Persistent Systems Limited

Nineteenth Annual Report 2008-2009

Partnering for Success






Partnering for Success

Partnership is about combining your strengths to overcome challenges. Partnership is about sharing expertise so as to arrive at answers. Partnership is about searching together to find the fastest solutions. Partnership is about focusing on core competence to earn the highest returns. Partnership is about pooling your talents to arrive at the best combination.

Business partnerships, to be profitable and lasting, demand a multitude of qualities. Responsibility and expertise form the foundation of a successful partnership. It presumes that both parties respect each other's core competence and the trust reposed. Needless to say, the partners must share a desire to leverage their enterprise to the next level of discovery and success. That demands innovation and business acumen.

Over the last decade, Persistent Systems has succeeded in forging a series of stable and fulfilling partnerships. They have yielded substantial returns, both for the customer and for the Company. But more importantly, it has provided us a chance to enhance our operations in a wide spectrum of industries. We thank all our partners for granting us that privilege. The theme of this year's Annual Report is dedicated to all those wonderful handshakes.

CORPORATE INFORMATION

Board of Directors

- Dr. Anand Deshpande, Chairman and Managing Director
- Mr. S. P. Deshpande, Executive Director
- Mr. Ram Gupta, Independent Director
- Dr. Promod Haque, Non-Executive Director
- Mr. P. B. Kulkarni, Independent Director
- Prof. Krithivasan Ramamritham, Independent Director

Company Secretary and Head - Legal

- Mr. Vivek Sadhale

Auditors

- M/s. S. R. Batliboi & Co.
- M/s. Joshi Apte & Co.

Bankers

- Bank of India
- Bank of Tokyo-Mitsubishi
- Citibank N. A.
- HDFC Bank Ltd.
- State Bank of India
- Syndicate Bank

Registered Office

'Bhageerath',
402, Senapati Bapat Road,
Pune - 411 016, India.

Contact Info

URL : www.persistentsys.com
Tel : +91 (20) 3024 2000
Fax : +91 (20) 2567 8901
E-mail : corpsec@persistent.co.in

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FROM THE CHAIRMAN'S DESK

Partnering for Success

Partnerships acquired a new meaning this year. The global financial crisis had an impact this year and business slowed down appreciably after October 2008. Many of our customers reduced their budgets to brace themselves for the imminent slow-down. As customers demanded cuts and reduced rates, we decided to use this opportunity to meet our customers. Under the shadows of a slow market, we met senior executives from more than 150 of our customers.

As we were meeting senior executives, the focus of our meetings was strategic and not just tactical. We took this opportunity to ask our customers about their business and strategic plans, and how we could partner with them in the long-term. These meetings were the best thing that could have happened to us; they were silver lining in the dark clouds.

Our gesture of offering to partner in these difficult times was greatly appreciated by our customers as they shared their long-term plans.

Partnership was the clear theme that emerged from these meetings. Our customers want us to be true partners and take more responsibility of the product, from end-to-end. They value our contribution to the engineering aspects of the products but are seeking our partnership beyond just engineering.

Challenging business conditions put a strain on employees as well. I am proud to state that our employees were the true partners in these difficult times. They shared the financial burden and worked harder to meet the demands of our customers. We used this opportunity to improve internal efficiency and invested in incubating new technologies. This has improved our capability to deliver better and quality products.

Research and innovation would be critical for us to deliver cutting edge solutions for our customers. To further this cause, we established the Indiana Research Center in the School of Informatics on campus in Indiana University, Bloomington in March 2009. This center will enable us to partner with researchers from the University as we continue to deliver innovative solutions to the market.

As we are on the threshold of the twentieth year of Persistent Systems, I am pleased to report that we established 'Persistent Foundation' this year. 'Persistent Foundation' will help us to meet our Corporate Social Responsibilities better and further our resolve to be a true partner in the community we live in.

Difficult year forces introspection and it is clear that partnerships will be the way forward. I am happy to present five success stories about our partnerships in this report. They provide an idea of how we identify requirement and successfully deploy the solutions for our partners.

Markets will be back again. Having met most of our customers and having invested in building new technologies, we are very excited about the opportunities and the role Persistent will play in the next few years.

Best regards,

Anand Deshpande
Founder, Chairman and Managing Director

RESEARCH @ PERSISTENT*

Life Sciences Informatics R&D Center at Indiana University

Persistent Systems and the Indiana University, which boasts the first and the largest School of Informatics in the United States, have partnered to create a research and development (R&D) center. Located in the soon-to-be-completed incubator on the University's Bloomington, IN campus, the Persistent Indiana Research Center will further the development of informatics, specifically in life sciences, product lifecycle services, medical research, chemistry, bio informatics and computer science.

caBIG™ Initiative

- The cancer Biomedical Informatics Grid™ (caBIG™) initiative, overseen by the National Cancer Institute Center for Biomedical Informatics and Information Technology (NCI-CBIIT), was conceived to address the needs of all constituencies in the cancer community i.e. researchers, clinicians, patients.
- Persistent Systems has jointly participated in the caBIG™ program along with Washington University and has been involved in developing several caBIG™ compliant applications e.g. caTissue (Tissue banking system) which has been adopted across several centers.

Virtual Observatory India

- The Virtual Observatory India project is a collaboration between two participating institutes i.e. Inter University Center for Astronomy and Astrophysics (IUCAA) and Persistent Systems. This project is supported by the Ministry of Communication and Information Technology, Government of India.
- Observatories that are part of the Virtual Observatory deploy different techniques, such as IR, UV, Radio, Optical etc., and are continuously scanning the sky. These observations are recorded in standardised databases.
- Research is facilitated by providing tools for visualising and analysing data from astronomy surveys. This has helped convert astronomy from being an observation problem to being a data mining problem.

Joint Research Projects

Persistent Systems is working on research projects in areas of Bioinformatics jointly with Whitehead Institute for Biomedical Research, MIT and Siteman Cancer Center, Washington University, St. Louis.

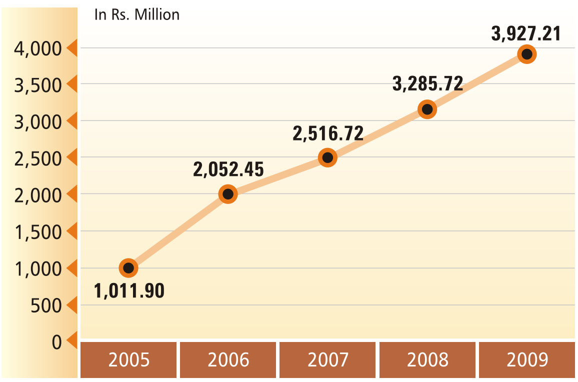
Persistent Systems helping them develop data management & analysis software for needs of their research center, such as Laboratory Information Management System, microarray data analysis, mutation profiling, Gene Connect.

*This is the indicative list of various research activities carried out at Persistent Systems

HIGHLIGHTS*

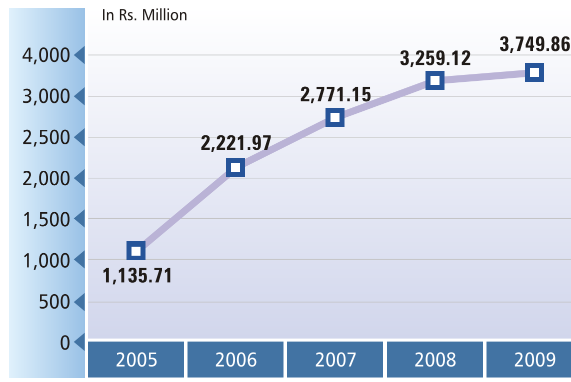
*Based on consolidated figures

NET WORTH



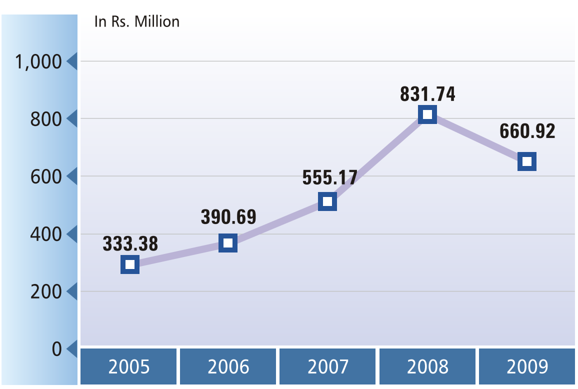
Financial year ended March 31

FIXED ASSETS



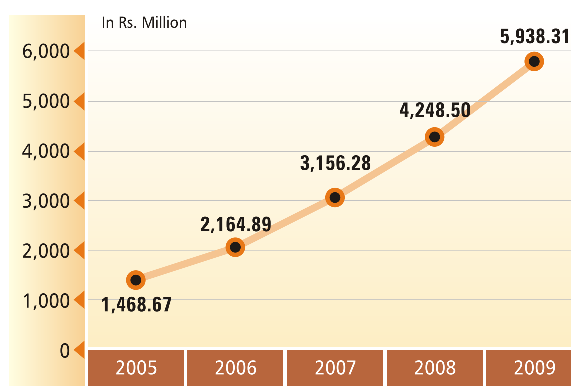
Financial year ended March 31 (including Capital work-in-progress)

PROFIT AFTER TAX



Financial year ending March 31 (after extraordinary items)

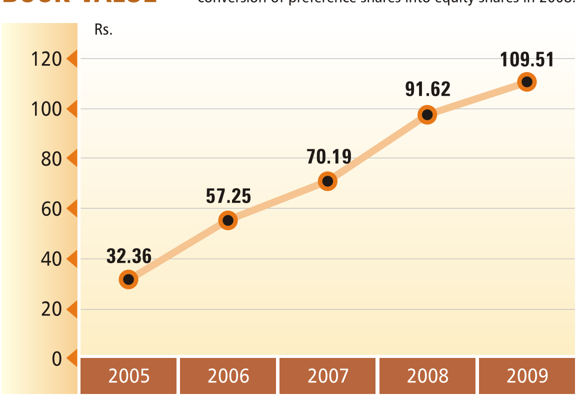
TOTAL REVENUE



Financial year ending March 31

BOOK VALUE#

#Adjusted effective 2005, to issue of bonus shares and conversion of preference shares into equity shares in 2008.



Financial year ending March 31

HUMAN RESOURCE STRENGTH

Financial year ended March 31 (including trainees and associates)

THEN AND NOW

Significant Milestones

THEN 1990-91
Started Operations from STPI, Pune

NOW 2008-09
7 Branch offices in India
Operations from STPI and SEZ
6 Branch offices abroad
4 Subsidiaries

THEN 1991-92
GIP ALTAIR-02 Technology, France, the first customer

NOW 2008-09
More than 150 live customers

THEN 1993-94
Annual Turnover crossed Rs. 5 Million

NOW 2008-09
Annual turnover of the Group crossed Rs. 5,900 Million

THEN 1994-95
First owned development centre of Persistent Systems becomes operational

NOW 2008-09
8 owned development centers all across India (including those of subsidiaries in India)

THEN 1997-98
Won first award from the Government of Maharashtra, Small Scale Division, for export performance

NOW 2008-09
Won ICAI award for 'Excellence in Financial Reporting'

THEN 1998-99
Human resource strength crosses 100 mark

NOW 2008-09
Consolidated human resource strength crosses 4,200 mark

Employees Stock Option scheme introduced

THEN 1999-00

NOW 2008-09

More than 20% of shares with ESOP Trust and employees

Investment from Intel IA-64 fund

THEN 2000-01

NOW 2008-09

Key investors:

- Norwest Venture Partners
- Gabriel Venture Partners
- Intel Capital
- Hewlett-Packard Company

Formed wholly owned subsidiary in USA

Independent Directors appointed

THEN 2001-02

NOW 2008-09

Subsidiaries in India, USA, Singapore

50% of the Board is independent

Opened first branch office abroad

THEN 2003-04

NOW 2008-09

Overseas branches in Europe, The Netherlands, UK, Canada and Japan

Classified 'Inventor' by Forrester Research

THEN 2004-05

NOW 2008-09

Ranked among top twelve IT outsourcing vendors of manufacturing and supply chain services to the life sciences market by 'IDC Co.'

Honoured with several awards at caBIG™ annual gathering of the National Institute of Health (NIH), USA

THEN 2006-07

NOW 2008-09

Honoured with NASSCOM Innovation award for 2008

AWARDS AND ACHIEVEMENTS 2008-09

NASSCOM Innovation award for 2008

Persistent Systems has won the coveted NASSCOM Innovation award for 2008 in the 'Market Facing - Business Process and Business Model' category. The NASSCOM Innovation awards is an annual event, currently in its fifth edition, and is a key initiative by NASSCOM to highlight true innovators in the Indian IT industry. The award recognises companies that have made innovation a part of their organisational DNA and used the innovation engine to reinvent their processes, marketing and product development strategies.

ICAI award for Excellence in Financial Reporting

Financial reporting in Persistent Systems' Annual Report for the year ended March 31, 2008 has been adjudged by the Institute of Chartered Accountants of India as a commendable entry amongst the entries received under the category 'Information Technology, Communication and Entertainment Enterprises' (Category 'V').

Career Achievement award, Indiana University

Dr. Anand Deshpande received the Career Achievement award from the Indiana University School of Informatics at its inaugural Alumni Awards Banquet at Indianapolis.

The Career Achievement award is given to alumni in recognition of outstanding contributions and innovations that bring national acclaim and recognition to the field of informatics, and honor and distinction to Indiana University.

Ranked Ninth on Fast Company's Fast 50 Reader Favorites of 2008

FAST COMPANY

Persistent Systems got listed as the ninth most innovative company in the world and reader favorites by Fast Company magazine readers. Fast Company was looking for companies using 'business as a force of positive change' and helping its customers and Persistent Systems was identified as a company practicing it.

Ranking by Health Industry Insights, an IDC Company

Health Industry Insights

Health Industry Insights ranked Persistent Systems as a Top Twelve IT Outsourcing Vendor of manufacturing and supply chain services to the life sciences market.

Top Management Consortium (TMC) Award of Excellence 2007-08

Dr. Anand Deshpande was honoured with an Award of Excellence by TMC. The Top Management Consortium bestows awards of excellence to recognise and appreciate, contribution in specific areas like industry, trade, service industry, public administration and for offering extraordinary services to the society.

PERSISTENT

Partnership is about combining your strengths to overcome challenges

Problems don't always arise in territories you are familiar with, sometimes they belong to another world. The challenge is to apply your knowledge to their requirement. That is the secret to innovative solutions. And that is how Persistent Systems addressed a field requirement of a giant in the tyre manufacturing business.

Mobile Enabled Success

The imaginative solution that won Persistent Systems the Nasscom Innovation award for 2008

Field engineer Richard Brown rubbed one gloved hand against the other, trying to generate some warmth against the biting cold. The temperature in Brighton was not yet sub zero, but it was close. He bent low to peer at the rear wheel of the red bus and jabbed his gauge into the rubber tyre. Just as he thought. The thickness was down by 2 to 3 millimetres since last month's reading. Clearly, the roads were taking their toll on the tyres. He pulled out a pencil to make a quick entry into his pocket book... but it slipped from his gloved fingers and rolled into a puddle. He cursed his luck.

Two months later, as he bent down to take another reading on the same tyre, Brown's cherubic face broke into a smile. He no longer had to worry about the pencil slipping out of his hand. Nor did he have to worry about scrawling an illegible figure in the failing evening light and finding it impossible to decipher the next morning... a situation that earned nasty comments from his supervisor and cost the company quite a few pounds.

No sir! The problems involved in taking tyre measurements and dispatching the figures to the head office had been solved, once and for all. Thanks to some brainy nerds at Persistent Systems who had figured out how to stop the unintended errors that crept in while filling in the figures and the delays that inevitably occurred in reaching them to headquarters.

Nowadays, all Brown had to do was to poke his smart new Bluetooth gauge into the tyre. The rest was automatic. The sensor generated a three-point reading, and before he knew it, the findings would be transferred to the PDA mobile device resting snugly in his coat pocket. A quick jab at the button which said 'send', and the tyre related data was zipped away to the main system located at the head office 200 miles away! No more nasty comments from his boss. No more missing the billing date due to postal delays.

PERSISTENT

“We put ourselves in the position of our customers to know exactly where the shoe pinches, and that's the secret of our smooth running. Designing the Persistent Mobile Framework forms the crux of this success story.”

- Rahul Sahasrabuddhe
Sr. Project Manager

Collaboration with Bridgestone, a tyre manufacturing giant

Nature of vertical :
- Manufacturing

Identified the requirement :
- Remove human error while recording tyre measurement data.
- Achieve speedy dispatch of recorded data to the main office.
- Increase productivity by reducing time spent.

Supplied the solutions :
- A PDA based solution for taking readings using Bluetooth-enabled gauges.
- Work in offline mode as much as possible.
- User-friendly interface with visuals and sound cues.

Advantages created for Bridgestone :
- 800% increase in productivity.
- Achieved enormous saving in data recording time.
- Eradicated human error during data entry.
- Enabled real-time transfer of data (about tyre usage) to head office.

Gains achieved by Persistent Systems :
- Four-fold increase in revenue.

Usability of the solution in other industries and services :
- Processes which require direct interaction with people (e.g. surveying, data validation).
- Processes which can profit from real-time data transfer.

Diversification possibilities created by project success :
- Solution also applicable to other areas of Bridgestone like Siebel CRM (Customer Relationship Management).
- Application possible in diverse sectors such as Construction, Pharma and Health Sciences.

Achievement :
- An innovative IT solution for a Manufacturing enterprise.

Awards :
- Nasscom Innovation award for 2008.

DIRECTORS' PROFILE

Dr. Anand Deshpande
Founder, Chairman and Managing Director

Dr. Anand Deshpande is responsible for overall leadership and management of Persistent Systems and drives the sales and technology efforts. He established a business model for building innovative products and solutions and today Persistent is recognised as an innovator and leader in the outsourced software product development space.

He began his career with a stint at Hewlett-Packard Laboratories as a member of the technical staff in Palo Alto, California from 1989 to 1990 and returned to India in 1990 to establish Persistent Systems.

As an active member of the database community, Dr. Deshpande was responsible for hosting VLDB 1996 in Mumbai and ICDE 2003 in Bangalore. He has actively participated in program committees of international conferences like member of Industrial Program Committee : VLDB 2003 in Berlin, VLDB 2004 in Toronto, IEEE 2005, ICDE 2005 in Tokyo, VLDB 2007 in Vienna; Program Committee Chair for Annual Convention CSI 2009 in Pune; General Chair for COMAD 2008 in Mumbai; Industrial Program Committee Chair for DASFAA 2008 in New Delhi; Organising Committee Chair for ISEC 2009 in Pune.

He is also a member of the IEEE, IE (India), CSI and YPO. He is currently the co-convener for Association of Computing Machinery (ACM) India Council, serves on the Executive Committee of MCCIA and is the Chairman of CII, Pune zonal council. In the past, Anand was the member of the Executive Committee of NASSCOM from 2005-09, President of SEAP from 2005-07 and Chairman of the Pune Chapter of CSI from 2003-05.

In recognition of his contribution to the Information Technology sector he was awarded the Entrepreneur Award, at the Brihan Maharashtra Mandal Convention held in Atlanta, USA, 2005. He is the recipient of the CSI Fellowship Award in 2007 for outstanding achievement in the field of Information Technology. He was also the recipient of the 'Career Achievement Award' in April 2009 given by Indiana University, Bloomington to an alumnus in recognition of the outstanding contributions and innovation that he brings to the field of informatics and an honor and distinction to the Indiana University.

Dr. Deshpande holds a B.Tech with honors in Computer Science and Engineering (1984) from IIT Kharagpur and has earned Masters in Computer Science (1986) and Doctorate in Computer Science (1989) from the Indiana University, Bloomington (USA).

S. P. Deshpande
Founder and Executive Director

Mr. S. P. Deshpande earned a Bachelors degree (Hons.) in Electrical Engineering from Jabalpur Engineering College, India in 1958.

He joined Bharat Heavy Electrical Limited (BHEL), Bhopal as a graduate apprentice in 1958. He worked with BHEL for 23 years. During that period, he served in a number of product and service departments, specialising in transportation systems and electronic control systems as applicable to transportation, in particular.

Mr. Deshpande worked later with Kirloskar Pneumatic Company Limited, Pune for a period of eight and a half years, and held important positions in materials division, quality analysis, manufacturing services and research and development. He joined Kirloskar Pneumatic Company Limited as associate vice president in March 1982 and retired as vice president in October 1990.

He founded the Software Exporters' Association of Pune in 1998, to foster better interaction among software export units in the city and help them resolve their problems in operations.

Mr. Deshpande heads the administrative functions of our Company, including general administration, human resources, purchase, finance, secretarial, legal and facilities functions, and has been looking after these since their inception.

He has been a member of our Board since its inception, except for the period April 1991 to October 1991.

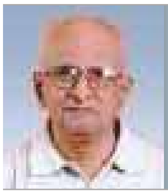
Ram Gupta
Independent Director

Mr. Ram Gupta earned Bachelors' degrees in Electrical and Electronics Engineering from Birla Institute of Technology and Sciences, Pilani and a Master's degree in Computer Science from the University of Massachusetts, Amherst.

He worked as the Director of Engineering at Silicon Graphics, Inc. from 1994 to 1997 and as a senior vice president and general manager of the Web MD Corporation from 1997 to 2000. He served as the executive vice president of Peoplesoft from 2000 to 2004 and has served as the president and chief executive officer of Cast Iron Systems from 2005 to 2007. Presently, he is the chairman of Cast Iron Systems, Inc. He has over 20 years of experience in the fields of strategy and execution for technology companies.

Mr. Gupta has been awarded the 'Search for the Heroes Award' by the Smithsonian Computer World in 2000.

He has been a member of our Board since 2007.



P. B. Kulkarni
Independent Director

Mr. P. B. Kulkarni earned Bachelors degrees in Commerce and Arts in 1955 and 1956, respectively, and a Post Graduate degree in Commerce from Pune University in 1957. He is also a Certified Associate of the Indian Institute of Bankers and is a fellow of the Economic Development Institute of the World Bank, Washington D.C.

He worked with the Reserve Bank of India from the period 1957 to 1993 in various positions including as its executive director. During this time, he served on deputation with the Asian Development Bank, Manila from 1967 to 1970 as operations officer, the Bangladesh Shilpa Bank intermittently for the period 1974 to 1977 as a consultant, the Myanmar Economic Bank, Yangon from 1978 to 1979 as chief of mission. He was the chairman and managing director of the Bank of Maharashtra from 1993 to 1995. He has also served as a chairman of the local advisory board for the Bank of Bahrain & Kuwait, B.S.C from 1997 to 2005. He has been a director on the boards of the Punjab and Sind Bank, Bank of India and Central Bank of India and was an alternate director on the Board of Asian Clearing Union. He has over fifty years of experience in the fields of banking and finance.

Mr. Kulkarni has served as a chairman of the finance sector sub-committee of the MCCIA from 1996 to 2003 and is a past member of the editorial board of the journal of the National Institute of Bank Management. He has been a member of the Planning and Monitoring Board, Gokhale Institute of Politics and Economics and was a Chairman of the committee to monitor code of ethics of the Indian Banks Association. He is a member of the Centre for Advanced Strategic Studies, Pune, the English Speaking Union, Pune and the Vision Committee of Pune University. He is the Chief Trustee of the Suparn Charitable Trust and serves on the Arbitration Committee of the MCCIA and as well as on the Grievance Committee of the Pune Stock Exchange.

He has been a member of our Board since 2001.

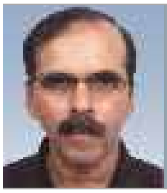
Dr. Promod Haque
Non-Executive Director

Dr. Promod Haque earned a Bachelor's degree in Science in Electrical Engineering from the University of Delhi, India in 1969. He earned a Doctorate in Electrical Engineering from Northwestern University in 1974 and a Master's degree in Business and Administration from Northwestern's Kellogg Graduate School of Management in 1976, where he serves on the advisory board.

He has over 19 years of VC experience and has been on the Forbes Midas List for 9 years and currently serves as Managing Partner at Norwest, which he joined in 1990.

Prior to joining Norwest, Dr. Haque spent 18 years in various operational roles, ranging from product development, marketing, and as chief operating officer and chief executive officer at various companies which included EMI Medical Inc from 1976 to 1981, Emergent Corporation as chief operating officer from 1981 to 1983 and Dimensional Medicine, Inc. as chief executive officer from 1983 to 1988. He has been ranked as a top dealmaker on the annual Forbes Midas List for the past five years from 2002 to 2007 and, in 2004, Forbes named him as the number one venture capitalist based on performance over the last decade. In 2006, he was presented with a Global Leadership award from the National Association of Software and Services Companies.

He has been a member of our Board since 2005.



Prof. Krithivasan Ramamritham
Independent Director

Prof. Krithivasan Ramamritham obtained B.Tech (Electrical Engineering) and M.Tech (Computer Science) degrees from IIT Madras and later went on to receive his Ph.D. in Computer Science from the University of Utah.

After working at the University of Massachusetts from 1981-2001, he is currently at IIT Bombay as the Vijay and Sita Vashee Chair Professor in the Department of Computer Science and Engineering. He is also serving as the Dean (R&D) at IIT Bombay.

His interests span the areas of real-time systems, database systems, and real-time database systems. Concepts from these areas are used by him to solve problems in embedded systems, mobile computing, e-commerce, intelligent internet, and the Web. He is also interested in the use of information and communication technologies for creating tools aimed at socio-economic development.

Prof. Ramamritham has been associated with the editorial boards of various journals. These include Real-Time Systems Journal (Editor-in-Chief), IEEE Transactions on Knowledge and Data Engineering, IEEE Transactions on Mobile Computing and the VLDB (Very Large Databases) Journal. Moreover, he is on the Board of Trustees of the VLDB Endowment, and on the Technical Advisory Board of TTTech, Vienna (Austria), Microsoft Research India and Tata Consultancy Services.

Of the two startups that he has co-founded, Agrocom offers award-winning information and communication technology-based real-time decision-support tools to farmers and organisations enabling progressive farming, while Nex Robotics delivers high quality products in robotics and embedded systems.

Prof. Ramamritham is a fellow of the IEEE, a fellow of the ASM and a fellow of the Indian National Academy of Engineering. He is also a recipient of the Distinguished Alumnus Award from IIT Madras and the Doctor of Science (Honorius Causa) from the University of Sydney.

He has been a member of our Board since 2001.

GREEN PERSISTENT MOVEMENT

Green Persistent
Let's go green!

As an organisation, Persistent Systems believes that reducing global warming is our social responsibility and we must ensure that we make our planet a better place to live in. In our endeavor to conserve and save the environment, Persistent Systems launched the Green Persistent Movement.

Key initiatives in making Green Persistent and contributing to a greener planet during 2008-09 :

Conservation of Energy

- 100% CPU energy conservation
- No hand driers
- Switch off cubicle lights
- 'No Lift' day

Pollution Control

- PUC check
- Launch of 'Car / Bike Pooling Page' on Company's intranet site
- 'No Smoking' day

Conservation of Trees

- Sapling distribution
- 'No Printer' day
- Celebration of 'Green Dassera'

Waste Management

- Reduction in food wastage
- 'No Plastic' day
- Re-use of one side used paper

'Thursday Drives' to follow environment-friendly practices.

More than 12,000 CFL bulbs distributed as Diwali gifts to support the Green Persistent Movement across all Persistent Systems' locations.

Report of the Directors

Your Directors are pleased to present the Nineteenth Annual Report of your Company alongwith the audited statement of accounts for the financial year ended March 31, 2009.

Business overview

The year under report was largely overshadowed by the global economic crisis and recession. Amidst these challenges, the revenue on consolidated basis, grew in US Dollar terms by 21% year-on-year to USD 127.84 Million and in Rupee terms the growth was 40%, year-on-year amounting to Rs. 5,938.31 Million. This increase was attributed to the growth in business with your Company's existing customers and business from new customers as well.

Your Directors are taking all efforts to rationalise costs and improve operational parameters. Even in this challenging year, your Company continues to be debt free with a cash and cash equivalents of Rs. 940.02 Million.

During the year under report, Mr. Hari Haran joined Persistent Systems, Inc., as the President and will be responsible for overall Sales and Marketing. Your Company continued to make investment in sales and marketing. The sales team at Persistent Systems, Inc., was further strengthened with the appointment of Mr. Ramchandran Kumar as Senior Vice President – Strategic Accounts Sales, Mr. Michael Kerr as Senior Vice President of Sales and Mr. Bradley Scott, Vice President – Channel Sales. Further, with the view to diversify the business operations in European region, your Company appointed Dr. Jörg Turnhoff as Vice President - EMEA Sales in Germany.

Financial results

During the financial year 2008-09, your Company continued its track record of growth despite challenging business environment. Albeit, it could have done better but for overall global economic slowdown.

The total income of your Company amounted to Rs. 5,270.68 Million (USD 113.47 Million) registering a growth of 29% over the previous year (in Rupee terms), however, the net profit after tax and extra ordinary items declined to Rs. 586.04 Million (USD 12.62 Million), a decline of 30% over the previous year (in Rupee terms).

The highlights of the financial performance for the year ended March 31, 2009 are as under

Particulars	(Amount in USD Million except EPS and Book Value)		(Amount in Rs. Million except EPS and Book Value)		% Change
	2008-09	2007-08	2008-09	2007-08	
Total income	113.47	102.06	5,270.68	4,098.87	29%
Profit before interest, depreciation and taxes	19.53	29.19	907.05	1,172.27	-23%
Depreciation	6.34	6.92	294.72	277.97	6%
Provision for income tax	0.25	0.55	11.56	22.00	-47%
Net profit for the year before exceptional and prior period items	12.94	21.72	600.77	872.30	-31%
Net profit for the year after exceptional and prior period items	12.62	20.84	586.04	837.12	-30%
Transfer to general reserve	5.05	8.34	234.40	334.90	-30%
Net worth	77.44	84.21	3,926.04	3,381.95	16%
Earnings per share (basic) (EPS)					
Including exceptional and prior period items	0.39	0.73	18.34	29.30	-37%
Excluding exceptional and prior period items	0.40	0.76	18.80	30.53	-38%
Earnings per share (diluted) (EPS)					
Including exceptional and prior period items	0.35	0.58	16.34	23.34	-30%
Excluding exceptional and prior period items	0.36	0.61	16.75	24.33	-31%
Book value per equity share	2.36	2.35	109.48	94.31	16%

[Conversion Rate: USD 1= Rs. 46.45 for Profit and Loss items USD 1 = 50.70 for Balance Sheet items (financial year 2008-09) and USD 1 = Rs. 40.16 (financial year 2007-08)].

On a consolidated basis, the total income of your Company and its subsidiaries amounted to Rs. 6,006.84 Million (USD 129.32 Million) and the net profit after tax and exceptional items amounted to Rs. 660.92 Million (USD 14.23 Million).

Liquidity

Your Company continued to be a debt free company and maintains sufficient cash to meet your Company's strategic objectives. Your Company has ensured balance between earning adequate returns on liquid assets and the need to cover financial and business risks. As at March 31, 2009, your Company had cash and cash equivalents amounting to Rs. 940.02 Million as against 752.20 Million as at March 31, 2008, which include investments in liquid mutual funds of Rs. 871.09 Million as against Rs. 691.35 Million as at March 31, 2008.

Dividend

Your Directors declared Interim Dividend twice during the financial year 2008-09. First Interim Dividend was declared at Re. 0.60 per share on the paid up equity share capital on a pro-rata basis. Your Directors declared second interim dividend at Re. 0.40 per share on the paid up share capital on a pro-rata basis. The total dividend declared by your Directors for the financial year 2008-09 was Re. 1 per share amounting to Rs. 35.86 Million and dividend tax was Rs. 6.09 Million. Total outflow on account of dividend payout including dividend tax was Rs. 41.95 Million out of the net profits of the Company during the year under report.

Your Directors consider the same as adequate and recommend no further dividend for the financial year 2008-09. During the financial year 2008-09, your Company did not have any unclaimed dividend out of dividend declared till date.

Employee stock option plans

Your Company has various stock option plans for its employees. Details of the options granted under various employee stock option schemes form part of the Report on Corporate Governance and Notes to Accounts.

Subsidiary companies

Your Company had four subsidiaries viz. Persistent eBusiness Solutions Limited, India, Persistent Systems and Solutions Limited, India, Persistent Systems, Inc., USA and Persistent Systems Pte. Limited, Singapore as on March 31, 2009.

Persistent eBusiness Solutions Limited

Persistent eBusiness Solutions Limited (PeBS) is an India based wholly owned subsidiary of your Company formed in May 2000. PeBS is formed mainly to provide software development, consultancy and system integration services to the India based clients.

During the financial year 2008-09, PeBS recorded a total income of Rs. 85.09 Million (USD 1.83 Million) [Previous year Rs. 36.82 Million (USD 0.92 Million)] and a net profit of Rs. 4.53 Million (USD 0.10 Million) [Previous year Rs. 9.77 Million (USD 0.24 Million)].

Persistent Systems, Inc.

Persistent Systems, Inc., (PSI) is the US based wholly owned subsidiary of your Company formed in October 2001. PSI is engaged in providing services to the US based customers.

During the financial year 2008-09, PSI recorded a total income of Rs. 1,226.17 Million (USD 26.40 Million) [Previous year Rs. 709.38 Million (USD 17.66 Million)] and a net profit of Rs. 61.65 Million (USD 1.33 Million) [Previous year loss of Rs. 17.82 Million (USD 0.44 Million)].

