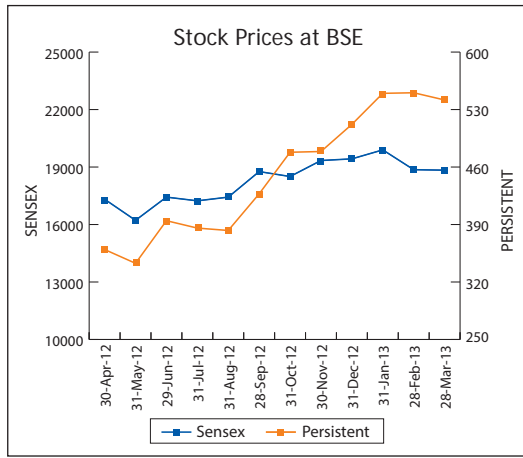
xvii. Market Price Data

The equity shares of the Company were listed on the National Stock Exchange of India Limited (NSE) and the Bombay Stock Exchange Limited (BSE) on April 6, 2010. Accordingly, the highest traded price and the lowest traded price and total volume for the period from April 1, 2012 to March 31, 2013 on a monthly basis are as below:

| Month ended | BSE | | | NSE | | |
|----------------|-------------|------------|-----------------------|-------------|------------|-----------------------|
| | High (`) | Low (`) | Total Volume (No.) | High (`) | Low (`) | Total Volume (No.) |
| April 2012 | 365 | 315 | 113,745 | 364 | 316 | 480,995 |
| May 2012 | 388 | 335 | 64,256 | 388 | 338 | 474,027 |
| June 2012 | 404 | 337 | 370,176 | 404 | 337 | 684,533 |
| July 2012 | 410 | 363 | 86,975 | 409 | 365 | 279,017 |
| August 2012 | 404 | 364 | 107,944 | 403 | 368 | 394,551 |
| September 2012 | 430 | 366 | 92,138 | 428 | 378 | 395,277 |
| October 2012 | 484 | 408 | 319,539 | 498 | 417 | 433,733 |
| November 2012 | 495 | 461 | 23,85,082 | 491 | 466 | 393,220 |
| December 2012 | 530 | 476 | 11,89,948 | 529 | 477 | 873,163 |
| January 2013 | 589 | 507 | 256,672 | 591 | 512 | 684,802 |
| February 2013 | 576 | 579 | 146,992 | 577 | 513 | 436,629 |
| March 2013 | 584 | 513 | 57,777 | 586 | 514 | 304,567 |

(Source: www.bseindia.com and www.nseindia.com)

Graphical presentation of Persistent movement of Company's stock price as compared to Nifty and Sensex from April 1, 2012 to March 31, 2013.



xviii. American Depository Receipts / Global Depository Receipts/Warrants

As on March 31, 2013, the Company has no American Depository Receipts / Global Depository Receipts / Warrants or any such convertible instruments outstanding and there is no likely impact on the Company's Equity Shares in the financial year 2012-13.

xix. Plant locations

The Company is in software business and does not require manufacturing plants. However, it has software development centers / offices in India and abroad. The addresses of global development centers / offices of the Company are given elsewhere in the Annual Report.

xx. Calendar for declaring the financial statements for the quarters in the financial year 2013-14 (tentative and subject to change)

| Quarter Ending | Proposed date of meeting of the Board |
|--------------------|--|
| June 30, 2013 | July 28, 2013 and to be continued on July 29, 2013 |
| September 30, 2013 | October 19, 2013 and to be continued on October 20, 2013 |
| December 31, 2013 | January 18, 2014 and to be continued on January 19, 2014 |
| March 31, 2014 | April 19, 2014 and to be continued on April 20, 2014 |

9. ESOP Schemes of the Company

The status of various ESOP schemes as on March 31, 2013 is shown in the following table:

| Scheme | i | ii | iii | iv | v | vi | vii | viii | ix | x | Total | |
|---|---|-----------|----------|-----------|-----------|----------|----------|----------|--------|----------|-----------|-------------|
| Granted | a | 22,80,250 | 3,76,600 | 12,66,650 | 34,79,125 | 9,45,262 | 6,08,125 | 8,92,487 | 21,000 | 6,87,231 | 15,31,136 | 1,20,87,866 |
| Vested | b | 16,07,307 | 2,38,542 | 8,45,347 | 20,62,342 | 6,66,791 | 3,92,874 | 3,93,027 | 17,500 | 3,71,053 | 64,663 | 66,59,446 |
| Exercised | c | 16,03,056 | 2,24,537 | 6,23,406 | 13,43,266 | 5,35,921 | 3,79,421 | 2,51,040 | 14,000 | 1,39,751 | 350 | 51,14,748 |
| Vested but not exercised (b-c) | d | 4,251 | 14,005 | 2,21,941 | 7,19,076 | 1,30,870 | 13,453 | 1,41,987 | 3,500 | 2,31,302 | 64,313 | 15,44,698 |
| Lapsed | e | 6,72,923 | 1,38,057 | 4,19,545 | 11,14,092 | 2,78,420 | 2,15,250 | 4,72,660 | 3,500 | 2,30,153 | 2,49,578 | 37,94,178 |
| Not Vested (a - c - d - e) | f | 20 | 1 | 1,758 | 3,02,691 | 51 | 1 | 26,800 | - | 86,025 | 12,16,895 | 16,34,242 |
| Total Outstanding (d + f) | g | 4,271 | 14,006 | 2,23,699 | 10,21,767 | 1,30,921 | 13,454 | 1,68,787 | 3,500 | 3,17,327 | 12,81,208 | 31,78,940 |
| Weighted average remaining contractual life | | Note (i) | 7.11 | Note (i) | 9.02 | Note (i) | 7.05 | 9.03 | 1.15 | 9.08 | 5.09 | |

