

Report on Corporate Governance

Company's philosophy on Corporate Governance

"Re-affirming that good corporate governance practices are sine qua non for sustainable business that aims at generating long-term value to all its stakeholders and the companies should keep in view the objective of encouraging the use of better practices through voluntary adoption."

From Concept Paper on National Corporate Governance Policy, 2012
Prepared by The Institute of Company Secretaries of India

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

Corporate governance practised at the Company is not restricted to the Board of Directors. It is an approach to sustainable development. Good governance is an essential ingredient of good business. The following report on the implementation of the Corporate Governance Code is a sincere effort of the Company to follow the Corporate Governance Principles in its letter and spirit. It may be worth repeating that consecutively second year after Initial Public Offering, the Company has been recognized as one of the top five companies for excellence in Corporate Governance by the Institute of Company Secretaries of India. Further, during the year under report, The Company was ranked by IR Global Rankings (IRGR) as one of the best top five companies that follow 'Corporate Governance Practices' in India.

1. Board of Directors

A. Size and composition of the Board

The Board of Directors of the Company has a combination of Executive and Independent Directors with varied professional background. Independent Directors help to maintain the independence of the Board and separate the Board functions of governance and management. As on March 31, 2012, the Company's Board consists of nine Directors, of whom two are Executive Directors and seven are Independent Directors. The Board is headed by a full time Director. Table 1 gives the composition of the Board and the number of outside directorships held by each of the Directors as on March 31, 2012.

Table 1: Board of Directors

Name of the Director and Directors' Identification Number (DIN)	Category	Directorships			Number of Committee positions held**	
		Indian Companies Public*	Private	Foreign Companies	Chairman	Member
Dr. Anand Deshpande*** (DIN 00005721)	Chairman and Managing Director	Nil	NIL	4	NIL	1
Mr. S. K. Bhattacharyya@ (DIN 01924770)	Independent Director	1	1	NIL	NIL	2
Mr. S. P. Deshpande*** / @@ (DIN 00005776)	Non-Executive Director	N.A.	N.A.	N.A.	N.A.	N.A.
Dr. Anant Jhingran@@@ (DIN 05116722)	Independent Director	NIL	NIL	NIL	NIL	NIL
Dr. Dinesh Keskar (DIN 02568771)	Independent Director	NIL	4	NIL	NIL	NIL
Mr. Nitin Kulkarni@@@ (DIN 03058881)	Executive Director and Chief Operating Officer	NIL	NIL	NIL	NIL	1
Mr. P. B. Kulkarni (DIN 00008451)	Independent Director	1	NIL	NIL	2	NIL
Prof. Krithivasan Ramamritham (DIN 00040686)	Independent Director	1	NIL	NIL	NIL	1
Mr. Prakash Telang (DIN 00012562)	Independent Director	12	NIL	6	NIL	NIL
Mr. Kiran Umrootkar (DIN 00326672)	Independent Director	1	3	NIL	NIL	1

@ Appointed as an Independent Director with effect from May 12, 2011.

@@ Retired from the Directorship of the Company with effect from end of day of October 31, 2011



@@@ Appointed as an Independent Director with effect from November 10, 2011.

@@@ Appointed as an Executive Director with effect from July 18, 2011.

* 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, former Non-Executive Director, who are relatives, none of the other Directors is related with other Director.

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

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

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 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 as on March 31, 2012 is given below:

Name of the Director	Category	Membership in Committees*	Chairmanship in Committees*
Dr. Anand Deshpande	Chairman and Managing Director	NIL	NIL
Mr. S. K. Bhattacharyya@	Independent Director	1	NIL
Dr. Anant Jhingran@@	Independent Director	NIL	NIL
Dr. Dinesh Keskar	Independent Director	2	NIL
Mr. Nitin Kulkarni@@@	Executive Director and Chief Operating Officer	1	NIL
Mr. P. B. Kulkarni	Independent Director	1	2
Prof. Krithivasan Ramamritham	Independent Director	NIL	NIL
Mr. Prakash Telang	Independent Director	3	1
Mr. Kiran Umrootkar	Independent Director	2	NIL

@ Appointed as an Independent Director with effect from May 12, 2011.

@@ Appointed as an Independent Director with effect from November 10, 2011.

@@@ Appointed as an Executive Director with effect from July 18, 2011.

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

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

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

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

C. Board meetings and deliberations:

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

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

The Board and the Audit Committee meets in executive session, at least, four times during 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 audio conferencing or video conferencing. The President of Persistent Systems, Inc., the wholly owned subsidiary of the Company in the USA, the Chief Operating Officer, the Chief Financial Officer and the Chief Planning Officer of the Company attend the Board and Committee meetings upon invitation. The other executives and divisional heads are generally invited at the meetings on need basis. In terms of Clause 49(I)(c) of the Listing Agreement, the gap between two Board meetings has not exceeded four months. The maximum gap between two Board meetings held during the financial year 2011-12 was three months and four days. The Executive Committee of the Board meets between the two Board Meetings as detailed elsewhere in this report.

During the financial year 2011-12, the Board of Directors met four times on April 17 & 18, 2011, July 17 & 18, 2011, October 16 & 17, 2011 and January 21 & 22, 2012. Further, certain decisions were taken by passing the resolutions by way of circulation and were subsequently ratified by the Board at its next meeting. Table 2 below gives the attendance record of the directors at the Board meetings and last Annual General Meeting held on July 18, 2011.