Persistent Systems Pte. Limited

Persistent Systems Pte. Limited (Co. Reg. No. 200706736G) is a Singapore based wholly owned subsidiary of your Company formed in April 2007. Persistent Systems Pte. Limited is primarily formed to concentrate on the business opportunities in ASEAN region.

During the financial year 2008-09, Persistent Systems Pte. Limited, recorded a total income of Rs. 2.56 Million (USD 0.06 Million) [previous year Rs. 10.79 Million (USD 0.27 Million)] and a net profit of Rs. 0.39 Million (USD 0.01 Million) [previous year Rs. 2.65 Million (USD 0.07 Million)].

Persistent Systems and Solutions Limited

Persistent Systems and Solutions Limited (PSSL) is an India based wholly owned subsidiary of your Company formed in May 2008. PSSL was formed mainly to provide software development services as a unit in SEZ.

During the financial year 2008-09, PSSL recorded a total income of Rs. 35.25 Million (USD 0.76 Million) and a net profit of Rs. 8.33 Million (USD 0.18 Million).

Consolidated financial statements

Consolidated financial statements of your Company and its subsidiaries as at March 31, 2009 are prepared in accordance with the Accounting Standard 21 (AS – 21) on 'Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India, form part of this Annual Report.

Particulars required as per section 212 of the Companies Act, 1956

As per Section 212 of the Companies Act, 1956, your Company is required to attach the Directors' Report, Auditors' Report, Balance Sheet, Profit and Loss Account, Schedules to Accounts and Notes to Accounts of subsidiaries of your Company alongwith the Balance Sheet of your Company. Your Directors believe that the consolidated financial statements present a more comprehensive picture as compared to standalone financial statements. Your Company, therefore, applied to the Ministry of Corporate Affairs, Government of India for an exemption from such attachment as your Company presents the audited consolidated financial statements in the Annual Report.

The Ministry of Corporate Affairs, Government of India, vide its letter no. 47/10/2009-CL-III dated February 17, 2009, granted an exemption to your Company from attaching full financial statements of the subsidiaries under Section 212 of the Companies Act, 1956.

Accordingly, the Annual Report does not contain full financial statements of the subsidiaries. Your Company will make available the audited annual accounts and related information of the subsidiary companies, upon request by any shareholder of your Company. These documents will also be available for inspection during business hours at the registered office of your Company and the registered office of respective subsidiaries. A statement showing financial highlights of the subsidiary companies is attached to the consolidated financial statements.

Key recruitments

During the financial year 2008-09, Mr. Hari Haran was appointed as President, Persistent Systems, Inc., wholly owned subsidiary of your Company (PSI). Further, Mr. Ramchandran Kumar was appointed as Senior Vice President – Strategic Accounts Sales, PSI; Mr. Michael Kerr as Senior Vice President of Sales for IBM initiatives, PSI; Mr. Bradley Scott, Vice President – Channel Sales, PSI. Your Company appointed Dr. Jörg Turnhoff as Vice President - EMEA Sales during the financial year 2008-09.

Significant events in the year 2008-09

1. Your Company had set up a new subsidiary "Persistent Systems and Solutions Limited" (PSSL) which was incorporated on May 22, 2008. PSSL obtained the Certificate of Commencement of Business on May 31, 2008. PSSL is formed mainly to provide software development services as a unit to be set up within a SEZ. PSSL has set up a unit in an SEZ at Cyberabad, Hyderabad.

2. To facilitate your Company's efforts to pursue offshore business opportunities in Canada through an onsite presence, your Company has set up an additional Branch Office in Quebec province in addition to the existing Branch offices in Ontario and British Columbia Provinces.

3. Your Company through its wholly owned subsidiary, Persistent Systems, Inc., established a research center at Indiana University, Bloomington to increase your Company's domain capability, to get access to faculty members who have domain expertise in areas of interest to your Company and its customers and to collaborate with Indiana University in research related activities.

4. The Company has opened a new Branch Office through its wholly owned subsidiary Persistent Systems, Inc. in Ohio to transact business with the Ohio State University Comprehensive Cancer Centre, Ohio.

5. Your Company submitted an application for setting up a Research Centre in affiliation of the University of Pune. The Research Centre would provide an impetus to research within the Company as a launching pad for new technologies and related service offerings. This research would help obtain solutions to the industry problems and would help in expanding your Company's knowledge base.

6. To institutionalise the Corporate Social Responsibility of your Company, your Company formed a public charitable trust "Persistent Foundation". The details of the trust are given under the head "Corporate Social Responsibility" in this report.

Initial public offering (IPO) of your Company

During the financial year 2008-09, your Company filed a Draft Red Herring Prospectus (DRHP) with the Securities and Exchange Board of India (SEBI) for the proposed Initial Public Offer (IPO) of your Company. Your Company further obtained in-principle approval from the Bombay Stock Exchange Limited (BSE) and the National Stock Exchange of India Limited (NSE) to list its shares post IPO. However, due to adverse sentiments in the financial markets in India and abroad, your Directors decided to defer the IPO.

Awards and recognitions

Your Directors are glad to report the following awards received by your Company during the financial year 2008-09.

1. Your Company won the coveted NASSCOM Innovation Award for 2008, in the "Market Facing - Business Process and Business Model" category. The NASSCOM Innovation Awards is an annual event currently in its fifth edition and is a key initiative by NASSCOM to highlight the true innovators in the Indian IT industry. The award recognises companies that have made innovation a part of their organisational DNA and used the innovation engine to reinvent their processes, marketing and product development strategies.

2. Your Company won the ICAI Award for Excellence in Financial Reporting. The Annual Report for the year ended March 31, 2008, was adjudicated as a commendable entry amongst the entries received under the Category 'Information Technology, Communication and Entertainment enterprises'.

3. Your Company ranked 9th on Fast Company's Fast 50 Reader Favorites of 2008. Fast Company was looking for companies using 'business as a force of positive change and helping its customers' and your Company was identified as a company practicing it.

Dr. Anand Deshpande, Founder and the Chairman and Managing Director of your Company was honoured with the Career Achievement Award by the Indiana University School of Informatics. The Career Achievement Award is given to alumni in recognition of outstanding contributions and innovation that bring national acclaim and recognition to the field of informatics and honour and distinction to Indiana University.

Dr. Anand Deshpande was also honoured with the Top Management Consortium (TMC) Award of Excellence, 2007-08. The Top Management Consortium bestows Awards of Excellence to recognise and appreciate contribution in specific areas like industry, trade, service industry, public administration and for offering extraordinary services to the society.

Directors

Prof. Krithivasan Ramamritham, Director is liable to retire by rotation at the Nineteenth Annual General Meeting and he has confirmed his eligibility and willingness to accept office of Directorship of your Company, if reappointed. A brief profile of Prof. Krithivasan Ramamritham forms part of the notice of the ensuing Annual General Meeting.

In the opinion of your Directors, Prof. Krithivasan Ramamritham has the requisite qualifications and experience which would be useful to your Company and would enable him to contribute effectively to your Company in his capacity as independent director of your Company.

It is, therefore, considered prudent that your Company should continue to avail of the services of Prof. Krithivasan Ramamritham as a Director and recommends that the resolution relating to the reappointment of Prof. Krithivasan Ramamritham, as Director of your Company be passed.

Committees of the board

During the year under review, the Board of Directors of your Company had constituted the Nomination and Governance Committee of the Board. The Committee was mainly formed 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 available, conflict of interest, willingness to participate actively and amicable relationships of the proposed appointee within the industry as a director or member of the senior management. The detailed composition of the Committees of the Board forms part of the Report on Corporate Governance which is annexed to this Report.

Corporate governance

A separate section on "Corporate Governance" with a detailed compliance report thereon is annexed to this Report.

Voluntary secretarial compliance certificate

Your Company annually obtains a compliance certificate from the whole time Practicing Company Secretary on a voluntary basis to ensure compliance of the provisions of the Companies Act, 1956. The same is annexed to this Report. The Institute of Company Secretaries of India, vide its letter dated September 22, 2008, appreciated the initiative taken by your Company, for obtaining Voluntary Secretarial Compliance Certificate.

Management discussion and analysis

Report on Management Discussion and Analysis based on audited, consolidated financial statements for the year 2008-09 forms part of this Report.

Outlook

The economic slowdown continues through the first quarter. Since January 2009, representatives of your Company have met with executives for more than 150 customers and the long-term prospects look very good.

The economic slowdown which set in financial year 2008-09, may continue to show its effect in the financial year 2009-10. The financial year 2009-10 will be an overall challenging year for the world economy.

While the situation is challenging, there are definite growth opportunities and your Company is well poised to grab these. Your Company is exploring new growth areas and making use of its available resources to be prepared for business opportunity when the markets turnaround. The economic recovery, when it comes, will see many companies investing again in IT infrastructure and your Company sees opportunities to come.

The addition of senior seasoned executives to the sales team will help your Company to face the challenges of the economic turmoil and your management is cautiously optimistic about the future of your Company.

Human resource management

Your Company recruited about 1,500 (technical and non-technical) professionals as a part of growth plan during the year ended March 31, 2009, including several qualified and experienced professionals returning from USA. This steady stream of US returning professionals has provided a very strong middle management group. Your Company continues to attract the best talent available from various engineering colleges in India.

Your Company crossed the strength of 4,000 personnel during the year under report. The technical strength at present comprises 2,597 graduate engineers of which 206 are post graduates and 17 are the PhDs.

The consolidated human resource strength of your Company and its subsidiaries crossed 4,200 that include trainees and associates.

Your Company considers training as an important activity towards human resource development. In this endeavour, several courses, seminars and conferences in technical and domain specific areas were conducted. Your Company also conducted training courses for the benefit of the employees in different areas such as leadership skills, team building, personal effectiveness and foreign languages.

With a view to control attrition, your Company had taken various measures on the front of compensation, communication forum through skip level meeting, implementation of career tracks and arrangement with BITS Pilani to impart education in MS Program to employees of your Company.

Your Company's value proposition is based on providing value to our customers, through innovation and by consistently improving efficiency. When the market starts to move again, there would be a large number of opportunities available, as businesses move to address the gap created by sudden retraction of capital and other expenditure and the emerging needs for the future. With a view to create bandwidth for the future, your Company initiated various measures such as investing in new skills, technologies, business models and training programmes for key technology areas.

In addition to the earlier initiatives at Pune facility, your Company initiated a Yoga and Doctor facility at Nagpur and Goa during the year under review. Lectures were organised for the employees on "Diet for Professionals" and also for female employees for awareness about harassment and their rights. The Company has an effective mechanism for preventing harassment events including sexual harassment within the Company which ensures that each individual gets right to work in a professional environment that promotes equal employment opportunities and prohibits discriminatory practices. The Company continued to provide facility for comprehensive health check-up for employees of age 30 and above. Further, cancer awareness session and free eye check – up camp were organised by your Company.

The attrition for the year under report was 13.54% as against 20.4% for the previous financial year 2007-08. Various employee welfare activities such as sports and cultural events that were organised for and by the employees had wide participation at all levels.

As your Company plans to scale up the operations during the financial year 2009-10, it expects to hire additional 1,800 software professionals in its offshore development centres across Pune, Goa, Nagpur and Hyderabad.

With an objective to develop female leaders in the organisation by identifying, nurturing & empowering the leadership abilities in female employees, a Leadership Development forum "Prerana" was started on the occasion of Women's day. The focus of the forum was on providing leadership training to the female employees in the areas like work-life balance, people management skills, problem solving, project management and share their knowledge in different areas through various events/ activities lectures/ sessions/ seminars, group discussions, presentations. This also provides a platform to share the knowledge and experience with each other thereby building togetherness.

Corporate social responsibility

Your Company recognises its social obligations. As a responsible corporate citizen, your Company has a well defined donation policy to earmark certain funds for donations. Donations are given primarily to organisations or institutions that are engaged in activities relating to promotion of education, health, community welfare, police welfare related activities and in the events of national calamity.

In this endeavor, during the year under report, your Company donated major portion towards the health and education related activities followed by institutes for community welfare and the working for mentally challenged persons.

To institutionalise the Corporate Social Responsibility initiative of your Company, your Company has formed a Public Charitable Trust by the name "Persistent Foundation" (Foundation) during the year under report. The Foundation will initially focus on making donations in the field of education, healthcare, community development and specific noticeable contribution to the cause of national or public importance. Your Company donated a sum of Rs. 13 Million towards the corpus of the Foundation during the year under report. The Foundation will also provide a platform to employees who wish to contribute in cash or in kind towards philanthropic activities.

Employees' remuneration

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, forms part of this report. As per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Annual Report is being sent to all the Shareholders of the Company, excluding, the statement of particulars of employees referred to hereinbefore. Any Shareholder interested in obtaining a copy of the said statement may write to the Company Secretary of the Company at the Registered Office of your Company.

Conservation of energy, technology absorption, research and development, foreign exchange earnings and outgo

Your Company has made the necessary disclosures in this Report in terms of Section 217(1)(e) of the Companies Act, 1956, read with the Company (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988. Your Company strives to conserve energy on a perpetual basis. Your Company has procured various energy saving devices and systems, which help in conserving energy. Bulk of the electric fixtures is equipped with electronic ballast which has resulted in significant savings in the energy cost.

Your Company has continued to maximise the use of flat LCD monitors, VRV air-conditioning system, solar energy for hot water and LED logo on the buildings for conservation of energy. A building automation system has been implemented to control working of air conditioners and to make them more power efficient.

Green Persistent Movement

As an organisation, your Company believes that reducing global warming is our social responsibility and we must ensure that we make our planet a better place to live. In our endeavor to conserve and save the environment, your Company launched the Green Persistent Movement. Your Company had taken a number of initiatives which would help us in making your Company Green and thereby contributing to a greener planet. The Green Persistent Movement was taken up with the following objectives in mind

1. To be an eco friendly organisation by being aware, sensitive and proactive towards development and protection of the environment.

2. To encourage and motivate employees to follow eco friendly practices leading to a nature friendly work place, life style and society.

The movement mainly covers for areas of environment conservation viz. conservation of energy, conservation of trees, pollution control and waste management.

The following initiatives were taken by your Company during the year under Report, under Green Persistent Movement

1. Thursday drives were conducted to motivate employees to follow environment friendly practices for a day in a week with an intention to make it a part of their lifestyle.

2. The conservation of energy campaign was introduced to bring down energy consumption and thus conserve energy. The energy conservation campaign had three initiatives viz. 100% CPU energy conservation, no hand driers and switch off cubicle lights and no lift day.

3. The conservation of trees campaign was introduced to spread awareness about conservation of trees and motivate the employees to contribute effectively towards the cause. Employees of your Company were encouraged to conserve trees and plant atleast one sapling in their vicinity. The conservation of trees campaign had three initiatives viz. sapling distribution, no printer day and celebrating green Dassera.

4. The pollution control campaign was introduced to promote pollution control activities and contribute towards a clean environment. The employees were encouraged to ensure that their vehicle does not contribute to air pollution than the prescribed norms. The pollution control campaign had three initiatives viz. PUC check, launch of car/ bike pooling page on your Company's intranet and no smoking day.

5. The waste management initiative was initiated to ensure the reduction in waste at all levels in routine activities. The waste management campaign has three initiatives viz. reduction in food wastage, no plastic day, reuse of paper used on one side.

6. This year, to celebrate Diwali in a special way, your Company presented its employees with CFL bulbs as Diwali gift to support the Green Persistent Movement. CFL bulbs use lesser electricity than conventional incandescent bulbs and thus help reduce greenhouse gas emissions. More than 12,000 CFL bulbs were distributed at all locations of your Company.

As power costs constitute an insignificant part of the total expenses, the financial impact of these measures is not material. As your Company has not entered into technical collaboration with any entity, there are no particulars relating to technology absorption.

The particulars of expenditure on research and development (accrual basis) are as follows (In Rs. Million)

Particulars	2008-09	2007-08
Capital expenditure	-	1.30
Revenue expenditure	56.10	47.14
Total research and development expenditure	56.10	48.44
As % of total income	1	1

During the financial year 2008-09, most of the revenue of your Company was derived from the exports. Your Company has a strong business development team mainly in the US. Your Company continues to invest in the sales team and has staffed the team with experienced people during the year to ensure that your Company's focus on exports continues. Based on the development of the market for the Outsourced Product Development, your Company has expanded its activities in Europe and Canada and this will further add to the export earnings of your Company.

The particulars of foreign exchange earnings and outgo (accrual basis) are as follows (In Rs. Million)

Particulars	2008-09	2007-08
Revenue		
Earnings	5,030.19	3,754.24
Outgo	397.13	339.40
Capital items		
Outgo	340.97	109.16

Reappointment of statutory auditors

M/s. Joshi Apte & Co., Chartered Accountants and M/s. S. R. Batliboi & Co., Chartered Accountants, the joint auditors of your Company retire at the Nineteenth Annual General Meeting and have confirmed their eligibility and willingness to accept office, if reappointed.

Directors' responsibility statement

The Directors state that

1. in the preparation of the annual accounts, the applicable mandatory Accounting Standards have been followed and there is no material departure;

2. the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company as at March 31, 2009 and of the profit of your Company for that year;

3. the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities, if any;

4. the annual accounts have been prepared on a going concern basis.

Acknowledgments

Your Board places on record the help and co-operation received from the Government of India, particularly the Ministry of Communication and Information Technology, the Ministry of Corporate Affairs, the Ministry of Finance, the Ministry of Commerce and the Reserve Bank of India throughout the financial year.

Your Company extends its sincere thanks to the officers and staff of the Software Technology Parks of India – Pune, Nagpur, Goa, Bengaluru, Hyderabad, Central Excise and Customs Department, Income Tax Department, Registrar of Companies, Maharashtra, Pune, Sales Tax Department, Central Depository Services (India) Limited, National Services Depository Limited, Maharashtra State Electricity Distribution Company Limited, Maharashtra Industrial Development Corporation, Department of Revenue and Forest and Ministry of Information Technology.

Your Board also extends their thanks to Bank of India, Citibank N.A., State Bank of India, HDFC Bank Limited, Syndicate Bank, Bank of Tokyo Mitsubishi, Japan and its officials for extending their excellent support in all banking related activities. Your Board takes this opportunity to express their sincere appreciation for the contribution made by employees at all levels. The consistent growth was made possible by their hard work, solidarity, cooperation and support.

For and on behalf of the Board of Directors

Dr. Anand Deshpande
Chairman and Managing Director

Pune, June 23, 2009

PERSISTENT

Partnership is about sharing expertise so as to arrive at answers

The secret of creating a top-end product is to keep reaching for the next rung of the discovery ladder. In the field of pharmaceutical research, this translates into innovative systems design, speedy response time and highest quality control. That is how Persistent Systems moved from being service provider to product owner.

A Dream Run with LIMS

How domain excellence leveraged Persistent Systems from contractor to Agilent partner

Engineers at Persistent Systems were jubilant. They had brought up the first Client Application for Agilent's LIMS system. Of course, it hadn't been easy. After all, it was a totally different domain, not very familiar to software engineers. Far from devising products for software vendors, this was a foray into the specialised business of quality assurance aspects of pharmaceuticals. Team Persistent had to design and develop a system which could track chemical samples used in drugs and retain records related to them for years and years, using upcoming technologies. Tough task. But finally the team had done it. Agilent was thrilled, and mentioned this achievement as 'Beast captured on Laptop'.

But there was one problem : how would Persistent send the installation package across to the client successfully, every week, during the testing phase.

"You must remember it was 1996 not 2006, and most of the world was still far from IT savvy," reminisces Mukesh Agarwal, AVP-Operations. "Let me give you an idea of how difficult things were. When we began servicing Agilent, we had no broadband, we had just a telephone link, and this link could transmit 30 KB safely. On the other hand, the usual quantum of install package to be sent was around 10 MB. To be safely within our line capacity, we had to split the package into 20 KB packets. That meant, to send out our full package over the net, we had to despatch it in 500 small packets! Then assemble all the packages at the customer's end. Phew! It may seem funny today, but back then we used to take turns coming to the office at odd hours, sometimes 2.00 AM, sometimes 4.00 AM, just to ensure that the telephone connection had not dropped".

That was 14 years ago. Today, heading the entire Agilent operation for Persistent, Mukesh has good reason to smile. What began as a two person outfit has grown into a team of 160 plus highly competent men and women who cater to Agilent's multi product needs. And instead of doing piecemeal jobs for the client, Persistent has taken over the entire LIMS product.

How Persistent addressed the Agilent requirement

Nature of vertical :

- Pharmaceuticals QA/QC

Identified the requirement :

- A sample tracking system for chemical samples that are used in drug manufacturing.
- Maintenance of records which need to be preserved for decades.
- Conceptualising the security layers needed for maintaining auditability.

Supplied the solutions :

- Created an ideal product, christened LIMS, that fulfilled these needs.
- Arranged for experts to fix the problem at site during a crisis.
- Built programmes into the system to work out details, such as the number of batches needed in response to the supplied work list.

Advantages created for Agilent :

- Acquired a first rate partner whose team served as an extended work bench, and who had complete domain knowledge.
- Collaborated with an offshore OSPD team that guaranteed extended hours during emergencies.

Gains achieved by Persistent Systems :

- Substantial and sustained increase in personnel employed on Agilent projects by 80 times.

Usability of the solution in other industries and services :

- Application provided in diverse sectors such as Water Contamination study and Petrochemicals.

Diversification possibilities created by project success :

- Have expanded collaboration with other Agilent sectors, such as Telecom & Chip Testing devices, to the extent that Persistent Systems was able to form a telecom vertical.
- The LIMS system is extendable into other areas of Healthcare and Life Sciences.

Achievement :

- A convincingly stable IT solution for sample tracking in multi-dimensional areas.
- Porting from HP unix to Microsoft Technologies and Linux.

PERSISTENT

“The entire operation is like, say, building a crane in Lego. First you understand the full structure, then design individual parts, then join all the parts together, and finally you do a validation to see if the thing works.”

- Mukesh Agarwal
Associate Vice President - Operations

COMMITTEES OF THE BOARD

Audit Committee

- Mr. P. B. Kulkarni : Chairman of the Committee; Independent Director
- Mr. S. P. Deshpande : Executive Director
- Mr. Ram Gupta : Independent Director

Shareholders' / Investors' Grievance Redressal Committee

- Mr. P. B. Kulkarni : Chairman of the Committee; Independent Director
- Dr. Anand Deshpande : Chairman and Managing Director
- Mr. S. P. Deshpande : Executive Director

Remuneration Committee

- Mr. P. B. Kulkarni : Chairman of the Committee; Independent Director
- Dr. Promod Haque : Non-executive Director
- Prof. Krithivasan Ramamritham : Independent Director

Compensation Committee

- Dr. Anand Deshpande : Chairman of the Committee; Chairman and Managing Director
- Mr. Ram Gupta : Independent Director
- Mr. P. B. Kulkarni : Independent Director

Executive Committee

- Mr. P. B. Kulkarni : Chairman of the Committee; Independent Director
- Mr. S. P. Deshpande : Executive Director
- Mr. Ram Gupta : Independent Director
- Dr. Promod Haque : Non-Executive Director

Nomination and Governance Committee

- Dr. Anand Deshpande : Chairman of the Committee; Chairman and Managing Director
- Mr. Ram Gupta : Independent Director
- Mr. P. B. Kulkarni : Independent Director
- Prof. Krithivasan Ramamritham : Independent Director

Report on Corporate Governance

Company's philosophy on corporate governance

"Corporate Governance is concerned with holding the balance between economic and social goals and between individual and communal goals. The corporate governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of these resources. The aim is to align as nearly as possible the interests of individuals, corporations and society".

Sir Adrian Cadbury
'Global Corporate Governance Forum', World Bank 2000

The Company believes that Corporate Governance is a set of guidelines to help to 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 Company's stakeholders.

The Company believes that Corporate Governance is not restricted to Boards and audit committees. It is an approach to sustainable development. Good Governance is an essential ingredient of good business. With this view, the Company continued with its initiative of voluntary adoption of various Corporate Governance measures. The following report on the voluntary implementation of the Corporate Governance Code is a sincere effort of the Company to follow the Corporate Governance principles in its letter and spirit.

1. Board of directors

A. Size and composition of the board

The Board of Directors of the Company has a mix of Executive, Non-Executive and Independent Directors. Independent Directors help to maintain the independence of the Board and separate the Board functions of governance and management. At present, the Company's Board consists of six members, of whom, two are Executive Directors and four are Non-Executive Directors of which three are Independent Directors. The Board is headed by an Executive Chairman. Table 1 gives the present composition of the Board and the number of outside directorships held by each of the directors as on March 31, 2009.

Table 1 : Board of Directors

Name of the Director	Category	Directorships			Committee** membership	Chairmanship** in committees
		Indian companies		Foreign companies		
		Public*	Private			
Dr. Anand Deshpande***	Chairman and Managing Director	2	NIL	2	1	NIL
Mr. S. P. Deshpande***	Executive Director	2	NIL	1	2	NIL
Mr. Ram Gupta	Independent Director	NIL	NIL	7	1	NIL
Dr. Promod Haque	Non-Executive Director	NIL	5	8	NIL	NIL
Mr. P. B. Kulkarni	Independent Director	2	NIL	NIL	3	2
Prof. Krithivasan Ramamritham	Independent Director	2	NIL	NIL	NIL	NIL

* 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).

*** Except Dr. Anand Deshpande, Chairman and Managing Director and Mr. S. P. Deshpande, Executive Director, who are the relatives, none of the other Director is related with other Director.

In this report, the signs below, wherever they appear, denotes the following

Y – Present for the meeting
N – Absent for the meeting
N.A. – Not Applicable

None of the Directors of the Company were members of more than 10 committees nor acted as the Chairman of more than five committees across all companies in India, in which he is a Director, in terms of the Clause 49 of the Listing Agreement.

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 is given below

Name of the Director	Category	Committee* Membership	Chairmanship* in Committees
Dr. Anand Deshpande	Chairman and Managing Director	2	2
Mr. S. P. Deshpande	Executive Director	1	NIL
Mr. Ram Gupta	Independent Director	3	NIL
Dr. Promod Haque	Non-Executive Director	20	5
Mr. P. B. Kulkarni	Independent Director	6	2
Prof Krithivasan Ramamritham	Independent Director	6	NIL

* Includes committees (other than Audit Committee and Shareholders' / Investors' Grievance Committee) of all companies in India and aborad, 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 concerned authorities.

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 the 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 tele-conferencing or video conferencing. The President of Persistent Systems, Inc., the Chief Operating Officer, the Chief Planning Officer and the Chief Financial Officer of the Company attend the Board meetings upon invitation. The other executives and divisional heads are generally invited at the meetings on as needed basis. In voluntary compliance of Clause 49 of the Listing Agreement, the gap between two Board Meetings has not exceeded four months. The maximum gap between the two board meetings during the financial year 2008-09 was 3 months and 6 days.

During the financial year 2008-09, the Board of Directors met 5 times on April 24, 2008, July 30, 2008, August 21, 2008, October 20, 2008 and January 23, 2009. Table 2 below gives the attendance record of the directors at the Board Meetings and last Annual General Meeting held on July 30, 2008.

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

Name of the Director	<---------------------------- Board Meetings ---------------------------->					Annual General Meeting
	April 24, 2008	July 30, 2008	August 21, 2008	October 20, 2008	January 23, 2009	
Dr. Anand Deshpande	*Y*	*Y*	*Y*	*Y*	*Y*	*Y*
Mr. S. P. Deshpande	*Y*	*Y*	*Y*	*Y*	*Y*	*Y*
Mr. Ram Gupta	*Y*	*N*	*Y*	*Y*	*Y*	*N*
Dr. Promod Haque	*Y*	*N*	*Y*	*Y*	*Y*	*N*
Mr. P. B. Kulkarni	*Y*	*Y*	*Y*	*Y*	*Y*	*Y*
Prof. Krithivasan Ramamritham	*Y*	*N*	*Y*	*Y*	*Y*	*N*

2. Committees of the board of directors

The Company constituted six committees of the Board of Directors viz. Audit Committee, Shareholders' / Investors' Grievance Committee, Remuneration Committee, Compensation Committee, Nomination and Governance Committee and Executive Committee. All committees have a combination of Executive, Non-Executive and Independent Directors. The Chairman of all the committees except Compensation Committee and Nomination and Governance Committee is an Independent Director. Additionally, during the financial year 2008-09, the Company had an IPO Committee for the limited purpose of managing the proposed IPO process. As a good corporate governance policy, the Company constituted a Nomination and Governance Committee though it is not requirement under Clause 49 of the Listing Agreement.

As per the charter of respective committees, committees deliberate on the matters referred to it by the Board. 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 referred.

The members of the committee, who are not able to participate in the meeting physically, generally participate through tele-conferencing or video conferencing.

A. Audit Committee

Brief description of terms of reference

An Audit Committee was constituted by the Board at its meeting held on April 23, 2004. With a view to fulfill the Company's responsibilities to its stakeholders and continue with its initiative of voluntary adoption of various Corporate Governance measures, the Board had revised the terms of reference of the Audit Committee vide resolution passed at the meeting held on August 21, 2008.

The Audit Committee was constituted to ensure prudent financial and accounting practices, fiscal discipline and transparency in financial reporting. The quarterly audited accounts are reviewed by the Audit Committee and recommended to the Board for its adoption.

The Chairman of the Committee is an Independent Director. All the members of the Committee are financially literate whereas the Chairman of the Committee is a financial management expert. Table 3 gives the present composition of the Audit Committee of the Board of Directors.

Table 3 : Composition of the Audit Committee

Name of the Director	Category
Mr. P. B. Kulkarni	Chairman of the Committee and Independent Director
Mr. S. P. Deshpande	Executive Director
Mr. Ram Gupta	Independent Director

In addition to the Audit Committee members, the Chief Financial Officer, Internal Auditor, Statutory Auditors and other executives attend the meetings upon invitation.

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, debenture holders, 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; and

xxv. 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

5 meetings of the Audit Committee were held during the financial year 2008-09. Table 4 gives the details of the attendance of the members of the Audit Committee at its meetings held during the financial year 2008-09.

Table 4: Details of the attendance at the Audit Committee meetings during the financial year 2008-09

Name of the Director	<------------------------------ Audit Committee Meeting ------------------------------>				
	April 23, 2008	July 30, 2008	August 20, 2008	October 19, 2008	January 22, 2009
Mr. P. B. Kulkarni	*Y*	*Y*	*Y*	*Y*	*Y*
Mr. S. P. Deshpande	*Y*	*Y*	*Y*	*Y*	*Y*
Mr. Ram Gupta	*Y*	*N*	*Y*	*Y*	*Y*

B. Shareholders' / Investors' Grievance Committee

Brief description of terms of reference

The Shareholders' / Investors' Grievance Committee was constituted on October 04, 2007. The Committee specifically looks into the redressal of shareholders' and investors' complaints like transfer of shares, non-receipt of Balance Sheet, non-receipt of declared dividends, etc.

The Committee presently consists of three Directors. The Chairman of the Committee is an Independent Director. Table 5 gives the present composition of the Shareholders' / Investors' Grievance Committee of the Board of Directors.

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

Name of the Director	Category
Mr. P. B. Kulkarni	Chairman of the Committee and Independent Director
Dr. Anand Deshpande	Chairman and Managing Director
Mr. S. P. Deshpande	Executive Director

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 Transfer Agent including appointment of new Registrar and Transfer Agent in place of existing one;

vi. To address all matters pertaining to Depositories for dematerialisation 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 to investigate any activity within terms of reference.

Meetings and attendance

The Committee meets as and when a need arises. No meeting of the Committee was held during the financial year 2008-09, however, certain decisions were taken by passing the resolutions by circulation on May 22, 2008 and were subsequently ratified by the Board at its next meeting.

During the financial year 2008-09, the Committee did not receive any complaint from the shareholders or investors. The members may contact the Company Secretary of the Company for their queries, if any at the contact details provided in the Shareholders' Information in this report.

C. Remuneration Committee

Brief description of terms of reference

The Remuneration Committee of the Board was constituted on October 04, 2007. The Remuneration Committee is constituted to determine the Company's policy on specific remuneration to the Executive Directors including pension rights and any compensation payment.

The Committee comprises combination of Non-Executive and Independent Directors. Table 6 gives the present composition of the Remuneration Committee of the Board of Directors.

Table 6 : Composition of the Remuneration Committee

Name of the Director	Category
Mr. P. B. Kulkarni	Chairman of the Committee and Independent Director
Dr. Promod Haque	Non-Executive Director
Prof. Krithivasan Ramamritham	Independent Director

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

i. recommendations to the Board about the Company's policy on specific remuneration packages for Executive Directors including pension rights and any compensation payment;

ii. advises to the Board in framing remuneration policy for key managerial persons of the Company from time to time;

iii. attending any other responsibility as may be entrusted by the Board to investigate any activity within terms of reference.

Meetings and attendance

1 meeting of the Committee was held during the financial year 2008-09.

Table 7 gives details of attendance of the members of the Remuneration Committee at its meeting held during the financial year 2008-09.