Orchestrating Harmony

| Scheme | i | ii | iii | iv | v | vi | vii | viii | ix | x | Total |
|---|------|-------|-------|-------|-------|-------|--------|--------|--------|--------|-------|
| Weighted Average fair value of options granted (in `) | 9.37 | 47.52 | 58.47 | 83.07 | 51.06 | 50.11 | 117.05 | 143.57 | 137.05 | 405.40 | |

* Note (i): No contractual life is defined in the schemes.

10. CEO/CFO certification

As required by Clause 49 of the listing agreement, the CEO/CFO certification is provided elsewhere in this Annual Report.

11. Corporate governance handbook

The Company has proactively and voluntarily prepared the Corporate Governance Handbook encompassing set of guidelines and policies with respect to composition of the Board of Directors and Committees of the Board, meetings of the Board of Directors and Committees of the Board, Managerial Remuneration, Code of Conduct, Whistle Blower Policy, Risk Management Policy, Internal Control Procedures etc., being adhered to by the Company. The Corporate Governance Handbook is updated on an annual basis.

12. Ethics Policy

The Company has proactively and voluntarily implemented the Ethics Policy in the Company during the financial year 2012-13. The objective of this policy is to explain guiding principles of Persistent's Ethics Policy (for benefit of its employees and all other stakeholders like customers, vendors and investors) and to establish a framework for its administration. The working of the Ethics Policy is monitored by the Ethics Committee chaired by an Independent Director / Senior Officer nominated by the Board of Directors.

13. Fraud Risk Management Policy

The Company has proactively and voluntarily implemented the Fraud Risk Management Policy in the Company during the financial year 2012-13. The objective of this policy is to protect the brand, reputation and assets of Persistent from loss or damage resulting from any incidents of fraud or misconduct by employees or other stakeholders of the Company.

14. Voluntary Secretarial Compliance Certificate

The Company annually obtains a compliance certificate from a Practising Company Secretary on a voluntary basis to ensure compliance of the provisions of the Companies Act, 1956, the Listing Agreement and SEBI rules and regulations. The same is provided elsewhere in this Annual Report.

15. Awards and recognitions for Corporate Governance for the year 2012-13

The Company won several awards and recognitions for Corporate Governance during the financial year 2012-13, the details of which form part of the Report of the Directors.

16. Secretarial standards

The Company substantially complies with the Secretarial Standards issued by the Institute of Company Secretaries of India (ICSI).

17. Corporate Governance Voluntary Guidelines, 2009

The Company substantially follows the Corporate Governance Voluntary Guidelines, 2009 issued by the Ministry of Corporate Affairs.

18. Corporate Social Responsibility Voluntary Guidelines, 2009 issued by the Ministry of Corporate Affairs

The Company substantially follows the Corporate Social Responsibility Voluntary Guidelines, 2009 issued by the Ministry of Corporate Affairs in the letter as well as spirit.

19. Vendor Code of Conduct

In line with the best international governance practices, the Company has prepared the Vendor Code of Conduct that is to be executed by all the vendors prior to providing their services to the Company. This Code ensures that the vendors of the Company are following the relevant legal and regulatory compliances applicable to them while working with the Company and are performing the acceptable business conduct while doing business with or on behalf of the Company.

20. Best Corporate Governance practices

A. ISO 9001:2008 certification

The Legal, Corporate Secretarial and Investor Relations Department has obtained the ISO 9001:2008 Certification

B. Investors Day

The Company celebrated its 3rd Annual Investors Day on Friday, December 14, 2012. Investors day is a complimentary one day event to inform retail as well as institutional Investors of the Company's road map ahead. The Company's future plans, business insights are conveyed to the Investor Community as a whole for better understanding of the Company's Business model, revenue / growth model and new opportunities for the Company and the IT sector as a whole in the times to come ahead.