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

Name of the Director	< ----- Board Meetings ----- >				Annual General Meeting held on July 18, 2011
	April 17 & 18, 2011 (April 2011)	July 17 & 18, 2011 (July 2011)	October 16 & 17, 2011 (October 2011)	January 21 & 22, 2012 (January 2012)	
Dr. Anand Deshpande	Y	Y	Y	Y	Y
Mr. S. K. Bhattacharyya@	N.A.	Y	Y	Y	Y
Mr. S. P. Deshpande@@	Y	Y	Y	N.A.	Y
Dr. Anant Jhingran@@@	N.A.	N.A.	N.A.	Y	N.A.
Dr. Dinesh Keskar	Y	Y	Y	Y	Y
Mr. Nitin Kulkarni@@@	N.A.	Y	Y	Y	Y
Mr. P. B. Kulkarni	Y	Y	Y	Y	Y
Prof. Krithivasan Ramamritham	Y	AVC*	Y	Y	N
Mr. Prakash Telang	Y	Y	AVC*	Y	Y
Mr. Kiran Umrootkar	Y	Y	Y	Y	Y

@ Appointed as an Independent Director with effect from May 12, 2011.

@@ Retired from the directorship of the Company with effect from end of day of October 31, 2011.

@@@ Appointed as an Independent Director with effect from November 10, 2011.

@@@ Appointed as an Executive Director with effect from July 18, 2011.

* Present for the part of the meeting through Audio Conferencing

2. Committees of the Board of Directors

The Company has five Committees of the Board of Directors viz. Audit Committee, Compensation Committee, Executive Committee, Nomination and Governance Committee and Shareholders' / Investors' Grievance Committee as on March 31, 2012. The Board Committees are represented by a combination of Executive and Independent Directors. The Chairman of all Committees is an Independent Director.



As per the charter of respective Committees, Committees deliberate on the matters assigned / referred to it by the Board or as mandated by the statutes. Information and data that is important to the Committees to discuss the matter is distributed in writing to the members of the Committees well in advance of the meeting. Recommendations of the Committees are submitted to the Board to take decision on the matter referred.

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

A. Audit Committee

Brief description of terms of reference

An Audit Committee was voluntarily constituted by the Board at its meeting held on April 23, 2004, even before the Company was converted into a public limited company.

The Committee was reconstituted by the Board of Directors at its meeting held in July 2011 and was further reconstituted by the Board of Directors at its meeting held in October 2011.

The Audit Committee ensures prudent financial and accounting practices, fiscal discipline and transparency in financial reporting. The Audit Committee has been reviewing the proposed implementation of International Financial Reporting Standards (IFRS) and road-map to implement the same. In terms of one of its important charter, the quarterly audited accounts are reviewed by the Audit Committee and recommended to the Board for its adoption.

All the members of the Committee are financially literate whereas the Chairman of the Committee is a financial management expert. Table 3 gives the composition of the Audit Committee of the Board of Directors as on March 31, 2012:

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. K. Bhattacharyya@	Independent Director
Mr. Nitin Kulkarni@@	Executive Director and Chief Operating Officer
Mr. Kiran Umrootkar	Independent Director

@ Appointed as a member of Committee with effect from July 18, 2011.

@@ Appointed as a member of Committee with effect from October 17, 2011.

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

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

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

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

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

- 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;
- To review, with the management, annual financial statements before submission to the Board for approval, with particular reference to
 - 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;
 - Changes, if any, in accounting policies and practices and reasons for the same;
 - Major accounting entries involving estimates based on the exercise of judgment by management;
 - Significant adjustments made in the financial statements arising out of audit findings;
 - Compliance with listing and other legal requirements relating to financial statements;
 - Disclosure of any related party transactions;
 - Qualifications in the draft audit report.
- To review, with the management, the quarterly financial statements before submission to the Board for approval;
- 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;
- xxv. To review, with the management, the statement of uses / application of funds raised through an initial public offering of the Company, the statement of funds utilized for purposes other than those stated in prospectus and making appropriate recommendations to the Board to take up steps in this matter;
- xxvi. Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate; and
- xxvii. To carry out any other function as is mentioned in the terms of reference of the Audit Committee and entrusted by the Board.

The Audit Committee is further empowered to do the following:

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

Meetings and attendance

Four meetings of the Audit Committee were held during the financial year 2011-12. Table 4 gives the details of the attendance of the members of the Audit Committee at its meetings held during the financial year 2011-12.

Table 4: Details of the attendance at the Audit Committee meetings held during the financial year 2011-12

Name of the Director	<----- Audit Committee Meeting ----->			
	April 17, 2011	July 17, 2011	October 16, 2011	January 21, 2012
Mr. P. B. Kulkarni	Y	Y	Y	Y
Mr. S. K. Bhattacharyya@	N.A.	N.A.	Y	Y
Mr. S. P. Deshpande@@	Y	Y	Y	N.A.
Mr. Nitin Kulkarni@@@	N.A.	N.A.	N.A.	Y
Mr. Kiran Umrootkar	Y	Y	Y	Y

@ Appointed as a member of Committee with effect from July 18, 2011.

@@ Retired from the directorship of the Company with effect from end of day of October 31, 2011.

@@@ Appointed as a member of Committee with effect from October 17, 2011.



B. Shareholders' / Investors' Grievance Committee

Brief description of terms of reference

The Shareholders' / Investors' Grievance Committee was constituted on October 4, 2007. The Committee was reconstituted during the year by the Board of Directors vide resolution passed at the meeting of the Board of Directors held in July 2011. The Committee specifically looks into the redressal of shareholders' and investors' complaints such as transfer of shares, non-receipt of Balance Sheet, non-receipt of declared dividends.

The Chairman of the Committee is an Independent Director. Table 5 gives the composition of the Shareholders' / Investors' Grievance Committee of the Board of Directors as on March 31, 2012.

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
Mr. S. K. Bhattacharyya [@]	Independent Director
Dr. Anand Deshpande	Chairman and Managing Director
Prof. Krithivasan Ramamritham	Independent Director

[@] Appointed as a member of Committee with effect from July 18, 2011.