Table 7 : Attendance at the Remuneration Committee meeting held during the financial year 2008-09

Name of the Director	April 23, 2008
Mr. P. B. Kulkarni	*Y*
Dr. Promod Haque	*Y*
Prof. Krithivasan Ramamritham	*Y*

Remuneration policy

i. Managing Director's salary is linked to the profits of the Company. The rise in the salary is also linked to the increase in the profits of the Company.

ii. Salary of the Executive Director is decided based on the assessment of the Managing Director. The salary rise is based on the performance of the Executive Director(s) and is in line with the increase, proposed for other employees. The revised salary is effective on the same day as is done for all other employees of the Company.

iii. Non-Executive Independent Directors are entitled to commission based on the profitability of the Company.

iv. The total managerial remuneration not to exceed 11% of the net profits of the Company.

Remuneration to the Directors

Table 8 and Table 9 give details of remuneration to Executive and Non-Executive Directors of the Company respectively.

Table 8 : Remuneration to Executive Directors (In Rs. Million)

Name of the Director	Category	Year ended March 31,	Salary and allowance Commission	Performance linked incentive / and superannuation	Company's contribution to provident fund	Perquisite and other payments	Total
Dr. Anand Deshpande	Chairman and Managing Director	2009 2008	4.27 3.64	- 3.48	0.52 0.41	0.20 0.35	4.99 7.88
Mr. S. P. Deshpande	Executive Director	2009 2008	1.70 1.54	0.23 1.25	*N.A.* *N.A.*	*N.A.* *N.A.*	1.93 2.79
		2009 2008	5.97 5.18	0.23 4.73	0.52 0.41	0.20 0.35	6.92 10.67

Dr. Anand Deshpande and Mr. S. P. Deshpande were appointed as Chairman and Managing Director and Executive Director of the Company respectively for a period of five years with effect from April 01, 2007, pursuant to a resolution of the shareholders dated July 23, 2007. The shareholders have authorised the Board to determine the remuneration of Chairman and Managing Director and Executive Director within the limits prescribed by them under the above resolution. The Executive Directors of the Company are not eligible for stock options under the ESOP Schemes of the Company.

Table 9 : Remuneration to Non-Executive Directors (In Rs. Million)

Name of the Director	Category	Year ended March 31,	Commission	Sitting Fees	Total
Mr. P. B. Kulkarni	Independent Director	2009 2008	0.30 0.64	0.13 0.12	0.43 0.76
Mr. Ram Gupta	Independent Director	2009 2008	0.30 0.35	0.09 0.02	0.39 0.37
Mr. Sandeep Johri @	Independent Director	2009 2008	*N.A.* 0.07	*N.A.* –	*N.A.* 0.07
Prof. Krithivasan Ramamritham	Independent Director	2009 2008	0.30 0.63	0.05 0.03	0.35 0.66
		2009 2008	0.90 1.69	0.27 0.17	1.17 1.86

@ Resigned as a Director of the Company w.e.f. May 10, 2007.

In terms of internal policy of Norwest Venture Partners FVCI - Mauritius, Dr. Promod Haque, voluntarily decided not to accept sitting fees as well as commission.

Under the ESOA – VIII of the Company, the eligible Independent Non-Executive Directors were granted stock options and the same are exercisable by the Directors according to the terms of the Scheme. During the year, the Directors were collectively granted 21,000 Stock Options of the Company under the ESOP Scheme – VIII. Table 10 gives the details of the shares and Stock Options held by the Independent Non-Executive Directors as on March 31, 2009 are as follows

Table 10 : Shareholding and grant of Stock Options to Non-executive Directors

Name of the Director	Category	Year ended March 31,	Shares held	Stock Options
Mr. P. B. Kulkarni	Independent Director	2009 2008	7,000 7,000 *	7,000 7,000 **
Mr. Ram Gupta	Independent Director	2009 2008	NIL *N.A.*	7,000 7,000 **
Dr. Promod Haque	Non-executive Director	2009 2008	*N.A.* *N.A.*	*N.A.* *N.A.*
Mr. Sandeep Johri@	Independent Director	2009 2008	7,000 7,000 *	NIL NIL
Prof. Krithivasan Ramamritham	Independent Director	2009 2008	7,000 7,000 *	7,000 7,000 **
		2009 2008	21,000 21,000	21,000 21,000

* Post-Bonus Shareholding.

** Equivalent to 2,000 options prior to issuance of bonus shares at the Extra Ordinary General Meeting dated September 17, 2007.

@ Resigned as a Director of the Company w.e.f. May 10, 2007.

Reimbursements have been provided to Dr. Promod Haque, Prof. Krithivasan Ramamritham and Mr. Ram Gupta for travel and stay expenses for attending Board and Committee Meetings.

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

D. Compensation Committee

Brief description of terms of reference

The Compensation Committee of the Board was constituted on April 23, 2004. The Board of Directors had revised constitution and the terms of reference of the Compensation Committee vide resolution passed by way of circulation on October 04, 2007. Formerly, the scope of the Remuneration Committee was covered under the terms of reference of the Compensation Committee.

In terms of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("SEBI ESOP Guidelines"), the Company reconstituted a Compensation Committee for the administration and superintendence of the employee stock options schemes.

The Committee presently consists of three Directors. The Chairman of the Committee is an Executive Director. Table 11 gives the present composition of the Compensation Committee of the Board of Directors.

Table 11 : Composition of the Compensation Committee

Name of the Director	Category
Dr. Anand Deshpande	Chairman of the Committee and Chairman and Managing Director
Mr. Ram Gupta	Independent Director
Mr. P. B. Kulkarni	Independent Director

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 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 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 cashless exercise of options; and

xi. To attend to any other responsibility as may be entrusted by the Board.

Meetings and attendance

The Committee meets as and when need arises for the same. No meeting was held during the financial year 2008-09.

E. Executive Committee

Brief description of terms of reference

The Executive Committee of the Board was constituted on January 29, 2005. The Board of Directors had revised constitution of the Committee vide resolution passed by way of circulation on October 04, 2007. The Executive Committee was constituted to review the implementation of decisions taken by the Board of Directors. The Committee presently consists of four Directors. The Chairman of the Committee is an Independent Director. Table 12 gives the present composition of the Executive Committee.

Table 12 : Composition of the Executive Committee

Name of the Director	Category
Mr. P. B. Kulkarni	Chairman of the Committee and Independent Director
Mr. S. P. Deshpande	Executive Director
Mr. Ram Gupta	Independent Director
Dr. Promod Haque	Non-Executive Director

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 Rs. 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 as and when need arises for the same. No meetings of the Executive Committee were held during the financial year 2008-09, however, certain decisions were taken by passing the resolution by circulation on January 2, 2009 and were subsequently ratified by the Board at its next meeting.

F. 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 available, 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 Chairman of the Committee is an Executive Director. Table 13 gives the present composition of the Nomination and Governance Committee.

Table 13 : Composition of the Nomination and Governance Committee

Name of the Director	Category
Dr. Anand Deshpande	Chairman of the Committee and Chairman and Managing Director
Mr. Ram Gupta	Independent Director
Mr. P. B. Kulkarni	Independent Director
Prof. Krithivasan Ramamritham	Independent Director

The Committee was 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 (i) nomination for re-election of Directors by the Shareholders; and (ii) 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, COO, CMO, CFO, President of Persistent Systems, Inc., or appointment requiring Board approval such as Company Secretary;

The Nomination and Governance Committee was 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 Director candidates;

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

One meeting of the Committee was held during the financial year 2008-09. Table 14 gives attendance record of members of the Committee at its meeting held during the financial year 2008-09.

Table 14 : Attendance at the Nomination and Governance Committee meeting during the financial year 2008-09

Name of the Director	October 19, 2008
Dr. Anand Deshpande	*Y*
Mr. Ram Gupta	*Y*
Mr. P. B. Kulkarni	*Y*
Prof. Krithivasan Ramamritham	*N*

G. IPO Committee

Brief description of terms of reference

The IPO Committee of the Board was constituted on April 30, 2007. The Committee was a special purpose Committee that was formed to oversee the functions involved in the Initial Public Offering of the Company and to facilitate the administrative convenience for quick decision-making. The Chairman of the Committee was an Executive Director. Table 15 gives the present composition of the IPO Committee.

Table 15: Composition of the IPO Committee

Name of the Director	Category
Dr. Anand Deshpande	Chairman of the Committee and Chairman and Managing Director
Mr. S. P. Deshpande	Executive Director
Dr. Promod Haque	Non-Executive Director
Mr. P. B. Kulkarni	Independent Director

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

i. To decide on the timing, pricing and all the terms and conditions of the issue of the shares for the Public Issue, including the price and to accept any amendments, modifications, variations or alterations thereto;

ii. To appoint and enter into arrangements with the book running lead managers (BRLM), underwriters to the Public Issue, syndicate members to the Public Issue, brokers to the Public Issue, escrow collection bankers to the Public Issue, registrars, legal advisors and any other agencies or persons or intermediaries to the Public Issue and to negotiate and finalise the terms of their appointment, including but not limited to execution of the BRLM's mandate letter, negotiation, finalisation and execution of the memorandum of understanding with the BRLM, etc.;

iii. To finalise and settle and to execute and deliver or arrange the delivery of the draft Red Herring Prospectus, the Red Herring Prospectus, the final Prospectus, syndicate agreement, underwriting agreement, escrow agreement and all other documents, deeds, agreements and instruments as may be required or desirable in relation to the Public Issue;

iv. To open with the bankers to the Public Issue such accounts as are required by the regulations issued by SEBI;

v. To do all such acts, deeds, matters and things and execute all such other documents, etc., as it may, in its absolute discretion, deem necessary or desirable for such purpose, including without limitation, finalise the basis of allocation and to allot the shares to the successful allottees as permissible in law, issue of share certificates in accordance with the relevant rules;

vi. To do all such acts, deeds and things as may be required to dematerialise the Equity Shares of the Company and to sign agreements and/or such other documents as may be required with the National Securities Depository Limited, the Central Depository Services (India) Limited and such other agencies, authorities or bodies as may be required in this connection;

vii. To make applications for listing of the shares in one or more stock exchange(s) for listing of the Equity Shares of the Company and to execute and to deliver or arrange the delivery of necessary documentation to the concerned stock exchange(s); and

viii. To settle all questions, difficulties or doubts that may arise about such issues or allotment as it may, in its absolute discretion deem fit.

The IPO Committee was further empowered to do the following

i. To approve, adopt and file the prospectus for the Public Issue as required under Section 60 of the Companies Act, 1956, with the Registrar of Companies, Pune and to make any corrections or alterations therein;

ii. To do all such acts, deeds, matters and things as may be required in connection with the Public Issue and to comply with all requirements of the Companies Act, 1956 in this regard.

Meetings and attendance

One meeting of the Committee was held during the financial year 2008-09. Table 16 gives attendance record of members of the IPO Committee at its meeting held during the financial year 2008-09.

Table 16: Attendance at the IPO Committee meeting during the financial year 2008-09

Name of the Director	July 14, 2008
Dr. Anand Deshpande	*N*
Mr. S. P. Deshpande	*Y*
Dr. Promod Haque	*N*
Mr. P. B. Kulkarni	*Y*

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 regular 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

Name of the Subsidiary Company	Registered in	Holding percentage
Persistent eBusiness Solutions Limited	India	100%
Persistent Systems, Inc.	U.S.A.	100%
Persistent Systems Pte. Limited	Singapore	100%
Persistent Systems and Solutions Limited	India	100%

4. General meeting details

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

Financial year	Date	Time	Venue
2005-06	July 19, 2006	3.00 p.m.	1-A, Conference Room, “Bhageerath”, 402, Senapati Bapat Road, Pune 411 016
2006-07	July 23, 2007	12.00 noon	“Dewang Mehta Auditorium”, “Bhageerath”, 402, Senapati Bapat Road, Pune 411 016
2007-08	July 30, 2008	4.00 p.m.	“Dewang Mehta Auditorium”, “Bhageerath”, 402, Senapati Bapat Road, Pune 411 016

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

Date of AGM	No.	Details of Special Resolution
July 19, 2006		NIL
July 23, 2007	i.	Appointment of Mr. S. P. Deshpande as an Executive Director of the Company for a term of five years effective from April 01, 2007.
	ii.	Appointment of Dr. Mukund Deshpande, brother of Dr. Anand Deshpande, Chairman and Managing Director and son of Mr. S. P. Deshpande, Executive Director as an employee of the Company as Technical Manager or such designation given to him in terms of the Company's policy from time to time.
	iii.	Payment of Commission not exceeding one percent of the Net Profits of the Company to all or any of the Individual Non-executive Directors as decided by the Board of Directors of the Company from time to time.
July 30, 2008		Issue of Equity Shares not exceeding 6.5 Million of Rs. 10 each of an aggregate face value of Rs. 65.00 Million through Initial Public Offer of the Company.

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

C. No Extra Ordinary General Meeting (EGM) was held during the financial year 2008-09.

D. No postal ballots were 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 and promotes. 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 appears in this report.

Further, in line with the best international governance practices, the Company has introduced the Vendor Code of Conduct during this year under review 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.

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 Audit Committee of the Board of Directors 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.

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 in exceptional cases.

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

During the financial year 2008-09, 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 and to the best of its knowledge there are no deviations in the accounting treatments that require specific disclosure.

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. Shareholders' Information

A. Corporate Identity Number (CIN)

The Corporate Identity Number (CIN), allotted by the Ministry of Corporate Affairs, Government of India is U72300PN1990PLC056696 and the Company Registration Number is 056696. The Company is registered in the State of Maharashtra, India.

B. General details of the Company

i. Registered Office

"Bhageerath",
402, Senapati Bapat Road,
Pune 411 016, India.

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

iii. Company Secretary of the Company

Mr. Vivek Sadhale
Company Secretary and Head – Legal
"Bhageerath",
402, Senapati Bapat Road,
Pune 411 016, India.
Tel. : +91 (20) 3024 2000
Fax : +91 (20) 2565 7888
E-mail : corpsec@persistent.co.in
Website : www.persistentsys.com

iv. Dividend payment date

The Company declared interim dividend to the members twice during the financial year 2008-09. The Company declared the dividend to those members of the Company whose names were registered in the Register of Members on October 20, 2008 and March 27, 2009.

v. Contact details of Company's intermediaries are as follows

Registrar and Share Transfer Agent

Link Intime India Private Limited,
C-13, Pannalal Silk Mills Compound,
LBS Marg, Bhandup (W),
Mumbai 400 078, India.
Tel. : +91 (22) 2596 3838
Fax : +91 (22) 2594 6969
E-mail : isrl@linkintime.co.in
Website : www.linkintime.co.in

vi. Depositories

a. National Securities Depository Limited,
4th Wing, '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 2993
E-mail : info@nsdl.co.in
Website : www.nsdl.co.in

b. Central Depository Services (India) Limited,
Phiroze Jeejeebhoy Towers,
17th 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

vii. 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 INE262H01013.

As on March 31, 2009, 35,677,569 Equity Shares comprising 99.49% of the Company's shares are held in electronic form.

viii. American Depository Receipts / Global Depository Receipts / Warrants

As on March 31, 2009, 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 2008-09.

ix. Plant locations

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

x. Calendar for financial reporting for the quarters in the financial year 2008-09 (tentative and subject to change)

Quarter Ending	Proposed date of meeting of the Board
June 30, 2009	July 23, 2009
September 30, 2009	October 20, 2009
December 31, 2009	January 22, 2010
March 31, 2010	April 23, 2010

8. ESOP Schemes of the Company

The status of various ESOP schemes as on March 31, 2009 is shown in the following table:

		<----------				Plans			---------->	
Particulars		I	II	III	IV	V	VI	VII	VIII	Total
Granted	a	2,280,250	376,600	1,266,650	2,397,150	945,262	608,125	778,487	21,000	8,673,524
Vested	b	1,606,255	222,169	327,652	408,604	208,957	255,713	161,595	5,250	3,196,195
Encashed and Exercised	c	1,553,277	56,385	79,301	-	-	-	-	-	1,688,963
Vested & Not exercised (b-c)	d	52,978	165,784	248,351	408,604	208,957	255,713	161,595	5,250	1,507,232
Lapsed	e	667,047	107,607	322,462	711,123	246,134	215,250	216,300	-	2,485,923
Not Vested (a – c - d - e)	f	6,948	46,824	616,536	1,277,423	490,171	137,162	400,592	15,750	2,991,406
Total Outstanding (d + f)	g	59,926	212,608	864,887	1,686,027	699,128	392,875	562,187	21,000	4,498,638

9. CEO / CFO certification

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

10. Corporate governance handbook

The Company proactively and voluntarily prepared a 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. Corporate Governance Handbook is updated on annual basis.

11. Voluntary secretarial compliance certificate

The Company annually obtains a compliance certificate from a Practicing Company Secretary on a voluntary basis to ensure compliance of the provisions of the Companies Act, 1956. The same is provided elsewhere in this Annual Report. The Institute of Company Secretaries of India, vide its letter dated September 22, 2008, appreciated the initiative taken by the Company for obtaining voluntary secretarial compliance certificate.

12. Secretarial standards

The Company endeavors to comply to the extent possible and relevant with the non mandatory Secretarial Standards issued by the Institute of Company Secretaries of India.

13. Vendor code of conduct

In line with the best global governance practices, the Company had prepared the Vendor Code of Conduct. The Company is in the process of getting the Vendor Code of Conduct executed by the vendors of the Company.

14. Miscellaneous

Shareholders holding shares in physical form are requested to notify the Company, 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, etc., directly to their Depository Participants (DP) as the same are maintained by the DP.

Non-resident shareholders are requested to notify at the earliest

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.

15. Nomination in respect of shares

Section 109A of the Companies Act, 1956, provides facility for making nominations by shareholders in respect of their holding of shares. Such nomination greatly facilitates transmission of shares from the deceased shareholder to his / her nominee without having to go through the process of obtaining Succession Certificates / Probate of the Will, etc. It would therefore, be in the best interests of the shareholders holding shares as a sole holder to make such nomination. Shareholders holding shares in physical mode are advised to write to the Company Secretary for making nomination. Shareholders holding shares in demat form are advised to contact their DP for making nominations.

Shareholders are 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 Profit and Loss Account 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 periods 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 violate 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, is 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 2008-09.

For and on behalf of the Board of Directors

Dr. Anand Deshpande
Chairman and Managing Director

Rajesh Ghonasgi
Chief Financial Officer

Pune, June 23, 2009

CUSTOMER SPEAK

BRIDGESTONE

Our cooperation with Persistent Systems is the first time we have resorted to outsourcing offshore. It was an entirely new experience for us and has been a most positive one. Thanks to the flexible, reliable and dedicated team which Persistent assigned to our project, our engineers in Europe have been able to work seamlessly with their colleagues in India to produce highly innovative solutions.

From the initial stages of deployment of Persistent Systems' software, we have already noticed a significant increase in productivity and look forward to take our partnership further.

Joe O'Neill

Director, CBS & IT, Bridgestone EU

VOLUNTARY SECRETARIAL COMPLIANCE CERTIFICATE

CIN: U72300PN1990PLC056696

The Members
Persistent Systems Limited,
'Bhageerath', 402, Senapati Bapat Road,
Pune 411 016.

I have examined the registers, records, books and papers of Persistent Systems Limited (the Company) as required to be maintained under the Companies Act, 1956 (the Act) and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year from April 01, 2008 to March 31, 2009. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid financial year

1. The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions and the rules made there under and all entries therein have been duly recorded;

2. The Company has duly filed the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies and Central Government, within the time prescribed under the Act and the rules made there under;

3. The Company being private limited company has the minimum prescribed paid-up capital and its maximum number of members during the said financial year was _________ excluding its present and past employees and the company during the year under scrutiny:

   A. has not invited public to subscribe for its shares or debentures, and

   B. has not invited or accepted any deposits from person other than its members, directors or their relatives;

   Not applicable, since the Company is a Public Limited Company

4. The Board of Directors duly met 5 (Five) times on April 24, 2008, July 30, 2008, August 21, 2008, October 20, 2008 and January 23, 2009, in respect of which proper notices were given and proceedings were properly recorded and signed in the Minutes Book maintained for the purpose including the circular resolutions passed;

5. The Audit Committee of the Board of Directors duly met 5 (Five) times on April 23, 2008, July 30, 2008, August 20, 2008, October 19, 2008 and January 22, 2009 in respect of which proper notices were given and proceedings were properly recorded and signed passed in the Minutes Book maintained for the purpose;

The Chairman of the Audit Committee is an Independent Director. Composition of the Audit Committee was as per section 292A, of the Act.

Sr. No.	Date of Meeting	Composition of Audit Committee as on the date of the Meeting
1.	April 23, 2008	2 (Two) Independent Directors and 1(One) Executive Director
2.	July 30 , 2008	2 (Two) Independent Directors and 1(One) Executive Director
3.	August 20, 2008	2 (Two) Independent Directors and 1(One) Executive Director
4.	October 19, 2008	2 (Two) Independent Directors and 1(One) Executive Director
5.	January 22, 2009	2 (Two) Independent Directors and 1(One) Executive Director

6. The Remuneration Committee of the Board of Directors duly met 1 (one) time on April 23, 2008 in respect of which proper notices were given and proceedings were properly recorded and signed. The composition of the Compensation Committee as on the date of the meeting was as follows

Sr. No.	Date of Meeting	Composition of the Committee as on the date of the Meeting
1.	April 23, 2008	2 (Two) Independent Directors and 1(One) Non Executive Director

7. The Shareholders' / Investors' Grievance Committee of the Board of Directors did not have a meeting during the year under review. However, a resolution was passed by way of circulation that was later ratified by the Board of Directors in their next meeting.

8. The Executive Committee of the Board of Directors did not have a meeting during the year under review. However, a resolution was passed by way of circulation that was later ratified by the Board of Directors in their next meeting.

9. During the year under review, the Company formed the Nomination and Governance Committee of the Board of Directors. The Nomination and Governance Committee duly met 1 (one) time on October 19, 2008, in respect of which proper notices were given and proceedings were properly recorded and signed. The composition of the Nomination and Governance Committee as on the date of the meeting was as follows

Sr. No.	Date of Meeting	Composition of the Committee as on the date of the Meeting
1.	October 19, 2008	1 (One) Executive Director and 3 (Three) Independent Directors

10. The IPO Committee of the Board of Directors duly met 1 (One) time on July 14, 2008, in respect of which proper notice was given and proceedings were properly recorded and signed.

11. The Annual General meeting for the financial year ended on March 31, 2008, was held on July 30, 2008, after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.

12. No extra ordinary general meeting was held during the period under report.

13. The Company has not advanced any amount as loan to its Directors and / or persons or firms or companies referred in the section 295 of the Act.

14. The Company has duly complied with the provisions of section 297 of the Act in respect of contracts specified in that section.

    The Company has taken due permission from the Central Government through the Regional Director, Western Region during the financial year 2005-06, for the Agreement entered into with one of the related parties.

15. The Company has made necessary entries in the register maintained under section 301 of the Act.

16. The Company made an application to the Central Government, the Ministry of Corproate Affairs on October 29, 2008 under Section 212(8) of the Act for the exemption sought from attaching the Directors' Report, Auditors' Report, Balance Sheet and Profit and Loss Account of its Subsidiary Companies to the Balance Sheet to the Company for the Financial Year 2008-09. The Company has received the approval from the Central Government, the Ministry of Corporate Affairs bearing No. 47 / 10 / 2009 – CL – III dated February 17, 2009.

17. During the year under review, there was no case of transfer of shares in the Company.

    During the year under review, the Company received an application for transmission the shares which was duly approved by the Shareholders' / Investors' Grievance Committee of the Board of Directors.

18. The Company has deposited the amount of dividend declared including interim dividend in a separate bank account within five days from the date of declaration of such dividend.

19 The Company has paid / posted warrants for dividends to all the members within a period of 30 (Thirty) days from the date of declaration and that there is no unclaimed / unpaid dividend.

20. The Company has duly complied with the requirements of section 217 of the Act.

21. The Board of Directors and the Audit Committee of the Board of Directors of the Company are duly constituted.

22. The appointment of Managing Director / Whole-time Director has been made in compliance with the provisions of section 269 read with Schedule XIII to the Act.

23. The Directors have disclosed their interest in other firms / companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder.

    Disclosures made by all Directors under Section 299 of the Act and declarations under Sec. 274(1)(g) of the Act were available for inspection.

24. The Company has not issued any Equity or Preference Shares during the period under report.

25. The Company has not bought back any securities during the period under report.

26. The amount borrowed by the Company from banks during the financial year ending March 31, 2009, is within the borrowing limits of the Company.

27. The Company has made investments in other bodies corporate in compliance with the provisions of the Act.

28. The Company has not altered the provisions of the memorandum with respect to situation of the Company's registered office from one state to another during the year under scrutiny.

29. The Company has not altered the provisions of the memorandum with respect to the objects of the Company during the year under scrutiny.

30. The Company has not altered the provisions of the memorandum with respect to the name of the Company during the year under scrutiny.

31. The Company has not altered the provisions of the Memorandum with respect to share capital of the Company during the year under scrutiny and complied with the provisions of the Act;

32. The Company has not altered its articles of association;

33. There is no prosecution initiated against or show cause notice received by the Company for alleged offences under the Act.

Shridhar S. Kulkarni
Company Secretary
FCS 5631; CP No. 3950

Pune, June 23, 2009

ANNEXURE 'A'

Registers as maintained by the Company

A. Statutory Registers

Sr. No.	Name of the Register	Maintained Under Section
1.	Register of Charges	143
2.	Register of Members	150
3.	Minutes Books (Board, Committee and General Meetings)	193
4.	Register of Contracts	301
5.	Register of Directors	303
6.	Register of Directors' Shareholding	307
7.	Register of Buy Back of Securities	Rule 11
8.	Register of Investments made, loan given or guarantees provided	372A

B. Other Registers

Sr. No.	Name of the Register Maintained
1.	Register for transfer and transmission of shares
2.	Directors' attendance register
3.	Members' attendance register
4.	Register for application and allotment of shares

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ANNEXURE 'B'

Form and Returns as filed by the Company with Registrar of Companies, Regional Director, Central Government or other authorities during the period ending on March 31, 2009

Sr. No.	Form No/Return	For	Filed u/s	Date of Event	Date of Filling	Whether filed within the prescribed time
1	eForm 23	Payment of one time Discretionary Bonus to Dr. Anand Deshpande or financial year 2007-08	192 (4)(c)	April 24, 2008	May 23, 2008	Yes
2	eForm 23	Payment of remuneration to Dr. Anand Deshpande for financial year 2008-09	192 (4)(c)	April 24, 2008	May 23, 2008	Yes
3	eForm 17	Satisfaction of charge in favour of the SBI for Rs. 20 Crores	138	May 09, 2008	June 03, 2008	Yes
4	eForm 23	Special resolution for issue of Equity Shares through Initial Public Offering	81 (1A)	July 30, 2008	August 07, 2008	Yes
5	eForm 32	Confirmation of appointment of Mr. Ram Gupta as Director in the AGM	260	July 30, 2008	August 07, 2008	Yes
6	Sch VI (eForm 23AC and 23ACA)	Balance Sheet as on March 31, 2008	220	July 30, 2008	August 18, 2008	Yes
7	Sch V (eForm 20B)	Annual return for the financial year 2007-08	159	July 30, 2008	August 14, 2008	Yes
8	eForm 23	Revision in terms of payment of Bonus and the remuneration of Dr. Anand Deshpande	192 (4)(c)	August 21, 2008	September 18, 2008	Yes
9	eForm 23AAB	Application for exemption from attaching the annual accounts of the subsidiary companies	212(8)	NA	October 29, 2008	NA

Shridhar S. Kulkarni
Company Secretary
FCS 5631; CP No. 3950

Pune, June 23, 2009

PERSISTENT

Partnership is about searching together to find the fastest solutions

In an age of extreme competition, the time taken to 'go-to-market' can make or break the prospects of a new product. This requires team spirit and shared trust. The results can be awesome, ensuring speedy solutions and substantial cost cutting. Persistent Systems proved this when it teamed up with a telecom wizard. Read on.

Passionate Pursuit for Agile Systems

An astonishing track record of on-time product releases ensures a dramatic change for Persistent Systems

In 2006, Covad Communications, a North American voice and data communication provider, was looking to improve the on-time performance of its software delivery. Upon joining Covad, Cornelia Pool, the company's dynamic CIO, redefined the priorities. "Let's make it more agile, and let's focus on how to provide systems that simply work."

As part of that initiative, Covad chose to team with Pune-based Persistent Systems. Niraj Nadkar, an account manager at Persistent, gives his view of the challenge. "Covad had fallen into all the traps of a typical 'waterfall' delivery model. Individual parts could not be released till the entire product was ready. A single flaw would send the whole release off schedule."

Covad's partnership with Persistent was based on improved communications, a deeper knowledge base and firm expectations, with clear metrics and exit criteria - all intended with the goal of achieving higher productivity. Developers were encouraged to create solutions from fresh points of view that fostered innovation. This approach helped build confidence. "We knew that we needed to change not only our environment but the culture of both teams," remarks Pool. "We have redefined the vendor relationship and recognise Persistent is a key ingredient to Covad's success."

The partnership has yielded tremendous returns. Covad's agile software initiative enabled the company to decrease its IT spend by approximately 50 percent over three years. By 2008, availability of systems was consistently at 99.9 percent. The release cycle was reduced to just six weeks. Surveys revealed greater customer satisfaction. Covad is now about to complete its 25th on-time release.

Partnering with Covad for on-time Production Releases

Nature of vertical :
- Telecom

Identified the requirement :
- Understood Covad's need for a partner who had the technical depth, ability to adapt to processes and deliver time-bound releases.

Supplied the solutions :
- Persistent Systems fulfilled the initial engagement quickly and Covad entrusted many products including BOSS, NOSS and QA.
- Redesigned the 'Scrum model' where Covad partnered with Persistent to achieve streamlining of processes that ensured speedy 'go-to-market'.

Advantages created for Covad :
- One new product release every 6-7 weeks. Consistent success for three years has earned the company high regard among customers.
- Partnered in migrating legacy and licensed applications to open source to save costs. Substantial saving in software maintenance.

Gains achieved by Persistent Systems :
- Dramatic change in relationship – from provider of services to ownership of applications in all areas of product life cycle from Business Analysis to Application Support.

Usability of the solution in other industries and services :
- Innovations engineered for Covad proved a spark for expansion.
- Persistent Systems now has 40+ customers in the telecom sector.
- Installed a streamlined operation that is usable for all systems that require enterprise architecture, open source and virtualisation.

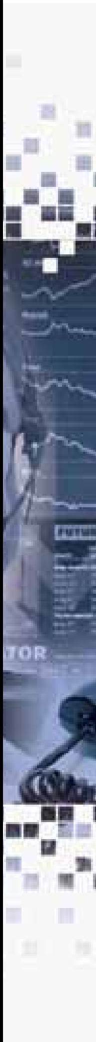
Diversification possibilities created by project success :
- Expanded its reach into several of Covad's key areas. Growth in application systems now covers retail and wholesale domains.
- Operational control in several new areas including business analysis, application support, release management.

Achievement :
- 24 on-time product releases over the last three years, without a single slip in schedule. An exceptional track record of success.
- End-to-end ownership and successful handling of additional responsibilities.

PERSISTENT

"The most challenging job was delivering consecutive releases for end customers that always work. It required a complex piece of engineering, involving understanding the technology side of the problems, stabilising it and fine-tuning the hybrid SCRUM process."

- Niraj Nadkar
Account Manager



Management Discussion and Analysis

Business overview

Following discussion and analysis should be read in conjunction with Persistent Systems Limited's financial statements included in this report. Our management accepts responsibility for the integrity and objectivity of these financial statements. The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, so that the financial statements reflect in a true and fair manner the form and substance of translations, and reasonably present our state of affairs, profits and cash flow for the year.

1. Industry structure and developments

Software Products and services have undergone a shift due to change in economic and business conditions. These changes have made the market more competitive, this is driving enterprises to transform their operations. Reducing time to market and building Innovative products are in demand. To ensure these needs are addressed, companies are focusing on their core competencies and are using outsourced product development / service providers to help improve productivity, develop new products, sustain older products, conduct research and development, and reduce business risk.

To be competitive, enterprises have deployed multiple IT solutions. Integrating them together has created a need for niche service providers which would provide quick solutions keeping in mind the complexity, cost and associated risk.

A. Need for Innovative solutions

Today's business climate will require all businesses, in all industries, in all countries, to review their business models carefully. Innovative and disruptive changes will take place in current business climate. IT departments will be expected to use technology to improve business efficiency and operate at much lower cost base with high level of service. Successful businesses plan to innovate and evolve efficient business models that are resilient in constrained environments.

B. Keeping it agile

Quick time to market and making solutions more useful for the end-consumer is getting critical. Companies are looking for agile approaches that require their technology service providers to develop quick features and assess the feasibility much early in the lifecycle. This has to be executed keeping it cost-effective.

C. Distributed delivery model

Enterprises are looking for more cost effective and eventually profitable delivery models. They are looking at models where a small team remains at their site to manage project coordination and address change in requirements as the project progresses. They provide access to internal systems enabling simultaneous processing in our global development centers.

Processes

Robust and Customizable Processes:

Persistent Systems develops products / applications for a wide variety of customers, ranging from Fortune 100 customers, SMB, to startups. Each of these customers need high quality deliverables to be released on-time. Any failure in delivery, quality, timelines and product features could adversely affect our customers' own business roadmap. If the customer already has proven and mandated processes they use, we adopt them for their projects. If the customer processes are weak or have gaps, we use Persistent processes which are proven in many projects. With over 19 years of experience and knowledgebase, we have created robust development and delivery processes. Our central quality function conducts quality audits across projects, training on quality standards, best practices, and collection of quality specific metrics. In addition, we have a strong focus on automation which reduces the human dependencies and improves code quality. We also have a corporate architecture review board to ensure the architecture of the solution supports both, the customer's short term and long terms goals. This helps customers to rely on us to deliver quality products.

Proactively understanding customer requirements:

Typically products and/or applications undergo a development lifecycle (ideation through end-of-life). Understanding our customer's products intimately helps us proactively develop solutions which would help them launch cutting edge solutions quickly. With Go-To-Live framework, we enable startup companies / projects with faster time to market giving them an edge over competition. Solution accelerators (e.g. customizable frameworks and tools developed by Persistent) are deployed for quick deployment and integration. Matured products need sustenance efforts to provide the end-customer with same level of support. With intuitive business models we are supporting products which have matured through the lifecycle.

Security infrastructure

In many of our customer projects, the IP is owned by customers. Ensuring security of our customer's assets (hardware and IP) is of utmost importance. Significant investments have been made to ensure the customer, employee and partners are aware of our security policy and processes. All the security and access requirements from physical access, logical or physical network isolations or web filters, are strictly followed. We have been awarded ISO 27000 certificate for security infrastructure. Investment in physical infrastructure has been made keeping in mind the growth and its affect on environment. We have initiated a Green Persistent Movement which goes across our infrastructure to individual employees.

HR Initiatives

The Company's Management addressed every individual of the Company to apprise them of market trends and the direction that the global economy was taking and its impact on your Company. To boost morale, the Company initiated an assessment center to address career growth, and aspiration tracking.

As the global economy deteriorated, it was felt that growth initiatives in the form of investment of resource time on developing new technologies and skills, which could be initiated in developing new skills and tools for helping customers grow when the economy stabilized and moved on to growth. This would help employees address their personal growth needs and present the company with assets for future growth.

Financial position and results of operations

The following discussion is based on the audited, consolidated, financial statements of Persistent Systems Limited (the Company), and its four subsidiaries namely Persistent eBusiness Solutions Limited, Persistent Systems, Inc., Persistent Systems Pte. Limited and Persistent Systems and Solutions Limited. In this report, the Company and its subsidiaries collectively have been referred as "the Group", the financial year 2008-09 has been referred as "the year" and the financial year 2007-08 has been referred as "the previous year".

Stock options outstanding

The outstanding stock options relate to differences between fair value and grant price of shares arising out of options granted to employees during the year is amortised over the vesting period of options.

Reserves and surplus

The balance in the foreign currency translation reserve increased to Rs. 16.60 Million as at March 31, 2009 from Rs. (5.92) Million as at March 31, 2008, due to a translation gain of Rs. 22.52 Million arising during the year on the net investment in the non-integral, foreign subsidiary companies.

Fixed assets

Gross block of fixed assets amounted to Rs. 3,372.42 Million as at March 31, 2009 as against Rs. 2,928.37 Million as at March 31, 2008.

Capital work-in-progress (including capital advances) stood at Rs. 377.44 Million as at March 31, 2009 as against Rs. 330.75 Million as at March 31, 2008.

The following table provides details of assets added during the year (In Rs. Million)

Particulars	Financial year 2008-09
Lease-hold Land	0.95
Building	185.95
Computers	120.03
Software	10.26
Plant and machinery	90.15
Vehicle	2.24
Furniture and fixtures	47.01
	456.59

During the year, the Company disposed off / retired assets worth Rs. 14.73 Million comprising of plant and machinery, computer equipment, furniture, fixture and software.

Investment

The Company deploys its surplus funds generated from operations in liquid schemes, short term schemes and fixed maturity plans of selected mutual funds with a view to optimise returns on investment. Investment in mutual funds increased to Rs. 871.09 Million as at March 31, 2009 from Rs. 691.35 Million as at March 31, 2008. The market value of investment in mutual funds as at March 31, 2009 was Rs. 871.09 Million as against Rs. 692.38 Million as at March 31, 2008.

Deferred tax assets (Net)

Deferred tax assets (net of deferred tax liability) amounted to Rs. 20.47 Million as at March 31, 2009 as compared to deferred tax liability of Rs. 2.55 Million as at March 31, 2008.

The increase in deferred tax liability was mainly due to timing difference in relation to depreciation on building as per tax and as per the Companies Act, 1956.

Sundry debtors

Sundry Debtors (net of provisions) amounted to Rs. 1,034.21 Million as at March 31, 2009 as compared to Rs. 744.89 Million as at March 31, 2008.

The following table provides the age-wise analysis of Sundry Debtors (Net of provision for doubtful debts) as on March 31, 2009

(In Rs. Million except percentage)

Particulars	As at March 31, 2009	%
Not due	455.74	44.07
Due < 30 days	110.76	10.71
Due 30 – 60 days	363.44	35.14
Due 61 – 90 days	54.19	5.24
Due 91 – 120 days	0.82	0.08
Due over 120 days	49.26	4.76
	1,034.21	100.00

The Company has a policy of providing for all invoices outstanding for a period of 180 days or more and for those invoices which are otherwise considered doubtful based on the management's perception of risk of collection.

Provision for bad and doubtful debts as at March 31, 2009 increased to Rs. 153.40 Million from Rs. 41.68 Million as at March 31, 2008. This was on account of general deterioration of the global economy, which led to higher delinquencies.

Expenditure towards bad and doubtful debts during the year amounted to 1.89% of revenue of the year as compared to 0.55% in the previous year.

Cash and bank balances

Cash and bank balances amounted to Rs. 165.39 Million as at March 31, 2009 as compared to Rs. 113.16 Million as at March 31, 2008. This comprised mainly balances in the current accounts and deposit accounts of the banks in India and abroad and the balance held in the Exchange Earners Foreign Currency (EEFC) Accounts in India.

(In Rs. Million)

Particulars	Financial year 2008-09	Financial year 2007-08
Bank of Tokyo - Mitsubishi - NS, Japan	0.65	0.29
Bank of America	0.31	0.26
Silicon Valley Bank	67.01	43.23
Citibank NA - Singapore	11.48	4.27
Citibank NA - Canada	7.28	-
Cash in hand	0.13	0.12
Balance with scheduled banks on current accounts	76.32	60.88
Balance with scheduled banks on deposit accounts	2.21	4.11
	165.39	113.16

Other current assets

Other current assets as at March 31, 2009 amounted to Rs. 130.27 Million as compared to Rs. 89.39 Million as at March 31, 2008. The following table shows comparative position of the other current assets as at last two balance sheet dates.

(In Rs. Million)

Particulars	Financial year 2008-09	Financial year 2007-08
Income accrued	0.14	0.13
Unbilled revenue	128.92	89.26
Fixed assets held for sale	1.21	-
	130.27	89.39

Income accrued signifies interest accrued but not due on deposits with banks.

Unbilled revenue represents revenue recognised for work done (but not billed until the balance sheet date) in relation to certain customer contracts as per terms of the contract.

Loans and advances

Loans and advances amounted to Rs. 453.95 Million as at March 31, 2009 as compared to Rs. 403.11 Million as at March 31, 2008. The following table provides details of significant changes in loans and advances under different heads.

(In Rs. Million)

Particulars	Financial year 2008-09	Financial year 2007-08
Advance to PSPL ESOP Management Trust	153.83	158.33
Advance income tax	37.83	4.83
Advance recoverable in cash or in kind or for value to be received	45.72	105.45
Value Added Tax (VAT) receivable and service tax receivable	58.36	22.40
MAT credit entitlement	132.44	89.44
Deposits (Net of provision)	25.77	22.66
	453.95	403.11

The reduction in advance to the PSPL ESOP Management Trust was due to repayment of the advance amounting to Rs. 4.50 Million by the PSPL ESOP Management Trust. Advance recoverable in cash or in kind or for value to be received related to prepaid expenses and other advances in ordinary course of business. VAT receivable represents amounts that can be claimed as refund as per VAT rules. Minimum Alternative Tax (MAT) credit entitlement shows amount paid by the Company towards MAT in excess of its normal income tax liability, which can be set off against future tax liability.

Current liabilities

Current liabilities amounted to Rs. 567.90 Million as at March 31, 2009 as compared to Rs. 562.22 Million as at March 31, 2008. The following table provides details of significant changes in current liabilities under different heads.

(In Rs. Million)

Particulars	Financial year 2008-09	Financial year 2007-08
Advance from customers	71.29	3.89
Sundry creditors	140.25	244.21
Unearned revenue	39.52	16.18
Accrued employee liabilities	276.14	201.31
Unpaid dividend	3.59	-
Unpaid tax on dividend	2.44	-
Other liabilities	34.67	96.63
	567.90	562.22

Increase in sundry creditors and other liabilities were in line with the general growth of business. Accrued employee liabilities comprised outstanding amount towards employee performance bonus, leave travel assistance and superannuation and increase was mainly due to growth in the number of employees and deferral of bonus payment.

Provisions

Provisions amounted to Rs. 345.83 Million as at March 31, 2009 as compared to Rs. 159.14 Million as at March 31, 2008. Following table provides details of significant changes in provisions under different heads.

(In Rs. Million)

Particulars	Financial year 2008-09	Financial year 2007-08
Gratuity	2.11	30.43
Leave encashment	103.73	76.79
Provision for long term benefits	61.22	36.19
Provision for fringe benefit tax	2.86	2.54
Provision for derivative contracts	175.91	13.19
	345.83	159.14

During the year, the Company recognised additional liability towards long service awards payable to employees on an actuarial basis in accordance with AS-15. The total liability as on March 31, 2009 is Rs. 61.22 Million.

Provision for derivative contracts relates to mark to market loss recognised on outstanding forward and option contracts as on March 31, 2009 (Refer note 3H(v) to schedule 15 of notes to accounts).

Income

The Company is engaged in providing Outsourced Product Development Services to the Independent Software Vendors (ISVs) and Enterprises. The Company derives a significant portion of its revenues from export of software services and products.

During the year, the revenue of the Group increased by 20.90% from USD 105.81 Million to USD 127.84 Million. However, due to sharp depreciation of INR against USD during the year, the revene in INR recorded 39.77% increase as shown in the table below.

The business environment was affected due to the crises in the global financial market in the middle of Financial year 2008-09. This has lead to a clients business getting impacted and growth tapering off in the short run.

(In Rs. Million except percentage)

Particulars	Financial year 2008-09	Financial year 2007-08	Change %
Software services and products (Export)	5,752.10	4,155.82	38.41
Software services and products (Domestic)	186.21	92.68	100.92
Total revenue	5,938.31	4,248.50	39.77

Revenue from domestic sources includes revenue derived from India development centres of Multi-National companies (MNCs) engaged in software product development.

Reimbursement of expenses includes travel and other expenses reimbursed by our customers as per contractual terms.

During the year, share of revenue from North America declined and revenue from Europe and Asia-Pacific increased as shown in the following table.

Region	Financial year 2008-09 %	Financial year 2007-08 %
North-America	87.33	87.62
Europe	8.63	8.70
Asia-Pacific	3.98	3.68
Australia	0.06	-
	100	100

Other income

Other Income reflects income from dividend, interest, sale of asset, foreign exchange.

Our Policy allows us to invest in certain low risk, stable investment avenues, which limits our exposure to individual funds.

The other income decreased to Rs. 68.53 Million during the year, as compared to Rs. 269.39 Million in the previous year mainly on account of exchange gain in the previous year. The following table shows details of significant changes in other income under different head.

(In Rs. Million)

Particulars	Financial year 2008-09	Financial year 2007-08
Income from investment of funds	45.05	26.44
Foreign exchange gain (net)	-	221.54
Profit on sale of assets	14.93	1.05
Provision for doubtful debts written back	0.34	14.87
Miscellaneous income	8.11	5.45
Provision for doubtful deposit written back	0.10	-
	68.53	269.35

Personnel expenses

Personnel Expenses for the year amounted to Rs. 3,324.25 Million, as compared to Rs. 2,711.45 Million for the previous year, recording an increased of 22.60% growth. However, as a percentage of total income, these expenses decreased by 4.68% on an overall basis, as shown in the following table.

(In Rs. Million except percentage)

Particulars	Financial year 2008-09	Financial year 2007-08	Change %
Salary and allowances	3,014.09	2,398.67	25.66
Software professional charges	91.93	83.03	10.72
Contribution to provident fund	79.68	62.98	26.52
Gratuity expenses	2.00	27.70	(92.78)
Contribution to other funds	22.32	58.35	(61.75)
Staff welfare and benefits	99.40	74.83	(32.83)
Employee compensation charges	14.83	5.89	151.78
	3,324.25	2,711.45	22.60
Percentage of total income	55.34%	60.02%	

Reasons for an increase in personnel expenses are as below:

1. While the headcount of the Group increased from 3,867 to 4,209 during the year, the number of employees working in the USA decreased from 138 to 107.
2. During the year, salary structure was revised effective April 2008.
3. The Company strengthened its sales and marketing team by including senior personnel in the USA and Europe.
4. Long service benefit cost reduced, due to higher interest rate and consequent change to fair value.

However, relatively speaking, personnel cost, as a percentage of revenue reduced, on account of a rationalization drive, to address the issue which arose on account of the global size:

1. Salaries where marginally reduced, to enable the Company to control cost.
2. Variable pay was affected, as certain target could not be met.
3. The reduction was progressive in nature, with higher echelons, bearing a higher ratio of reduction.

Operating and other expenses

Operating and other expenses for the year amounted to Rs. 1,700.52 Million as compared to Rs. 637.24 Million in the previous year recording an overall increase of 166.86%. However, as a percentage of total revenue, the expenses increased by 14.21% in comparison to the previous year, mainly due to operating leverage arising from volumes growth and reduction in expenses under some heads as shown in the table below

(In Rs. Million except percentage)

Particulars	Financial year 2008-09	Financial year 2007-08	Change %
Traveling and conveyance	236.14	230.92	2.26
Electricity and fuel	63.61	62.74	1.39
Foreign Exchange Loss	711.24	-	N.A.
Software support charges	93.64	26.99	246.94
Provision for doubtful debts including bad debts	112.30	23.39	380.12
Rent	31.86	17.93	77.69
Insurance	11.45	11.89	(3.70)
Rates, fees and professional tax	12.69	18.28	(30.58)
Exchange loss on derivative contracts	162.72	13.19	1133.66
Other expenses	264.87	231.91	14.21
	1,700.52	637.24	166.86
Percentage of total income	28.31%	14.10%	

Of the above, some expense heads contributing to higher cost are explained below

1. Foreign exchange represents the impact of past forward cover. We hedge through the use of foreign exchange contract, to mitigate the impact of volatability in the exchange rates. During the year the sudden change in the global economic environment, led to a negative impact on such forward covers.
2. Software support charges, represents additional cost of software license maintenance on account of higher manpower number.
3. Provision for doubtful debts represents an additional provision as per the company policies consequent to the impact of the global financial crises, which led to delay in payment by client.

Earnings before interest, depreciation and tax (EBIDTA)

During the year, the Company earned an EBIDTA of Rs. 982.07 Million representing 16.00% decreased over EBIDTA of Rs. 1169.16 Million during the previous year. The EBIDTA margin for the year is 16.35% as compared to 25.88% in the previous year.

The Company enjoyed debt free status during the year. As a result, there was no interest expense during the year.

Depreciation

Depreciation charge for the year amounted to Rs. 296.77 Million as compared to Rs. 279.99 Million in the previous year showing an increase of 5.99%. The increase is mainly due to addition of fixed assets amounting to Rs. 456.59 Million during the year.

Depreciation as percentage to total income declined to 4.94% in the current year as compared to 6.20 % in the previous year. The Company follows the straight-line method (SLM) of depreciation. Depreciation rates followed by the Company are based on the useful lives of the assets as estimated by the Management and are higher than the rates prescribed in the Schedule IV of the Companies Act as shown in the table below

Asset	Depreciation rates followed by the Company	Depreciation rates as per Schedule XIV
Computers	33.33%	16.21%
Software	33.33%	16.21%
Electrical installations and other equipments	20%	4.75%
Air conditioners	20%	4.75%
Furniture and fixtures	20%	6.33%
Vehicles	20%	9.50%
Building	4%	1.63%

Provision for tax

Tax expense comprised current tax, deferred tax and fringe benefit tax.

The Company is entitled to tax holiday under Section 10A of Income Tax Act, 1961 in respect of its software development centers registered under the Software Technology Park of India (STPI) Scheme. A substantial portion of the profits of the Company is, therefore exempt from Income tax.

With effect from April 1, 2007, the Company was exposed to the Minimum Alternative Tax (MAT) on its book profits as per provisions of section 115JB of the Income Tax Act, 1961. However the Company is entitled to claim set-off against future tax liability of an amount equal to excess of MAT paid over actual income-tax liability for the year.

The provision for tax for the year amounted to Rs. 64.94 Million including provision for tax of Rs. 0.19 Million for prior period tax. However, the MAT credit available against future tax liability amounted to Rs. 43.00 Million. The net income tax liability for the year amounted to Rs. 22.13 Million as against Rs. 9.26 Million for the previous year. The deferred tax credit for the year was Rs. 23.02 Million as against deferred tax charge of Rs. 1.99 Million for the previous year.

The Company made a provision of Rs. 10.54 Million during the year as compared to Rs. 11.0 Million during the previous year towards Fringe Benefit Tax (FBT) payable on the value of benefits provided and/or deemed to have been provided to its employees.

Total tax expense for the year amounted to Rs. 9.65 Million as compared to Rs. 22.25 Million for the previous year. As a proportion of total income, tax expense for the year declined to 0.16% from 0.49% for the previous year.

Net profit after tax and before exceptional and prior period items

The net profit after tax and before exceptional and prior period items for the year amounted to Rs. 675.65 Million as compared to the net profit of Rs. 866.92 Million for the previous year recording decline of 22.06%. The net profit margin for the year was at 11.25% as compared to 19.19% in the previous year. The decrease in net profit margin of 7.94% is on account of the effective foreign exchange loss, incurred due to the sudden depreciation of the Rupee against the US Dollars, consequent to the global financial crises.

Exceptional and prior period items

The Company deferred its Initial Public Offer (IPO), which was planned during the year, due to adverse market sentiments which was a result of the unprecedented crisis in the world's financial markets. As a result, the Company decided to write-off expenses of Rs. 14.73 Million incurred for the purpose of share issue.

Net profit after exceptional and prior period items

The Company's net profit after tax, exceptional and prior period items decreased to Rs. 660.92 Million in the year from Rs. 831.74 Million in the previous year recording decline of 20.54%. The net profit margin as a percentage of total income was 11.00% in the year as compared to 18.41 % in the previous year.

Dividend

During the year, the Company paid two interim dividends amounting to Rs. 35.86 Million as against Rs. 43.03 Million in the previous year. Dividend distribution tax paid on interim dividend during the year amounted to Rs. 6.09 Million as compared to Rs. 7.31 Million during the previous year.

CUSTOMER SPEAK

APPLIED IDENTITY

"For AI, productivity has been a major benefit gained from the Persistent relationship. The company was able to improve its time to market by 75 percent, gaining valuable market share at a much faster rate.

The rule of thumb with offshore developers has typically been that it takes three external team members to achieve what one in-house engineer can do. But with Persistent Systems, it's been pretty close to one to one. In essence, I'm getting results at a fourth of what it would cost in the U.S."

Rolf O'Grady
VP - Technical Services & Engineering,
Applied Identity

Report on Risk Management

Objective

The objective of the Company's Risk Management Policy is to help the Company identify present and potential risks faced by it and to optimise its risk management strategies. This helps the Company in identification, assessment, measurement, monitoring, mitigation and reporting of all risks associated with the activities conducted by the Company.

Structure

The Operating Management of the Company has the primary responsibility to operate the Company in a manner consistent within the parameters set by the Board of Directors. Operating Management utilises both, formal and informal monitoring tools. Formal risk management processes include management level committees, policies and functional meetings.

The Operating Management reports to the Board through the Audit committee, in relation to Risk Management processes.

Risk Management process

Risk Management is a continuous interplay of actions towards identifying emerging risks and provide mitigation solutions across the Company. Risk Management perceptions are dynamic, evolving with business conditions, which are constantly changing. The risk management process of the Company aims at providing reasonable assurance regarding achievement of the Company's objectives, by enabling appropriate measures to mitigate risks.

The Company's Risk Management process endeavours to

1 Identify, assess and escalate new risks impacting the objectives of the Company;
2. Define measures to respond to the new risks effectively;
3. Monitor movement (if any) in the existing risks;
4. Assess existing risk management measures; and
5. Report risks and risk management measures to the Board of Directors on a periodic basis.

Risk identification

The risks which are critical to the Company's business are grouped into following categories

Business model related risks	Financial risks	Operational risks	Legal risks
Geographical concentration risk	Foreign currency fluctuations	Technology obsolescence	Information security
Segment concentration	Collection from debtors (client default risk)	Planning risk	Intellectual property protection
Competitive environment	Changes in accounting rules and taxation laws	Business continuity and disaster recovery	Contractual compliance
Lack of visibility of business			Immigration laws

1. Risks related to the business model

A. Geographical concentration

As a large proportion of the Company's clients are located in USA, a significant proportion of the Company's revenue is derived from USA. This geographic concentration exposes the Company to macro-economic and political risks related to USA.

The Company is concentrating on business opportunities from new geographical areas like Canada, The Netherlands and Singapore. The Company is also exploring the Europe, Middle East and Africa (EMEA) region and has built regional sales teams to focus on business from these geographies.

The following table shows the geographical break-up of revenue of the last three years

Region	Financial year 2008-09	Financial year 2007-08	Financial year 2006-07
North America	87.27%	87.62%	92.30%
Europe	8.64%	8.70%	6.35%
Asia-Pacific	4.09%	3.68%	1.35%
	100%	100%	100%

B. Segment concentration

The Company is predominantly engaged in providing Outsourced Product Development services to the Independent Software Vendors (ISVs) and Enterprises. Therefore, a large proportion of the Company's business is derived from the ISV segment. High dependence on a single business segment exposes the Company to the business cycles and risks inherent to that segment.

The Company has re-organised its business units with a view to increase focus on new domains and enhanced service offerings to enterprise customers. The Company is also planning to acquire a breadth of competencies using various strategic options.

The following table shows share of revenue from different business units during the last three years

Segment	Financial year 2008-09	Financial year 2007-08	Financial year 2006-07
ISVs	49.49%	51.20%	59.13%
Telecom	20.90%	25.57%	27.42%
Enterprise & others	29.61%	23.23%	13.45%
	100%	100%	100%

C. Competitive environment

The Company faces competition from Indian software companies, captive development centers of Multi-National Companies and software companies from emerging regions such as China, Russia and East Europe.

The Company tracks competing enterprises on a regular and systematic basis. The Company has also taken measures for promoting client loyalty by delivering value for money, conducting regular client satisfaction surveys and enhancing brand awareness through marketing initiatives. The Company has hired senior sales personnel with experience and networks in the target segments. The sales organisation has also been restructured and staffed to pay special attention to large and non-linear deals.

The Company has also set up an Advisory Council consisting senior and influential business people who can help the Company to explore and address large opportunities.

D. Lack of visibility of business

Our customers may face uncertainty, due the current global economic slowdown. This could have a cascading impact on our growth plans.

Our strong relationships with our clients and experience in providing end-to-end solutions and services will encourage our clients in partnering their growth with us and in the process give us greater visibility to their future direction. The Company is also investing in new technologies / offerings, which will expand our capability to address a wider set of client needs and hence expand our client base.

2. Financial risks

A. Foreign currency fluctuations

A substantial proportion of the Company's revenue is in US Dollars, whereas, a large part of its expenditure is incurred in Indian Rupees. The Company is, therefore, exposed to the risk of adverse changes in exchange rate between US Dollar and Indian Rupee.

The Company has taken the following measures to mitigate the currency risk

i. The Company has adopted a policy to hedge its cash flow from exports in a systematic manner, using a defined set of rules and using plain vanilla instruments.

ii. The approach to managing foreign exchange risk, is to limit the impact of adverse movements in the foreign exchange markets, while retaining some part of the opportunity.

iii. This is done through a defined stop-loss mechanism as well as defined net open positions mechanism.

iv. The Company also constantly reviews revenue flows through internal meetings.

v. There is great focus on collections, leading to improved estimation of flows.

B. Collection from debtors (client default risk)

This risk is the possible inability to collect from client or delays in collection of the Company's dues. This may occur due to reasons, such as adverse impact of the economic situation on clients, lack of bank finance due to de-leveraging, or clients business being under stress.

The Company is focused on constant follow-up and feedback to the sales and delivery teams on the outstanding positions. The Company has also aligned individual incentives with collection focus. In addition, clients are reviewed for credit-worthiness at the inception of contracts, to define the level of credit that should be allowed to clients.

C. Changes in accounting rules and taxation laws

Accounting rules and fiscal laws are undergoing a change. We are moving towards new Accounting paradigms and Accounting Standards are getting amended. Similarly, fiscal laws are also undergoing structural changes and this could lead to a change in the tax related benefits that the Company may have enjoyed.

Such changes could lead to an adverse impact on the way financials are reported and in case of inadequate appreciaton of such changes, can adversely affect reported financial figures.

Changes in fiscal laws could lead to the loss of benefits and lead to a higher tax outgo.

The Company has invested in systems to ensure a review and analysis of latest changes in both accounting pronouncements and changes in taxation. The Operating Management reviews such changes with the Audit Committee and the Board, with the intention of addressing changes appropriately and efficiently.

3. Operational risks

A. Technology obsolescence

The Company operates in the area of advanced technology domains which are subject to continuous innovations. Hence, the Company is vulnerable to risk of technology obsolescence.

The Company has set up a center of excellence which tracks new technologies relevant to the Company's business. The Company makes significant investments in state of art technologies and tools for software development, testing and quality analysis.

B. Planning risk

There is a possibility of inaccuracy in planning for project execution or difficulty in planning for resource requirements with changing business needs. This can be because of creating capacity (staff & infrastructure) too far in advance of business growth or setting targets too aggressively.

The Company sets top down targets in the context of bottom up forecasts from account managers. Operational plans are modified in line with monthly and quarterly tracking of existing and new business achievement against the targets set. The Company proposes to innovate and devise new ways of keeping costs in line with the business growth such as relying more on rented facilities and contract workers to provide for short term business variations, linking employee compensation with project allocation, etc.

C. Business continuity and disaster recovery

The possibility that valuable assets could be damaged due to natural disasters like earthquakes, cyclones or man-made disasters like a terrorist strike.

The Company has implemented strong systems and processes for physical and network security, back-ups of data across different locations and disaster recovery as a part of the framework provided by BS ISO/IEC 27001:2005.

4. Legal risks

A. Information security

The risk of issues like loss of client data confidentiality, chances of IP contamination, possibility of use of illegal code, access to customer servers leading to misuse / loss of confidential data and loss of critical data due to inadequate backup mechanism.

The Company has strict policies and control mechanisms in place to tackle these problems. A process of classification of confidential data is in existence and appropriate baseline control processes for storage are in place like usage of repositories, restrictions on sharing, etc. Mobile computing devices are provided to restricted people with appropriate education for usage and a process of awareness creation is in place regarding security of mobile computing devices like Laptops. External storage devices are strictly prohibited in the Company. Data backup infrastructure has been refreshed and upgraded during the financial year 2008-09 at all locations.

B. Intellectual property protection

Information security and protection of Intellectual Property (IP) assume vital significance in the Company's business. Information security covers a wide range of computer and physical security issues, social engineering attacks and privacy concerns.

The Company has adopted the framework provided by BS ISO/IEC 27001:2005 and BS ISO/IEC 17799:2005 for building information security into normal business processes and has been awarded certification by DNV for successful implementation of those standards.

C. Contractual compliance

Product development companies are exposed to legal risks which could arise from violation of intellectual property rights, leakage of confidentiality information and non-performance of the contractual obligations.

The Company has established a strong process for legal review of all contracts and documentation. As a matter of policy, the Company does not accept any open ended liability for non-performance of contracts. The Company has taken a comprehensive insurance policy to cover possible risks arising from errors and omissions and commercial general liability.

D. Immigration laws

The Company's business requires deputation of employees on overseas assignments which require appropriate visas to work in foreign countries. Any restrictions imposed on visas by foreign countries, especially by USA, may have adverse impact on the business of the Company.

Due to an offshore-centric delivery model, the Company has limited exposure to risks related to visa restrictions in foreign jurisdictions. The Company avails advice of reputed legal counsels and immigration experts to track changes and ensure compliances in visa / immigration related matters.

Partnership is about focusing on core competence to earn the highest returns

A company may be a guru in its area of specialisation, yet a technical hitch can upset its delivery schedule. It is wise for the company to find a partner who can solve the problem, thus keeping itself free to focus on its principal work. Here is the story of Persistent Systems' collaboration with one of the big daddies of data warehousing.

Helping Gurus of Data Warehousing

Long-term customers become trusting partners : Persistent Systems scores in core domain

As vice-president of a US-based data warehousing giant, Ralph Norton had a job to finish. He had just been informed that India operations were lagging behind. The analysts at headquarters showed him data that indicated low performance. Norton had joined the company recently and wanted to get results. So he decided to make an evaluation for himself. The flight from Miami to Mumbai had been long, and Norton was tired. So he made no attempt to hide his body language. "How on earth are you kids going to deliver the job?" he scowled at the team who had come to meet him. Their average age was just 25.

But the boys exhibited a quiet confidence. "The data you received has been somehow misrepresented. Give us a specific job, and then judge our competence," they said. Norton was impressed. He was a tough man, just like the sport he played, American football. And he also liked to play fair. So he set up one-on-one meetings, to find the root of the problem.

By the fourth day of review, Norton got the real picture. The team at Persistent Systems had been evaluated on a wrong set of parameters. It was like testing a marathon runner for his speed in 100 meters sprint. So Norton decided to give the youngsters a chance. "Listen guys, we are swamped with an ever growing bug backlog. Right now it stands near 300. If you can bring it down to half in six months, we'll give you the new development job".

Ralph Norton did not know it then, but he was laying the foundation for a renewed partnership between the two companies. Within three months, the backlog was no longer growing. Within six months it had dropped to less than 150 ! This was in addition to attending to bugs filed in each month. Not surprisingly, next year, the company commissioned its India-based partner a load of development work. But the real surprise was Norton's letter to the Persistent CMD. "The team you put on our project looked really young. We sure had doubts. But they proved us wrong. They were quick and clear. We like that spirit."

Addressing data warehouse needs - sustained achievement

Nature of vertical :
- Data Warehousing

Identified the requirement :
- Applications need to talk through an interface with any database, and a recurrent problem was the presence of a bug in the standard drivers used for this interface.

Supplied the solutions :
- The team at Persistent Systems completely removed the bug that had jinxed the ODBC / JDBC standard drivers, within six months.
- Persistent has been attending to all outsourced business needs emanating from the US-based company for a decade.

Advantages created for the customer :
- Made available a specialised engineering arm that offered consistent support.
- Relieved the customer personnel to look after their core competence area, viz. data warehousing.

Gains achieved by Persistent Systems :
- Five-fold increase in personnel employed for customer-linked projects, over a period of five years.
- Uninterrupted growth in business with the giant partner, for over a decade.
- Close collaboration and multi-level relationship ensures growing business, even if executives relocate.

Usability of the solution in other industries and services :
- Speedy and sustained solutions, like the debugging of standard drivers, brought in a bouquet of smaller clients.

Diversification possibilities created by project success :
- Persistent Systems is now well-primed to cater to customers who may require Development or Technical Support related to data warehousing, as well as QA.

Achievement :
- Successful 'bug busting' operations by the young Persistent team rubbished the myth that this critical requirement can be met only by 'senior' personnel. It also underscored niche competence.

Awards :
- Mention of the customer on the websites of big boys in node computing and data storage, indirectly implies recognition for Persistent Systems, as its sole OSPD partner.

PERSISTENT

“The data warehouse man looked at our team with some doubt. He felt the members were too young. After three successes, the anxiety disappeared in the light of our efficiency. Today, the customer does not even question the resume of any person we select.”

- Ajay Divekar
Account Manager

Auditors' Report on Financial Statements

To
The Members of Persistent Systems Limited

1. We S.R. Batliboi & Co. Chartered Accountants ("SRB") and Joshi Apte & Co. ("JACO") Chartered Accountants (collectively referred to as "Joint Auditors") have audited the accompanying balance sheet of Persistent Systems Limited (the Company) as at March 31, 2009 and also the profit and loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to above, we report that:

   i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

   ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

   iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;

   iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956; and

   v. On the basis of the written representations received from the directors, as on March 31, 2009, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

   vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

      a. in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2009;

      b. in the case of the profit and loss account, of the profit for the year ended on that date; and

      c. in the case of cash flow statement, of the cash flows for the year ended on that date.

For JOSHI APTE & Co.
Chartered Accountants

C. K. Joshi
Partner
Membership No.: 30428
Place : Pune
Date : June 23, 2009

For S. R. BATLIBOI & Co.
Chartered Accountants

per Arvind Sethi
Partner
Membership No.: 89802
Place : Pune
Date : June 23, 2009

Annexure referred to in paragraph 3 of our report of even date

Re : Persistent Systems Limited

i a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

b. Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.

c. There was no substantial disposal of fixed assets during the year.

ii The Company does not hold any inventory and accordingly sub clauses (a), (b) and (c) to clause (ii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

iii a. As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, sub clauses (b), (c), and (d) of clause 4(iii) of the Order are not applicable to the Company.

e. As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, sub clauses (f) and (g) of clause 4(iii) of the Order are not applicable to the Company.

iv In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and software services. The activities of the Company did not involve purchase of inventory or sale of goods. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.

v Based on the audit procedures applied by us and according to the information and explanations provided by management, we are of the opinion that there are no transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956. Accordingly clause 4(v) (b) of the Companies (Auditor's Report) Order, 2003 (as amended) is not applicable to the Company.

vi The Company has not accepted any deposits from the public.

vii In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

viii To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956 for the services and software products of the Company.

ix a. The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.

b. According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

c. According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows

Name of the statute	Nature of dues	Amount (Rs.)	Period to which the amount relates	Forum where dispute is pending
Finance Act, 1994 (Chapter V)	Annual Maintenance Contracts	1,949,466	Financial Year ended 2007-08	The Superintendent of Central Excise (Service Tax Cell)
Employees State Insurance Corporation	Company's Contribution	4,928,840	Financial Year 2000-01	Sub-Regional Office, Pune

x The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.

xi The Company has not taken any borrowings from banks, financial institutions and has not issued debentures during the year and accordingly, we are not required to comment on default if any, on repayment of borrowings.

xii According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

xiii In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

xiv In respect of dealing / trading in shares, securities, debentures and other investments, in our opinion and according to the information and explanations given to us, proper records have been maintained of the transactions and contracts and timely entries have been made therein. The shares, securities, debentures and other investments have been held by the Company, in its own name.

xv According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.

xvi The Company did not have any term loans outstanding during the year.

xvii According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

xviii The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.

xix The Company did not have any outstanding debentures during the year.

xx The Company has not raised any money through a public issue during the year.

xxi Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For JOSHI APTE & Co.
Chartered Accountants

C. K. Joshi
Partner
Membership No. : 30428
Place : Pune
Date : June 23, 2009

For S. R. BATLIBOI & Co.
Chartered Accountants

per Arvind Sethi
Partner
Membership No. : 89802
Place : Pune
Date : June 23, 2009

CUSTOMER SPEAK

INDIANA UNIVERSITY

This relationship will enable us to leverage Persistent Systems' vast experience and expertise in informatics and the life sciences. Having interaction with high profile companies, including local research and development centers, is greatly beneficial to the School.

We thank the leadership teams of Persistent Systems, IURTC, and the Bloomington Economic Development Corporation for helping to bring this center to IU.

Dr. Robert Schnabel
Dean, Indiana University School of Informatics

Balance Sheet as at March 31, 2009

(In Rs. Million)

	Sch.	As at March 31, 2009	As at March 31, 2008
Sources of funds			
Shareholders' funds			
Share capital	1	358.61	358.61
Stock options outstanding (Refer note 14 to schedule 15)		20.73	5.89
Reserves and surplus	2	3,567.43	3,023.34
		3,946.77	3,387.84
Deferred tax liabilities (net) (Refer note 10 to schedule 15)		-	2.55
		3,946.77	3,390.39
Application of funds			
Fixed assets	3		
Gross block		3,336.67	2,901.49
Less Accumulated depreciation and amortisation		1,543.54	1,260.61
Net block		1,793.13	1,640.88
Capital work-in-progress including capital advances		377.44	330.75
		2,170.57	1,971.63
Investments	4	1,067.01	859.95
Deferred tax assets (net) (Refer note 10 to schedule 15)		16.39	-
Current assets, loans and advances			
Sundry debtors	5	824.19	624.90
Cash and bank balances	6	68.93	60.85
Other current assets	7	117.19	76.07
Loans and advances	8	496.10	406.46
	(A)	1,506.41	1,168.28
Less Current liabilities and provisions			
Current liabilities	9	484.78	460.63
Provisions	10	328.83	148.84
	(B)	813.61	609.47
Net current assets	(A - B)	692.80	558.81
		3,946.77	3,390.39
Notes to accounts	15		

The schedules referred to above and notes to accounts form an integral part of the Balance Sheet.

As per our report of even date

For JOSHI APTE & Co.
Chartered Accountants

C. K. Joshi
Partner
Membership No. 30428
Pune, June 23, 2009

For S. R. BATLIBOI & Co.
Chartered Accountants

per Arvind Sethi
Partner
Membership No. 89802
Pune, June 23, 2009

For and on behalf of the Board of Directors

Dr. Anand Deshpande
Chairman and
Managing Director

S.P. Deshpande
Director

Rajesh Ghonasgi
Chief Financial Officer

Vivek Sadhale
Company Secretary
and Head - Legal

Pune, June 23, 2009

Profit & Loss Account for the year ended March 31, 2009

(In Rs. Million)

	Sch.	For the year ended March 31, 2009	For the year ended March 31, 2008
Income			
Sale of software services and products	11	5,196.91	3,828.77
Other Income	12	73.77	270.10
		5,270.68	4,098.87
Expenditure			
Personnel expenses	13	2,795.76	2,353.94
Operating and other expenses	14	1,567.87	572.66
		4,363.63	2,926.60
Operating profit before depreciation and amortisation		907.05	1,172.27
Depreciation and amortisation	3	294.72	277.97
Profit before tax and exceptional items		612.33	894.30
Provision for tax			
Current tax		63.00	98.45
Less MAT credit entitlement		43.00	89.44
Net current tax		20.00	9.01
Deferred tax charge / (credit)		(18.94)	1.99
Fringe benefit tax		10.50	11.00
Total tax expense		11.56	22.00
Profit after tax and before exceptional items		600.77	872.30
Exceptional items (Refer note 12 to schedule 15)		(14.73)	(35.18)
Profit after tax and exceptional items		586.04	837.12
Balance brought forward from previous year		1,471.02	1,019.14
Profit available for appropriation		2,057.06	1,856.26
Appropriations			
Transfer to general reserve		234.40	334.90
Interim dividend on equity shares		35.86	43.03
Tax on interim dividend on equity shares		6.09	7.31
Surplus carried to Balance Sheet		1,780.71	1,471.02
Earnings per share (Refer note 9 to schedule 15)			
Basic [Nominal value of equity shares Rs. 10 (Previous year Rs. 10)]			
Computed on the basis of earnings including exceptional items		18.34	29.30
Computed on the basis of earnings excluding exceptional items		18.80	30.53
Diluted [Nominal value of equity shares Rs. 10 (Previous year Rs. 10)]			
Computed on the basis of earnings including exceptional items		16.34	23.34
Computed on the basis of earnings excluding exceptional items		16.75	24.33
Notes to accounts	15		

The schedules referred to above and notes to accounts form an integral part of the Profit and Loss Account.

As per our report of even date

For JOSHI APTE & Co.
Chartered Accountants

C. K. Joshi
Partner
Membership No. 30428
Pune, June 23, 2009

For S. R. BATLIBOI & Co.
Chartered Accountants

per Arvind Sethi
Partner
Membership No. 89802
Pune, June 23, 2009

For and on behalf of the Board of Directors

Dr. Anand Deshpande
Chairman and
Managing Director

S. P. Deshpande
Director

Rajesh Ghonasgi
Chief Financial Officer

Vivek Sadhale
Company Secretary
and Head - Legal

Pune, June 23, 2009

Schedules forming part of Balance Sheet

(In Rs. Million)

		As at March 31, 2009	As at March 31, 2008
Schedule 1			
Share capital			
Authorised			
100,000,000 (Previous year 100,000,000) equity shares of Rs. 10 each.		1,000.00	1,000.00
		1,000.00	1,000.00
Issued, subscribed and paid-up			
35,861,000 (Previous year 35,861,000) equity shares of Rs. 10 each fully paid. (Of the above 25,615,000 equity shares were allotted as fully paid up bonus shares by capitalisation of capital redemption reserves and securities premium account)		358.61	358.61
		358.61	358.61
Schedule 2			
Reserves and surplus			
Capital redemption reserve			
Opening balance		-	9.79
Less Utilised for the issue of bonus shares		-	(9.79)
Closing balance	(A)	-	-
Securities premium account			
Opening balance		577.49	829.96
Add Additions during the year		-	0.31
Less Share issue expenses		-	(6.42)
Less Utilised for the issue of bonus shares		-	(246.36)
Closing balance	(B)	577.49	577.49
General reserve			
Opening balance		974.83	639.93
Add Transferred from Profit and Loss Account		234.40	334.90
Closing balance	(C)	1,209.23	974.83
Profit and Loss Account	(D)	1,780.71	1,471.02
	(A)+(B)+(C)+(D)	3,567.43	3,023.34

Schedule forming part of Balance Sheet and Profit and Loss Account (Contd.)

Schedule 3

Fixed assets

(In Rs. Million)

Name of the asset	<------ Gross block ------>				<------ Depreciation and amortisation ------>				<------ Net block ------>	
	As at April 1, 2008	Additions during the year	Deductions / Transfers during the year	As at March 31, 2009	As at April 1, 2008	For the year	Deductions / Transfers during the year	As at March 31, 2009	As at March 31, 2009	As at March 31, 2008
Freehold land	202.98	-	-	202.98	-	-	-	-	202.98	202.98
Leasehold land	38.98	0.95	-	39.93	-	-	-	-	39.93	38.98
Building	1,040.04	185.95	2.69	1,223.30	131.33	44.95	0.76	175.52	1,047.78	908.71
Computers	543.97	113.31	7.33	649.95	420.79	93.02	7.32	506.49	143.46	123.18
Software	399.00	10.26	-	409.26	320.97	43.00	-	363.97	45.29	78.03
Plant and machinery	445.10	90.06	3.15	532.01	245.05	73.56	3.09	315.52	216.49	200.05
Furniture and fixtures	228.06	47.01	0.50	274.57	139.35	40.38	0.50	179.23	95.34	88.71
Vehicle	3.36	2.24	0.93	4.67	3.12	0.62	0.93	2.81	1.86	0.24
As at March 31, 2009	2,901.49	449.78	14.60	3,336.67	1,260.61	295.53	12.60	1,543.54	1,793.13	1,640.88
As at March 31, 2008	2,613.55	310.56	22.62	2,901.49	1,002.37	279.02	20.78	1,260.61	1,640.88	1,611.18
Capital work-in-progress including capital advances										
As at March 31, 2009	330.75	386.63	339.94	377.44	-	-	-	-	377.44	330.75
As at March 31, 2008	130.97	336.20	136.42	330.75	-	-	-	-	330.75	130.97

Notes

1. The Company has entered into a lease agreement with Maharashtra Industrial Development Corporation (MIDC) on February 07, 2006 and November 16, 2007 for unit at MIDC Parsodi, Nagpur; and on November 25, 2005 for unit at MIDC Hinjewadi Pune. These agreements will be converted into lease agreement for a term of 95 years after completion of stipulated conditions. Amortisation of Land will be effective from the date of such lease agreement.
2. Depreciation amounting to Rs. 0.81 Million (Previous year Rs. 1.05 Million) relating to fixed assets used for construction of fixed assets under construction has been included under capital work in progress.
3. Capital work-in-progress includes capital advances of Rs. 67.65 Million (Previous year Rs. 73.84 Million).
4. Capital work-in-progress includes intangible asset under development Rs. 11.35 Million. The amortisation will commence when the intangible asset is ready for its use. (Previous year Rs. NIL).

Schedule forming part of Balance Sheet (Contd.)

(In Rs. Million)

		As at March 31, 2009	As at March 31, 2008
Schedule 4			
Investments			
Long term investments (At cost)			
Trade (Unquoted)			
In Subsidiary companies			
Persistent eBusiness Solutions Limited 920,300 (Previous year 920,300) Equity shares of Rs. 10 each, fully paid up		42.28	42.28
Less Provision for diminution in value of investment		42.28	42.28
	(A)	-	-
Persistent Systems, Inc. 37,000,000 (Previous year 37,000,000) Shares of USD 0.10 each, fully paid up		165.92	165.92
	(B)	165.92	165.92
Persistent Systems Pte. Limited 500,000 (Previous year 100,000) Shares of SGD 1 each, fully paid up		15.50	2.68
	(C)	15.50	2.68
Persistent Systems and Solutions Limited 1,450,000 (Previous year NIL) Equity shares of Rs. 10 each, fully paid up		14.50	-
	(D)	14.50	-
Aggregate amount of unquoted investments	(E)=(A)+(B)+(C)+(D)	195.92	168.60
Current Investments (At lower of cost and market value)			
Other than trade (Unquoted)			
Investment in mutual funds (unquoted)* Aggregate amount of unquoted investments market value Rs. 871.09 Million (Previous year Rs. 692.38 Million)		871.09	691.35
	(F)	871.09	691.35
Aggregate amount of unquoted investments	(E)+(F)	1,067.01	859.95

* Refer note 17 to schedule 15 for details of investments

Schedules forming part of Balance Sheet (Contd.)

(In Rs. Million)

	As at March 31, 2009	As at March 31, 2008
Schedule 5		
Sundry debtors		
(Unsecured unless otherwise stated)		
Debts outstanding for a period exceeding six months		
Considered good	-	-
Considered doubtful	98.96	26.45
Other debts		
Considered good	824.19	624.90
Considered doubtful	18.39	3.43
	941.54	654.78
Less Provision for doubtful debts	117.35	29.88
	824.19	624.90
Included in sundry debtors are dues from companies under the same management as follows		
Persistent Systems, Inc. [Maximum amount outstanding during the year Rs. 52.97 Million (Previous year Rs. 60.66 Million)]	15.19	-
Persistent eBusiness Solutions Limited [Maximum amount outstanding during the year Rs. 34.62 Million (Previous year Rs. 4.24 Million)]	29.01	4.24
Persistent Systems and Solutions Limited [Maximum amount outstanding during the year Rs. 1.01 Million (Previous year Rs. NIL)]	0.90	-
Schedule 6		
Cash and bank balances		
Cash on hand	0.13	0.12
Balances with scheduled banks		
On current accounts	58.73	56.40
On deposit accounts	2.14	4.04
	60.87	60.44
Balances with other banks		
On current accounts	7.28	-
On saving account	0.65	0.29
	7.93	0.29
	68.93	60.85
Bank balances with others include		
Bank of Tokyo - Mitsubishi- NS, Japan [Maximum amount outstanding during the year Rs. 1.09 Million (Previous year Rs. 1.93 Million)]	0.65	0.29
Citibank Canada [Maximum amount outstanding during the year Rs. 7.28 Million (Previous year Rs. NIL)]	7.28	-

Schedules forming part of Balance Sheet (Contd.)

(In Rs. Million)

	As at March 31, 2009	As at March 31, 2008
Schedule 7		
Other current assets		
Accrued income	0.14	0.12
Unbilled revenue	115.84	75.95
Fixed assets held for sale (at net book value or estimated net realisable value whichever is lower)	1.21	-
	117.19	76.07
Schedule 8		
Loans and advances		
Unsecured, considered good		
Advance to companies under the same management	0.83	8.38
(A)	0.83	8.38
Loan to companies under same management	60.57	-
(B)	60.57	-
Advance to PSPL ESOP Management Trust	153.83	158.33
Advance Income Tax [Net of provision of Rs. 190.58 Million (Previous year Rs. 127.58 Million)]	27.34	4.71
Advances recoverable in cash or kind or for value to be received	41.05	102.63
VAT and Service tax receivable [Net of provision Rs. 12.66 Million (Previous year Rs. 6.60 Million)]	56.33	21.70
MAT credit entitlement	132.44	89.44
Deposits	23.71	21.27
(C)	434.70	398.08
Unsecured considered doubtful		
Deposits	2.68	2.78
Less Provision for non recoverable deposit	2.68	2.78
(D)	-	-
Loan to companies under same management	25.53	25.53
Less Provision for non recoverable loan	25.53	25.53
(E)	-	-
(A)+(B)+(C)+(D)+(E)	496.10	406.46
Included in advances are		
Dues from companies under the same management		
Persistent Systems, Inc. [Maximum amount outstanding during the year Rs. 31.98 Million (Previous year Rs. 9.30 Million)]	0.83	7.86
Persistent eBusiness Solutions Limited [Maximum amount outstanding during the year Rs. NIL (Previous year Rs. 2.74 Million)]	-	0.18
Persistent Systems Pte. Limited [Maximum amount outstanding during the year Rs. NIL (Previous year Rs. 1.70 Million)]	-	0.34

Schedules forming part of Balance Sheet (Contd.)

(In Rs. Million)

	As at March 31, 2009	As at March 31, 2008
Schedule 8 Loans and advances (Contd.)		
Included in loans are		
Persistent eBusiness Solutions Limited [Maximum amount outstanding during the year Rs. 25.53 Million (Previous year Rs. 25.53 Million)]	25.53	25.53
Persistent Systems, Inc. [Maximum amount outstanding during the period Rs. 61.18 Million (Previous year Rs. NIL)]	60.57	-
Schedule 9		
Current liabilities		
Advance from customers	65.73	3.89
Sundry creditors		
Micro, Small and Medium enterprises (Refer note 19 to schedule 15)	-	-
Others	126.54	230.23
Subsidiary companies	25.95	8.40
Unearned revenue	28.24	15.21
Accrued employee liabilities	200.35	145.18
Unpaid dividend	3.59	-
Unpaid tax on dividend	2.44	-
Other liabilities	31.94	57.72
	484.78	460.63
Dues to companies under the same management		
Persistent eBusiness Solutions Limited [Maximum amount outstanding during the year Rs. 6.81 Million (Previous year Rs. NIL]	1.10	-
Persistent Systems and Solutions Limited [Maximum amount outstanding during the year Rs. 0.50 Million (Previous year Rs. NIL)]	0.22	-
Persistent Systems, Inc. [Maximum amount outstanding during the year Rs. 52.16 Million (Previous year Rs. 45.93 Million)]	24.63	8.40
Schedule 10		
Provisions		
Gratuity [Refer note 6 to schedule 15]	1.93	30.37
Leave encashment	87.24	66.54
Provision for other long term benefits	60.90	36.19
Provision for derivative contracts (Refer note 2H(v) to schedule 15)	175.91	13.19
Provision for fringe benefit tax [Net of advance tax Rs. 31.69 Million (Previous year Rs. 21.49 Million)]	2.85	2.55
	328.83	148.84

Schedules forming part of Profit & Loss Account

(In Rs. Million)

	For the year ended March 31, 2009	For the year ended March 31, 2008
Schedule 11		
Sale of software services and products		
Overseas	5,026.33	3,754.94
Domestic	170.58	73.83
	5,196.91	3,828.77
Schedule 12		
Other Income		
Interest on bank deposits [Tax deducted at source Rs. 0.03 Million (Previous year Rs. 0.04 Million)]	0.16	0.21
Interest on inter corporate deposit and others [Tax deducted at source Rs. 1.25 Million (Previous year Rs. 0.38 Million)]	6.42	2.21
Foreign exchange gains (net)	-	220.83
Profit on sale of assets (net)	14.92	1.03
Dividend from non-trade investments	43.81	25.43
Profit on sale of investments (net)	0.37	0.18
Provision for doubtful debts written back	-	14.87
Provision for doubtful deposit written back	0.10	-
Miscellaneous income	7.99	5.34
	73.77	270.10
Schedule 13		
Personnel expenses		
Salary and allowances	2,323.67	1,963.26
Staff welfare and benefits	91.36	69.72
Contribution to provident fund	79.16	62.95
Defined Contribution to other funds	22.27	22.16
Gratuity [Refer note 6 to Schedule 15]	1.87	27.66
Software professional charges	262.60	202.30
Employee compensation expenses	14.83	5.89
	2,795.76	2,353.94

Schedule forming part of Profit & Loss Account (Contd.)

(In Rs. Million)

	For the year ended March 31, 2009	For the year ended March 31, 2008
Schedule 14		
Operating and other expenses		
Traveling and conveyance	175.81	185.63
Electricity and fuel	62.56	62.64
Internet link charges	28.26	23.24
Communication charges	18.58	18.63
Recruitment expenses	23.81	35.19
Training and seminars	18.49	23.64
Software support charges	90.18	23.98
Provision for doubtful debts	87.47	15.24
Rent (Refer note 11 to schedule 15)	11.45	9.16
Insurance	11.24	11.68
Rates, fees and profession tax	10.35	18.06
Legal and professional fees	11.19	13.67
Repairs and maintenance		
Plant and machinery	16.50	13.26
Building	6.11	6.73
Others	9.20	7.45
Commission on sales to other than sole selling agents	37.80	35.51
Advertisements, sponsorship fees	6.78	3.11
Computer consumables	5.18	7.15
Auditors' remuneration (Refer note 15.2 to schedule 15)	3.68	3.27
Donations	15.43	1.61
Books, memberships, subscriptions	1.36	2.05
Foreign exchange loss (net)	717.46	-
Exchange loss on derivative contracts (Refer note 2H(v) to schedule 15)	162.72	13.19
Directors' sitting fees	0.27	0.17
Directors' commission	0.90	1.69
Provision for doubtful deposit	-	2.78
Miscellaneous expenses	35.09	33.93
	1,567.87	572.66

Notes to Accounts

Schedule 15

1. Nature of operations

Persistent Systems Limited (the "Company") is predominantly engaged in Outsourced Product Development services for Independent Software Vendors ("ISVs") and Enterprises. The Company offers complete product life cycle services from end to end.

2. Statement of significant accounting policies

A. Basis of preparation

The financial statements have been prepared to comply in all material respects with the notified accounting standard by Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956. These financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

B. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

C. Fixed assets and intangibles

Fixed assets are stated at cost, less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable costs of bringing the asset to its working condition for its intended use.

Borrowing costs relating to acquisition of fixed assets, which takes substantial period of time to get ready for its intended use, are also included to the extent they relate to the period till such assets are ready to be put to use.

Capital work-in-progress includes cost of fixed assets that are not ready or put to use and advances paid to construct or acquire fixed assets.

Cost relating to software licenses, of enduring nature are capitalised on acquisition and amortised over their estimated useful lives.

D. Depreciation

Depreciation is provided using the Straight Line Method (SLM) as per the useful lives of the assets estimated by the management, or at the rates prescribed under schedule XIV of the Companies Act, 1956, whichever is higher.

Software licenses of enduring nature are amortised over a period of three years or over their estimated useful lives whichever is lower.

Depreciation on assets purchased / sold during the year is charged on a pro-rata basis. Individual assets whose cost does not exceed Rs. 5,000 are depreciated at 100%.

A comparative statement of rates of depreciation followed by the Company and applicable rates as per the schedule XIV of the Companies Act is as below

Assets	Rates (SLM)	Rates as per Schedule XIV (SLM)
Computers	33.33%	16.21%
Plant and machinery	20.00%	4.75%
Furniture and fixtures	20.00%	6.33%
Vehicles	20.00%	9.50%
Buildings	4.00%	1.63%

Notes to Accounts (Contd.)

E. Impairment

i. The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

ii. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

F. Investments

Investments that are readily realisable and intended to be held for a period not more than a year are classified as current investments. All other investments are classified as long-term investments.

Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline, other than temporary decline, in the value of the investments.

G. Revenue recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

i. Income from software services

Revenue from time and material engagements is recognised on time basis in accordance with the terms of the contracts.

In case of fixed price contracts, revenue is recognised based on the milestones achieved as specified in the contracts, on the proportionate completion basis.

Revenue from licensing of products is recognised on delivery of products.

Revenue from royalty is recognised on sale of products in accordance with the terms of the relevant agreement.

Revenue from maintenance contracts are recognised on a pro-rata basis over the period of the contract as and when services are rendered.

Unbilled revenue represents revenue recognised in relation to work done on time and material projects and fixed price projects 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 recognised as per the terms of contract.

ii. Interest

Revenue from interest is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

iii. Dividends

Revenue from dividend is recognised when the Company's right to receive payment is established by the balance sheet date. Dividend from subsidiaries is recognised even if such dividend is declared after the balance sheet date but pertains to period on or before the date of Balance Sheet as per the requirement of Schedule VI of the Companies Act, 1956.

Notes to Accounts (Contd.)

H. Foreign currency translations

i. Initial recognition

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

ii. Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

iii. Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, are recognised as income or expenses in the period in which they arise.

Exchange differences from the accounting period commencing on or after April 1, 2007 in respect of fixed assets acquired, including foreign currency liabilities relating thereto, are recognised as income or expenses in the period in which they arise.

iv. Forward exchange contracts not intended for trading or speculation purposes covered by AS 11

The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

v. Options and forward exchange contracts not intended for trading or speculation purposes, classified as derivative instruments

Pursuant to the announcement made by the Institute of Chartered Accountants of India (ICAI) regarding "Accounting for Derivatives", options and forward exchange contracts, not covered by (iv) above are classified as derivatives and are marked to market on a portfolio basis at the balance sheet date. The resultant net losses after considering the offsetting effect on the underlying hedge items are recognised in the Profit and Loss Account on the principle of prudence. The resultant net gains, if any, on such derivatives are not recognised in financial statements. Any profit or loss arising on cancellation or renewal of such forward exchange contract is recognised as income or expense for the year.

I. Retirement and other employee benefits

i. Gratuity

Gratuity liability represents defined benefit obligation and is provided for based on actuarial valuations, by using the Projected Unit Credit (PUC) method, made at the end of each financial year for employees covered under Group Gratuity Scheme of Life Insurance Corporation of India.

ii. Superannuation

Superannuation is a defined contribution plan covering eligible employees. The contribution to the superannuation fund managed by Life Insurance Corporation of India equal to the specified percentage of the basic salary of the eligible employees as per the scheme. The contribution to this scheme is charged to the Profit and Loss Account on an accrual basis. There are no other contributions payable other than contribution payable to the respective fund.

Notes to Accounts (Contd.)

iii. Provident fund

Provident fund is a defined contribution plan covering eligible employees. The Company and the eligible employees make a monthly contribution to the provident fund maintained by the Regional Provident Fund Commissioner equal to the specified percentage of the basic salary of the eligible employees as per the scheme. The employer's contribution is charged to the Profit and Loss Account on an accrual basis. There are no other contributions payable other than contribution payable to the respective fund.

iv. Leave encashment

The short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation by using the Projected Unit Credit (PUC) Method.

v. Long service awards

Long service awards are other long term benefits to all eligible employees, as per Company's policy are provided based on actuarial valuation. Actuarial valuations are made as per the Projected Unit Credit (PUC) Method.

vi. Actuarial gains and losses

Actuarial gains/ losses are immediately taken to Profit and Loss Account and are not deferred.

J. Income Taxes

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflect the impact of current year's timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

Deferred tax assets or liabilities relating to the timing differences arising and reversing during the tax holiday period under Section 10A of the Income Tax Act, 1961, are not recognised.

At each balance sheet date, the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

The Minimum Alternate Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the period in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the Profit and Loss Account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

Notes to Accounts (Contd.)

K. Segment reporting policies

In accordance with paragraph 4 of Notified Accounting Standard 17 (AS-17) "Segment Reporting" the Company has disclosed segment information only on the basis of the consolidated financial statements which shall be presented together with the unconsolidated financial statements.

L. Earnings per share (EPS)

The earnings considered in ascertaining EPS comprise the amount attributable to Equity Shareholders. The number of shares used in computing the basic earning per share is the weighted average number of shares outstanding during the period as reduced by the shares held by PSPL ESOP Management Trust at the balance sheet date, which are obtained by PSPL ESOP Management Trust from finance provided by the Company.

The weighted average number of equity share outstanding during the previous year was adjusted for events of bonus issue.

The number of shares used in computing the diluted earning per share comprises the weighted average number of share considered for deriving basic earning per share, and also the weighted average number of shares, if any issued on the conversion of all dilutive potential Equity Shares. The number of weighted average shares outstanding during the year and potentially dilutive Equity Shares are adjusted for the issued bonus shares and sub-division of shares.

For the purpose of calculating diluted EPS, the net profit for the year attributable to the Equity Shareholders and the weighted average number of shares outstanding during the year, are adjusted for the effects of all dilutive potential Equity Shares.

M. Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on the best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

N. Cash and cash equivalents

Cash and cash equivalents in the Balance Sheet comprise cash at bank and in hand and short term investments with an original maturity period of three months or less.

O. Employee stock compensation cost

Measurement and disclosure of the employee share-based payment plans is done in accordance with the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India.

The Company measures compensation cost relating to employee stock options using the intrinsic value method. Compensation expense is amortised over the vesting period of the option on a straight line basis if the fair market value of the underlying stock exceeds the exercised price at the measurement date, which typically is the grant date.

P. Leases

Where the Company is a lessee, assets acquired as leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating lease.

Operating lease payments are recognised as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

3. Securities for loans

The export packing credit is secured by hypothecation of present and future receivables of the Company on pari passu basis with Bank of India and Citibank N.A. There is no balance payable as at March 31, 2009 and March 31, 2008.

Notes to Accounts (Contd.)

4. Contingent liabilities not provided for

(In Rs. Million)

Particulars	March 31, 2009	March 31, 2008
Claims against the Company not acknowledged as debts		
Legal Claims filed by the ex employee for salary and other benefits	0.29	0.29
ESI	4.92	4.92
	5.21	5.21

The Company has received a demand notice dated December 31, 2008, u/s 156 of the Income Tax Act, for the assessment year 2005-06 for Rs. 2.57 Million. The Commissioner of Income Tax (Appeals – II), as per the order dated November 11, 2008, has passed an order granting relief of Rs. 2.61 Million for the assessment year 2003-04.

5. Capital commitments

(In Rs. Million)

Particulars	March 31, 2009	March 31, 2008
Estimated amount of contracts remaining to be executed on capital account and not provided for	366.97	349.37

6. Gratuity and other employment benefit plans:

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days basic salary (last drawn basic salary) subject to a maximum of 30 days basic salary (last drawn basic salary) as per the rules of the Company for each completed year of service. The scheme is funded with an insurance Company in the form of a qualifying insurance policy.

The following tables summarise the components of net benefit expense recognised in the Profit and Loss Account and the funded status and amounts recognised in the Balance Sheet for the respective plans.

Profit and Loss Account

Net employee (benefit) / expense (recognised in Employee cost)

(In Rs. Million)

Particulars	March 31, 2009	March 31, 2008	March 31, 2007
Current service cost	28.24	28.07	17.61
Interest cost on benefit obligation	6.51	4.05	2.58
Expected return on plan assets	(5.63)	(4.37)	(2.43)
Net actuarial (gain) / loss recognised in the year	(27.25)	7.17	3.29
Interest income	-	(4.40)	-
Net (benefit) / expense	1.87	30.52	21.05
Actual Return on Net Plan Assets	-	-	-

Changes in the fair value of plan assets (recognised in the Balance Sheet) are as follows

(In Rs. Million)

Particulars	March 31, 2009	March 31, 2008	March 31, 2007
Opening fair value of plan assets	53.88	29.09	31.56
Expected return / adjustment	5.63	4.37	2.43
Contribution by employer	30.18	20.35	0.04
Benefits paid	(5.52)	(2.79)	(2.51)
Actuarial gains / (losses)	1.85	2.86	(2.43)
Closing fair value of plan assets	86.02	53.88	29.09

Notes to Accounts (Contd.)

Changes in the present value of the defined benefit obligation (recognised in Balance Sheet) are as follows (In Rs. Million)

Particulars	March 31, 2009	March 31, 2008	March 31, 2007
Opening defined benefit obligation	84.13	52.00	33.46
Interest cost	6.51	4.05	2.58
Current service cost	28.24	28.07	17.61
Benefits paid	(5.52)	(2.79)	(2.51)
Actuarial (gains) / losses on obligation	(25.41)	2.80	0.86
Closing defined benefit obligation	87.95	84.13	52.00

Summary statement of provision for gratuity is as follows (In Rs. Million)

Particulars	March 31, 2009	March 31, 2008	March 31, 2007
Fair value of plan assets	86.02	53.88	29.09
Defined benefit obligations	(87.95)	(84.13)	(52.00)
Unrecognised past service cost	-	-	-
Plan asset / (liability)	(1.93)	(30.25)	(22.91)

The Company expects to contribute Rs. 1.93 Million to gratuity fund in financial year 2009-10.
The Company maintains gratuity fund, which is being administered by Life Insurance Corporation of India

(In Rs. Million)

Particulars	March 31, 2009	March 31, 2008	March 31, 2007
Investments with insurer including accrued interest	86.02	53.88	29.09

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

The principal assumptions used in determining gratuity for the Company's plans are shown below

Particulars	March 31, 2009	March 31, 2008	March 31, 2007
Discount rate	7.79%	8.00%	8.00%
Expected rate of return on assets	8.50%	9.00%	8.00%

Amounts for the current and previous years are as follows (In Rs. Million)

Particulars	March 31, 2009	March 31, 2008	March 31, 2007
Plan assets	86.02	53.88	29.09
Defined benefit obligation	(87.95)	(84.13)	(52.00)
Surplus / (deficit)	(1.93)	(30.25)	(22.91)
Experience adjustments on plan liabilities	(25.41)	2.80	0.86
Experience adjustments on plan assets	1.85	2.86	(2.43)

Notes to Accounts (Contd.)

7. Derivative Instruments and Un-hedged foreign currency exposure

Forward exchange and option contracts outstanding at the balance sheet date (In USD Million)

Particulars	March 31, 2009	March 31, 2008
Sales	87.32	136.85
Purchase	-	-

Particulars of Un-hedged foreign currency exposure as at the balance sheet date

Particulars	March 31, 2009	March 31, 2008
Balance with Bank of Tokyo - Mitsubishi-NS (Japan)	Rs. 0.65 Million (JPY 1.26 Million @ closing rate of JPY 1 = Re. 0.5147)	Rs. 0.29 Million (JPY 0.73 Million @ closing rate of JPY 1 = Re. 0.399)
Balance with Bank of India (USA)	Rs. 0.51 Million (USD 0.01 Million @ closing rate of USD 1 = Rs. 50.70)	Rs. 0.40 Million (USD 0.01 Million @ closing rate of USD 1 = Rs. 40.11)
Balance with Bank of India (UK)	Rs. 0.68 Million (GBP 0.01 Million @ closing rate of GBP 1 = Rs. 72.51)	Rs. 0.21 Million (GBP 0.002 Million @ closing rate of GBP 1 = Rs. 79.58)
Balance with Citibank (Canada)	Rs. 7.28 Million (CAD 0.18 Million @ closing rate of CAD 1 = Rs. 40.45)	-
Investment in Persistent Systems, Inc.	Rs. 187.59 Million (USD 3.70 Million @ closing rate of USD 1 = Rs. 50.70)	Rs. 148.41 Million (USD 3.70 Million @ closing rate of USD 1 = Rs. 40.11)
Investment in Persistent Systems Pte. Limited	Rs. 16.68 Million (SGD 0.50 Million @ closing rate of SGD 1 = Rs. 33.36)	Rs. 2.91 Million (SGD 0.10 Million @ closing rate of SGD 1 = Rs. 29.06)
Payable to Persistent Systems, Inc.	Rs. 24.63 Million (USD 0.49 Million @ closing rate of USD 1 = Rs. 50.72)	Rs. 8.40 Million (USD 0.21 Million @ closing rate of USD 1 = Rs. 40.11)
Inter corporate deposit to Persistent Systems, Inc.	Rs. 60.57 Million (USD 1.19 Million @ closing rate of USD 1 = Rs. 50.70)	-
Advance to Persistent Systems, Inc.	Rs. 0.83 Million (USD 0.02 Million @ closing rate of USD 1 = Rs. 50.70)	Rs. 7.86 Million (USD 0.20 Million @ closing rate of USD 1 = Rs. 40.10)
Advance to Persistent Systems Pte. Limited	-	Rs. 0.34 Million (SGD 0.01 Million @ closing rate of SGD 1 = Rs. 29.06)

8. Investment in subsidiary

During the year ended March 31, 2009 the Company has invested Rs. 14.50 Million in Persistent Systems and Solutions Limited, a wholly owned subsidiary set up in India.

The Company has, also made an additional investment of SGD 0.40 Million during the year in Persistent Systems Pte. Limited, a wholly owned subsidiary in Singapore.

Notes to Accounts (Contd.)

9. Earnings per share (EPS)

(In Rs. Million unless otherwise stated)

Particulars		As at March 31, 2009	As at March 31, 2008
Basic EPS (After exceptional items)			
Numerator for Basic EPS			
Net Profit after Tax and after exceptional items	a	586.04	837.12
Numerator for Diluted EPS			
Net Profit after tax and after exceptional items	b	586.04	837.12
Denominator for Basic EPS			
Weighted average number of equity shares	c	31,951,318	28,571,738
Denominator for Diluted EPS			
Weighted average number of equity shares and potential equity shares	d	35,861,000	35,859,838
Basic earnings per share of face value of Rs. 10 each (After exceptional items)	a / c	18.34	29.30
Diluted earnings per share of face value of Rs. 10 each (After exceptional items) (See Note below)	b / d	16.34	23.34
Basic EPS (Before exceptional Items)			
Numerator for Basic EPS			
Net Profit after Tax and before exceptional items	e	600.77	872.30
Numerator for Diluted EPS			
Net Profit after tax and before exceptional items	f	600.77	872.30
Denominator for Basic EPS			
Weighted average number of equity shares as per (c) above	g	31,951,318	28,571,738
Denominator for Diluted EPS			
Weighted average number of equity and potential equity shares (As per (d) above)	h	35,861,000	35,859,838
Basic earnings per share of face value of Rs. 10 each (Before exceptional items)	e / g	18.80	30.53
Diluted earnings per share of face value of Rs. 10 each (Before exceptional items) (See Note below)	f / h	16.75	24.33

Note

i. Pursuant to resolution passed at an Extra Ordinary General Meeting held on September 17, 2007 equity shares were issued as bonus shares in the ratio of 5 Equity Shares for every 2 Equity Shares held by capitalisation of reserves.

ii. Pursuant to resolution passed at an Extra Ordinary General Meeting held on September 17, 2007, 209,045 Series A Participatory Cumulative Optionally Convertible Preference Shares of Rs 100 each were converted into Equity Shares of Rs. 10 each. For computation of diluted EPS, weighted average number of equity shares includes 209,045 Series A Participatory Cumulative Optionally Convertible Preference Shares of Rs. 100 each up to the date of such conversion into equity shares.

Notes to Accounts (Contd.)

Reconciliation of basic and diluted shares used in computing EPS

Particulars	March 31, 2009	March 31, 2008
Number of shares considered as basic weighted average shares outstanding	31,951,318	28,571,738
Add Effect of dilutive issues of convertible preference shares	-	3,378,418
Add Effect of dilutive issues of stock options	3,909,682	3,909,682
Number of shares considered as weighted average shares and potential shares outstanding	35,861,000	35,859,838

10. Deferred tax

The Company enjoys a tax holiday under section 10A of the Income Tax Act, 1961, upto March 31, 2010. The timing differences arising at March 31, 2009 and not reversing during the tax holiday period have been recognised in the books of accounts as summarised below

(In Rs. Million)

Particulars		March 31, 2009	March 31, 2008
Differences in depreciation and other differences in a block of fixed assets as per the tax books and financial books		18.86	19.01
Gross deferred tax liability	(A)	18.86	19.01
Provision for Leave liability and long term employee benefit		24.88	16.46
Provision for doubtful debts		10.37	-
Gross deferred tax assets	(B)	35.25	16.46
Net deferred tax liability / (Asset)	(A) - (B)	(16.39)	2.55

11. Operating leases

The Company had taken office premises under non-cancellable operating lease agreement for a period of 36 months. The non-cancellable lease period has expired during the current year. The lease rental charge (grouped in rent expenses) during the year ended March 31, 2009 is Rs. 11.20 Million (Previous year Rs. 8.72 Million). There are no restrictions imposed by the lease agreements. The Company has an option to renew the lease agreements at the end of the lease period. Maximum obligation on long–term non-cancellable operating lease payable as per the rentals stated in respective agreement is as follows

(In Rs. Million)

Particulars	March 31, 2009	March 31, 2008
Obligation on non-cancellable operating leases		
Not later than one year	-	0.67
Later than one year and not later than five years	-	-
Later than five years	-	-

12. Share issue expenses

The Company deferred its Initial Public Offer (IPO), which was planned during the year, due to adverse market sentiment. The Company has, therefore, written off share issue expenses amounting to Rs. 14.73 Million (Previous year Rs. 35.18 Million) as an exceptional item.

Notes to Accounts (Contd.)

13. Related party transactions

A. Names of related parties

Subsidiaries

i. Persistent eBusiness Solutions Limited
ii. Persistent Systems, Inc.
iii. Persistent Systems Pte. Limited
iv. Persistent Systems and Solutions Limited

Key management personnel

i. Dr. Anand Deshpande, Chairman and Managing Director
ii. Mr. S. P. Deshpande, Director

Relatives of key management personnel

i. Mrs. Chitra Buzruk (Relative of the Chairman and Managing Director and a Director)
ii. Mrs. Sulabha Suresh Deshpande (Relative of the Chairman and Managing Director and a Director)
iii. Mrs. Sonali Anand Deshpande (Relative of the Chairman and Managing Director)
iv. Dr. Mukund Suresh Deshpande (Relative of the Chairman and Managing Director and a Director)

B. Related party transactions (In Rs. Million)

Particulars		Name of the related party	March 31, 2009	March 31, 2008
Income	1. Interest received	Persistent eBusiness Solutions Limited	1.91	1.66
		Persistent Systems, Inc.	3.87	-
	2. Rent received	Persistent eBusiness Solutions Limited	-	0.02
	3. Reimbursement of expenses	Persistent eBusiness Solutions Limited	1.62	5.55
		Persistent Systems, Inc.	2.16	3.79
		Persistent Systems Pte. Limited	-	0.38
	4. Sale of software services	Persistent Systems, Inc.	278.86	108.95
		Persistent eBusiness Solutions Limited	72.74	18.64
		Persistent Systems and Solutions Limited	1.01	-
		Persistent Systems Pte. Limited	-	4.76
Expenditure	1. Commission paid	Persistent Systems, Inc.	33.00	29.87
	2. Software professional Charges	Persistent Systems, Inc.	213.20	146.59
	3. Reimbursement of project travel expenses	Persistent Systems, Inc.	19.14	24.47
	4. Reimbursement of expenses	Persistent eBusiness Solutions Limited	2.46	-
Remuneration to key management personnel		Dr. Anand Deshpande	4.99	7.88
		Mr. S. P. Deshpande	1.93	2.79
Remuneration to relative of key management personnel		Mrs. Chitra Buzruk	1.29	1.41
		Dr. Mukund Deshpande	1.69	1.39

Notes to Accounts (Contd.)

Particulars		Name of the Related Party	March 31, 2009	March 31, 2008
Dividend payment		Dr. Anand Deshpande	11.31	13.57
		Mr. S. P. Deshpande	3.80	4.56
		Mrs. Chitra Buzruk	0.01	0.02
		Mrs. Sonali Anand Deshpande	0.06	0.07
		Mrs. Sulabha Suresh Deshpande	0.28	0.34
Sundry debtors		Persistent Systems, Inc.	15.19	-
		Persistent eBusiness Solutions Limited	29.01	4.24
		Persistent Systems and Solutions Limited	0.90	-
Sundry creditors		Persistent Systems, Inc.	24.63	8.40
Investments	(Outstanding amount)	Persistent Systems, Inc.	165.92	165.92
		Persistent eBusiness Solutions Limited	42.28	42.28
		Persistent Systems Pte. Limited	15.50	2.68
		Persistent Systems and Solutions Limited	14.50	-
Additional investment		Persistent Systems Pte. Limited	12.82	2.68
		Persistent Systems and Solutions Limited	14.50	-
Inter corporate deposits	(Outstanding amount)	Persistent eBusiness Solutions Limited	25.53	25.53
		Persistent Systems, Inc.	60.57	-
	(Additions during the year)	Persistent Systems, Inc.	60.84	-
	(Repayment during the year)	Persistent Systems, Inc.	0.27	-
Loans and advances given	(Outstanding amount)	Persistent eBusiness Solutions Limited	-	0.18
		Persistent Systems, Inc.	0.83	7.86
		Persistent Systems Pte. Limited	-	0.34
Loans and advances taken	(Outstanding amount)	Persistent eBusiness Solutions Limited	1.10	-
		Persistent Systems and Solutions Limited	0.22	-

14. Employees stock options (ESOP)

The details of various ESOP plans adopted by the Board of Directors are as follows

ESOP Plan	Date of adoption by the Board
Plan I	December 11, 1999
Plan II	April 23, 2004
Plan III	April 23, 2004
Plan IV	April 23, 2006
Plan V	April 23, 2006
Plan VI	October 31, 2006
Plan VII	April 30, 2007
Plan VIII	July 24, 2007

Method of settlement for all the plans is through equity.

Notes to Accounts (Contd.)

The vesting pattern for scheme I to V is as follows

Time period from date of grant (Months)	Percentage of share vesting (%)
12	10
24	30
36	60
48	100

The vesting pattern for scheme VI is as follows

Time period from date of grant (Months)	Percentage of share vesting (%)
18	30
For every quarter	5

The vesting pattern for scheme VII is as follows

Time period from date of grant (Months)	Percentage of share vesting (%)
12	20
24	40
36	60
48	80
60	100

The vesting pattern for scheme VIII is as follows

Time period from date of grant (Months)	Percentage of share vesting (%)
12	25
24	50
36	75
48	100

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Notes to Accounts (Contd.)

The status of various ESOP schemes is shown in the following table

		<------ Plans							------>	
Particulars		I	II	III	IV	V	VI	VII	VIII	Total
Granted	a	2,280,250	376,600	1,266,650	2,397,150	945,262	608,125	778,487	21,000	8,673,524
Vested	b	1,606,255	222,169	327,652	408,604	208,957	255,713	161,595	5,250	3,196,195
Encashed and exercised	c	1,553,277	56,385	79,301	-	-	-	-	-	1,688,963
Vested & not exercised (b-c)	d	52,978	165,784	248,351	408,604	208,957	255,713	161,595	5,250	1,507,232
Lapsed	e	667,047	107,607	322,462	711,123	246,134	215,250	216,300	-	2,485,923
Not Vested (a – c - d - e)	f	6,948	46,824	616,536	1,277,423	490,171	137,162	400,592	15,750	2,991,406
Total outstanding (d + f)	g	59,926	212,608	864,887	1,686,027	699,128	392,875	562,187	21,000	4,498,638
Weighted average remaining contractual life (In years)		Note 1	10.04	Note 1	11.56	Note 1	12.55	12.98	5.46	
Weighted average fair value of options granted		9.37	47.52	58.47	62.11	51.06	50.11	113.98	143.57	

Note 1: No contractual life is defined in the schemes.
All the numbers provided in this above table are after ignoring fractions

Compensation expense arising from employee share based payment plans amounted to Rs. 14.83 million (Previous year Rs. 5.89). No fresh grants have been granted during the year.

Had compensation cost been determined in a manner consistent with fair value approach there will be no significant impact on the company's net income and earning per share.

Advance to the Trust, as on the balance sheet date in respect of shares allotted by the Company to the Trust, amounted to Rs. 50.60 million (Previous year Rs. 55.10 million). As illustrated in the example in the appendix to the Guidance Note, had the advance been presented as a reduction from equity, the Equity Share Capital would have been reduced by Rs. 6.06 million (Previous year Rs. 6.60 million) and Share Premium would have been reduced by Rs. 44.54 million (Previous year Rs.48.50 million).

Notes to Accounts (Contd.)

15. Supplementary statutory information

15.1 Remuneration paid to Executive and Non-Executive directors

(In Rs. Million)

Particulars	March 31, 2009	March 31, 2008
Salaries	5.97	5.17
Commission / Performance linked incentives to Whole-time Directors	0.23	4.73
Commission to Non-whole-time Directors	0.90	1.69
Perquisites	0.20	0.35
Sitting fees paid to Non-whole-time Directors	0.27	0.17
Contribution to Superannuation fund	0.29	0.23
Contribution to Provident fund	0.23	0.18
	8.09	12.52

Note - As the future liability for gratuity and long term leave is provided on an actuarial basis for the Company as a whole, the amount pertaining to the Directors is not ascertainable and, therefore, not included above.

15.2 Auditors remuneration

(In Rs. Million)

Particulars	March 31, 2009	March 31, 2008
Audit fee	1.29	3.03
Tax audit fee	0.12	0.11
Other matters*	6.60	6.90
Out of pocket expenses	0.05	0.06
	8.06	10.10

* Fees for the other matters include Rs. 4.38 Million (Previous year Rs. 6.83 Million) towards fees for services rendered in connection with the Initial Public Offer.

15.3 Earnings and expenditure in foreign currency (Accrual Basis)

(In Rs. Million)

Particulars	March 31, 2009	March 31, 2008
A Earnings in foreign currency		
Sale of software	4,945.42	3,648.50
Reimbursement of expenses	80.90	105.74
Interest income	3.87	-
	5,030.19	3,754.24
B Expenditure in foreign currency		
Travelling and conveyance	108.32	112.52
Training and seminars	0.00	0.12
Staff welfare and benefits	0.00	0.13
Software support charges	8.14	2.77
Software professional charges	213.20	168.02
Salary and allowances	17.08	10.52
Rent	0.18	0.04
Rates, fees and profession tax	1.17	0.45
Advertisements, sponsorship fees	2.48	1.12
Legal and professional fees	4.08	6.27
Communication charges	0.29	0.04
Balance carried forward to next page	354.94	302.00

Notes to Accounts (Contd.)

15.3 Earning and expenditure in foreign currency (Accrual Basis) (Contd.)

Particulars	March 31, 2009	March 31, 2008
Balance brought forward from previous page	354.94	302.00
Commission on sale	37.34	33.59
Books, membership, subscriptions	0.28	0.49
Repairs and maintenance	0.04	1.34
Directors fees and reimbursement	1.89	1.18
Miscellaneous expenses	0.55	0.80
Computer consumables	0.48	-
Conference fees	0.11	-
Office expenses	1.50	-
	397.13	339.40

15.4 Value of imports calculated on CIF basis

(In Rs. Million)

Particulars	For the year ended March 31, 2009	For the year ended March 31, 2008
Capital goods	340.97	109.16

15.5 Net dividend remitted in foreign exchange

Particulars	For the year ended March 31, 2009	For the year ended March 31, 2008
Number of non-resident shareholders	5	5
Number of equity shares held on which dividend was due	8,966,824	8,966,824
Amount remitted (In Rs. Million)	5.38	10.76
Amount remitted (In USD Million)	0.11	0.27
Amount due but not remitted (In Rs. Million)	3.59	-
Amount due but not remitted (In USD Million)	0.07	-

16. Computation of Net Profit in accordance with Section 309(5) of the Companies Act, 1956.

(In Rs. Million)

Particulars	March 31, 2009	March 31, 2008
Profit before tax	612.33	894.30
Add		
a. Managerial remuneration	7.82	12.35
b. Provision for bad and doubtful debts	87.47	15.24
c. Depreciation as per books of accounts	294.72	277.97
Less		
a. Depreciation as per section 350 of the Companies Act, 1956	294.72	277.97
b. Doubtful debts written back	-	14.87
c. Profit of a capital nature	14.92	1.03
Net Profit as per Section 309(5) of the Companies Act, 1956	692.70	905.99

*The Company depreciates fixed assets based on estimated useful lives that are lower than those implicit in Schedule XIV of the Companies Act, 1956. Accordingly, the rates of depreciation used by the Company are higher than the minimum prescribed by the Schedule XIV.

17. Details of Investments

Current Investments -other than trade (unquoted)
Investment purchased and sold during the year ended March 31, 2009

(Amount in Rs. Million)

Particulars	Opening balance		Purchase		Sales		Closing balance	
	Units	Amount	Units	Amount	Units	Amount	Units	Amount
DSP Liquid Fund	81,722.62	81.76	5,919,270.94	397.35	6,000,993.56	479.11	-	-
Grindlays Cash Fund	5,616,445.58	56.20	64,987,330.80	650.49	68,600,565.38	686.65	2,003,211.00	20.04
HDFC Liquid Fund	8,566,983.06	85.67	137,598,245.36	1,418.49	130,473,450.19	1,345.89	15,691,778.23	158.27
ICICI Liquid Fund	8,317,882.28	87.95	85,475,250.80	863.01	71,852,643.19	726.77	21,940,489.89	224.19
Templeton India Fund	3,960,278.41	40.00	4,007,624.28	40.47	7,967,902.69	80.47	-	-
DWS Money Plus Fund	8,530,784.09	85.53	12,070,561.44	121.02	20,601,345.53	206.55	-	-
Birla Cash Plus Fund	4,127,732.13	41.28	50,449,124.19	507.32	31,905,520.29	321.76	22,671,336.03	226.84
Tata Liquid Fund	3,487,584.20	35.00	28,162,972.14	283.49	31,650,556.34	318.49	-	-
Reliance Liquid plus	4,192,967.77	41.96	39,894,515.20	730.67	29,946,311.91	530.88	14,141,171.06	241.75
Lotus India Plus	5,493,688.98	55.02	15,444,853.55	154.56	20,938,542.53	209.58	-	-
SBI Mutual Fund	8,098,363.17	80.98	31,208,428.14	328.53	39,306,791.31	409.51	-	-
	60,474,432.29	691.35	475,218,176.84	5,495.40	459,244,622.92	5,315.66	76,447,986.21	871.09

Notes to Accounts (Contd.)

18. Requirement of clause 3, 4C and 4D of Part II to schedule VI of the Companies Act, 1956

The Company is engaged in the development of software and related services. The production and sale of such software cannot be expressed in any generic unit. Hence, it is not possible to give quantitative details of sales and certain information as required under paragraphs 3, 4C and 4D of Part II to schedule VI of the Companies Act, 1956. The information required under clause 4D is given hereunder to the extent considered applicable.

19. Dues to Micro, Small and Medium enterprises

There were no amounts due to Micro, Small and Medium undertaking outstanding for more than 30 days, as at March 31, 2009.

During the year, the Company had sent requests to vendors for confirming their status as Micro, Small and Medium enterprises as per their registration with the appropriate authority under the Micro, Small and Medium Enterprises Development Act, 2006. Based on the confirmations received from such vendors, the management has confirmed that there are no dues outstanding as on March 31, 2009 and there were no payments made during the period beyond 30 days, hence no provision for interest is required.

20. Previous year comparatives

Previous year's figures have been regrouped where necessary to confirm to current year's classification.

As per our report of even date

For JOSHI APTE & Co.
Chartered Accountants

C. K. Joshi
Partner
Membership No. 30428
Pune, June 23, 2009

For S. R. BATLIBOI & Co.
Chartered Accountants

per Arvind Sethi
Partner
Membership No. 89802
Pune, June 23, 2009

For and on behalf of the Board of Directors

Dr. Anand Deshpande
Chairman and
Managing Director

S. P. Deshpande
Director

Rajesh Ghonasgi
Chief Financial Officer

Vivek Sadhale
Company Secretary
and Head - Legal

Pune, June 23, 2009

Cash Flow Statement for the year ended March 31, 2009

(In Rs. Million)

Particulars		For the year ended March 31, 2009	For the year ended March 31, 2008
Cash flow from operating activities			
Net profit before tax and exceptional items		612.33	894.30
Adjustments for			
Interest income		(6.58)	(2.42)
Dividend income		(43.81)	(25.43)
Depreciation and amortisation		294.72	277.97
Employee compensation expenses		14.83	5.89
Unrealised exchange (gain)/ loss (net)		(3.42)	(2.36)
Exchange loss on derivative contracts		162.72	13.19
Exchange difference on translation of foreign currency cash and cash equivalents		0.03	0.10
Provision for doubtful debts (net of doubtful debt provision written back)		87.47	0.37
Provision / (recovery) of deposits		(0.10)	2.78
Profit on sale of investments		(0.37)	(0.18)
Profit on sale of fixed assets		(14.92)	(1.03)
Operating profit before working capital changes		1,102.90	1,163.18
Movements in working capital			
(Increase) in sundry debtors		(283.86)	(136.05)
(Increase) in other current assets		(39.89)	(23.59)
(Increase) in loans and advances		(23.32)	(46.28)
Increase in current liabilities and provisions		22.31	140.73
Operating profit after working capital changes		778.14	1,097.99
Direct taxes paid (net of refunds)		(95.83)	(115.10)
Cash flow before exceptional items		682.31	982.89
Exceptional item		(14.73)	(35.18)
Net cash from operating activities after exceptional item	(A)	667.58	947.71
Cash flows from investing activities			
Purchase of fixed assets		(482.93)	(487.31)
Proceeds from sale of fixed assets		15.70	2.86
Purchase of investments		(5,495.40)	(2,425.15)
Sale / maturity of investments		5,317.98	1,980.29
Interest income		6.51	2.40
Purchase of investment in subsidiaries		(27.32)	(2.69)
Dividends received		43.81	25.43
Net cash (used in) investing activities	(B)	(621.65)	(904.17)

(In Rs. Million)

Particulars		For the year ended March 31, 2009	For the year ended March 31, 2008
Cash flows from financing activities			
Proceeds from issuance of share capital		-	0.02
Increase in securities premium		-	0.31
Share issue expenses		-	(6.42)
interim dividends paid		(32.27)	(43.03)
Tax on interim dividend paid		(3.65)	(7.31)
Net cash (used in) financing activities	(C)	(35.92)	(56.43)
Net increase in cash and cash equivalents (A + B + C)		10.01	(12.89)
Cash and cash equivalents at the beginning of the year		56.81	69.80
Exchange difference on translation of foreign currency cash and cash equivalents		(0.03)	(0.10)
Cash and cash equivalents at the end of the year		66.79	56.81

(In Rs. Million)

Components of cash and cash equivalents as at	March 31, 2009	March 31, 2008
Cash on hand	0.14	0.12
With scheduled banks		
On current account	58.72	56.40
With other banks		
On current account	7.28	-
On saving account	0.65	0.29
	66.79	56.81

As per our report of even date

For JOSHI APTE & Co.
Chartered Accountants

C. K. Joshi
Partner
Membership No. 30428
Pune, June 23, 2009

For S. R. BATLIBOI & Co.
Chartered Accountants

per Arvind Sethi
Partner
Membership No. 89802
Pune, June 23, 2009

For and on behalf of the Board of Directors

Dr. Anand Deshpande
Chairman and
Managing Director

S. P. Deshpande
Director

Rajesh Ghonasgi
Chief Financial Officer

Vivek Sadhale
Company Secretary
and Head - Legal

Pune, June 23, 2009

Balance Sheet Abstract and Company's General Business Profile

I.	Registration details	
	Registration no.	U72300PN1990PLC056696
	Status code no.	11
	Balance sheet date	March 31, 2009
II.	Capital raised during the year (Amount Rs. Lakh)	
	Public issue	NIL
	Rights issue	NIL
	Bonus issue	NIL
	Private placement	NIL
III.	Position of mobilisation and deployment of funds (Amount in Rs. Lakh)	
	Total liabilities	3,946.77
	Total assets	3,946.77
	Sources of funds	
	Paid up capital	358.61
	Stock options outstanding	20.73
	Reserves and surplus	3,567.43
	Secured loans	NIL
	Unsecured loans	NIL
	Application of funds	
	Net fixed assets	2,170.57
	Investments	1,067.01
	Deferred tax asset	16.39
	Net current assets	692.80
	Miscellaneous expenditure	NIL
	Preliminary expenses	NIL
IV.	Performance of Company (Amount in Rs. Lakh except earning per share and dividend)	
	Turnover / receipts	5,270.68
	Total expenditure	4,673.08
	Profit / (Loss) before tax	612.33
	Profit / (Loss) after tax	586.04
	Earnings per share in Rs.(Diluted)	16.34
	Dividend %	10%
V.	Generic Names of Three Principal Products/Services of the Company (as per monetary terms)	
	Product description	Computer software and services
	Item code no.	N.A.

For and on behalf of the Board of Directors

Dr. Anand Deshpande
Chairman and
Managing Director

S. P. Deshpande
Director

Rajesh Ghonasgi
Chief Financial Officer

Vivek Sadhale
Company Secretary
and Head - Legal

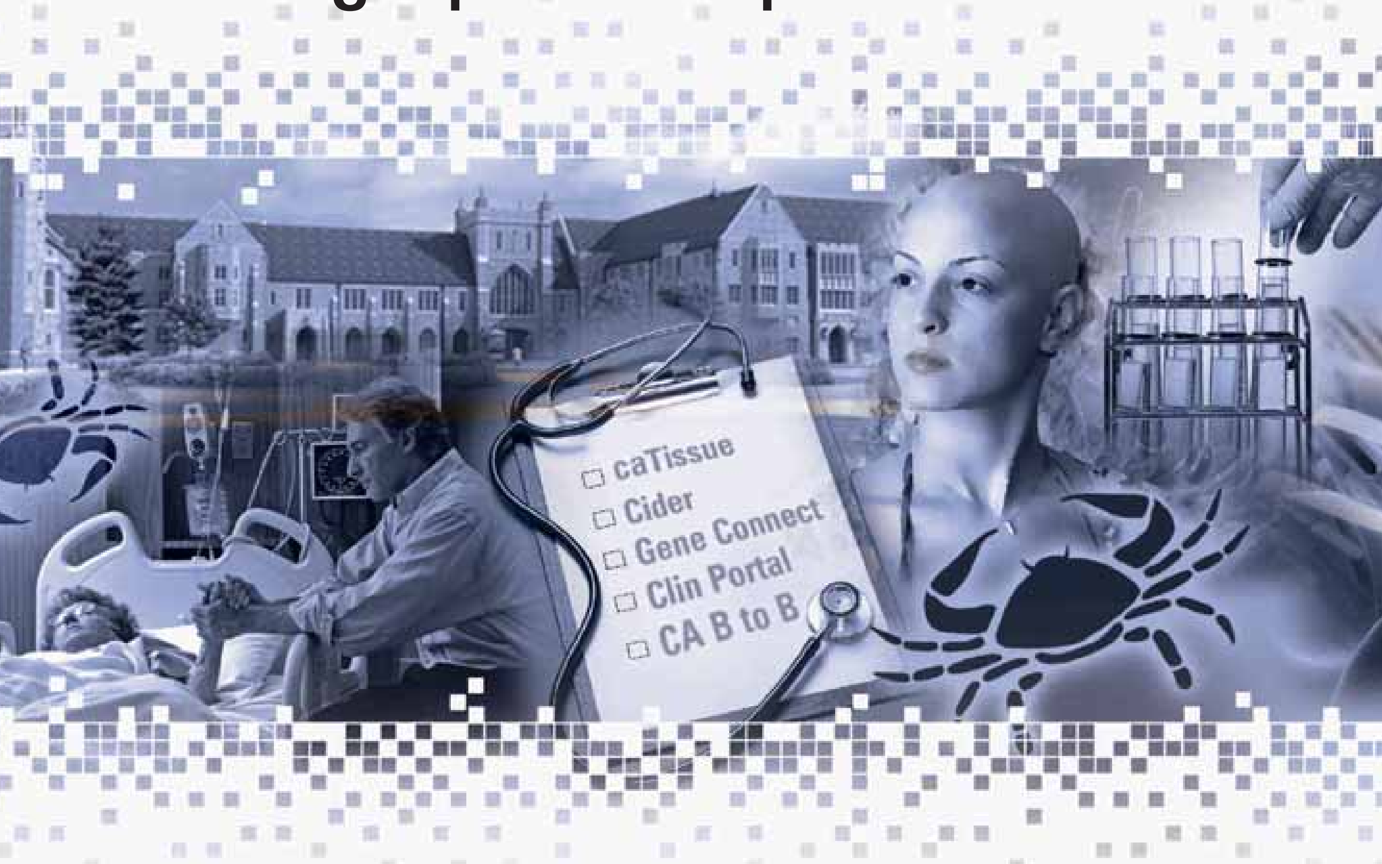
Pune, June 23, 2009

PERSISTENT

Partnership is about pooling your talents to arrive at the best combination

Bio-technology is a fast-growing field in modern science, combining the best in medicine and computer science. It has shown the way for researchers to leapfrog their way to faster and better remedies in public health. What follows is an ideal example of how Persistent Systems merged its expertise with a different field to create a novel system.

Teaming Up with Top Universities



Helping society by widening our outreach : Persistent Systems joins hands in critical healthcare

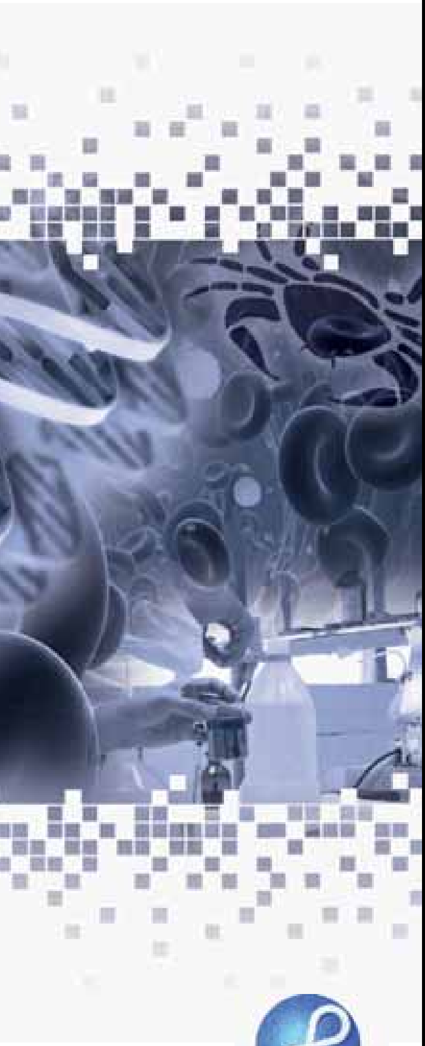
When oncologist Dr. Susan Carlyle opened the letter, she was simply delighted. But she did have doubts. Persistent Systems, the India-based company which partnered the medical center in some small projects, was offering a software programme that addressed an urgent need of the cancer laboratory under her charge. Bio-sample classification and retrieval was a laborious process. The lab technician had to enter the patient's particulars, tag the specimens collected, note the processing done on the specimens, and finally decide which container to store it in. All this was done manually. Similarly, cancer research scientists had to e-mail or telephone the IT staff in the tissue bank, explain their requirements, and request them to check if specimens they needed were available. The whole process was highly time-consuming.

Persistent had offered to install a programme, called 'caTissue', which promised a liberating solution. As soon as a patient was admitted to the hospital, the software would categorise the bio-specimens that would be collected from the patient and what would be done with the specimen in the lab. It would also print bar-codes and manage the precise locations of the specimens. For research scientists too, this was a boon. The powerful query interface allowed them to directly query the lab data for bio-specimens. If they found any samples of interest, they could place an order at a click of the mouse.

Dr. Carlyle realised that the pioneering plan had to be tried. 'caTissue' also provided for adding multiple annotations to specimens which could remain in the tissue bank for several years. Moreover, Persistent promised a free test period. So the cancer centre soon placed a purchase order.

The results were fantastic. 'caTissue' became one of the most talked about programmes among cancer research centres in the United States. By 2009, nearly 20 cancer institutes were using the programme. 'caTissue' has become an icon of what can be achieved when a highly-rated medical center and a pioneering computer science organisation come together.

Creating a landmark in Academia-Industry Partnership



Nature of vertical :
- Life Sciences

Identified the requirement :
- Each time a biospecimen is used during medical research, it gets slightly altered.
- Each specimen has to be monitored over several years.

Supplied the solutions :
- Developed 'caTissue', a biobanking software application now used in over 20 cancer centres across the world.
- The application makes allowance for multiple annotations and enables biospecimens to be monitored for decades.

Advantages created for the customer :
- Facilitated streamlining of operations across multiple biobanks in different research labs.
- Overwhelming response led to establishing a toll-free number to answer frequent and new customer enquiries.

Gains achieved by Persistent Systems :
- Complete domain knowledge makes it possible to conceptualise a project based on a briefly outlined research specification.
- Successful implementation of 'caTissue' helped foster new collaborations with a number of institutions.

Usability of the solution in other industries and services :
- Persistent Systems is in touch with leading medical institutions and projects run by the US government.

Diversification possibilities created by project success :
- Other sectors which can use the programme's diverse applications are Speciality hospitals, Pharma sector and Health Sciences.

Achievement :
- Cancer centres often need newer software features, creating scope for extended projects and long-term relationships.

Awards :
- 'caTissue' earned Persistent Systems the caBig Outstanding Team Contribution award, 2007.

PERSISTENT

"'caTissue', the landmark software programme we developed, now extends to over 20 universities. Incorporating multiple annotations, it is ideal for long-term monitoring of specimens. Another critical issue it addresses is to ensure the security of personal medical data."

- Aditya Phatak
Sr. Manager - Business Development

CUSTOMER SPEAK

COVAD

Persistent Systems is willing to abandon the ways a traditional vendor relationship works. In the three-year period since adopting an agile process that includes both in-house and outsourced people, we delivered 25 consecutive on-time releases and significantly reduced cost.

Cornelia Pool

CIO, Covad Communication Company

Persistent Systems Limited

(Consolidated)

CUSTOMER SPEAK

Industry expertise is an important component to consider when evaluating service provider capabilities. By partnering with Indiana University, Persistent Systems is helping to further bolster its life science resources.

Eric Newmark
Research Manager, IDC

IDC is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunication, and consumer technology markets.

Auditors' Report on Consolidated Financial Statements

To
The Board of Directors of Persistent Systems Limited

1. We S.R. Batliboi & Co. Chartered Accountants ("SRB") and Joshi Apte & Co. ("JACO") Chartered Accountants (collectively referred to as "Joint Auditors") have audited the attached consolidated Balance Sheet of Persistent Systems Limited and its subsidiaries (collectively referred to as "the Group"), as at March 31, 2009 and also the consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year ended on that date annexed thereto.

2. These financial statements are the responsibility of Group's management and have been prepared by the management on the basis of separate financial statements. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We did not jointly audit the financial statements of following companies, whose total revenue, total assets and cash flows to the extent they are included in the consolidated financial statements of the Group are as given below

(In Rs. million)

Name of the Company	Extent of share in consolidated revenues	Extent of share in consolidated assets	Cash flows
Persistent eBusiness Solutions Limited	85.09	53.72	5.96
Persistent Systems, Inc.	964.91	302.56	23.82
Persistent Systems Pte. Ltd.	35.25	26.90	7.16
Persistent Systems and Solutions Limited	2.56	21.78	7.22

These financial statements have been audited solely by JACO and have been accepted without verification by SRB and hence our joint audit opinion insofar as it relates to the amounts included in respect of these subsidiaries, is based solely on the report of JACO.

4. We report that the consolidated financial statements have been prepared by the Group's management in accordance with the requirements of Accounting Standards (AS) 21, consolidated financial statements, notified by Companies Accounting rules.

   Based on our audit and on consideration of reports of JACO on separate financial statements of the subsidiaries and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in con-formity with the accounting principles generally accepted in India:

   (a) in the case of the consolidated balance sheet, of the state of affairs of the Group as at March 31, 2009;

   (b) in the case of the consolidated profit and loss account, of the profit of the Group for the year ended on that date; and

   (c) in the case of the consolidated cash flow statement, of the cash flows of the Group for the year then ended on that date.

For JOSHI APTE & Co.
Chartered Accountants

C. K. Joshi
Partner
Membership No.: 30428
Place : Pune
Date : June 23, 2009

For S. R. BATLIBOI & Co.
Chartered Accountants

per Arvind Sethi
Partner
Membership No.: 89802
Place : Pune
Date : June 23, 2009

Balance Sheet as at March 31, 2009

(In Rs. Million)

	Sch.	As at March 31, 2009	As at March 31, 2008
Sources of funds			
Shareholders' funds			
Share capital	1	358.61	358.61
Stock options outstanding (Refer note 15 to schedule 15)		20.73	5.89
Reserves and surplus	2	3,568.60	2,927.11
		3,947.94	3,291.61
Deferred tax liabilities (net) (Refer note 10 to schedule 15)		-	2.55
		3,947.94	3,294.16
Application of funds			
Fixed assets	3		
Gross block		3,372.42	2,928.37
Less Accumulated depreciation and amortisation		1,572.60	1,285.86
Net block		1,799.82	1,642.51
Capital work-in-progress including capital advances		377.44	330.75
		2,177.26	1,973.26
Investments	4	880.12	691.71
Deferred tax assets (net) (Refer note 10 to schedule 15)		20.47	-
Current assets, loans and advances			
Sundry debtors	5	1,034.21	744.89
Cash and bank balances	6	165.39	113.16
Other current assets	7	130.27	89.39
Loans and advances	8	453.95	403.11
	(A)	1,783.82	1,350.55
Less Current liabilities and provisions			
Current liabilities	9	567.90	562.22
Provisions	10	345.83	159.14
	(B)	913.73	721.36
Net current assets	(A - B)	870.09	629.19
		3,947.94	3,294.16
Notes to accounts	15		

The schedules referred to above and consolidated notes to accounts form an integral part of the Consolidated Balance Sheet.

As per our report of even date

For JOSHI APTE & Co.
Chartered Accountants

C. K. Joshi
Partner
Membership No. 30428
Pune, June 23, 2009

For S. R. BATLIBOI & Co.
Chartered Accountants

per Arvind Sethi
Partner
Membership No. 89802
Pune, June 23, 2009

For and on behalf of the Board of Directors

Dr. Anand Deshpande
Chairman and
Managing Director

S.P. Deshpande
Director

Rajesh Ghonasgi
Chief Financial Officer

Vivek Sadhale
Company Secretary
and Head - Legal

Pune, June 23, 2009

Profit & Loss Account for the year ended March 31, 2009

(In Rs. Million)

	Sch.	For the year ended March 31, 2009	For the year ended March 31, 2008
Income			
Sale of software services and products	11	5,938.31	4,248.50
Other Income	12	68.53	269.35
		6,006.84	4,517.85
Expenditure			
Personnel expenses	13	3,324.25	2,711.45
Operating and other expenses	14	1,700.52	637.24
		5,024.77	3,348.69
Operating profit before depreciation and amortisation		982.07	1,169.16
Depreciation and amortisation	3	296.77	279.99
Profit before tax and exceptional items		685.30	889.17
Provision for tax			
Current tax		64.94	98.70
Prior period tax		0.19	-
Less MAT credit entitlement		(43.00)	(89.44)
Net current tax		22.13	9.26
Deferred tax charge / (credit)		(23.02)	1.99
Fringe benefit tax		10.54	11.00
Total tax expense		9.65	22.25
Profit after tax and before exceptional items		675.65	866.92
Exceptional items (Refer note 18 to schedule 15)		(14.73)	(35.18)
Profit after tax and exceptional items		660.92	831.74
Balance brought forward from previous year		1,370.91	924.41
Profit available for appropriation		2,031.83	1,756.15
Appropriations			
Transfer to general reserve		234.40	334.90
Interim dividend on equity shares		35.86	43.03
Tax on interim dividend on equity shares		6.09	7.31
Surplus carried to balance sheet		1,755.48	1,370.91
Earnings per share (Refer note 7 to schedule 15)			
Basic [Nominal value of shares Rs. 10 (Previous year Rs.10)]			
Computed on the basis of earnings including exceptional and prior period items		20.69	29.11
Computed on the basis of earnings excluding exceptional and prior period items		21.15	30.34
Diluted [Nominal value of shares Rs. 10 (Previous year Rs.10)]			
Computed on the basis of earnings including exceptional and prior period items		18.43	23.19
Computed on the basis of earnings excluding exceptional and prior period items		18.84	24.17
Notes to accounts	15		

The schedules referred to above and consolidated notes to accounts form an integral part of the Consolidated Profit and Loss Account.

As per our report of even date

For JOSHI APTE & Co.
Chartered Accountants

C. K. Joshi
Partner
Membership No. 30428
Pune, June 23, 2009

For S. R. BATLIBOI & Co.
Chartered Accountants

per Arvind Sethi
Partner
Membership No. 89802
Pune, June 23, 2009

For and on behalf of the Board of Directors

Dr. Anand Deshpande
Chairman and
Managing Director

S. P. Deshpande
Director

Rajesh Ghonasgi
Chief Financial Officer

Vivek Sadhale
Company Secretary
and Head - Legal

Pune, June 23, 2009

Schedules forming part of Balance Sheet

(In Rs. Million)

		As at March 31, 2009	As at March 31, 2008
Schedule 1			
Share capital			
Authorised			
100,000,000 (Previous year 100,000,000) equity shares of Rs. 10 each.		1,000.00	1,000.00
		1,000.00	1,000.00
Issued, subscribed and paid-up			
35,861,000 (Previous year 35,861,000) equity shares of Rs. 10 fully paid. (Out of above 25,615,000 (Previous year 25,615,000) equity shares were allotted as fully paid-up bonus shares by capitalisation of capital redemption reserves and securities premium account)		358.61	358.61
		358.61	358.61
Schedule 2			
Reserves and surplus			
Capital redemption reserve			
Opening balance		-	9.79
Less Utilised for the issue of bonus shares		-	(9.79)
Closing balance	(A)	-	-
Securities premium account			
Opening balance		577.49	829.96
Add Additions during the year		-	0.31
Less Share issue expenses		-	(6.42)
Less Utilised for the issue of bonus shares		-	(246.36)
Closing balance	(B)	577.49	577.49
General reserve			
Opening balance		984.63	649.73
Add Transferred from Profit and Loss Account		234.40	334.90
Closing balance	(C)	1,219.03	984.63
Foreign currency translation reserve			
Opening balance		(5.92)	0.38
Add Exchange difference during the year on net investment in Non-integral operation		22.52	(6.30)
Closing balance	(D)	16.60	(5.92)
Profit and Loss Account	(E)	1,755.48	1,370.91
	(A)+(B)+(C)+(D)+(E)	3,568.60	2,927.11

Schedule 3

Fixed assets

(In Rs. Million)

Name of the asset	<---- Gross block				---->	<---- Depreciation and amortisation				---->	<--- Net block	--->
	As at April 1, 2008	Additions during the year	Deductions / transfers during the year	Currency translation adjustment	As at March 31, 2009	As at April 1, 2008	For the year	Deductions / Transfers during the year	Currency translation adjustment	As at March 31, 2009	As at March 31, 2009	As at March 31, 2008
Freehold land	202.98	-	-	-	202.98	-	-	-	-	-	202.98	202.98
Leasehold land	38.98	0.95	-	-	39.93	-	-	-	-	-	39.93	38.98
Building	1,040.04	185.95	2.69	-	1,223.30	131.33	44.95	0.76	-	175.52	1,047.78	908.71
Computers	550.47	120.03	7.46	0.98	664.02	426.06	94.86	7.45	0.75	514.22	149.80	124.41
Software	417.77	10.26	-	1.05	429.08	339.62	43.08	-	1.05	383.75	45.33	78.15
Plant and machinery	445.90	90.15	3.15	0.06	532.96	245.74	73.61	3.09	0.04	316.30	216.66	200.16
Furniture and fixtures	228.87	47.01	0.50	0.10	275.48	139.99	40.46	0.50	0.05	180.00	95.48	88.88
Vehicle	3.36	2.24	0.93	-	4.67	3.12	0.62	0.93	-	2.81	1.86	0.24
As at March 31, 2009	2,928.37	456.59	14.73	2.19	3,372.42	1,285.86	297.58	12.73	1.89	1,572.60	1,799.82	1,642.51
As at March 31, 2008	2,640.18	311.62	22.81	(0.62)	2,928.37	1,026.20	281.04	20.97	(0.41)	1,285.86	1,642.51	1,613.98
Capital work-in-progress including capital advances												
As at March 31, 2009	330.75	386.63	339.94	-	377.44	-	-	-	-	-	377.44	330.75
As at March 31, 2008	130.97	336.20	136.42	-	330.75	-	-	-	-	-	330.75	130.97

Notes

1. Company has entered into a lease agreement with Maharashtra Industrial Development Corporation (MIDC) on February 07, 2006 and November 16, 2007 for unit at MIDC Parsodi, Nagpur; and on November 25, 2005 for unit at MIDC Hinjewadi, Pune.

   These agreements will be converted into lease agreement for a term of 95 years after completion of stipulated conditions. Amortisation of Land will be effective from the date of such lease agreement.

2. Depreciation amounting to Rs 0.81 Million (Previous year Rs. 1.05 Million) relating to fixed assets used for construction of fixed assets under construction has been included under capital work in progress.

3. Capital work-in-progress includes capital advances of Rs. 67.65 Million (Previous year Rs. 73.84 Million).

4. Capital work-in-progress includes intangible asset under development Rs. 11.35 Million. The amortisation will commence when the intangible asset is ready for its use. (Previous year Rs. NIL).

Schedules forming part of Balance Sheet (Contd.)

(In Rs. Million)

		As at March 31, 2009	As at March 31, 2008
Schedule 4			
Investments			
Long term investments (At cost)			
Other than trade (Unquoted)			
Kriyari, Inc. NIL (Previous year 60,000) Shares of USD 0.15 each		-	0.36
Ciqual Limited 10,000,000 (Previous year NIL) Shares of GBP 0.01 each		9.03	-
	(A)	9.03	0.36
Current Investments (At lower of cost and market value)			
Other than trade (Unquoted)			
Investment in mutual funds (unquoted) Aggregate amount of unquoted investments market value Rs. 871.09 Million (Previous year Rs. 692.38 Million)		871.09	691.35
	(B)	871.09	691.35
(Refer note 16 to schedule 15)	(A)+(B)	880.12	691.71
Schedule 5			
Sundry debtors			
(Unsecured unless otherwise stated)			
Debts outstanding for a period exceeding six months			
Considered good		-	-
Considered doubtful		130.22	38.25
Other debts			
Considered good		1,034.21	744.89
Considered doubtful		23.18	3.43
		1,187.61	786.57
Less Provision for doubtful debts		153.40	41.68
		1,034.21	744.89
Schedule 6			
Cash and bank balances			
Cash on hand	(A)	0.13	0.12
Balances with scheduled banks			
On current accounts		76.32	60.88
On deposit accounts		2.21	4.11
	(B)	78.53	64.99
Balances with other banks			
On savings account		0.65	0.29
On current accounts		86.08	47.76
	(C)	86.73	48.05
	(A)+(B)+(C)	165.39	113.16

Schedules forming part of Balance Sheet (Contd.)

(In Rs. Million)

	As at March 31, 2009	As at March 31, 2008
Schedule 6 Cash and bank balances (Contd.)		
Bank balances with others include:		
Bank of Tokyo - Mitsubishi- NS, Japan [Maximum amount outstanding during the year Rs. 1.09 Million (Previous year Rs. 1.93 Million)]	0.65	0.29
Bank of America [Maximum amount outstanding during the year Rs. 0.33 Million (Previous year Rs. 2.78 Million)]	0.31	0.26
Sillicon Valley Bank [Maximum amount outstanding during the year Rs. 121.14 Million (Previous year Rs. 57.80 Million)]	67.01	43.23
Citibank N.A. - Singapore [Maximum amount outstanding during the year Rs. 19.07 Million (Previous year Rs. 9.44 Million)]	11.48	4.27
Citibank Canada [Maximum amount outstanding during the year Rs. 7.28 Million (Previous year Rs. NIL)]	7.28	-
Schedule 7		
Other current assets		
Accrued income	0.14	0.13
Unbilled revenue	128.92	89.26
Fixed assets held for sale (at net book value or estimated net realisable value whichever is lower)	1.21	-
	130.27	89.39
Schedule 8		
Loans and advances		
Unsecured, considered good		
Advance to PSPL ESOP Management Trust	153.83	158.33
Advance Income Tax [Net of provision Rs. 192.92 Million (Previous year Rs. 127.85 Million)]	37.83	4.83
Advances recoverable in cash or kind or for value to be received	45.72	105.45
VAT and Service tax receivable [Net of provision Rs. 18.39 Million (Previous year Rs. 6.62 Million)]	58.36	22.40
MAT credit entitlement	132.44	89.44
Deposits		
Considered good	25.77	22.66
Considered doubtful	2.68	2.78
Less Provision for doubtful deposit	(2.68)	(2.78)
	453.95	403.11

Schedules forming part of Balance Sheet (Contd.)

(In Rs. Million)

	As at March 31, 2009	As at March 31, 2008
Schedule 9		
Current liabilities		
Advance from customer	71.29	3.89
Sundry creditors		
Micro, Small and Medium Enterprises (Refer note 19 to schedule 15)	-	-
Others	140.25	244.21
Unearned revenue	39.52	16.18
Accrued employee liabilities	276.14	201.31
Unpaid dividend	3.59	-
Unpaid tax on dividend	2.44	-
Other liabilities	34.67	96.63
	567.90	562.22
Schedule 10		
Provisions		
Provision for fringe benefit tax [net of advance tax Rs. 31.74 Million (Previous year Rs. 21.52 Million)]	2.86	2.54
Provision for Gratuity [Refer note 5 to schedule 15]	2.11	30.43
Provision for Leave encashment	103.73	76.79
Provision for other long term benefits	61.22	36.19
Provision for derivative contracts (Refer note 3H(v) to schedule 15)	175.91	13.19
	345.83	159.14

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Schedules forming part of Profit & Loss Account

(In Rs. Million)

	For the year ended March 31, 2009	For the year ended March 31, 2008
Schedule 11		
Sale of software services and products		
Overseas	5,752.10	4,155.82
Domestic	186.21	92.68
	5,938.31	4,248.50
Schedule 12		
Other income		
Interest on bank deposits [Tax Deducted at Source Rs. 0.03 Million (Previous year Rs. 0.04 Million)]	0.17	0.21
Interest on intercorporate deposit and others [Tax Deducted at Source Rs. 1.25 Million (Previous year Rs. 0.38 Million)]	0.70	0.62
Profit on sale of fixed assets (net)	14.93	1.05
Dividend from non-trade investments	43.81	25.43
Foreign exchange gains (net)	-	221.54
Profit on sale of investments (net)	0.37	0.18
Provision for doubtful deposit written back	0.10	-
Provision for doubtful debts written back	0.34	14.87
Miscellaneous income	8.11	5.45
	68.53	269.35
Schedule 13		
Personnel expenses		
Salary and allowances	3,014.09	2,398.67
Software professional charges	91.93	83.03
Contribution to provident fund	79.68	62.98
Gratuity (Refer note 5 to schedule 15)	2.00	27.70
Defined Contribution to other funds	22.32	58.35
Staff welfare and benefits	99.40	74.83
Employee compensation expenses	14.83	5.89
	3,324.25	2,711.45

Schedule forming part of Profit and Loss Account (Contd.)

(In Rs. Million)

	For the year ended March 31, 2009	For the year ended March 31, 2008
Schedule 14		
Operating and other expenses		
Traveling and conveyance	236.14	230.92
Electricity and fuel	63.61	62.74
Internet link charges	29.45	23.87
Communication charges	28.34	25.07
Recruitment expenses	26.07	39.73
Training and seminars	18.49	24.83
Software support charges	93.64	26.99
Provision for doubtful debts	108.58	23.39
Bad debts	3.72	-
Rent (Refer note 12 to schedule 15)	31.86	17.93
Insurance	11.45	11.89
Rates, fees and profession tax	12.69	18.28
Legal and professional fees	30.59	19.65
Repairs and maintenance		
Equipments	16.51	14.01
Building	6.11	6.73
Others	9.20	7.53
Commission on sales to other than sole selling agents	4.80	5.64
Advertisements, sponsorship fees	15.62	10.24
Computer consumables	5.44	7.28
Auditors' remuneration (Refer note 17 to schedule 15)	4.31	3.69
Donations	15.43	1.61
Books, memberships, subscriptions	1.47	2.29
Preliminary expenses written off	0.81	-
Foreign exchange loss	711.24	-
Loss on sale of investment	0.41	-
Exchange loss on derivative contracts (Refer note 3H(v) to schedule 15)	162.72	13.19
Director's sitting fees	0.27	0.25
Director's commission	0.90	1.69
Provision for doubtful deposit	-	2.78
Miscellaneous expenses	50.65	35.02
	1,700.52	637.24

Notes to Accounts

Schedule 15

1. Nature of operations

Persistent Systems Limited ('the Company') is predominantly engaged in Outsourced Product Development services for Independent Software Vendors (ISVs) and Enterprises. The Company offers complete product life cycle services from end to end.

Persistent Systems, Inc. (PSI), a foreign subsidiary of the Company, is engaged in software development, professional and marketing services.

Persistent eBusiness Solutions Limited (PeBS) is engaged in software development, consultancy and system integration services.

Persistent Systems Pte. Limited, (PS Pte.), a foreign subsidiary of the Company, is engaged in software development, professional and marketing services.

Persistent Systems and Solutions Limited (PSSL), a domestic subsidary of the Company, has been setup to inter alia, mainly provide software development services from Special Economic Zones.

2. Principles of consolidation

The consolidated financial statements for the year ended March 31, 2009 of the Company, PSI, PeBS, PS Pte and PSSL (the 'Group') are prepared under historical cost convention in accordance with generally accepted accounting principles applicable in India, and the Notified Accounting Standard 21 (AS-21) on consolidation of financial statements, to the extent possible in the same format as that adopted by Parent Company (the Company) for its separate financial statements.

The financial statements of the Company and its subsidiary companies have been combined on line by line basis by adding together the book values of like items of assets and liabilities, income and expenses after fully eliminating intra group balances and intra group transactions. Any excess of the cost to the parent company of its investment in a subsidiary and the parent company's portion of equity of subsidiary at the date, at which investment in the subsidiary is made, is described as goodwill and recognised separately as an asset in the consolidated financial statements.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and necessary adjustments required for deviations, if any, are made in the consolidated financial statements and are presented in the same manner as the Company's unconsolidated financial statements.

The subsidiary companies considered in consolidated financial statements are

Name of the subsidiary	Ownership percentage as at March 31, 2009	Ownership percentage as at March 31, 2008	Country of Incorporation
Persistent eBusiness Solutions Limited	100%	100%	India
Persistent Systems and Solutions Limited	100%	NA	India
Persistent Systems, Inc.	100%	100%	USA
Persistent Systems Pte. Limited	100%	100%	Singapore

3. Statement of significant accounting policies

A. Basis of preparation

The consolidated financial statements for the year ended March 31, 2009 have been prepared in accordance with Notified accounting standard issued by Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956. The consolidated financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Group are consistent with those used in the previous year.

Notes to Accounts (Contd.)

B. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

C. Fixed assets and Intangibles

Fixed assets are stated at cost, less accumulated depreciation and impairment losses, if any, cost comprises the purchase price and any attributable costs of bringing the asset to its working condition for its intended use.

Borrowing costs relating to acquisition of fixed assets, which takes substantial period of time to get ready for its intended use, are also included to the extent they relate to the period till such assets are ready to be put to use.

Capital work-in-progress includes cost of fixed assets that are not ready or put to use and advances paid to construct or acquire fixed assets.

Cost relating to software licenses, of enduring nature are capitalised on acquisition and amortised over their estimated useful lives.

D. Depreciation

Depreciation is provided using the Straight Line Method (SLM) as per the useful lives of the assets estimated by the management, or at the rates prescribed under schedule XIV of the Companies Act, 1956, whichever is higher.

Software licenses of enduring nature are amortised over a period of three years or over their estimated useful lives whichever is lower.

Depreciation on assets purchased / sold during the year is charged on a pro-rata basis. Individual assets whose cost does not exceed Rs. 5,000 are depreciated at 100%.

A comparative statement of rates of depreciation followed by the Group and applicable rates as per the schedule XIV of the Companies Act is as below

Assets	Rates (SLM)	Rates as per Schedule XIV (SLM)
Computers	33.33%	16.21%
Plant and machinery	20.00%	4.75%
Furniture and fixtures	20.00%	6.33%
Vehicles	20.00%	9.50%
Buildings	4.00%	1.63%

E. Impairment

i. The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

ii. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

Notes to Accounts (Contd.)

F. Investments

Investments that are readily realisable and intended to be held for a period not more than a year are classified as current investments. All other investments are classified as long-term investments.

Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline, other than temporary decline, in the value of the investments.

G. Revenue recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

i. Income from software services

Revenue from time and material engagements is recognised on time basis in accordance with the terms of the contracts.

In case of fixed price contracts, revenue is recognised based on the milestones achieved as specified in the contracts, on the proportionate completion basis.

Revenue from licensing of products is recognised on delivery of products.

Revenue from royalty is recognised on sale of products in accordance with the terms of the relevant agreement.

Revenue from maintenance contracts are recognised on a pro-rata basis over the period of the contract as and when services are rendered.

Unbilled revenue represents revenue recognised in relation to work done on time and material projects and fixed price projects 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 recognised as per the terms of contract.

ii. Interest

Revenue from interest is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

iii. Dividends

Revenue from dividend is recognised when the Group's right to receive payment is established by the balance sheet date.

H. Foreign currency translations

i. Initial recognition

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

ii. Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Notes to Accounts (Contd.)

iii. Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Group's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or expenses in the year in which they arise.

Exchange differences from the accounting period commencing on or after April 1, 2007 in respect of fixed assets acquired, including foreign currency liabilities relating thereto, are recognised as income or expenses in the period in which they arise.

iv. Forward exchange contracts not intended for trading or speculation purposes covered by AS 11

The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

v. Options and forward exchange contracts not intended for trading or speculation purposes, classified as derivative instruments

Pursuant to the announcement made by the Institute of Chartered Accountants of India (ICAI) regarding "Accounting for Derivatives", options and forward exchange contracts, not covered by (iv) above are classified as derivatives and are marked to market on a portfolio basis at the balance sheet date. The resultant net losses after considering the offsetting effect on the underlying hedge items are recognised in the Profit and Loss Account on the principle of prudence. The resultant net gains, if any, on such derivatives are not recognised in financial statements. Any profit or loss arising on cancellation or renewal of such forward exchange contract is recognised as income or expense for the year.

vi. Translation of non-integral foreign operation

In translating the financial statements of a non-integral foreign operation for incorporation in consolidated financial statement, the assets and liabilities, both monetary and non-monetary, of the non-integral foreign operation are translated at the closing rate; income and expense items of the non-integral foreign operation are translated at exchange rates at an average rate for the current year; and all resulting exchange differences are accumulated in a foreign currency translation reserve until the disposal of the net investment.

I. Retirement and other employee benefits

i. Gratuity

Gratuity liability represents defined benefit obligation and is provided for based on actuarial valuations, by using the Projected Unit Credit (PUC) method, made at the end of each financial period for employees covered under Group Gratuity Scheme of Life Insurance Corporation of India (L.I.C.).

ii. Superannuation

The Group has provided for a superannuation scheme as a defined contribution plan covering eligible employees. The contribution to the superannuation fund managed by Life Insurance Corporation of India equal to the specified percentage of the basic salary of the eligible employees as per the scheme. The contribution to this scheme is charged to the Profit and Loss Account on an accrual basis. There are no other contributions payable other than contribution payable to the respective fund.

iii. Provident fund

The Group has provided for a provident fund scheme defined contribution plan covering eligible employees. The Group and the eligible employees make a monthly contribution to the provident fund maintained by the Regional Provident Fund Commissioner equal to the specified percentage of the basic salary of the eligible employees as per the scheme. The employer's contribution is charged to the Profit and Loss Account on an accrual basis. There are no other contributions payable other than contribution payable to the respective fund.

Notes to Accounts (Contd.)

iv. Leave encashment

The short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation by using the Projected Unit Credit (PUC) Method.

v. Long service awards

Long service awards are other long term benefits to all eligible employees, as per Group's policy are provided based on actuarial valuation. Actuarial valuations are made as per the Projected Unit Credit (PUC) Method.

vi. Actuarial gains and losses

Actuarial gains/ losses are immediately taken to Profit and Loss Account and are not deferred.

J. Income Taxes

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflect the impact of current year's timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Group has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

Deferred tax assets or liabilities relating to the timing differences arising and reversing during the tax holiday period under Section 10A of the Income Tax Act, 1961, are not recognised.

At each balance sheet date the Group re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

Deferred tax assets and deferred tax liabilities across various countries of operations are not set off against each other as the Group does not have a legal right to do so.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Group writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

The Minimum Alternate Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the Group will pay normal income tax during the specified period. In the period in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the Profit and Loss Account and shown as MAT Credit Entitlement. The Group reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Group will pay normal Income Tax during the specified period.

K. Segment reporting policies

The Group's operations predominantly relate to providing Outsourced Software Product Development services covering full life cycle of product to its customers.

Accordingly product development services represented along with broad industry classes comprise primary basis of segmental information. Secondary segmental reporting is done on the basis of geographical location of customers who are invoiced or in relation to whom revenue is otherwise recognised.

The accounting principles consistently used in the preparation of financial statements are applied to record income and expenses in individual segments.

Notes to Accounts (Contd.)

Income and direct expenses allocable to segments are categorised based on items that are individually identifiable to that segment such as salaries and project related travel expenses. The remainder is considered as un-allocable expense and is charged against the total income.

There were no inter-segmental transactions during the year.

Segregation of assets, liabilities, depreciation and other non-cash expenses into various reportable segments has not been done as the assets are used interchangeably between segments and the Group is of the view that it is not practical to reasonably allocate liabilities and other non-cash expenses to individual segments and an ad-hoc allocation will not be meaningful.

L. Earnings per share (EPS)

The earnings considered in ascertaining EPS comprise the amount attributable to Equity Shareholders. The number of shares used in computing the basic earning per share is the weighted average number of shares outstanding during the year as reduced by the shares held by PSPL ESOP Management Trust at the balance sheet date, which are obtained by PSPL ESOP Management Trust from finance provided by the Group.

The weighted average number of equity share outstanding during the previous year was adjusted for events of bonus issue

The number of shares used in computing the diluted earning per share comprises the weighted average number of share considered for deriving basic earning per share, and also the weighted average number of shares, if any issued on the conversion of all dilutive potential Equity Shares. The number of weighted average shares outstanding during the year and potentially dilutive Equity Shares are adjusted for the issued bonus shares and sub-division of shares.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to the Equity Shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential Equity Shares.

M. Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on the best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

N. Cash and cash equivalents

Cash and cash equivalents in the Balance Sheet comprise cash at bank and in hand and short term investments with an original maturity period of three months or less.

O. Employee stock compensation cost

Measurement and disclosure of the employee share-based payment plans is done in accordance with the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India.

The Group measures compensation cost relating to employee stock options using the intrinsic value method. Compensation expense is amortised over the vesting period of the option on a straight line basis if the fair market value of the underlying stock exceeds the exercised price at the measurement date, which typically is the grant date.

P. Lease

Where the Group is a lessee, assets acquired as leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating lease.

Operating lease payments are recognised as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

4. Securities for loans

The export packing credit is secured by hypothecation of present and future receivables of the Group on pari passu basis with State Bank of India, Bank of India and Citibank N.A. There is no balance payable as at March 31, 2008 and March 31,2009.

Notes to Accounts (Contd.)

5. Gratuity and other post-employment benefit plans

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days basic salary (last drawn basic salary) subject to a maximum of 30 days basic salary (last drawn basic salary) as per the rules of the Company for each completed year of service. The scheme is funded with an insurance Company in the form of a qualifying insurance policy.

The following tables summarize the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognised in the Balance Sheet for the respective plans.

Profit and Loss Account

Net employee (benefit) / expense (recognised in Employee cost) (In Rs. Million)

Particulars	March 31, 2009	March 31, 2008	March 31, 2007
Current service cost	28.36	28.07	17.61
Interest cost on benefit obligation	6.51	4.05	2.58
Expected return on plan assets	(5.63)	(4.37)	(2.43)
Net actuarial (gain) / loss recognised in the year	(27.24)	7.17	3.29
Interest income	0.00	(4.40)	-
Net (benefit) / expense	2.00	30.52	21.05
Actual Return on Net Plan Assets	-	-	-

Changes in the fair value of plan assets (recognised in the Balance Sheet) are as follows (In Rs. Million)

Particulars	March 31, 2009	March 31, 2008	March 31, 2007
Opening fair value of plan assets	53.88	29.09	31.56
Expected return / adjustment	5.63	4.37	2.43
Contribution by employer	30.19	20.35	0.04
Benefits paid	(5.52)	(2.79)	(2.51)
Actuarial gains / (losses)	1.85	2.86	(2.43)
Closing fair value of plan assets	86.03	53.88	29.09

Changes in the present value of the defined benefit obligation (recognised in Balance Sheet) are as follows (In Rs. Million)

Particulars	March 31, 2009	March 31, 2008	March 31, 2007
Opening defined benefit obligation	84.13	52.00	33.46
Interest cost	6.51	4.05	2.58
Current service cost	28.36	28.07	17.61
Benefits paid	(5.52)	(2.79)	(2.51)
Actuarial (gains) / losses on obligation	(25.41)	2.80	0.86
Closing defined benefit obligation	88.07	84.13	52.00

Summary statement of provision for gratuity is as follows (In Rs. Million)

Particulars	March 31, 2009	March 31, 2008	March 31, 2007
Fair value of plan assets	86.03	53.88	29.09
Defined benefit obligations	(88.07)	(84.13)	(52.00)
Unrecognised past service cost	-	-	-
Plan asset / (liability)	(2.04)	(30.25)	(22.91)

Notes to Accounts (Contd.)

The Company expects to contribute Rs. 2.04 Million to gratuity fund in the financial year 2009-10.

The Company maintains gratuity fund, which is being administered by L. I. C.

(In Rs. Million)

Particulars	March 31, 2009	March 31, 2008	March 31, 2007
Investments with insurer including accrued interest	86.03	53.88	29.09

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

The principal assumptions used in determining gratuity for the Company's plans are shown below

Particulars	March 31, 2009	March 31, 2008	March 31, 2007
Discount rate	7.79%	8.00%	8.00%
Expected rate of return on assets	8.50%	9.00%	8.00%

Amounts for the current and previous years are as follows (In Rs. Million)

Particulars	March 31, 2009	March 31, 2008	March 31, 2007
Plan assets	86.03	53.88	29.09
Defined benefit obligation	(88.07)	(84.13)	(52.00)
Surplus / (deficit)	(2.04)	(30.25)	(22.91)
Experience adjustments on plan liabilities	(25.41)	2.80	0.86
Experience adjustments on plan assets	1.85	2.86	(2.43)

6. Derivative instruments and unhedged foreign currency exposure Forward

(In USD Million)

Particulars	March 31, 2009	March 31, 2008
Sales	USD 87.32	USD 136.85
Purchase	-	-

Particulars of Unhedged foreign Currency Exposure as at the balance sheet date

Particulars	March 31, 2009	March 31, 2008
Balance with Bank of Tokyo Mitsubishi, NS (Japan)	Rs. 0.65 Million (JPY 1.26 Million @ closing rate of JPY 1 = Re. 0.5147)	Rs. 0.29 Million (JPY 0.73 Million @ closing rate of JPY 1 = Re. 0.399)
Balance with Bank of India (USA)	Rs. 0.51 Million (USD 0.01 Million @ closing rate of USD 1 = Rs. 50.70)	Rs. 0.40 Million (USD 0.01 Million @ closing rate of USD 1 = Rs. 40.11)
Balance with Bank of India (UK)	Rs. 0.68 Million (GBP 0.01 Million @ closing rate of GBP 1 = Rs. 72.51)	Rs. 0.21 Million (GBP 0.002 Million @ closing rate of GBP 1 = Rs. 79.58)
Balance with Citibank (Canada)	Rs. 7.28 Million (CAD 0.18 Million @ closing rate of CAD 1 = Rs. 40.45)	-

Notes to Accounts (Contd.)

7. Earnings per share (EPS)

(In Rs. Million unless otherwise stated)

Particulars		As at March 31, 2009	As at March 31, 2008
Basic EPS (After exceptional items)			
Numerator for Basic EPS			
Net Profit after Tax and after exceptional items	a	660.92	831.74
Numerator for Diluted EPS			
Net Profit after tax and after exceptional items	b	660.92	831.74
Denominator for Basic EPS			
Weighted average number of equity shares	c	31,951,318	28,571,738
Denominator for Diluted EPS			
Weighted average number of equity shares and potential equity shares	d	35,861,000	35,859,838
Basic earnings per share of face value of Rs. 10 each (After exceptional items)	a / c	20.69	29.11
Diluted earnings per share of face value of Rs. 10 each (After exceptional items) (See Note below)	b / d	18.43	23.19
Basic EPS (Before exceptional Items)			
Numerator for Basic EPS			
Net Profit after Tax and before exceptional items	e	675.65	866.92
Numerator for Diluted EPS			
Net Profit after tax and before exceptional items	f	675.65	866.92
Denominator for Basic EPS			
Weighted average number of equity shares as per (c) above	g	31,951,318	28,571,738
Denominator for Diluted EPS			
Weighted average number of equity and potential equity shares As per (d) above	h	35,861,000	35,859,838
Basic earnings per share of face value of Rs. 10 each (Before exceptional items)	e / g	21.15	30.34
Diluted earnings per share of face value of Rs. 10 each (Before exceptional items) (See Note below)	f / h	18.84	24.17

Notes

i. Pursuant to resolution passed at an Extra Ordinary General Meeting held on September 17, 2007 equity shares were issued as bonus shares in the ratio of 5 Equity Shares for every 2 Equity Shares held by capitalisation of reserves.

ii. Pursuant to resolution passed at an Extra Ordinary General Meeting held on September 17, 2007, 209,045 Series A Participatory Cumulative Optionally Convertible Preference Shares of Rs 100 each were converted into Equity Shares of Rs. 10 each. For computation of diluted EPS, weighted average number of equity shares includes 209,045 Series A Participatory Cumulative Optionally Convertible Preference Shares of Rs. 100 each up to the date of such conversion into equity shares.

Notes to Accounts (Contd.)

Reconcilation of basic and diluted shares used in computing EPS

Particulars	March 31, 2009	March 31, 2008
Number of shares considered as basic weighted average shares outstanding	31,951,318	28,571,738
Add Effect of dilutive issues of convertible preference shares	-	3,378,418
Add Effect of dilutive issues of stock options	3,909,682	3,909,682
Number of shares considered as weighted average shares and potential shares outstanding	35,861,000	35,859,838

8. Investment in subsidiary

During the year ended March 31, 2009 the Company has invested Rs. 14.50 Million in Persistent Systems and Solutions Limited, a 100% subsidiary set up in India.

The Company has, also made an additional investment of SGD 0.40 Million during the year in Persistent Systems Pte. Limited a 100% subsidiary in Singapore.

9. Capital commitment

(In Rs. Million)

Particulars	March 31, 2009	March 31, 2008
Estimated amount of contracts remaining to be executed on capital account and not provided for	366.97	349.37

10. Deferred tax

The Company enjoys a tax holiday under section 10A of the Income Tax Act, 1961, up to March 31, 2010. The timing differences arising at March 31, 2009 and not reversing during the tax holiday period have been recognised in the books of accounts as summarised below

(In Rs. Million)

Particulars		March 31, 2009	March 31, 2008
Differences in depreciation and other differences in a block of fixed assets as per the tax books and financial books		19.07	19.01
Gross deferred tax liability	(A)	19.07	19.01
Provision for Leave liability and long term employee benefit		24.88	16.46
Provision for doubtful debts		14.66	-
Gross deferred tax assets	(B)	39.54	16.46
Net deferred tax liability / (asset)	(A) - (B)	(20.47)	2.55

In case of Persistent Systems, Inc., the Group has not recognised deferred tax asset, as there is no virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be realised. This is consistent with the Notified Accounting Standard 22 (AS-22), "Accounting for Taxes on Income".

In case of Persistent Systems Pte. Limited no deferred tax asset / liability is recognised as there are no material timing differences arising at balance sheet date.

11. Contingent Liabilities not provided for

(In Rs. Million)

Particulars	March 31, 2009	March 31, 2008
Claims against the Company not acknowledged as debts		
Legal Claims filed by the ex employee for salary and other benefits	0.29	0.29
ESI	4.92	4.92
	5.21	5.21

Notes to Accounts (Contd.)

The Company has received a demand notice dated December 31, 2008, u/s 156 of the Income Tax Act, for the assessment year 2005-06 for Rs. 2.57 Million. The Commissioner of Income Tax (Appeals – II), as per the order dated November 11, 2008, has passed an order granting relief of Rs. 2.61 Million for the assessment year 2003-04.

12. Operating leases

The Group has taken office premises under non-cancellable operating lease agreement for a period of 60 months, 36 months and 12 months. The lease rental charge (grouped in rent expenses) during the year ended March 31, 2008 is Rs. 31.30 Million (previous year Rs. 17.49 Million) and maximum obligation on long–term non-cancellable operating lease payable as per the rentals stated in respective agreement are as follows

(In Rs. Million)

Particulars	March 31, 2009	March 31, 2008
Obligation on non-cancellable operating leases		
Not later than one year	1.14	1.23
Later than one year and not later than five years	-	-
Later than five years	-	-

13. Segment Information

(In Rs. Million)

Particulars	Year ended on March 31,	ISV	Telecom	Practices, Enterprise VLSI & Others	Total
Revenue	2009	2,938.71	1,241.21	1,758.39	5,938.31
	2008	2,175.28	1,086.52	986.70	4,248.50
Identifiable expense	2009	(1,258.07)	(636.54)	(825.14)	(2,719.75)
	2008	(1,071.69)	(565.78)	(484.89)	(2,122.36)
Segmental operating income	2009	1,680.64	604.67	933.25	3,218.56
	2008	1,103.59	520.74	501.81	2,126.14
Unallocable expenses	2009				(2,601.79)
	2008				(1,506.32)
Operating income	2009				616.77
	2008				619.82
Other income (Net of expenses)	2009				68.53
	2008				269.35
Profit before taxes	2009				685.30
	2008				889.17
Income tax	2009				(9.65)
	2008				(22.25)
Profit after tax	2009				675.65
	2008				866.92
Extraordinary / prior period/ Exceptional items	2009				(14.73)
	2008				(35.18)
Profit after extraordinary items	2009				660.92
	2008				831.74

Notes to Accounts (Contd.)

The Group's operations predominantly relate to providing Outsourced Software Product Development services covering full life cycle of product to its customers. Accordingly, product development services representative alongwith broad industry classes comprise primary basis of segmental information and Outsourced Software Product Development services for Independent Software Vendors (ISVs), Telecom and very large scale integration customers (VLSI), have been identified as primary business segments. Secondary segmental reporting is done on the basis of geographical location of customers who are invoiced or in relation to whom revenue is otherwise recognised.

Geographical segments

The following table shows the distribution of the Groups consolidated sales by geographical market regardless of where the goods were produced

(In Rs. Million)

Particulars	Year ended on March 31, 2009	Year ended on March 31, 2008
Asia Pacific	240.39	154.14
Europe	512.48	369.53
North America	5,185.44	3,724.83
	5,938.31	4,248.50

Segregation of assets, liabilities, depreciation and other non cash expenses into various reportable segments and the group is of the view that it is not practical to reasonably allocate liability and other non cash expenses to individual segments and an ad hoc allocation will not be meanigful.

14. Related party transactions

A. Names of related parties

Key Management Personnel

i. Dr. Anand Deshpande, Chairman and Managing Director

ii. Mr. S. P. Deshpande, Director

iii. Mr. T. M. Vijayaraman*, Chief Technology Officer and Director, Persistent Systems, Inc., USA

iv. Mr. Hari Haran**, President, Persistent Systems, Inc., USA

v. Mr. Raj Sirohi***, President, Persistent Systems, Inc., USA

Relatives of Key Management Personnel

i. Mrs. Chitra Buzruk (Relative of the Chairman and Managing Director and a Director)

ii. Mrs. Sulabha Suresh Deshpande (Relative of the Chairman and Managing Director and a Director)

iii. Mrs. Sonali Anand Deshpande (Relative of the Chairman and Managing Director)

iv. Dr. Mukund Deshpande (Relative of the Chairman and Managing Director and a Director)

Notes to Accounts (Contd.)

B. Related party transactions

(In Rs. Million)

Particulars	Name of the Related Party	March 31, 2009	March 31, 2008
Remuneration to key management personnel	Dr. Anand Deshpande	4.99	7.88
	Mr S. P. Deshpande	1.93	2.79
	Mr. T. M. Vijayaraman*	9.13	-
	Mr. Hari Haran**	7.59	-
	Mr. Raj Sirohi***	5.83	14.47
Remuneration to relatives of key management personnel	Mrs. Chitra Buzruk	1.29	1.41
	Dr. Mukund Deshpande	1.69	1.39
Dividend payment	Dr. Anand Deshpande	11.31	13.57
	Mr S. P. Deshpande	3.80	4.56
	Mrs. Chitra Buzruk	0.01	0.02
	Mrs. Sonali Anand Deshpande	0.06	0.07
	Mrs. Sulabha Suresh Deshpande	0.28	0.34
	Mr. T. M. Vijayaraman*	0.05	-

* Although Mr. T.M. Vijayaraman was appointed as Director on September 6, 2008, the remuneration paid is disclosed for entire period since his date of joining i.e. May 5, 2008.

** Mr. Hari Haran joined as the President of Persistent Systems, Inc., w.e.f. October 28, 2008.

*** Mr. Raj Sirohi resigned as the president of Persistent Systems, Inc., w.e.f. September 5, 2008

15. Employees stock options (ESOP)

The details of various ESOP plans adopted by the Board of Directors are as follows:

ESOP Plan	Date of adoption by the Board
Plan I	December 11, 1999
Plan II	April 23, 2004
Plan III	April 23, 2004
Plan IV	April 23, 2006
Plan V	April 23, 2006
Plan VI	October 31, 2006
Plan VII	April 30, 2007
Plan VIII	July 24, 2007

Method of settlement for all the plans is through equity.

Notes to Accounts (Contd.)

The vesting pattern for scheme I to V is as follows

Time Period from Date of Grant (Months)	Percentage of Share Vesting (%)
12	10
24	30
36	60
48	100

The vesting pattern for scheme VI is as follows

Time Period from Date of Grant (Months)	Percentage of Share Vesting (%)
18	30
For every quarter	5

The vesting pattern for scheme VII is as follows

Time Period from Date of Grant (Months)	Percentage of Share Vesting (%)
12	20
24	40
36	60
48	80
60	100

The vesting pattern for scheme VIII is as follows

Time Period from Date of Grant (Months)	Percentage of Share Vesting (%)
12	25
24	50
36	75
48	100

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Notes to Accounts (Contd.)

The status of various ESOP schemes is shown in the following table

Particulars		<------				Plans		------>		
		I	II	III	IV	V	VI	VII	VIII	Total
Granted	a	2,280,250	376,600	1,266,650	2,397,150	945,262	608,125	778,487	21,000	8,673,524
Vested	b	1,606,255	222,169	327,652	408,604	208,957	255,713	161,595	5,250	3,196,195
Encashed and Exercised	c	1,553,277	56,385	79,301	-	-	-	-	-	1,688,963
Vested and Not exercised (b-c)	d	52,978	165,784	248,351	408,604	208,957	255,713	161,595	5,250	1,507,232
Lapsed	e	667,047	107,607	322,462	711,123	246,134	215,250	216,300	-	2,485,923
Not Vested (a – c - d - e)	f	6,948	46,824	616,536	1,277,423	490,171	137,162	400,592	15,750	2,991,406
Total Outstanding (d + f)	g	59,926	212,608	864,887	1,686,027	699,128	392,875	562,187	21,000	4,498,638
Weighted average remaining Contractual Life (In years)		Note 1	10.04	Note 1	11.56	Note 1	12.55	12.98	5.46	
Weighted average fair value of options granted (Rs.)		9.37	47.52	58.47	62.11	51.06	50.11	113.98	143.57	

Note 1 No contractual life is defined in the schemes.
All the numbers provided in this above table are after ignoring fractions

Compensation expense arising from employee share based payment plans amounted to Rs. 14.83 million (Previous year Rs. 5.89). No fresh grants have been granted during the year.
Had compensation cost been determined in a manner consistent with fair value approach there will be no significant impact on the company's net income and earning per share.

Advance to the Trust, as on the balance sheet date in respect of shares allotted by the Company to the Trust, amounted to Rs. 50.60 million (Previous year Rs. 55.10 million). As illustrated in the example in the appendix to the Guidance Note, had the advance been presented as a reduction from equity, the Equity Share Capital would have been reduced by Rs. 6.06 million (Previous year Rs. 6.60 million) and Share Premium would have been reduced by Rs. 44.54 million (Previous year Rs.48.50 million).

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Notes to Accounts (Contd.)

16. Details of Investments

Current Investments -other than trade (unquoted)
Investment purchased and sold during the year ended March 31, 2009

(Amount in Rs. Million)

Particulars	Opening balance		Purchase		Sales		Closing balance	
	Units	Amount	Units	Amount	Units	Amount	Units	Amount
DSP Liquid Fund	81,722.62	81.76	5,919,270.94	397.35	6,000,993.56	479.11	-	-
Grindlays Cash Fund	5,616,445.58	56.20	64,987,330.80	650.49	68,600,565.38	686.65	2,003,211.00	20.04
HDFC Liquid Fund	8,566,983.06	85.67	137,598,245.36	1,418.49	130,473,450.19	1,345.89	15,691,778.23	158.27
ICICI Liquid Fund	8,317,882.28	87.95	85,475,250.80	863.01	71,852,643.19	726.77	21,940,489.89	224.19
Templeton India Fund	3,960,278.41	40.00	4,007,624.28	40.47	7,967,902.69	80.47	-	-
DWS Money Plus Fund	8,530,784.09	85.53	12,070,561.44	121.02	20,601,345.53	206.55	-	-
Birla Cash Plus Fund	4,127,732.13	41.28	50,449,124.19	507.32	31,905,520.29	321.76	22,671,336.03	226.84
Tata Liquid Fund	3,487,584.20	35.00	28,162,972.14	283.49	31,650,556.34	318.49	-	-
Reliance Liquid plus	4,192,967.77	41.96	39,894,515.20	730.67	29,946,311.91	530.88	14,141,171.06	241.75
Lotus India Plus	5,493,688.98	55.02	15,444,853.55	154.56	20,938,542.53	209.58	-	-
SBI Mutual Fund	8,098,363.17	80.98	31,208,428.14	328.53	39,306,791.31	409.51	-	-
	60,474,432.29	691.35	475,218,176.84	5,495.40	459,244,622.92	5,315.66	76,447,986.21	871.09

Notes to Accounts (Contd.)

17. Auditors' Remuneration

(In Rs. Million)

Particulars	March 31, 2009	March 31, 2009
Audit fee	1.89	3.44
Tax Audit fee	0.15	0.12
Other matters*	6.60	6.90
Out of pocket expenses	0.05	0.06
	8.69	10.52

* Fees for the other matters include to Rs. 4.38 Million (Previous year Rs. 6.83 Million) towards fees for services rendered in connection with the Initial Public Offer.

18. Share issue expenses

The Company deferred its Initial Public Offer (IPO), which was planned during the year, due to adverse market sentiment. The company has, therefore, written off share issue expenses amounting to Rs. 14.73 Million (Previous year Rs. 35.18 Million) as an exceptional item.

19. Dues to Micro, Small and Medium enterprises

There were no amounts due to Micro, Small and Medium undertaking outstanding for more than 30 days, as at March 31, 2009.

During the year, the Company had sent requests to vendors for confirming their status as Micro, Small and Medium enterprises as per their registration with the appropriate authority under the Micro, Small and Medium Enterprises Development Act, 2006. Based on the confirmations received from such vendors, the management has confirmed that there are no dues outstanding as on March 31, 2009 and there were no payments made during the period beyond 30 days, hence no provision for interest is required.

20. Previous year comparatives

Previous years figures have been regrouped where necessary to conform to current year's classification.

As per our report of even date

For JOSHI APTE & Co.
Chartered Accountants

C. K. Joshi
Partner
Membership No. 30428
Pune, June 23, 2009

For S. R. BATLIBOI & Co.
Chartered Accountants

per Arvind Sethi
Partner
Membership No. 89802
Pune, June 23, 2009

For and on behalf of the Board of Directors

Dr. Anand Deshpande
Chairman and
Managing Director

S. P. Deshpande
Director

Rajesh Ghonasgi
Chief Financial Officer

Vivek Sadhale
Company Secretary
and Head - Legal

Pune, June 23, 2009

Cash Flow Statement for the year ended March 31, 2009

(In Rs. Million)

Particulars		For the year ended March 31, 2009	For the year ended March 31, 2008
Cash flow from operating activities			
Net profit before taxation		685.30	889.17
Adjustments for			
Interest income		(0.87)	(0.84)
Dividend income		(43.81)	(25.43)
Depreciation and amortisation		296.77	279.99
Foreign exchange loss (net)		(3.61)	(2.33)
Exchange loss on derivative contracts		162.72	13.19
Exchange difference on translation of foreign currency cash and cash equivalents		0.03	0.10
Provision for doubtful debts (net of doubtful debt provision written back)		108.24	8.52
Loss on valuation of investment		0.41	-
Bad debts		3.72	-
Employee compensation expenses		14.83	5.89
Provision / (recovery) of deposits		(0.10)	2.78
(Profit) on sale of investments (net)		(0.37)	(0.18)
(Profit) on sale of fixed assets (net)		(14.93)	(1.05)
Operating profit before working capital changes		1,208.33	1,169.81
Movements in working capital			
(Increase) in sundry debtors		(398.19)	(227.91)
(Increase) in other current assets		(39.66)	(33.47)
(Increase) / decrease in loans and advances		25.84	(46.44)
Increase in current liabilities and provisions		10.52	255.40
Operating profit after working capital changes		806.84	1,117.39
Direct taxes paid (net of refunds)		(108.35)	(115.36)
Cash flow before exceptional items		698.49	1,002.03
Exceptional item		(14.73)	(35.18)
Net cash from operating activities after exceptional item	(A)	683.76	966.85
Cash flows from investing activities			
Purchase of fixed assets		(490.04)	(488.06)
Proceeds from sale of fixed assets		15.72	2.88
Purchase of investments		(5,504.07)	(2,431.45)
Sale / maturity of investments		5,340.09	1,980.29
Interest income		0.81	0.81
Dividends received		43.81	25.43
Net cash (used in) investing activities	(B)	(593.68)	(910.10)

(In Rs. Million)

Particulars		For the year ended March 31, 2009	For the year ended March 31, 2008
Cash flows from financing activities			
Proceeds from issuance of share capital		-	0.02
Increase in securities premium		-	0.31
Share issue expenses		-	(6.42)
Dividends paid		(32.27)	(43.03)
Tax on dividend paid		(3.65)	(7.31)
Net cash (used in) financing activities	(C)	(35.92)	(56.43)
Net increase in cash and cash equivalents	(A + B + C)	54.16	0.32
Cash and cash equivalents at the beginning of the year		109.05	108.83
Exchange difference on translation of foreign currency cash and cash equivalents		(0.03)	(0.10)
Cash and cash equivalents at the end of the year		163.18	109.05

(In Rs. Million)

Components of cash and cash equivalents as at	March 31, 2009	March 31, 2008
Cash and cheques on hand	0.13	0.12
With scheduled banks		
On current account	76.32	60.88
With other banks		
On current account	86.08	47.76
On saving account	0.65	0.29
	163.18	109.05

As per our report of even date For and on behalf of the Board of Directors

For JOSHI APTE & Co.
Chartered Accountants

For S. R. BATLIBOI & Co.
Chartered Accountants

Dr. Anand Deshpande
Chairman and
Managing Director

S. P. Deshpande
Director

C. K. Joshi
Partner
Membership No. 30428
Pune, June 23, 2009

per Arvind Sethi
Partner
Membership No. 89802
Pune, June 23, 2009

Rajesh Ghonasgi
Chief Financial Officer

Pune, June 23, 2009

Vivek Sadhale
Company Secretary
and Head - Legal

CUSTOMER SPEAK

Washington University in St. Louis
School of Medicine

The Washington University / Siteman Cancer Center – Persistent Systems collaboration has created an interdisciplinary team of biomedical researchers, informaticians and software engineers who together are developing industry-standard software to facilitate translational research. This powerful combination is establishing the standard for biomedical informatics applications that will be utilised to speed bench-to-bedside and bedside-to-bench transitions that may ultimately result in the development of successful customised therapies for complex diseases.

Rakesh Nagarajan
(M.D., Ph.D.)
Assistant Professor, Pathology and Immunology,
Washington University, St. Louis

Statement pursuant to Section 212(1)(e) of the Companies Act, 1956, relating to subsidiaries

Sr. No.	Name of the Subsidiary Company	Persistent e-Business Solutions Limited	Persistent Systems, Inc.	Persistent Systems Pte. Limited	Persistent Systems and Solutions Limited
1.	Financial year / Period of the subsidiary ended on	March 31, 2009	March 31, 2009	March 31, 2009	March 31, 2009
2.	Holding company's interest i. The number of equity shares held	920,300 Equity shares of Rs. 10 each fully paid are held by Persistent Systems Limited	37,000,000 Common Stock of USD 0.10 each fully paid are held by Persistent Systems Limited	500,000 Ordinary Shares of SGD 1 each fully paid are held by Persistent Systems Limited	1,450,000 Equity Shares of Rs. 10 each fully paid are held by Persistent Systems Limited
	ii. Extent of interest in the capital of subsidiary	100%	100%	100%	100%
3.	The net aggregate amount of profits/ (Loss) of the subsidiary for the above financial year so far as the members of the holding company are concerned and are				
	i. dealt within the accounts of the holding company	NIL	NIL	NIL	NIL
	ii. not dealt within the accounts of the holding company. (Amount in Rs. Million)	4.53	61.65	0.39	8.33
4.	The net aggregate amount of profits / (losses) of the subsidiary for the previous financial years since it became subsidiary so far as the members of the holding company are concerned and are				
	i. dealt within the accounts of holding company. (Amount in Rs. Million)	(42.28)	NIL	NIL	NIL
	ii. not dealt within the accounts of holding company (Amount in Rs. Million)	1.71	(109.56)	2.65	NIL
5.	Information where the financial year of a subsidiary company does not coincide with the financial year of the holding company.				

Sr. No.	Name of the Subsidiary Company	Persistent e-Business Solutions Limited	Persistent Systems, Inc.	Persistent Systems Pte. Limited	Persistent Systems and Solutions Limited
	i. Change in the holding company's interest in the subsidiary between the end of the financial year or of the last financial year of the subsidiary and the end of the holding company's financial year	N.A.	N.A.	N.A.	N.A.
	ii. Details of material changes which have occurred between the end of the financial year of the subsidiary and the end of the holding company's financial year in respect of the subsidiary's fixed assets, its investments, the moneys lent by it and the moneys borrowed by it for any purpose other than that of meeting current liabilities.	N.A.	N.A.	N.A.	N.A.

For and on behalf of the Board of Directors

Dr. Anand Deshpande
Chairman and
Managing Director

S. P. Deshpande
Director

Rajesh Ghonasgi
Chief Financial Officer

Vivek Sadhale
Company Secretary
and Head - Legal

Pune, June 23, 2009

PERSISTENT

Statement pursuant to Section 212 of the Companies Act, 1956, relating to Subsidiaries

(In Rs. Million)

Sr. No.	Name of the Subsidiary Company	Persistent e-Business Solutions Limited	Persistent Systems, Inc.	Persistent Systems Pte. Limited	Persistent Systems and Solutions Limited
	Financial year / Period of the subsidiary ended on	March 31, 2009	March 31, 2009	March 31, 2009	March 31, 2009
1	Share Capital	9.20	165.92	15.50	14.50
2	Reserves	(13.64)	(33.10)	4.84	8.33
3	Liabilities	57.90	194.48	1.43	4.31
4	Total liabilities	53.46	327.30	21.77	27.14
5	Total assets	53.46	327.30	21.77	27.14
6	Investments	NIL	NIL	9.03	NIL
7	Turnover	84.73	1,225.97	2.12	35.25
8	Profit / (loss) before tax	1.40	62.81	0.42	8.36
9	Provision for tax	(3.13)	1.16	0.03	0.03
10	Profit / (loss) after tax	4.53	61.65	0.39	8.33
11	Proposed dividend - Equity Shares	-	-	-	-
12	Proposed dividend - Equity (%)	-	-	-	-

For and on behalf of the Board of Directors

Dr. Anand Deshpande
Chairman and
Managing Director

S. P. Deshpande
Director

Rajesh Ghonasgi
Chief Financial Officer

Vivek Sadhale
Company Secretary
and Head - Legal

Pune, June 23, 2009

Notes

PERSISTENT

PERSISTENT FOUNDATION

(Set up as a Public Charitable Trust
under the Bombay Public Trusts Act, 1950)

Corporate Social Responsibility Initiative of Persistent Systems

Initial focus areas :

Primary Education

Primary Healthcare

Community Development

**Support to causes of
National or Public Importance**

www.persistentsys.com

Persistent Systems Limited

Regd. Office : 'Bhageerath', 402, Senapati Bapat Road, Pune - 411 016. Tel : +91 (20) 3024 2000 Fax : +91 (20) 2567 8901

BRANCHES IN INDIA

PUNE

- 'Panini',
  2A, Senapati Bapat Road, Pune - 411 016.
  Tel : +91 (20) 3056 3900
- 'Pingala - Aryabhata',
  12A/12, Off Karve Road, Erandwane, Pune - 411004.
  Tel : +91 (20) 3023 5555 / 5566 / 5577 / 5599
  Fax : +91 (20) 3023 4001
- Plot No. 39, Phase I, Rajiv Gandhi IT Park,
  Hinjewadi, Pune - 411 057.
  Tel : +91 (20) 3917 7000
  Fax : +91 (20) 3917 7001

NAGPUR

- 2nd & 3rd Floor, IT Tower, M.I.D.C. Infotech Park, Parsodi, South Ambazari Road,
  Nagpur - 440 022. Tel : +91 (712) 3986 000 Fax : +91 (712) 3986 001
- Plot No. 8 & 9, IT Park, M.I.D.C. Parsodi, South Ambazari Road,
  Nagpur - 440 022. Tel : +91 (712) 3986 000 Fax : +91 (712) 3986 001

GOA

L-44, Unit-1, Software Technology Park, Verna Industrial Estate, Verna, Salcette,
Goa - 403 722. Tel : +91 (832) 288 3601 Fax : +91 (832) 278 3614

HYDERABAD

Block B, 2nd Floor, Softpro Heights, Plot No. 12, Software Units Layout, Cyberabad,
Hyderabad - 500 081. Tel : +91 (40) 3087 5000 Fax : +91 (40) 3087 5002

OVERSEAS BRANCHES

EUROPE

Scottish Software Partner Center,
Station Road, South Queensferry,
Lothian EH30 9TG, Scotland, UK.

THE NETHERLANDS

Weena 327, 3013 AL Rotterdam,
P.O. Box 21850, 3001 AW Rotterdam,
Tel : +31 (10) 206 4600
Fax : +31 (10) 206 4601

CANADA

- 425 University Avenue, #605, Toronto, Ontario, M5G1T6.
  Tel : +1(514) 842 9994 Fax : +1(514) 284 3419
- 1212-1175, Douglas Street, Victoria, British Columbia V8W 2C9.
  Tel : +1 (514) 842 9994 Fax : +1 (514) 284 3419
- 720, Rue, Antonine, Mailet, Qutremont, Quebec, H2V2Y5. Tel : +1 (514) 380 5599

JAPAN

3C, Scotsuka Building, 1-5-4 Toranomon, Minatoku, Tokyo 105 0001.
Tel : 81 (3) 3595 44171

SUBSIDIARIES

Persistent eBusiness Solutions Limited

Regd. Office : 'Bhageerath', 402, Senapati Bapat Road, Pune - 411 016. Tel : +91 (20) 3024 2000 Fax : +91 (20) 2567 8901

Persistent Systems, Inc.

Regd. Office : 2077 Gateway Place, Suite 500, San Jose, CA 95110, USA. Tel : +1 (408) 216 7010 Fax : +1 (408) 454 6676

Branch Offices

BOSTON

3513 Stearns Hill Road,
Waltham, MA 02451.
Tel : +1 (617) 901 9993

DALLAS

ABT Executive Suites, Millennium Business Center,
15455 Dallas Parkway, Suite 600, Addison, TX 75001.
Tel : +1 (972) 822 7483 Fax : +1 (972) 764 3304

INDIANA

1317 S Fenbrook Lane,
Bloomington, IN 47401.
Tel : +1 (408) 417 0849

OHIO

145 Baker Street, Marion, OH 43302.
Tel : +1 (800) 235 0337
Fax : +1 (800) 382 1256

Persistent Systems Pte. Limited

Co. Reg. No. 200706736G
Regd. Office : 78, Shenton Way, # 26-02A, Singapore - 079 120. Tel : +65 6223 4355 Fax : +65 6223 7955

Persistent Systems and Solutions Limited

Regd. Office : 'Bhageerath', 402, Senapati Bapat Road, Pune - 411 016. Tel : +91 (20) 3024 2000 Fax : +91 (20) 2567 8901

Branch Office

1st Floor, Building No. 14, Mindspace, Cyberbad, Sy. No. 64 (Part), Hitech City, Madhapur, Hyderabad - 500 081. Tel : +91 (40) 3087 4004