C. Investors Website

The Company Investors website was ranked by IR Global Rankings (IRGR) as Most Improved IR Website in India. Consequent to that, the Company has also revamped its Investor relations website in lieu of providing all necessary information required by the various stakeholders. Share price movement chart / data, financials of the company and all press releases are provided on <http://www.persistent.com/investors/index.html> for the easy access and analysis of the investors.

21. Miscellaneous

Members holding shares in physical form are requested to notify to Link Intime India Private Limited, Registrar and Share Transfer Agent about any change in their address and Bank Account details under the signature of sole/first joint holder. Beneficial owners of shares in demat form are requested to send their instructions regarding change of name, change of address, bank details, nomination, power of attorney, if any, etc., directly to their Depository Participants (DP) as the same are maintained by the respective DPs.

Non-resident Members are requested to notify to Link Intime India Private Limited at the earliest on the following:

- a. Change in their residential status on return to India for permanent establishment;
- b. Particulars of their NRE Bank Account with a bank in India, if not furnished earlier;
- c. E-mail address, if any.

22. Nomination in respect of shares

Section 109A of the Companies Act, 1956, provides facility for making nominations by Members in respect of their holding of shares. Such nomination greatly facilitates transmission of shares from the deceased Member to his/her nominee without being required to go through the process of obtaining Succession Certificates/Probate of the Will, etc. It would therefore, be in the best interest of the Members holding shares as a sole holder to make such nomination. Members holding shares in physical mode are advised to write to the Registrar and Share Transfer Agent of the Company for making nomination. Members holding shares in demat form are advised to contact their DP for making nominations. Members are further requested to quote their E-mail IDs, Telephone/Fax numbers for prompt reply to their communication.

Chief Executive Officer (CEO) and Chief Financial Officer (CFO) certification

We, to the best of our knowledge and belief, certify that

1. We have reviewed the Balance Sheet and Statement of Profit and Loss of the Company (consolidated and standalone) and all its Schedules and Notes on Accounts as well as the Cash Flow Statements and the Directors' Report;
2. Based on our knowledge and information, these statements do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which the statements were made, not misleading with respect to the statements made;
3. Based on our knowledge and information, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of and for the period presented in this report and are in compliance with the applicable Accounting Standards and/or applicable laws and regulations;
4. To the best of our knowledge and belief, no transactions entered into by the Company during the year were fraudulent, illegal or violative of the Company's practices;
5. The Company's other certifying officers and we are responsible for establishing and maintaining disclosure controls and procedures for the Company and we have
 - A. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its subsidiaries, made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - B. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally acceptable accounting principles;
 - C. Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - D. Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal year that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.
6. The Company's other certifying officers and we have disclosed based on our most recent evaluation, wherever applicable, to the Company's auditors and the Audit Committee of the Company's Board of Directors.
 - A. All significant deficiencies in the design or operation of internal controls, which could adversely affect the Company's ability to record, process, summarise and report financial data and have identified for the Company's auditors, any material weakness in internal controls over financial reporting including any corrective actions with regard to deficiencies, if any;
 - B. Instances of any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls; and
 - C. Significant changes in internal controls during the year are covered by this report.
7. There was no change in accounting policies during the year;
8. We affirm that we have not denied any personnel, access to the Audit Committee of the Company (in respect of matters involving alleged misconduct) and we have provided protection to the 'whistle blowers' from unfair termination and other unfair or prejudicial employment practices; and
9. We further declare that all Board members and senior managerial personnel have affirmed compliance with the Code of Conduct for the financial year 2012-13.

For and on behalf of the Board of Directors

Dr. Anand Deshpande
Chairman and Managing Director

Malaysia, June 21, 2013

Rohit Kamat
Chief Financial Officer

Pune, June 21, 2013

Corporate Governance Compliance Certificate

To the Members of Persistent Systems Limited

I have examined all the relevant records of Persistent Systems Limited for the purpose of certifying compliance of the conditions of the Corporate Governance under Clause 49 of the Listing Agreement with the Stock Exchanges for the financial year ended March 31, 2013. I have obtained all the information and explanations which to the best of my knowledge and belief were necessary for the purposes of certification.

The compliance of conditions of corporate governance is the responsibility of the Management. My examination was limited to the procedure and implementation process adopted by the Company for ensuring the compliance of the conditions of the corporate governance. This certificate is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

In my opinion and to the best of my information and according to the explanations given to me, I certify that the Company has complied with all the mandatory conditions of Corporate Governance as stipulated in the said Listing Agreement.

As regards Annexure 1D of non-mandatory requirements, the Company has complied with the following items:

2-Remuneration Committee, 4-Unqualified Financial Statements and 7-Whistle Blower Policy.

Pune, June 21, 2013

CS Shridhar Kulkarni
Company Secretary
FCS No. 5631
CP No. 3950