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

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

- To supervise and ensure efficient share transfers, share transmission, transposition, etc;
- To approve allotment, transfer, transmission, transposition, consolidation, split, name deletion and issue of duplicate share certificate of equity shares of the Company;
- To redress shareholder and depositor complaints like non-receipt of Balance Sheet, non-receipt of declared dividends, etc.;
- To review service standards and investor service initiatives undertaken by the Company;
- To address all matters pertaining to Registrar and Share Transfer Agent including appointment of new Registrar and Share Transfer Agent in place of existing one;
- To address all matters pertaining to Depositories for dematerialisation of shares of the Company and other matters connected therewith; and
- To attend to any other responsibility as may be entrusted by the Board within terms of reference.

Meetings and attendance

The Committee meets as and when need arises. No meeting of the Committee was held during the financial year 2011-12. However, certain decisions were taken by passing the resolutions by way of circulation and were subsequently ratified by the Board at its next meeting.

During the financial year 2011-12, the Company received some complaints from the shareholders / investors. Table 6 gives the status of the investor complaints for the financial year 2011-12.

Table 6: Status of Investor Complaints for the financial year 2011-12

Nature of investor complaints	Opening Balance	Additions	Disposal	Closing Balance
Non-IPO Related				
Non-Receipt of Dividend	0	3	3	0
Total	0	3	3	0
IPO Related				
Non-Receipt of Shares	0	1	1	0
Total	0	1	1	0

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. Compensation Committee

Brief description of terms of reference

The Compensation Committee of the Board was constituted on April 23, 2004. In terms of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("SEBI ESOP Guidelines"), the Company reconstituted Compensation Committee for the administration and superintendence of the employee stock options schemes on October 4, 2007. The Committee was reconstituted by the Board of Directors at its meeting held in July 2011.

The Chairman of the Committee is an Independent Director.

Table 7 gives the composition of the Compensation Committee of the Board of Directors as on March 31, 2012.

Table 7: Composition of the Compensation Committee

Name of the Director	Category
Mr. Prakash Telang	Chairman of the Committee and Independent Director
Mr. S. K. Bhattacharyya [@]	Independent Director
Dr. Dinesh Keskar	Independent Director
Mr. P. B. Kulkarni	Independent Director

[@] Appointed as a member of Committee with effect from July 18, 2011.

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

- 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;
- To determine at such intervals, as the Compensation Committee considers appropriate, the persons to whom shares or options may be granted;
- 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;
- To decide the conditions under which shares or options vested in employees may lapse in case of termination of employment for any reason;
- 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;
- 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;
- To specify the grant, vest and exercise of shares / option in case of employees who are on long leave;
- 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;
- To approve transfer of shares in the name of employee at the time of exercise of options by such employee under ESOS;
- To lay down the procedure for cash less exercise of options;
- To make recommendations to the Board about the Company's policy on specific remuneration packages for Executive Directors including pension rights and any compensation payment;
- To advise the Board in framing remuneration policy for key managerial persons of the Company from time to time;
- To review general compensation policy of the Company (including that of ESOPs) and convey its recommendation to the Board, if any; and
- To attend any other responsibility as may be entrusted by the Board.

Remuneration policy

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

Remuneration to the Directors

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



Table 8 and Table 9 gives details of remuneration paid to Executive and Independent Directors of the Company, respectively, in the financial years 2010-11 and 2011-12.

Table 8: Remuneration to Executive Director

(In ₹ Million)

Name of the Director	Category	Year ended March 31,	Salary and allowance	Performance Linked Incentive/ Commission	Company's contribution to provident and superannuation fund	Perquisite and other payments	Total
Dr. Anand Deshpande	Chairman and Managing Director	2012	4.03	3.55	0.79	0.10	8.47
		2011	4.76	3.63	0.66	0.09	9.35
Mr. Nitin Kulkarni [@]	Executive Director and Chief Operating Officer	2012	3.21	2.63	0.17	0.00	6.01
		2011	N.A.	N.A.	N.A.	N.A.	N.A.
Total		2012	7.24	6.18	0.96	0.10	14.48
		2011	4.76	3.63	0.66	0.09	9.35

[@] Appointed as an Executive Director of the Company with effect from July 18, 2011.

Dr. Anand Deshpande was appointed as the Chairman and Managing Director of the Company for a period of five years with effect from April 1, 2007 pursuant to a resolution of the shareholders dated July 23, 2007. His appointment was renewed for further period of five years with effect from April 1, 2012, pursuant to a resolution of the shareholders dated July 18, 2011. The shareholders have authorised the Board to determine the remuneration of Chairman and Managing Director within the limits prescribed by them under the above resolution.

Mr. Nitin Kulkarni was appointed as an Executive Director and Chief Operating Officer of the Company for a period of five years with effect from July 18, 2011, pursuant to a resolution of the shareholders dated July 18, 2011. The shareholders have authorised the Board to determine the remuneration of Executive Director and Chief Operating Officer within the limits prescribed by them under the above resolution.

Section 309 of the Companies Act, 1956 provides that a Director who is neither in the whole-time employment of the Company nor a Managing Director may be paid remuneration by way of commission, if the Company by special resolution authorises such payment. Members of the Company at the Annual General Meeting of the Company held on July 23, 2007, approved payment of remuneration by way of commission to Independent Directors, at a sum not exceeding 1% per annum of net profits. The Company has paid ₹ 6.00 Million as a commission and ₹ 0.58 Million as sitting fee to the Independent Directors for the financial year 2011-12. No remuneration or commission or sitting fee was paid to Mr. S. P. Deshpande, Non-Executive Non-Independent Director during the financial year 2011-12, who retired from the Directorship of the Company with effect from end of day of October 31, 2011.

Table 9: Remuneration to Independent Directors

(In ₹ Million)

Name of the Director	Category	Year ended March 31,	Salary and Allowance	Commission	Sitting fees	Total
Mr. S. K. Bhattacharyya [@]	Independent Director	2012	N.A.	0.849	0.07	0.919
		2011	N.A.	N.A.	N.A.	N.A.
Dr. Anant Jhingran ^{@@}	Independent Director	2012	N.A.	0.374	0.01	0.384
		2011	N.A.	N.A.	N.A.	N.A.
Dr. Dinesh Keskar	Independent Director	2012	N.A.	0.956	0.07	1.026
		2011	N.A.	0.423	0.01	0.433
Mr. P. B. Kulkarni	Independent Director	2012	N.A.	0.956	0.17	1.126
		2011	N.A.	1.003	0.11	1.123
Prof. Krithivasan Ramamritham	Independent Director	2012	N.A.	0.956	0.04	0.996
		2011	N.A.	1.003	0.01	1.013
Mr. Prakash Telang	Independent Director	2012	N.A.	0.956	0.08	1.036
		2011	N.A.	0.618	0.04	0.658
Mr. Kiran Umrootkar	Independent Director	2012	N.A.	0.956	0.14	1.096
		2011	N.A.	0.618	0.05	0.668
Total		2012	N.A.	6.003	0.58	6.583
		2011	N.A.	3.665	0.22	3.885

[@] Appointed as an Independent Director with effect from May 12, 2011

^{@@} Appointed as an Independent Director with effect from November 10, 2011

Reimbursements have been provided to Dr. Anant Jhingran, Dr. Dinesh Keskar, Prof. Krithivasan Ramamritham, Mr. Prakash Telang, and Mr. Kiran Umrootkar for travel and/or stay expenses for attending Board and Committee Meetings.

Under the ESOA - VIII of the Company, the eligible Independent Directors were granted stock options and the same are exercisable by them according to the terms of the scheme. Table 10 gives the details of the shares and stock options held by the Independent Directors as on March 31, 2012 as follows

Table 10: Shareholding and grant of stock options to Independent Directors

Name of the Director	Year ended March 31,	Shares held	Stock Options
Mr. P. B. Kulkarni	2012	14,300*	NIL
	2011	12,550**	1,750
Prof. Krithivasan Ramamritham	2012	10,500***	3,500
	2011	10,500***	3,500
Mr. Prakash Telang	2012	2,000	N.A.
	2011	NIL	N.A.
Total	2012	26,800	3,500
	2011	24,800	3,500

* Shares are held jointly with Mrs. Sudha Prabhakar Kulkarni

** Out of these shares, 7,300 shares were held jointly with Mrs. Sudha Prabhakar Kulkarni.

*** Out of these shares, 7,000 shares are held jointly with Mrs. Saraswathi Krithivasan.

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

Meetings and attendance

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

Compensation Committee meeting was held on April 17, 2011 during the financial year 2011-12. However, certain decisions were also taken by passing the resolutions by way of circulation. The said resolutions were subsequently ratified by the Board at its next meeting. Table 11 gives the details of the attendance of the members of the Compensation Committee at its meetings held during the financial year 2011-12.

Table 11: Details of the attendance at the Compensation Committee meetings during the financial year 2011-12

Name of the Director	Compensation Committee Meeting April 17, 2011
Mr. Prakash Telang	Y
Mr. S. K. Bhattacharyya@	N.A.
Dr. Dinesh Keskar	Y
Prof. Krithivasan Ramamritham@@	Y
Mr. P. B. Kulkarni	Y

@ Appointed as a member of Committee with effect from July 18, 2011.

@@ Ceased to be a member of Committee with effect from July 18, 2011.

D. Executive Committee

Brief description of terms of reference

The Executive Committee of the Board was constituted on January 29, 2005. The Committee was reconstituted by the Board of Directors at its meeting held in July 2011 and further reconstituted by the Board of Directors at its meeting held in October 2011.

The Executive Committee was constituted to review the implementation of decisions taken by the Board of Directors. The Chairman of the Committee is an Independent Director. Table 12 gives the composition of the Executive Committee of the Board of Directors as on March 31, 2012.



Table 12: Composition of the Executive Committee

Name of the Director	Category
Mr. P. B. Kulkarni	Chairman of the Committee and Independent Director
Mr. Nitin Kulkarni@	Executive Director and Chief Operating Officer
Mr. Prakash Telang@@	Independent Director
Mr. Kiran Umrootkar	Independent Director

@ Appointed as a member of Committee with effect from July 18, 2011.

@@ Appointed as a member of Committee with effect from October 17, 2011.

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

- To review and follow up on the action taken on the Board decisions;
- To review the operations of the Company in general;
- To review the systems followed by the Company;
- To examine proposal for investment in real estate;
- To review, propose and monitor annual budget including additional budget, if any, subject to the ratification of the Board;
- To review capital expenditure against the budget;
- To authorise opening and closing of bank accounts;
- To authorise additions/deletions to the signatories pertaining to banking transactions;
- To approve investment of surplus funds for an amount not exceeding ₹ 25 Crores as per the policy approved by the Board;
- To approve transactions relating to foreign exchange exposure including but not limited to forward cover and derivative products;
- To approve donations as per the policy approved by the Board;
- To delegate authority to the Company officials to represent the Company at various courts, government authorities and so on; and
- 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

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

Meetings and attendance

The Executive Committee meets generally between two board meetings. The Committee met on May 26, 2011, August 25, 2011, December 4, 2011 and March 11, 2012 during the financial year 2011-12. In addition to this, certain decisions were also taken by passing the resolutions by way of circulation and were subsequently ratified by the Board at its next meeting. Table 13 gives the details of the attendance of the members of the Executive Committee at its meetings held during the financial year 2011-12.

Table 13: Details of the attendance at the Executive Committee meetings during the financial year 2011-12

Name of the Director	<----- Executive Committee Meetings ----->			
	26-May-11	25-Aug-11	4-Dec-11	11-Mar-2012
Mr. P. B. Kulkarni	Y	Y	Y	Y
Dr. Anand Deshpande@	N	N.A.	N.A.	N.A.
Mr. S. P. Deshpande@@	Y	Y	N.A.	N.A.
Mr. Nitin Kulkarni@@@	N.A.	Y	Y	Y
Mr. Prakash Telang@@@@	N.A.	N.A.	Y	Y
Mr. Kiran Umrootkar	AVC	AVC	Y	Y

@ Ceased to be a member of Committee with effect from July 18, 2011.

@@ Retired from the directorship of the Company with effect from end of day of October 31, 2011.

@@@ Appointed as a member of Committee with effect from July 18, 2011.

@@@@ Appointed as a member of Committee with effect from July 18, 2011.

E. Nomination and Governance Committee

Brief description of terms of reference

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

The Committee was formed mainly to ensure overall diversity of representatives and provide guidance to the Board for appointment of top management and to address issues such as required expertise, background, leadership skills, time 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. Table 14 gives the present composition of the Nomination and Governance Committee of the Board of Directors as on March 31, 2012.

Table 14: Composition of the Nomination and Governance Committee

Name of the Director	Category
Mr. P. B. Kulkarni	Chairman of the Committee and Independent Director
Dr. Dinesh Keskar	Independent Director
Mr. Prakash Telang	Independent Director
Mr. Kiran Umrootkar	Independent Director

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

- To develop a pool of potential director candidates for consideration in the event of a vacancy on the Board of Directors;
- To determine the future requirements for the Board as well as its Committees and make recommendations to the Board for its approval;
- To identify, screen and review individuals qualified to serve as executive directors, non-executive directors and independent directors;
- To provide its recommendation to the Board for appointment of CEO;
- To evaluate the current composition and governance of the Board of Directors and its Committees and make appropriate recommendations to the Board, whenever necessary;
- 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 reappointed;
- To evaluate and recommend termination of membership of an individual director for cause or for other appropriate reasons;
- 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;
- To recommend to the Board candidates for (a) nomination for reelection of Directors by the Shareholders; and (b) any Board vacancies which are to be filled by the Board; and
- 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 is further empowered to

- 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;
- To hire legal, accounting, financial or other advisors in their best judgment;
- To have sole authority to retain or terminate any search firm to be used to identify Director candidates;
- To have sole authority to approve the search firm's fees and other retention terms;
- 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
- The Committee may consider advice and recommendations from the management, shareholders or others, as it deems appropriate.

Meetings and attendance

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



Two meetings of the Committee were held on April 17, 2011 and July 17, 2011. Table 15 gives attendance record of members of the Committee at its in-person meeting held during the financial year 2011-12.

Table 15: Attendance at the Nomination and Governance Committee meetings held during the financial year 2011-12

Name of the Director	Nomination and Governance Committee Meetings	
	April 17, 2011	July 17, 2011
Mr. P. B. Kulkarni	Y	Y
Dr. Dinesh Keskar	Y	Y
Mr. Prakash Telang	Y	Y
Mr. Kiran Umrootkar	Y	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 quarterly basis.

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

Details of percentage holding of the Company in the subsidiary companies as on March 31, 2012:

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. Ltd.	Singapore	100%
Persistent Systems and Solutions Limited*	India	100%
Persistent Systems France S.A.S.	France	100%
Persistent Telecom Solutions Inc.	U.S.A	(step down wholly owned subsidiary of Persistent Systems, Inc.)

* Merged with Persistent Systems Limited vide order of the Bombay High Court, Mumbai dated February 3, 2012, effective from March 16, 2012

4. General meeting details

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

Financial year	Date	Time	Venue
2008-09	July 22, 2009	4.00 p.m.	Persistent Systems Limited, Dewang Mehta Auditorium, Bhageerath, 402 Senapati Bapat Road, Pune 411 016
2009-10	July 20, 2010	4.00 p.m.	Persistent Systems Limited, Dewang Mehta Auditorium, Bhageerath, 402 Senapati Bapat Road, Pune 411 016
2010-11	July 18, 2011	9.30 a.m.	Persistent Systems Limited, Dewang Mehta Auditorium, Bhageerath, 402 Senapati Bapat Road, Pune 411 016

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

Date of AGM	No.	Details of Special Resolution
July 22, 2009		No Special Resolution was passed.
July 20, 2010	i	Create, offer, issue, transfer and allot at any to or for the benefit of such person(s) who are in permanent employment of the Company, including Directors of the Company, whether part time or full time, whether working in India or out of India, except to Promoters or members of Promoter Group under scheme titled "Employee Stock Option Award-X" (hereinafter referred to as the "ESOA - X"), such number of stock options which could give rise to the transfer of Equity Shares not exceeding 910,000 (Nine Lakh Ten Thousand only) Equity Shares from PSPL ESOP Management Trust at such price, in one or more tranches and on such terms and conditions as may be fixed or determined by the Board of directors in accordance with the ESOA - X Guidelines or other provisions of the law as may be prevailing at that time.
	ii	Extend the benefits of Employees Stock Option Award - X ("ESOA - X") proposed in the resolution as mentioned in point (i) above, to the eligible employees / directors of the subsidiary companies, except to Promoters or Promoter Group, as may from time to time be allowed under prevailing laws, rules and regulations, and/ or amendments thereto from time to time, on such terms and conditions as may be decided by the Board of Directors.

Date of AGM	No.	Details of Special Resolution
July 18, 2011	i	Grant Stock Options to employees and directors of the Company in future, Stock Options (earmarked Shares) under ESOA – X Scheme were increased from 9,10,000 (Nine Lakhs Ten Thousand only) to 20,00,000 (Twenty Lakhs only)".
	ii	In addition to the objects stated in the Prospectus of the Initial Public Offering(IPO) of the Company, funds of IPO could further be utilized for the following: <ul style="list-style-type: none"> a) Capitalizing the subsidiaries of the Company not restricted to establishment of development facilities in SEZ; b) Establishment of development facilities; c) Procuring software; and d) Other general corporate purposes.

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

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

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

B. Whistle blower policy

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

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

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

During the financial year 2011-12, there were no materially significant transactions, pecuniary transactions or relationships between the Company and the Promoters, Directors and their relatives and the management that has potential conflict with the interest of the Company.

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

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

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

E. Adherence to accounting standards

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

F. Details of public issue and utilization thereof

During 2009-10, the Company raised funds through an Initial Public Offering (IPO) of 4,139,000 Equity Shares of ₹ 10 each as fresh issue and 1,280,706 equity shares of ₹10 each as offer for sale by Dr. Shridhar Bhalchandra Shukla and Mrs. Vijayalaxmi Shridhar Shukla (holding shares jointly) and Mr. Ashutosh Vinayak Joshi ("Selling Shareholders") at a



premium of ₹ 300 per share. The issue was open for subscription from March 17, 2010 to March 19, 2010. An amount of ₹ 1,283.09 Million was raised by the Company through fresh issue of shares in the IPO. All the expenses associated with the IPO were borne by the Company and the Selling Shareholders in proportion to the equity shares issued/offered in the fresh issue and offer for sale, respectively.

Net proceeds to the Company from IPO (In ₹ Million)

Particulars	Amount
Public Issue Offering [fresh issue + offer for sale]	1,680.11
Less: Offer for sale by selling shareholders	397.02
Net proceeds to the Company from fresh issue	1,283.09
Less: Company's share of expenses incurred towards IPO	82.49
Net proceeds to the Company from IPO	1,200.60

The utilisation of IPO proceeds from fresh issue of shares as on March 31, 2012 is as under (In ₹ Million)

Sr. No.	Project	Amount utilised from the Net Proceeds
1.	Establishment of development facilities	760.20
2.	Capitalisation of subsidiaries for establishing development facilities	29.59
3.	Procuring hardware and software	204.50
4.	Fund expenditure for general corporate purposes	206.31
	Total	1,200.60

G. Details of non-compliance

Details of non-compliance by the Company, penalties and strictures imposed on the Company by Stock Exchanges, SEBI or any statutory authority, on any matter related to the capital markets, during the period from April 1, 2011 to March 31, 2012 – NIL.

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

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

H. Remuneration to the Directors of the Company

Information relating to the remuneration to the Directors during the financial year 2011-12 has been provided under the details of the Compensation Committee.

6. Management Discussion and Analysis

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

7. Shareholders' Information

A. Means of Communication

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

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

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

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

B. Corporate Identity Number (CIN)

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

C. General details of the Company

i. Registered Office

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

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

iii. Forthcoming Annual General Meeting of the Company

The next Annual General Meeting of the Company will be held on Thursday, July 19, 2012 at Persistent Systems Limited, Dewang Mehta Auditorium, Bhageerath, 402 Senapati Bapat Road, Pune 411 016 at 11:00 Hrs. (IST).

iv. Record date: July 18, 2012

v. Company Secretary and Compliance Officer of the Company

Mr. Vivek Sadhale
Company Secretary and Head – Legal
Bhageerath,
402 Senapati Bapat Road,
Pune 411 016, India.
Tel. : +91 (20) 6703 0000
Fax : +91 (20) 6703 0009
E-mail : investors@persistent.co.in
Website : www.persistentsys.com

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

vi. Dividend payment date

The Company had declared an interim dividend in its Board meeting held in January 2012 for the financial year 2011-12 to those members whose names were appearing in the Register of Members on January 28, 2012. The Board of Directors has recommended a final dividend of ₹ 2.5 per equity share for the financial year 2011-12 at its meeting held in April 21, 2012. If approved by the members in the Twenty Second Annual General Meeting, dividend will be paid to those members of the Company whose names would appear in the register of members on July 18, 2012.

vii. Unclaimed Dividend

According to the provisions of the Companies Act, 1956, if the amount in the dividend account remained unclaimed for a period of 7 years from the date of its disbursement, then same has to be transferred to the Investor Education and Protection Fund (IEPF) maintained by the Central Government.

Following are the details of the unclaimed dividend. If not, claimed within the period of 7 years, then, the same will be transferred to the Investors Education and Protection Fund (IEPF) in accordance with the schedule given below

Financial year	Date of declaration of dividend and type of dividend	Total Dividend (in ₹)	Unclaimed Dividend as on March 31, 2012 (in ₹)	Due date for transfer of unclaimed dividend to Investor Education and Protection Fund (IEPF)
2011-12	January 2012 – Interim	14,00,00,000	52,288.45	January 27, 2019
2010-11	July 2011 - Final	8,00,00,000	49,353.62	July 14, 2018
2010-11	January 2011 - Interim	160,000,000	91,920.00	February 24, 2018
2009-10	July 2010 - Final	20,000,000	54,739.50	August 24, 2017
2009-10	April 2010 - Interim	60,000,000	68,244.00	May 29, 2017



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

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

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

Listing fees for the financial year 2011-12 have been paid both for NSE and BSE.

The ISIN of the Company for its shares is INE262H01013.

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

Registrar and Share Transfer Agent

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

Depositories of the Company

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

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

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

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

xi. Legal Proceedings

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

xii. Dematerialisation of shares and liquidity

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

As on March 31, 2012, 3,98,16,566 Equity Shares comprising 99.54% of the Company's shares are held in dematerialised form.

xiii. Share Transfer System

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

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

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

xiv. Distribution of shareholding as on March 31, 2012

Shareholding of nominal value	Shareholders	Percentage	Nominal value of Equity Shares (in ₹)	Percentage
1 – 5000	27,586	96.37	13,492,980	3.37
5001 – 10000	347	1.21	2,668,550	0.67
10001 – 20000	226	0.79	3,327,070	0.83
20001 – 30000	104	0.36	2,632,090	0.66
30001 – 40000	82	0.29	2,846,300	0.71
40001 – 50000	44	0.15	1,979,360	0.49
50001 – 100000	101	0.35	7,195,570	1.80
100001 and above	135	0.47	365,858,080	91.46
	28,625	100	400,000,000	100

xv. Shareholding pattern as on March 31, 2012

Sr. No.	Category of Shareholders	No. of Shareholders	No. of Equity Shares	Nominal Value of Equity Shares (in Rs.)	Percentage
1	Promoters	2	15,211,920	152,119,200	38.03
2	Promoters Group	6	369,350	3,693,500	0.92
3	Institutions				
a	Mutual Funds	28	4,770,754	47,707,540	11.93
b	Financial Institutions/Banks	3	3,160	31,600	0.01
c	Foreign Institutional Investors	17	882,908	8,829,080	2.21
d	Foreign Venture Capital Investors	2	7,348,297	73,482,970	18.37
e	Foreign Company	1	183,431	1,834,310	0.46
4	Non-institutions				
a	Bodies Corporate	353	330,663	3,306,630	0.83
b	Individuals	27,693	6,873,894	104,086,230	26.02
c	Any other				
i	NRI	411	398,579	3,985,790	1.00
ii	Trust	7	3,545,559	108,300	0.03
iii	Directors	4	53,726	537,260	0.13
iv	Clearing Members	95	27,759	277,590	0.07
		28,622	40,000,000	400,000,000	100



xvi. Shareholders (other than Promoters) holding more than 1% of the share capital as on March 31, 2012

Shareholder's name	No. of Shares	Percentage holding
Norwest Venture Partners FVCI - Mauritius	5,404,581	13.51
PSPL ESOP Management Trust*	3,534,729	8.84
Reliance Capital Trustee Co. Ltd. - A/C Reliance Dual Advantage Fixed Tenure Fund - I Plan I	3,477,740	8.69
Gabriel Venture Partners II (Mauritius)	1,943,716	4.86
Ashutosh Vinayak Joshi	1,050,000	2.63
Shridhar Bhalchandra Shukla	1,050,000	2.63
ICICI Prudential Capital Protection Oriented Fund Series IV - 36 Months Plan	800,686	2.00
The Royal Bank of Scotland Plc as Depositary of First State Indian Subcontinent Fund A	506,125	1.27
Total	17,767,577	44.42

* Shares held by Mr. Prabhakar Bhagwant Kulkarni jointly with Mr. Rajesh Bhimrao Ghonasgi, as trustees of PSPL ESOP Management Trust as on March 31, 2012.

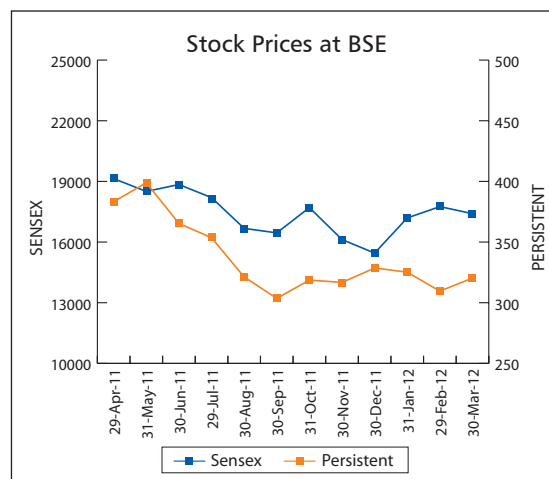
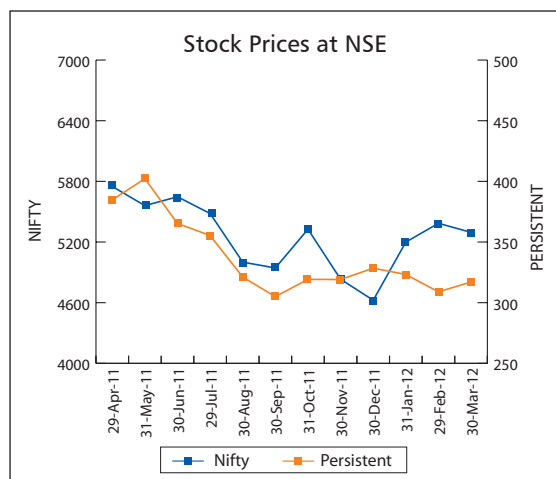
xvii. Market Price Data

The equity shares of the Company were listed on the National Stock Exchange of India Limited (NSE) and the Bombay Stock Exchange Limited (BSE) on April 6, 2010. Accordingly, the highest traded price and the lowest traded price and total volume for the period from April 1, 2011 to March 31, 2012 on a monthly basis are as below:

Month ended	< ----- BSE ----- >			< ----- NSE ----- >		
	High (₹)	Low (₹)	Total Volume (No.)	High (₹)	Low (₹)	Total Volume (No.)
April 2011	429.70	365.50	1,248,076	433.80	367.00	934,598
May 2011	406.70	370.15	84,939	409.80	349.20	387,423
June 2011	407.00	338.80	135,315	406.90	335.10	581,547
July 2011	395.75	352.00	593,237	396.00	350.00	555,576
August 2011	365.00	280.80	127,119	368.00	281.00	716,397
September 2011	324.95	295.25	73,095	320.30	295.20	175,168
October 2011	332.70	294.00	78,161	332.65	281.25	220,815
November 2011	329.80	306.00	41,385	351.20	302.00	274,701
December 2011	331.90	290.00	42,485	332.00	294.00	433,424
January 2012	342.00	310.00	29,626	341.10	301.15	104,411
February 2012	330.00	307.00	42,121	332.20	306.15	459,577
March 2012	341.40	301.10	819,094	341.00	303.35	941,061

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

Graphical presentation of Persistent movement of Company's stock price as compared to Nifty and Sensex from April 1, 2011 to March 31, 2012.



xviii. American Depository Receipts/Global Depository Receipts/Warrants

As on March 31, 2012, 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 2011-12.

xix. Plant locations

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

xx. Calendar for declaring the financial statements for the quarters in the financial year 2012-13 (tentative and subject to change)

Quarter Ending	Proposed date of meeting of the Board
June 30, 2012	July 18, 2012 and July 19, 2012
September 30, 2012	October 20, 2012 and October 21, 2012
December 31, 2012	January 19, 2013 and January 20, 2013
March 31, 2013	April 20, 2013 and April 21, 2013

8. ESOP Schemes of the Company

The status of various ESOP schemes as on March 31, 2012 is shown in the following table:

Scheme		I	II	III	IV	V	VI	VII	VIII	IX	X	Total
Granted	a	22,80,250	3,76,600	12,66,650	34,79,125	9,45,262	6,08,125	8,92,487	21,000	6,87,231	10,02,365	1,15,59,095
Vested	b	16,07,308	2,38,542	8,41,444	18,08,799	6,66,161	3,88,390	3,70,827	17,500	2,62,065	2,592	62,03,628
Exercised	c	16,03,056	2,17,187	5,76,033	12,62,429	5,26,283	3,79,421	2,43,140	14,000	59,947	0	48,81,501
Vested but not exercised (b-c)	d	4,247	21,355	2,65,411	5,46,370	1,39,878	8,969	1,27,687	3,500	2,02,118	2,592	13,22,127
Lapsed	e	6,72,709	1,38,057	4,17,795	10,71,892	2,78,416	2,15,250	4,64,860	3,500	2,28,153	1,57,000	36,47,632
Not Vested (a - c - d - e)	f	233	1	7,411	5,98,434	685	4,485	56,800	0	1,97,013	8,42,773	17,07,835
Total Outstanding (d + f)	g	4,485	21,356	2,72,822	11,44,804	1,40,563	13,454	1,84,487	3,500	3,99,131	8,45,365	30,29,962
Weighted average remaining contractual life		note (i)	8.36	note (i)	10.81	note (i)	10.19	10.95	2.45	11.13	5.88	
Weighted Average fair value of options granted (in ₹)		9.37	47.52	58.47	83.07	51.06	50.11	117.05	143.57	137.05	390.08	

* Note 1: No contractual life is defined in the schemes.

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

11. Ethics Policy

The Company has proactively and voluntarily implemented the Ethics Policy in the Company during the financial year 2011-12. The objective of this policy is to explain guiding principles of Persistent's Ethics Policy (for benefit of its employees and all other stakeholders like customers, vendors and investors) and to establish a framework for its administration. The working of the Ethics Policy is monitored by the Ethics Committee chaired by an Independent Director / Senior Officer nominated by the Board of Directors.



11. Fraud Risk Management Policy

The Company has proactively and voluntarily implemented the Fraud Risk Management Policy in the Company during the financial year 2011-12. The objective of this policy is to protect the brand, reputation and assets of the PSL Group from loss or damage resulting from any incidents of fraud or misconduct by employees or other stakeholders of the Company.

12. 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.

13. Awards and recognitions for Corporate Governance and other practices for the year 2011-12.

The Company won several awards and recognitions for Corporate Governance and other practices during the financial year 2011-12, the details of which forms part of the Report of the Directors.

14. Secretarial standards

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

15. Corporate Governance Voluntary Guidelines, 2009

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

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

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

17. Vendor Code of Conduct

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

18. Miscellaneous

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

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

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

19. 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 being required to go through the process of obtaining Succession Certificates / Probate of the Will, etc. It would therefore, be in the best interest of the shareholders holding shares as a sole holder to make such nomination. Shareholders holding shares in physical mode are advised to write to the Registrar and Share Transfer Agent of the Company for making nomination. Shareholders holding shares in demat form are advised to contact their DP for making nominations. Shareholders are further requested to quote their E-mail IDs, Telephone/Fax numbers for prompt reply to their communication.

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

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

1. We have reviewed the Balance Sheet and Statement of Profit and Loss of the Company (consolidated and standalone) and all its Schedules and Notes on Accounts as well as the Cash Flow Statements and the Directors' Report;
2. Based on our knowledge and information, these statements do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which the statements were made, not misleading with respect to the statements made;
3. Based on our knowledge and information, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of and for the period presented in this report and are in compliance with the applicable Accounting Standards and/or applicable laws and regulations;
4. To the best of our knowledge and belief, no transactions entered into by the Company during the year were fraudulent, illegal or 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, 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 2011-12.

For and on behalf of the Board of Directors

Dr. Anand Deshpande
Chairman and Managing Director

Rohit Kamat
Chief Financial Officer

Pune, Date: