**Persistent Systems Limited**

**CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 2012**

| | Notes | As at June 30, 2012 In ₹ Million | As at June 30, 2011 In ₹ Million | As at March 31, 2012 In ₹ Million |
|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | |
| **Shareholders' funds** | | | | |
| Share capital | 5 | 400.00 | 400.00 | 400.00 |
| Reserves and surplus | 6 | 8,300.60 | 7,355.86 | 8,005.12 |
| | | **8,700.60** | **7,755.86** | **8,405.12** |
| **Non- current liabilities** | | | | |
| Long-term borrowings | 7 | 14.29 | - | 6.54 |
| Other long term liabilities | 8 | - | 76.27 | - |
| Long-term provisions | 9 | 72.33 | 73.28 | 70.87 |
| | | **86.62** | **149.55** | **77.41** |
| **Current liabilities** | | | | |
| Trade payables | 10 | 491.42 | 592.77 | 289.13 |
| Other current liabilities | 10 | 1,084.86 | 428.47 | 590.09 |
| Short-term provisions | 11 | 598.61 | 474.52 | 781.19 |
| | | **2,174.89** | **1,495.76** | **1,660.41** |
| **TOTAL** | | **10,962.11** | **9,401.17** | **10,142.94** |
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Fixed assets | | | | |
| - Tangible assets | 12.1 | 2,453.77 | 1,884.83 | 2,475.29 |
| - Intangible assets | 12.2 | 695.31 | 566.09 | 721.97 |
| - Capital work-in-progress | | 539.39 | 655.35 | 510.78 |
| - Intangible assets under development | | 5.61 | 27.57 | 16.76 |
| | | 3,694.08 | 3,133.84 | 3,724.80 |
| Non-current investments | 13 | 122.74 | - | 122.74 |
| Deferred tax assets (net) | 14 | 155.33 | 73.24 | 106.57 |
| Long term loans and advances | 15 | 148.12 | 163.55 | 230.94 |
| Other non-current assets | 16 | 21.37 | 14.51 | 22.16 |
| | | **4,141.64** | **3,385.14** | **4,207.21** |
| **Current assets** | | | | |
| Current investments | 17 | 2,146.36 | 2,172.00 | 1,915.24 |
| Trade receivables | 18 | 2,427.30 | 1,718.86 | 2,032.72 |
| Cash and bank balances | 19 | 1,326.68 | 1,045.44 | 1,354.67 |
| Short-term loans and advances | 20 | 541.13 | 825.20 | 451.36 |
| Other current assets | 21 | 379.00 | 254.53 | 181.74 |
| | | **6,820.47** | **6,016.03** | **5,935.73** |
| **TOTAL** | | **10,962.11** | **9,401.17** | **10,142.94** |
| Summary of significant accounting policies | 4 | | | |

The accompanying notes form an integral part of the consolidated financial statements.

As per our report of even date

**For S.R. BATLIBOI & Co.**
**Firm registration no. 301003E**
**Chartered Accountants**

per Arvind Sethi
Partner
Membership No. 89802

Place: Pune
Date : July 19, 2012

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

per Prakash Apte
Partner
Membership No. 33212

Place: Pune
Date : July 19, 2012

**For and on behalf of the Board of Directors**

Dr. Anand Deshpande
Chairman and
Managing Director

Kiran Umrootkar
Director

Rohit Kamat
Chief Financial Officer

Vivek Sadhale
Company Secretary
and Head - Legal

Place: Pune
Date : July 19, 2012

Place: Pune
Date : July 19, 2012

## Persistent Systems Limited

**CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE QUARTER ENDED JUNE 30, 2012**

| | Notes | For the quarter ended June 30, 2012 In ₹ Million | For the quarter ended June 30, 2011 In ₹ Million | For the year ended March 31, 2012 In ₹ Million |
|---|---|---|---|---|
| **Income** | | | | |
| Revenue from operations | 22 | 3,007.04 | 2,237.84 | 10,003.11 |
| Other income | 23 | 74.71 | 137.80 | 335.77 |
| **Total revenue (A)** | | **3,081.75** | **2,375.64** | **10,338.88** |
| **Expenses** | | | | |
| Employee benefit expenses | 24.1 | 1,629.25 | 1,407.80 | 5,990.54 |
| Cost of technical professionals | 24.2 | 135.22 | 111.03 | 416.75 |
| Other expenses | 25 | 557.20 | 330.02 | 1,351.95 |
| Finance costs | | 0.09 | - | - |
| Depreciation and amortisation (net) | 12.3 | 184.52 | 126.45 | 610.96 |
| **Total expenses (B)** | | **2,506.28** | **1,975.30** | **8,370.20** |
| **Profit before tax (A - B)** | | **575.47** | **400.34** | **1,968.68** |
| Tax expense | | | | |
| Current tax | | 205.63 | 132.50 | 595.69 |
| Tax charge / (credit) in respect of earlier period / years | | (0.30) | 5.54 | - |
| Deferred tax (credit) | | (45.64) | (13.38) | (44.81) |
| **Total tax expense** | | **159.69** | **124.66** | **550.88** |
| **Profit/(loss) for the period / year** | | **415.78** | **275.68** | **1,417.80** |
| **Earnings per equity share** **[nominal value of share ₹10 (previous period/ year: ₹10)]** | 26 | | | |
| Basic (In ₹) | | 10.80 | 7.23 | 37.02 |
| Diluted (In ₹) | | 10.39 | 6.89 | 35.45 |
| Summary of significant accounting policies | 4 | | | |

The accompanying notes form an integral part of the consolidated financial statements.

As per our report of even date

**For S.R. BATLIBOI & Co.**
**Firm registration no. 301003E**
**Chartered Accountants**

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

**For and on behalf of the Board of Directors**

per Arvind Sethi
Partner
Membership No. 89802

per Prakash Apte
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Place: Pune
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**Persistent Systems Limited**

**CONSOLIDATED CASH FLOW STATEMENT FOR THE QUARTER ENDED JUNE 30, 2012**

| | | For the quarter ended | | For the year ended |
|---|---|---|---|---|
| | | June 30, 2012<br>In ₹ Million | June 30, 2011<br>In ₹ Million | March 31, 2012<br>In ₹ Million |
| **Cash flow from operating activities** | | | | |
| **Profit before tax** | | **575.47** | **400.34** | **1,968.68** |
| Adjustments for: | | | | |
| Interest income | | (27.30) | (19.06) | (101.19) |
| Dividend income | | (40.25) | (39.34) | (141.71) |
| Interest expense | | 0.09 | - | - |
| Depreciation and amortisation expense | | 184.52 | 126.45 | 610.96 |
| Unrealised exchange loss / (gain) (net) | | (23.64) | (0.55) | (116.65) |
| Change in Foreign currency translation reserve | | 13.81 | - | 36.53 |
| Exchange loss / (gain) on derivative contracts | | 92.11 | (14.43) | 80.16 |
| Exchange difference on translation of foreign currency cash and cash equivalents | | (0.46) | (0.02) | 0.25 |
| Bad Debts | | - | 12.03 | 27.98 |
| Provision for doubtful debts | | 40.20 | 17.02 | 67.41 |
| Employee compensation expenses | | 0.27 | 2.15 | 8.36 |
| Provision for doubtful deposit written back | | - | - | (0.25) |
| Excess provision written back | | (0.04) | (12.67) | (11.96) |
| (Profit)/ Loss on sale of investments (net) | | 0.05 | - | (4.88) |
| Profit on sale of fixed assets (net) | | (1.29) | (1.70) | (1.84) |
| **Operating profit before working capital changes** | | **813.54** | **470.22** | **2,421.85** |
| **Movements in working capital :** | | | | |
| (Increase) in trade receivables | | (411.10) | (152.43) | (417.39) |
| (Increase) in other current assets | | (170.14) | (9.37) | (35.94) |
| (Increase)/ Decrease in loans and advances | | (78.15) | (155.59) | 16.65 |
| Increase / (Decrease) in current liabilities | | 284.12 | 143.46 | (76.65) |
| Increase / (Decrease) in other long term liabilities | | - | (7.67) | (83.94) |
| Increase / (Decrease) in provisions | | (87.09) | (250.14) | 7.87 |
| **Operating profit after working capital changes** | | **351.18** | **38.48** | **1,832.45** |
| Direct taxes paid (net of refunds) | | (99.25) | (58.13) | (381.30) |
| **Net cash from operating activities** | **(A)** | **251.93** | **(19.65)** | **1,451.15** |
| **Cash flows from investing activities** | | | | |
| Purchase of fixed assets (including capital work in progress and capital advances) | | (96.08) | (292.55) | (1,522.18) |
| Proceeds from sale of fixed assets | | 1.45 | 1.70 | 3.02 |
| Purchase of current investments | | (2,468.29) | (1,003.24) | (8,827.19) |
| (Investments in) / maturity of bank deposits (having original maturity of more than twelve months) | | 0.79 | (12.33) | 91.53 |
| Purchase of non-current investments | | - | - | (122.74) |
| Proceeds from sale / maturity of investments | | 2,234.44 | 1,342.95 | 9,152.05 |
| Inter corporate deposits given | | (3.50) | - | - |
| Interest income | | 0.22 | 6.88 | 77.29 |
| Dividends received | | 40.25 | 42.90 | 141.71 |
| **Net cash (used in) investing activities** | **(B)** | **(290.72)** | **86.31** | **(1,006.51)** |
| **Cash flows from financing activities** | | | | |
| Receipts from long term borrowings | | 7.66 | - | 6.54 |
| Deferred payment liabilities | | - | (7.67) | (15.33) |
| Dividends paid | | - | - | (199.94) |
| Tax on dividend paid | | - | - | (32.68) |
| **Net cash (used in) financing activities** | **(C )** | **7.66** | **(7.67)** | **(241.41)** |

**CONSOLIDATED CASH FLOW STATEMENT FOR THE QUARTER ENDED JUNE 30, 2012**

| | For the quarter ended | | For the year ended |
|---|---|---|---|
| | June 30, 2012 | June 30, 2011 | March 31, 2012 |
| | In ₹ Million | In ₹ Million | In ₹ Million |
| Net increase / (decrease) in cash and cash equivalents (A + B + C) | (31.13) | 58.99 | 203.23 |
| Cash and cash equivalents at the beginning of the year | 433.14 | 229.90 | 230.16 |
| Exchange difference on translation of foreign currency cash and cash equivalents | 0.46 | 0.02 | (0.25) |
| **Cash and cash equivalents at the end of the period / year** | **402.47** | **288.91** | **433.14** |
| **Components of cash and cash equivalents** | | | |
| Cash on hand | 0.13 | 0.15 | 0.12 |
| Balances with banks includes | | | |
| On current account | 401.25 | 287.96 | 432.23 |
| On saving account | 0.73 | 0.57 | 0.47 |
| On unpaid dividend accounts* | 0.36 | 0.23 | 0.32 |
| **Cash and cash equivalents as per Note 19** | **402.47** | **288.91** | **433.14** |

* The company can utilize these balances only towards settlement of the respective unpaid dividend.

Summary of significant accounting policies - Refer note 4

As per our report of even date

**For S.R. BATLIBOI & Co.**
**Firm registration no. 301003E**
**Chartered Accountants**

per Arvind Sethi
Partner
Membership No. 89802

Place: Pune
Date : July 19, 2012

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Vivek Sadhale
Company Secretary
and Head - Legal

Place: Pune
Date : July 19, 2012

Place: Pune
Date : July 19, 2012

**NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS**

## 1. Nature of operations

Persistent Systems Limited (the “Company”) is predominantly engaged in Outsourced Software Product Development services. The Company offers complete product life cycle services.

Persistent Systems, Inc. (PSI) is engaged in software development, professional and marketing services.

Persistent eBusiness Solutions Limited (PeBS) was engaged in software development, consultancy and system integration services.

Persistent Systems Pte. Ltd. (PS Pte.) is engaged in software development, professional and marketing services.

Persistent Systems and Solutions Limited (PSSL) had been set up to inter alia, mainly provide software development services from Special Economic Zone.

Persistent Systems France, SAS (PSFS) is engaged in Outsourced Software Product Development in life sciences domain.

Persistent Telecom Solutions, Inc. (PTSI) is a USA based subsidiary of Persistent Systems Inc. The company is engaged in licensing, support, professional services and managed services pertaining to Location Products suits.

## 2. Principles of Consolidation

The consolidated financial statements for the quarter ended June 30, 2012 of the Company and its subsidiaries (“the Group”) are prepared in accordance with generally accepted accounting principles applicable in India, and the Accounting Standard 21 (AS-21) on ‘Consolidation of Financial Statements’, notified by Companies (Accounting Standards) Rules, 2006, (as amended) (“Accounting Standards”) by to the extent possible in the same format as that adopted by 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 eliminating intra group balances and intra group transactions except where cost cannot be recovered. Any excess of the cost to the Company of its investment in a subsidiary and the 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. The consolidated financial statements are presented in the same manner as the Company’s unconsolidated financial statements.

The subsidiary companies considered in consolidated financial statements are as follows:

| Name of the subsidiary | Ownership percentage as at | | | Country of incorporation |
|---|---|---|---|---|
| | June 30, 2012 | June 30, 2011 | March 31, 2012 | |
| Persistent Systems Inc. | 100% | 100% | 100% | USA |
| Persistent eBusiness Solutions Limited | NIL | 100% | NIL | India |
| Persistent Systems and Solutions Limited | NIL | 100% | NIL | India |
| Persistent Systems, Pte. Limited | 100% | 100% | 100% | Singapore |
| Persistent Systems France, SAS | 100% | 100% | 100% | France |
| Persistent Telecom Solutions Inc. (step down subsidiary) – direct subsidiary of Persistent Systems Inc. | 100% | NIL | 100% | USA |

## 3. Basis of preparation

The consolidated financial statements have been prepared to comply in all material respects with the Accounting Standard notified by Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. These 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 during the period and are consistent with those used in previous year.

The interim consolidated financial statements for the quarter ended on June 30, 2012 have been prepared in accordance with Accounting Standard 25 notified by Companies (Accounting Standards) Rules, (as amended) 2006.

## 4. Statement of significant accounting policies

### (a) Use of estimates

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

### (b) Tangible fixed assets

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

Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing fixed assets, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.

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

### (c) Intangible assets

#### (i) Acquired intangible assets

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

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

#### (ii) Research and development cost

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

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

Such capitalized expenditure is reflected as intangibles under development.

Following the initial recognition, internally generated intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Amortization of internally generated intangible asset commenced when the development is complete and the asset is available for use.

*(This space is intentionally left blank)*

**(d) Depreciation and amortization**

Depreciation on tangible fixed assets 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.

A comparative statement of rates of depreciation followed by the Company and applicable rates as per the schedule XIV of the Companies Act, 1956 is as below:

| Assets * | Rates (SLM) | Rates as per Schedule XIV (SLM) |
|---|---|---|
| Buildings | 4.00% | 1.63% |
| Computers | 33.33% | 16.21% |
| Office equipments | 20.00% | 4.75% |
| Plant and equipment | 20.00% | 4.75% |
| Plant and equipment (Windmill) | 5.00% | 4.75% |
| Furniture and fixtures | 20.00% | 6.33% |
| Vehicles | 20.00% | 9.50% |
| Software | 20% to 33.33% | 16.21% |

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

Leasehold land is amortized on straight line basis over the period of lease.

Intangible assets are amortized on a straight line basis over the period of expected future economic benefits i.e. over their estimated useful lives of three to five years.

Acquired contractual rights are amortized on straight line basis over their estimated useful lives of three to five years.

**(e) Impairment of tangible and intangible assets**

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors.

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

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

**(f) Borrowing costs**

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

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

**(g) Leases**

***Where the Group is a lessee***

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases.

Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

**(h) Investments**

Investments which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments.

On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties.

Current investments are carried at lower of cost and fair value, determined on category of investment basis. Long-term investments presented as non-current investments are carried at cost. However, provision for diminution in value is made to recognize a decline, other than temporary decline, in the value of investments.

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.

## (i) Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

### (i) Income from software services

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

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

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

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

Unbilled revenue represents revenue recognized 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 recognized.

The Group collects service tax and value added taxes (VAT) on behalf of the government and, therefore, it is not an economic benefit flowing to the Group. Hence, it is excluded from revenue.

### (ii) Interest

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable. Interest income is included under the head ‘Other income’ in the statement of profit and loss.

### (iii) Dividends

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

## (j) Foreign currency translation

### (i) Foreign currency transactions and balances

***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.

***Conversion***

Foreign currency monetary items are reported using the exchange rate prevailing at the reporting date. Non-monetary items, which are measured in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction. Non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates at the date when the values were determined.

***Exchange differences***

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

***Forward exchange contracts not intended for trading or speculation purposes covered by AS-11 "The effects of changes in Foreign Exchange rates"***

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

***Forward exchange contracts not intended for trading or speculation purposes, classified as derivative financial instruments***

The Group has adopted principles of AS-30-"Financial Instruments: Recognition and Measurement" issued by the Institute of Chartered Accountants of India (ICAI), to the extent that the adoption did not conflict with existing notified accounting standards and other authoritative pronouncements of the company law and other regulatory requirements.

As per the accounting principles laid down in AS-30 relating to cash flow hedges, derivative financial instruments which qualify for cash flow hedge accounting are fair valued at balance sheet date and the effective portion of the resultant loss / (gain) is debited / (credited) to the hedge reserve and the ineffective portion is recognized to the statement of profit and loss. Derivative financial instruments are carried as forward contract receivable when the fair value is positive and as forward contract payable when the fair value is negative.

Changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognized in the statement of profit and loss as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, or terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss on the hedging instrument recognized in hedge reserve is transferred to the statement of profit and loss when the forecasted transaction occurs or affects profit or loss or when a hedged transaction is no longer expected to occur.

**Translation of integral and non-integral foreign operation**

The Group classifies all its foreign operations as either "integral foreign operations" or "non-integral foreign operations."

The financials statements of the integral foreign operations are translated as if the transactions of the foreign operations have been those of the Group itself.

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

When there is a change in the classification of a foreign operation, the translation procedures applicable to the revised classification are applied from the date of the change in the classification.

**(k) Retirement and other employee benefits**

**(i) Provident fund**

Provident fund is a 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 contributions to the provident fund are charged to the statement of profit and loss for the year when the contributions are due. The Group has no obligation, other than the contribution payable to the provident fund.

**(ii) Gratuity**

Gratuity is a defined benefit obligation plan operated by the Group for its employees covered under Group Gratuity Scheme. The cost of providing benefit under gratuity plan is determined on the basis of actuarial valuation using the projected unit credit method at the reporting date. Actuarial gains and losses are recognized in full in the statement of profit and loss in the reporting period in which they occur.

**(iii) Superannuation**

Superannuation is a defined contribution plan covering eligible employees. The contribution to the superannuation fund managed by the insurer is 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 statement of profit and loss on an accrual basis. There are no other contributions payable other than contribution payable to the respective fund.

**(iv) Leave encashment**

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

The Group treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the reporting date. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred.

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

**(v) Long service awards**

Long service awards are other long term benefits to all eligible employees, as per Group's policy. The cost of providing benefit under long service awards scheme is determined on the basis of actuarial valuation using the projected unit credit method at the reporting date. Actuarial gains and losses are recognized in full in the statement of profit and loss in the reporting period in which they occur.

**(l) Income taxes**

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961 enacted in India and tax laws prevailing in the respective tax jurisdictions where the Group operates. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current reporting period and reversal of timing differences of earlier reporting periods. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the reporting date.

Deferred tax liabilities are recognized for all taxable timing differences. Deferred tax assets are recognized 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 realized. In situations where the Group has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

In the situations where the Group is entitled to a tax holiday under the Income-tax Act, 1961 enacted in India or tax laws prevailing in the respective tax jurisdictions where it operates, no deferred tax (asset or liability) is recognized in respect of timing differences which reverse during the tax holiday period, to the extent the Group's gross total income is subject to the deduction during the tax holiday period. Deferred tax in respect of timing differences which reverse after the tax holiday period is recognized in the year in which the timing differences originate. However, the Group restricts recognition of 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 realized. For recognition of deferred taxes, the timing differences which originate first are considered to reverse first.

At each reporting date, the Group re-assesses unrecognized deferred tax assets. It recognizes unrecognized 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 realized.

The carrying amount of deferred tax assets are reviewed at each reporting 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 realized. 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.

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

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. MAT credit available is recognized as an asset only to the extent that there is convincing evidence that the Group will pay normal income tax during the period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Group recognizes MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the statement of profit and loss and shown as "MAT Credit Entitlement." The Group reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the Group does not have convincing evidence that it will pay normal tax during the specified period.

**(m) Segment reporting**

**(i) Identification of segment**

The Group's operations predominantly relate to providing outsourced software product development services covering full life cycle of product to its customers.

The primary reporting segments are identified based on review of market and business dynamics based on risk and returns affected by the type or class of customers for the services provided. The analysis of geographical segment is based on the areas in which the customers of the Company operate.

**(ii) Allocation of income and direct expenses**

Income and direct expenses allocable to segments are classified 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.

**(iii) Unallocated items**

Unallocated items include general corporate income and expense items which are not allocated to any business segment.

Segregation of assets, liabilities, depreciation and other non-cash expenses into various reportable segments have not been presented except for trade receivables as these items are used interchangeably between segments and the Company is of the view that it is not practical to reasonably allocate these items to individual segments and an ad-hoc allocation will not be meaningful.

**(iv) Inter-segment transfers**

There are no inter-segments transactions.

**(v) Segment accounting policies**

The Group prepares its segment information in conformity with accounting policies adopted for preparing and presenting the financial statements of the Group as a whole.

**(n) Earnings per share (EPS)**

Basic earnings per share are calculated by dividing the net profit for the period / year attributable to equity shareholders by the weighted average number of equity shares outstanding during the period / year. The weighted average number of equity shares outstanding during the period is adjusted for events such as bonus issue, bonus element in a rights issue, share split, and reverse share split (consolidation of shares), if any occurred during the reporting period, that have changed the number of equity shares outstanding, without a corresponding change in resources. Further, the weighted average number of equity shares used in computing the basic earnings per share is reduced by the shares held by PSPL ESOP Management Trust at the balance sheet date, which are obtained by subscription to the shares issued by the Group from finance provided by the Group.

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

**(o) Provisions**

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

**(p) Contingent liabilities**

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

**(q) Cash and cash equivalents**

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

**(r) Employee stock compensation expenses**

Employees (including senior executives) of the Group receive remuneration in the form of share based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

In accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-based Payments, the cost of equity-settled transactions is measured using the intrinsic value method and recognized, together with a corresponding increase in the “Stock options outstanding account” in reserves. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest.

The expense or credit recognized in the statement of profit and loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in employee benefits expense. The employee stock option schemes have a graded vesting schedule. Each vesting tranche having different vesting period has been considered as a separate option grant and accounted for accordingly.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total intrinsic value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

*(This space is intentionally left blank)*

## 5. Share capital

| | As at June 30, 2012 In ₹ Million | As at June 30, 2011 In ₹ Million | As at March 31, 2012 In ₹ Million |
|---|---|---|---|
| **Authorised shares (No. million)** | | | |
| 112 (Previous period 100/ previous year 112) equity shares of ₹ 10 each | 1,120.00 | 1,000.00 | 1,120.00 |
| | **1,120.00** | **1,000.00** | **1,120.00** |
| **Issued, subscribed and fully paid-up shares (No. million)** | | | |
| 40 (Previous period/ year: 40) equity shares of ₹ 10 each | 400.00 | 400.00 | 400.00 |
| **Issued, subscribed and fully paid-up share capital** | **400.00** | **400.00** | **400.00** |

**a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period**

There is no movement in the shares outstanding at the beginning and at the end of the reporting period.

**b) Terms/ rights attached to equity shares**

The Group has only one class of equity shares having a par value of ₹10 per share. Each holder of equity shares is entitled to one vote per share. The Group declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

**c) Aggregate number of bonus shares issued, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date**

| | As at June 30, 2012 No in Million | As at June 30, 2011 No in Million | As at March 31, 2012 No in Million |
|---|---|---|---|
| Equity shares allotted on September 17, 2007 as fully paid bonus shares by capitalization of securities premium ₹ 246.36 million and capitalization of capital redemption reserves ₹ 9.79 million | 25.62 | 25.62 | 25.62 |

**d) Details of shareholders holding more than 5% shares in the Company**

| Name of the shareholder* | As at June 30, 2012 No. million | As at June 30, 2012 % Holding | As at June 30, 2011 No. million | As at June 30, 2011 % Holding | As at March 31, 2012 No. million | As at March 31, 2012 % Holding |
|---|---|---|---|---|---|---|
| Dr. Anand Deshpande | 11.40 | 28.50 | 11.38 | 28.45 | 11.40 | 28.50 |
| Norwest Venture Partners, FVCI | 5.40 | 13.51 | 5.40 | 13.51 | 5.40 | 13.51 |
| Mr. S. P. Deshpande | 3.81 | 9.53 | 3.81 | 9.53 | 3.81 | 9.53 |
| PSPL ESOP Management Trust | 3.47 | 8.67 | 3.85 | 9.62 | 3.53 | 8.84 |
| Reliance Capital Trustee Co. Ltd. | 3.24 | 8.09 | - | - | 3.48 | 8.69 |

* The shareholding information is based on legal ownership of shares and has been extracted from the records of the Company including register of shareholders / members.

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**NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS**

**6. Reserves and surplus**

| | As at June 30, 2012 In ₹ Million | As at June 30, 2011 In ₹ Million | As at March 31, 2012 In ₹ Million |
|---|---|---|---|
| **A. Securities premium account** | | | |
| Balance as per the last financial statements | 1,736.70 | 1,736.70 | 1,736.70 |
| | **1,736.70** | **1,736.70** | **1,736.70** |
| **B. Employee Share options outstanding account (Refer note 32)** | | | |
| Balance as per the last financial statements | 33.51 | 34.76 | 34.76 |
| Add : Additions during the period / year | 0.27 | 2.15 | 8.36 |
| Less: Transferred to general reserve | (1.58) | (7.14) | (9.61) |
| | **32.20** | **29.77** | **33.51** |
| **C. General reserve** | | | |
| Balance as per the last financial statements | 2,871.17 | 2,289.21 | 2,289.21 |
| Add: Transferred from the statement of profit and loss | - | - | 549.60 |
| Add: Adjustments towards PSPL ESOP Management Trust and Employee Stock Options (Refer note 32) | 4.82 | 17.14 | 32.36 |
| Closing balance General Reserve | **2,875.99** | **2,306.35** | **2,871.17** |
| **D. Foreign currency translation reserve** | | | |
| Balance as per the last financial statements | 25.59 | 1.91 | 1.91 |
| (Less)/Add: Exchange difference during the period / year on net investment in nor integral foreign operation | 50.05 | 1.07 | 23.68 |
| | **75.64** | **2.98** | **25.59** |
| **E. Hedge reserve** | | | |
| Balance as per the last financial statements | (180.50) | 79.11 | 79.11 |
| Loss / (gain) transferred to statement of profit and loss | 180.50 | (79.11) | (79.11) |
| Net changes in fair value of effective cash flow hedges | (354.36) | 75.00 | (180.50) |
| | **(354.36)** | **75.00** | **(180.50)** |
| **F. Surplus** | | | |
| Balance as per the last financial statements | 3,518.65 | 2,929.38 | 2,929.38 |
| Net profit for the reporting period/ year | 415.78 | 275.68 | 1,417.80 |
| Less: Appropriations | | | |
| Interim dividend | | - | (140.00) |
| Special dividend | | - | - |
| Proposed final dividend | | - | (100.00) |
| Tax on dividend | | - | (38.93) |
| Transferred to general reserve | | - | (549.60) |
| | **3,934.43** | **3,205.06** | **3,518.65** |
| | **8,300.60** | **7,355.86** | **8,005.12** |

**7. Long-term borrowings**

| | As at June 30, 2012 In ₹ Million | As at June 30, 2011 In ₹ Million | As at March 31, 2012 In ₹ Million |
|---|---|---|---|
| Term Loans (unsecured) | | | |
| From other parties | 14.29 | - | 6.54 |
| | **14.29** | **-** | **6.54** |

The term loans from Government department have the following terms and conditions:

Loan I - Interest payable @ 2% per annum guaranteed by a bank guarantee by the Company and repayable in ten equal semi annual installments over a period of five years commencing from March 2016.

Loan II - Interest payable @ 3% per annum repayable in ten equal annual installments over a period of ten years commencing from September 2015.

**8. Other long term liabilities**

| | As at June 30, 2012 In ₹ Million | As at June 30, 2011 In ₹ Million | As at March 31, 2012 In ₹ Million |
|---|---|---|---|
| Trade payables (Refer note 37 for details of dues to micro and small enterprises) | - | 76.27 | - |
| | **-** | **76.27** | **-** |

**NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS**

**9. Long term provisions**

| | As at June 30, 2012 In ₹ Million | As at June 30, 2011 In ₹ Million | As at March 31, 2012 In ₹ Million |
|---|---|---|---|
| Provision for employee benefits | | | |
| - Long service awards | 72.33 | 73.28 | 70.87 |
| | **72.33** | **73.28** | **70.87** |

**10. Trade payables and Other current liabilities**

| | As at June 30, 2012 In ₹ Million | As at June 30, 2011 In ₹ Million | As at March 31, 2012 In ₹ Million |
|---|---|---|---|
| Trade payable (Refer note 37 for details of dues to micro and small enterprises) | 428.37 | 410.34 | 256.79 |
| Capital creditors (Refer note 37 for details of dues to micro and small enterprises) | 63.05 | 182.43 | 32.34 |
| | **491.42** | **592.77** | **289.13** |
| **Other Liabilities** | | | |
| Unearned revenue | 74.40 | 108.89 | 89.04 |
| Unpaid dividend (*) | 100.36 | 0.23 | 0.32 |
| Tax on unpaid dividend | 16.22 | - | - |
| Advance from customers | 172.60 | 128.43 | 77.21 |
| Forward contracts payable | 501.44 | - | 235.47 |
| Other payables | | | |
| - Statutory liabilities | 97.60 | 71.70 | 81.24 |
| - Accrued employee liabilities | 117.37 | 110.25 | 100.59 |
| - Other liabilities | 4.87 | 8.97 | 6.22 |
| | **1,084.86** | **428.47** | **590.09** |

(*) Unpaid dividend is credited to Investor Education and Protection Fund as and when due.

**11. Short-term provisions**

| | As at June 30, 2012 In ₹ Million | As at June 30, 2011 In ₹ Million | As at March 31, 2012 In ₹ Million |
|---|---|---|---|
| Provision for employee benefits | | | |
| - Gratuity (Refer Note 28) | 10.78 | 2.91 | 42.87 |
| - Leave encashment | 233.32 | 178.60 | 208.56 |
| - Long service awards | 15.56 | - | 16.35 |
| - Other employee benefits | 316.76 | 223.04 | 397.19 |
| Others | | | |
| - Income tax [ Net of advance tax ₹ 1,543.16 million ] | 22.19 | - | - |
| - Proposed final dividend | - | 60.00 | 100.00 |
| - Tax on proposed dividend | - | 9.97 | 16.22 |
| | **598.61** | **474.52** | **781.19** |

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**NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS**

**12.1 Tangible assets**

(In ₹ Million)

| | Freehold land | Leasehold land | Buildings | Computers | Office equipments | Plant & equipment | Leasehold improvements | Furniture & fixtures | Vehicles | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Gross block** | | | | | | | | | | |
| As at April 1, 2012 | 214.84 | 39.93 | 1,856.03 | 1,021.44 | 38.75 | 890.38 | 11.15 | 389.54 | 4.54 | 4,466.60 |
| Additions | - | - | 0.41 | 39.79 | 0.88 | 19.64 | - | 3.05 | - | 63.77 |
| Disposals | - | - | - | 35.05 | 2.01 | - | - | 0.02 | - | 37.08 |
| Other adjustments | | | | | | | | | | |
| - Exchange differences | 0.40 | - | 1.80 | 1.09 | 0.10 | - | - | 0.13 | - | 3.52 |
| **As at June 30, 2012** | **215.24** | **39.93** | **1,858.24** | **1,027.27** | **37.72** | **910.02** | **11.15** | **392.70** | **4.54** | **4,496.81** |
| **Depreciation** | | | | | | | | | | |
| As at April 1, 2012 | - | 2.29 | 335.56 | 786.79 | 24.18 | 540.38 | 4.87 | 293.20 | 4.03 | 1,991.31 |
| Charge for the period | - | 0.10 | 18.51 | 37.54 | 2.50 | 20.69 | 0.71 | 7.92 | 0.11 | 88.08 |
| Disposals | - | - | - | 34.91 | 2.01 | - | - | - | - | 36.92 |
| Other adjustments | | | | | | | | | | - |
| - Exchange differences | - | - | 0.05 | 0.42 | 0.06 | - | - | 0.04 | - | 0.57 |
| **As at June 30, 2012** | **-** | **2.39** | **354.12** | **789.84** | **24.73** | **561.07** | **5.58** | **301.16** | **4.14** | **2,043.04** |
| **Net block** | | | | | | | | | | |
| **As at June 30, 2012** | **215.24** | **37.54** | **1,504.12** | **237.43** | **12.99** | **348.95** | **5.57** | **91.54** | **0.40** | **2,453.77** |
| **As at March 31, 2012** | **214.84** | **37.64** | **1,520.47** | **234.65** | **14.57** | **350.00** | **6.28** | **96.34** | **0.51** | **2,475.29** |

(In ₹ Million)

| | Freehold land | Leasehold land | Buildings | Computers | Office equipments | Plant & equipment | Leasehold improvements | Furniture & fixtures | Vehicles | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Gross block** | | | | | | | | | | |
| As at April 1, 2011 | 202.98 | 39.93 | 1,283.10 | 895.12 | 27.51 | 608.43 | 10.15 | 308.88 | 4.54 | 3,380.64 |
| Additions | - | - | 33.66 | 64.92 | - | 149.77 | 1.12 | 19.11 | - | 268.58 |
| Disposals | - | - | - | 15.05 | - | 0.08 | - | - | - | 15.13 |
| Other adjustments | | | | | | | | | | |
| - Exchange differences | - | - | - | 0.04 | - | - | - | - | - | 0.04 |
| **As at June 30, 2011** | **202.98** | **39.93** | **1,316.76** | **945.03** | **27.51** | **758.12** | **11.27** | **327.99** | **4.54** | **3,634.13** |
| **Depreciation** | | | | | | | | | | |
| As at April 1, 2011 | - | 1.87 | 276.09 | 682.53 | 21.15 | 454.52 | 2.07 | 250.59 | 3.58 | 1,692.41 |
| Charge for the period | - | 0.10 | 12.90 | 34.15 | - | 17.07 | 0.67 | 6.97 | 0.11 | 71.97 |
| Disposals | - | - | - | 15.04 | - | 0.07 | - | - | - | 15.11 |
| Other adjustments | | | | | | | | | | |
| - Exchange differences | - | - | - | 0.20 | - | - | - | (0.17) | - | 0.03 |
| **As at June 30, 2011** | **-** | **1.97** | **288.99** | **701.84** | **21.15** | **471.52** | **2.74** | **257.39** | **3.69** | **1,749.30** |
| **Net block** | | | | | | | | | | |
| **As at June 30, 2011** | **202.98** | **37.96** | **1,027.77** | **243.19** | **6.36** | **286.60** | **8.53** | **70.60** | **0.85** | **1,884.83** |

**12.1 Tangible assets**

(In ₹ Million)

| | Freehold land | Leasehold land | Buildings | Computers | Office equipments | Plant & machinery | Leasehold improvements | Furniture & fixtures | Vehicles | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Gross Block** | | | | | | | | | | |
| As at April 1, 2010 | 202.98 | 39.93 | 1,257.51 | 723.57 | 25.50 | 550.50 | - | 281.78 | 4.61 | 3,086.38 |
| Additions | - | - | 25.59 | 193.59 | 2.06 | 59.42 | 10.15 | 27.40 | - | 318.21 |
| Disposals | - | - | - | 22.48 | 0.05 | 1.48 | - | 0.30 | 0.07 | 24.38 |
| Other adjustments | | | | | | - | - | - | | - |
| - Exchange differences | - | - | - | 0.45 | - | (0.01) | | - | - | 0.44 |
| **As at March 31, 2011** | **202.98** | **39.93** | **1,283.10** | **895.13** | **27.51** | **608.43** | **10.15** | **308.88** | **4.54** | **3,380.65** |
| Additions | 11.07 | - | 569.37 | 164.09 | 11.82 | 283.66 | 1.00 | 81.79 | - | 1,122.80 |
| Disposals | - | - | - | 38.56 | 1.16 | 1.71 | - | 1.37 | - | 42.80 |
| Other adjustments | | | | | | | | | | |
| - Exchange differences | 0.79 | - | 3.56 | 0.78 | 0.58 | - | - | 0.24 | - | 5.95 |
| **As at March 31, 2012** | **214.84** | **39.93** | **1,856.03** | **1,021.44** | **38.75** | **890.38** | **11.15** | **389.54** | **4.54** | **4,466.60** |
| **Depreciation** | | | | | | | | | | |
| As at April 1, 2010 | - | - | 225.38 | 585.37 | 17.81 | 380.65 | - | 215.67 | 3.20 | 1,428.08 |
| Charge for the year | - | 1.87 | 50.71 | 119.77 | 3.39 | 74.91 | 2.07 | 35.18 | 0.45 | 288.35 |
| Disposals | - | - | - | 22.53 | 0.05 | 1.03 | - | 0.25 | 0.07 | 23.93 |
| Exchange differences | - | - | - | (0.08) | - | (0.01) | - | (0.01) | - | (0.09) |
| **As at March 31, 2011** | **-** | **1.87** | **276.09** | **682.53** | **21.15** | **454.52** | **2.07** | **250.59** | **3.58** | **1,692.41** |
| Charge for the year | - | 0.42 | 59.45 | 140.88 | 3.67 | 87.57 | 2.80 | 43.45 | 0.45 | 338.69 |
| Disposals | - | - | - | 37.45 | 1.04 | 1.71 | - | 0.71 | - | 40.91 |
| Other adjustments | | | | | | | | | | |
| - Exchange differences | - | - | 0.02 | 0.83 | 0.40 | - | - | (0.13) | - | 1.12 |
| **As at March 31, 2012** | **-** | **2.29** | **335.56** | **786.79** | **24.18** | **540.38** | **4.87** | **293.20** | **4.03** | **1,991.31** |
| **Net Block** | | | | | | | | | | |
| **As at March 31, 2011** | **202.98** | **38.06** | **1,007.01** | **212.60** | **6.36** | **153.91** | **8.08** | **58.29** | **0.96** | **1,688.24** |
| **As at March 31, 2012** | **214.84** | **37.64** | **1,520.47** | **234.65** | **14.57** | **350.00** | **6.28** | **96.34** | **0.51** | **2,475.29** |

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## Persistent Systems Limited

**NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS**

**12.2 Intangible assets**

(In ₹ Million)

| | Software | Acquired contractual rights | Total |
|---|---|---|---|
| **Gross block** | | | |
| As at April 1, 2012 | 1,287.49 | 281.63 | 1,569.12 |
| Additions | 24.57 | 15.09 | 39.66 |
| Disposals | 4.54 | - | 4.54 |
| Other adjustments | | | |
| - Exchange differences | 33.37 | 4.19 | 37.56 |
| **As at June 30, 2012** | **1,340.89** | **300.91** | **1,641.80** |
| **Amortization** | | | |
| As at April 1, 2012 | 766.34 | 80.81 | 847.15 |
| Charge for the period | 71.82 | 24.67 | 96.49 |
| Disposals | 4.54 | - | 4.54 |
| Other adjustments | | | |
| - Exchange differences | 6.08 | 1.31 | 7.39 |
| **As at June 30, 2012** | **839.70** | **106.79** | **946.49** |
| **Net block** | | | |
| **As at June 30, 2012** | **501.19** | **194.12** | **695.31** |
| **As at March 31, 2012** | **521.15** | **200.82** | **721.97** |

(In ₹ Million)

| | Software | Acquired contractual rights | Total |
|---|---|---|---|
| **Gross block** | | | |
| As at April 1, 2011 | 886.54 | 275.57 | 1,162.11 |
| Additions | 47.53 | - | 47.53 |
| Disposals | - | - | - |
| Other adjustments | | | - |
| - Exchange differences | 0.16 | 0.16 | 0.32 |
| **As at June 30, 2011** | **934.23** | **275.73** | **1,209.96** |
| **Amortization** | | | |
| As at April 1, 2011 | 584.63 | 4.45 | 589.08 |
| Disposals | - | - | - |
| Charge for the period | 14.98 | 39.72 | 54.70 |
| - Exchange differences | 0.09 | - | 0.09 |
| **As at June 30, 2011** | **599.70** | **44.17** | **643.87** |
| **Net block** | | | |
| **As at June 30, 2011** | **334.53** | **231.56** | **566.09** |

**12.3 Depreciation and amortisation**

(In ₹ Million)

| | Quarter ended | | Year ended |
|---|---|---|---|
| | June 30, 2012 | June 30, 2011 | March 31, 2012 |
| On tangible assets | 88.08 | 71.97 | 338.69 |
| On intangible assets | 96.49 | 54.70 | 272.96 |
| Less: attributable to fixed assets used for construction of building | (0.05) | (0.22) | (0.69) |
| | **184.52** | **126.45** | **610.96** |

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**12.2 Intangible Assets**

(In ₹ Million)

| | Software | Acquired contractual rights | Total |
|---|---|---|---|
| **Gross Block** | | | |
| As at April 1, 2010 | 628.41 | - | 628.41 |
| Additions | 258.45 | 275.57 | 534.02 |
| Exchange differences | (0.32) | - | (0.32) |
| **As at March 31, 2011** | **886.54** | **275.57** | **1,162.11** |
| Additions | 407.13 | - | 407.13 |
| Disposals | 20.70 | - | 20.70 |
| Other adjustments | | | |
| - Exchange differences | 14.52 | 6.06 | 20.58 |
| **As at March 31, 2012** | **1,287.49** | **281.63** | **1,569.12** |
| | | | |
| **Amortization** | | | |
| As at April 1, 2010 | 453.07 | - | 453.07 |
| Charge for the year | 131.92 | 4.45 | 136.37 |
| - Exchange differences | (0.36) | (0.02) | (0.38) |
| **As at March 31, 2011** | **584.63** | **4.43** | **589.06** |
| Charge for the year | 197.35 | 75.61 | 272.96 |
| Disposals | 20.70 | - | 20.70 |
| Other adjustments | | | |
| - Exchange differences | 5.06 | 0.77 | 5.83 |
| **As at March 31, 2012** | **766.34** | **80.81** | **847.15** |
| | | | |
| **Net Block** | | | |
| **As at March 31, 2011** | **301.91** | **271.14** | **573.05** |
| **As at March 31, 2012** | **521.15** | **200.82** | **721.97** |

**12.3 Depreciation and amortisation**

(In ₹ Million)

| | For the year ended March 31, 2012 | For the year ended March 31, 2011 |
|---|---|---|
| On tangible assets | 338.69 | 288.35 |
| On intangible assets | 272.96 | 136.37 |
| Less: attributable to fixed assets used for construction of building | (0.69) | (0.83) |
| | **610.96** | **423.89** |

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**NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS**

**13. Non-current investments**

| | As at June 30, 2012 In ₹ Million | As at June 30, 2011 In ₹ Million | As at March 31, 2012 In ₹ Million |
|---|---|---|---|
| **Trade Investments (At cost unless otherwise mentioned)** | | | |
| **Investments in Equity Instruments (Unquoted)** | | | |
| In others* | | | |
| Klisma eService Private Limited | | | |
| 0.005 million (Previous period NIL/ previous year 0.005 million) shares of ₹10 each, fully | 0.05 | | 0.05 |
| | 0.05 | - | 0.05 |
| Ciqual Limited | | | |
| 10 million (Previous year/ period 10 million) shares of GBP 0.01 each, fully paid up | 11.88 | 9.87 | 10.96 |
| Less : Provision for diminution in value of investment | 11.88 | 9.87 | 10.96 |
| | **-** | **-** | **-** |
| Sprint Telecom Private Limited (Holding 26%, Previous year NIL) | | | |
| 0.65 million (Previous period NIL/ previous year 0.65 million) shares of ₹ 10 each, fully paid up | 6.50 | - | 6.50 |
| | **6.50** | **-** | **6.50** |
| | **6.55** | **-** | **6.55** |
| **Non-trade Investments (At cost unless otherwise mentioned)** | | | |
| **Government Securities (Quoted)** | | | |
| In Government Securities | 116.19 | - | 116.19 |
| (Market value ₹ 123.02 million, Previous period NIL/ previous year ₹118.23 million) | | | |
| | **116.19** | **-** | **116.19** |
| | **122.74** | **-** | **122.74** |
| Aggregate provision for diminution in value of investments | 11.88 | 9.87 | 10.96 |
| Aggregate amount of quoted investments | 116.19 | - | 116.19 |
| Aggregate amount of unquoted investments | 18.43 | 9.87 | 17.51 |

* Investments, where the Group does not have control or significant influence, are classified as "Investments in others"

**14. Deferred tax asset (net)**

| | As at June 30, 2012 In ₹ Million | As at June 30, 2011 In ₹ Million | As at March 31, 2012 In ₹ Million |
|---|---|---|---|
| **Deferred tax liabilities** | | | |
| Differences in depreciation and other differences in a block of tangible and intangible assets as per the tax books and financial books | 65.41 | 62.28 | 102.99 |
| | **65.41** | **62.28** | **102.99** |
| **Deferred tax assets** | | | |
| Provision for leave encashment | 60.94 | 45.09 | 55.11 |
| Provision for long service awards | 28.52 | 23.12 | 28.30 |
| Provision for doubtful debts | 123.75 | 62.92 | 126.15 |
| Commission disallowed in tax | 7.53 | 4.39 | - |
| | **220.74** | **135.52** | **209.56** |
| **Deferred tax assets (net)** | **155.33** | **73.24** | **106.57** |

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**NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS**

**15. Long term loans and advances**

| | As at June 30, 2012 In ₹ Million | As at June 30, 2011 In ₹ Million | As at March 31, 2012 In ₹ Million |
|---|---|---|---|
| Capital advances (Unsecured, considered good) | 27.38 | 33.46 | 21.43 |
| Security deposits (Unsecured, considered good) | 37.28 | 22.38 | 38.21 |
| Advance income tax (Net of provision for Income Tax) [previous period ₹ 850.59 and previous year ₹ 1,361.41 million] | - | 21.66 | 83.89 |
| Inter corporate deposits | | | |
| Secured, considered good | 0.58 | 10.00 | 0.58 |
| Unsecured, considered doubtful | - | 0.83 | - |
| | 0.58 | 10.83 | 0.58 |
| Less: Provision for doubtful deposits | 0.58 | 0.83 | 0.58 |
| | - | 10.00 | - |
| Other loans and advances (Unsecured, considered good) | | | |
| - Advance to PSPL ESOP Management Trust | 81.12 | 65.12 | 77.88 |
| - Advances recoverable in cash or kind or for value to be received | 2.34 | 10.93 | 9.53 |
| | 83.46 | 76.05 | 87.41 |
| | **148.12** | **163.55** | **230.94** |

**16. Other non-current assets**

| | As at June 30, 2012 In ₹ Million | As at June 30, 2011 In ₹ Million | As at March 31, 2012 In ₹ Million |
|---|---|---|---|
| Non-current bank balances (Refer note 19) | 21.37 | 14.51 | 22.16 |
| | **21.37** | **14.51** | **22.16** |

**17. Current investments** (At lower of cost and fair value)

| | As at June 30, 2012 In ₹ Million | As at June 30, 2011 In ₹ Million | As at March 31, 2012 In ₹ Million |
|---|---|---|---|
| ***Non trade (Unquoted)*** | | | |
| Investments in Mutual Funds | 2,146.36 | 2,172.00 | 1,915.24 |
| | **2,146.36** | **2,172.00** | **1,915.24** |
| Aggregate amount of unquoted investments | 2,146.36 | 2,172.00 | 1,915.24 |

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**17 a) Details of investment in mutual funds**

| | As at June 30, 2012 | | As at June 30, 2011 | | As at March 31, 2012 | |
|---|---|---|---|---|---|---|
| | Units (in nos. million) | In ₹ Million | Units (in nos. million) | In ₹ Million | Units (in nos. million) | In ₹ Million |
| DSP liquid fund (units of ₹10 each fully paid-up) | - | - | 15.00 | 150.00 | - | - |
| Grindlays cash fund (units of ₹10 each fully paid-up) | 18.31 | 185.34 | 23.00 | 230.00 | 17.90 | 181.15 |
| HDFC liquid fund (units of ₹10 each fully paid-up) | 9.67 | 100.00 | 20.42 | 208.02 | 9.67 | 100.00 |
| ICICI liquid fund (units of ₹10 each fully paid-up) | - | - | 0.70 | 70.01 | 14.99 | 150.00 |
| Templeton India fund (units of ₹10 each fully paid-up) | 0.32 | 372.53 | 0.20 | 230.51 | 0.21 | 238.87 |
| DWS money plus fund (units of ₹10 each fully paid-up) | 10.00 | 100.00 | 10.00 | 100.00 | 10.00 | 100.00 |
| Birla cash plus fund (units of ₹10 each fully paid-up) | 1.51 | 151.51 | - | - | 15.06 | 150.64 |
| Tata liquid fund (units of ₹10 each fully paid-up) | 0.23 | 261.37 | 14.40 | 144.03 | 0.15 | 166.69 |
| Reliance liquid plus (units of ₹10 each fully paid-up) | 10.00 | 100.00 | 23.70 | 252.43 | 10.00 | 100.00 |
| Religeare fund (units of ₹10 each fully paid-up) | - | - | 15.00 | 150.00 | - | - |
| SBI mutual fund (units of ₹10 each fully paid-up) | 39.38 | 393.75 | 20.92 | 209.24 | 39.02 | 391.43 |
| Kotak Liquid Fund (units of ₹10 each fully paid-up) | 11.65 | 142.49 | 13.42 | 135.71 | 21.07 | 257.68 |
| Sundaram BNP (units of ₹10 each fully paid-up) | - | - | 10.00 | 100.00 | - | - |
| UTI fund (units of ₹10 each fully paid-up) | 0.33 | 339.37 | 10.58 | 192.05 | 0.08 | 78.78 |
| | | **2,146.36** | | **2,172.00** | | **1,915.24** |

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**NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS**

**18. Trade receivables**

| | As at June 30, 2012 In ₹ Million | As at June 30, 2011 In ₹ Million | As at March 31, 2012 In ₹ Million |
|---|---|---|---|
| **Outstanding for a period exceeding six months from the date they are due for payment** | | | |
| Unsecured, considered good | 61.77 | 34.55 | 54.76 |
| Unsecured, considered doubtful | 304.01 | 217.27 | 246.17 |
| | 365.78 | 251.82 | 300.93 |
| Less : Provision for doubtful debts | 304.01 | 217.27 | 246.17 |
| | **61.77** | **34.55** | **54.76** |
| **Others** | | | |
| Unsecured, considered good | 2,365.53 | 1,684.31 | 1,977.96 |
| Unsecured, considered doubtful | 70.35 | 19.18 | 65.58 |
| | 2,435.88 | 1,703.49 | 2,043.54 |
| Less : Provision for doubtful debts | 70.35 | 19.18 | 65.58 |
| | **2,365.53** | **1,684.31** | **1,977.96** |
| | **2,427.30** | **1,718.86** | **2,032.72** |

The export packing credit is secured by hypothecation of present and future receivables of the Group on pari passu basis with Bank of India and Citibank N.A. There is no balance payable as at June 30, 2012, June 30, 2011 and March 31, 2012
.

**19. Cash and bank balances**

| | As at June 30, 2012 In ₹ Million | As at June 30, 2011 In ₹ Million | As at March 31, 2012 In ₹ Million |
|---|---|---|---|
| **Cash and cash equivalents as presented in cash flow statement** | | | |
| Cash on hand | 0.13 | 0.15 | 0.12 |
| Balances with banks includes | | | |
| On current account | 401.25 | 287.96 | 432.23 |
| On saving account | 0.73 | 0.57 | 0.47 |
| On unpaid dividend accounts (*) | 0.36 | 0.23 | 0.32 |
| | **402.47** | **288.91** | **433.14** |
| **Other bank balances** | | | |
| On deposit account with maturity more than three months but less than twelve months | 924.21 | 756.53 | 921.53 |
| On deposit account with maturity more than twelve months | 21.37 | 14.51 | 22.16 |
| | **945.58** | **771.04** | **943.69** |
| Less: Deposits with original maturity more than twelve months disclosed under non-current assets (Refer note 16) | (21.37) | (14.51) | (22.16) |
| | **924.21** | **756.53** | **921.53** |
| | **1,326.68** | **1,045.44** | **1,354.67** |

* The Company can utilize these balances only towards settlement of the respective unpaid dividend.

**20. Short-term loans and advances**

| | As at June 30, 2012 In ₹ Million | As at June 30, 2011 In ₹ Million | As at March 31, 2012 In ₹ Million |
|---|---|---|---|
| Inter corporate deposits (Unsecured, considered good) | 63.50 | 50.00 | 60.00 |
| Other loans and advances (Unsecured, considered good) | | | |
| - Deposits | 6.58 | 15.02 | 6.23 |
| - Advances recoverable in cash or kind or for value to be received | 171.77 | 231.28 | 85.29 |
| - MAT credit entitlement | 222.90 | 419.61 | 222.90 |
| -VAT (net) | 58.09 | 45.93 | 57.01 |
| -Service tax receivable (net) | 18.29 | 63.36 | 19.93 |
| | **541.13** | **825.20** | **451.36** |

**21. Other current assets**

| | As at June 30, 2012 In ₹ Million | As at June 30, 2011 In ₹ Million | As at March 31, 2012 In ₹ Million |
|---|---|---|---|
| Interest accrued | 68.17 | 25.80 | 41.05 |
| Forward contracts receivable | - | 114.62 | - |
| Unbilled revenue | 310.83 | 114.11 | 140.69 |
| | **379.00** | **254.53** | **181.74** |

**NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS**

**22. Revenue from operations**

| | For the quarter ended | | For the year ended |
|---|---|---|---|
| | June 30, 2012 | June 30, 2011 | March 31, 2012 |
| | In ₹ Million | In ₹ Million | In ₹ Million |
| Sale of services | 3,007.04 | 2,237.84 | 10,003.11 |
| | **3,007.04** | **2,237.84** | **10,003.11** |

**23. Other Income**

| | For the quarter ended | | For the year ended |
|---|---|---|---|
| | June 30, 2012 | June 30, 2011 | March 31, 2012 |
| | In ₹ Million | In ₹ Million | In ₹ Million |
| Interest income | | | |
| On bank deposits | 22.69 | 17.07 | 89.73 |
| On others | 4.61 | 1.99 | 11.46 |
| Foreign exchange gains (net) | - | 49.57 | 63.79 |
| Exchange gain on derivatives | - | 14.43 | - |
| Profit on sale of fixed assets (net) | 1.29 | 1.70 | 1.84 |
| Dividend income from current investments | 40.25 | 39.34 | 141.71 |
| Profit on sale of current investments (net) | - | - | 4.88 |
| Provision for doubtful deposit written back | - | - | 0.25 |
| Excess provision in respect of earlier period / years written back | 0.04 | 12.67 | 11.96 |
| Miscellaneous income | 5.83 | 1.03 | 10.15 |
| | **74.71** | **137.80** | **335.77** |

**24. Personnel Expenses**

| | For the quarter ended | | For the year ended |
|---|---|---|---|
| | June 30, 2012 | June 30, 2011 | March 31, 2012 |
| | In ₹ Million | In ₹ Million | In ₹ Million |
| **24.1 Employee benefit expenses** | | | |
| Salaries and wages | 1,522.99 | 1,317.44 | 5,570.77 |
| Contribution to provident and other funds | 35.34 | 30.69 | 134.32 |
| Gratuity expenses (Refer note 28) | 8.86 | 1.06 | 41.45 |
| Defined contribution to other funds | 6.95 | 7.88 | 26.63 |
| Staff welfare and benefits | 54.84 | 48.58 | 209.01 |
| Employee stock compensation expenses (Refer note 32) | 0.27 | 2.15 | 8.36 |
| | **1,629.25** | **1,407.80** | **5,990.54** |
| **24.2 Cost of technical professionals** | 135.22 | 111.03 | 416.75 |
| | **1,764.47** | **1,518.83** | **6,407.29** |

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**NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS**

**25. Other expenses**

| | For the quarter ended | | For the year ended |
|---|---|---|---|
| | June 30, 2012 | June 30, 2011 | March 31, 2012 |
| | In ₹ Million | In ₹ Million | In ₹ Million |
| Travelling and conveyance | 111.97 | 90.97 | 325.69 |
| Electricity expenses | 18.24 | 25.36 | 91.03 |
| Internet link expenses | 6.89 | 9.45 | 34.57 |
| Communication expenses | 10.16 | 7.67 | 32.13 |
| Recruitment expenses | 2.13 | 4.57 | 12.14 |
| Training and seminars | 2.61 | 4.65 | 19.34 |
| Purchase of software licenses and support expenses | 120.82 | 62.00 | 273.09 |
| Bad Debts | - | 12.03 | 27.98 |
| Provision for doubtful debts | 40.20 | 17.03 | 67.41 |
| Rent (Refer note 30) | 22.74 | 11.46 | 61.99 |
| Insurance | 3.93 | 3.85 | 17.60 |
| Rates, fees and profession tax | 5.43 | 6.38 | 34.31 |
| Legal and professional fees | 30.66 | 14.43 | 76.97 |
| Repairs and maintenance | | | |
| - Plant and Machinery | 12.40 | 11.75 | 41.24 |
| - Buildings | 2.88 | 2.19 | 8.28 |
| - Others | 2.16 | 4.02 | 16.08 |
| Commission on sales | - | 1.53 | 2.64 |
| Advertisement and sponsorship fees | 10.32 | 3.56 | 12.96 |
| Computer consumables | 2.44 | 2.58 | 8.24 |
| Auditors' remuneration (Refer note 35) | 1.54 | 1.40 | 5.31 |
| Donations | 2.95 | 0.07 | 16.37 |
| Books, memberships, subscriptions | 0.52 | 0.79 | 2.99 |
| Foreign exchange loss (net) | 29.20 | - | - |
| Loss on sale of investment | 0.05 | - | - |
| Exchange loss on derivatives | 92.11 | - | 80.16 |
| Directors' sitting fees | 0.20 | 0.16 | 0.58 |
| Directors' commission | - | - | 6.00 |
| Provision for doubtful deposit | - | - | 1.25 |
| Miscellaneous expenses | 24.65 | 32.12 | 75.60 |
| | **557.20** | **330.02** | **1,351.95** |

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**NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS**

**26. Earnings per share**

| | | For the quarter ended | | For the year ended |
|---|---|---|---|---|
| | | **June 30, 2012** | **June 30, 2011** | **March 31, 2012** |
| **Numerator for Basic and Diluted EPS** | | | | |
| Net Profit after tax (In ₹ Million) | a | 415.78 | 275.68 | 1,417.80 |
| **Denominator for Basic EPS** | | | | |
| Weighted average number of equity shares | b | 38,508,817 | 38,119,689 | 38,296,917 |
| **Denominator for Diluted EPS** | | | | |
| Weighted average number of equity shares and potential equity shares | c | 40,000,000 | 40,000,000 | 40,000,000 |
| **Basic Earnings per share of face value of ₹ 10 each (In ₹)** | a/b | **10.80** | **7.23** | **37.02** |
| **Diluted Earnings per share of face value of ₹ 10 each (In ₹)** | a/c | **10.39** | **6.89** | **35.45** |

| | For the quarter ended | | For the year ended |
|---|---|---|---|
| | **June 30, 2012** | **June 30, 2011** | **March 31, 2012** |
| Number of shares considered as basic weighted average shares outstanding | 38,508,817 | 38,119,689 | 38,296,917 |
| Add: Effect of dilutive issues of stock options | 1,491,183 | 1,880,311 | 1,703,083 |
| **Number of shares considered as weighted average shares and potential shares outstanding** | **40,000,000** | **40,000,000** | **40,000,000** |

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**Persistent Systems Limited**

**NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS**

**27. Segment Information**

**(in ₹ Million )**

| Particulars | | | Telecom and Wireless | Life Science and Healthcare | Infrastructure and Systems | Total |
|---|---|---|---|---|---|---|
| Revenue | Quarter ended | 30-Jun-12 | 837.50 | 329.23 | 1,840.31 | 3,007.04 |
| | Quarter ended | 30-Jun-11 | 497.15 | 222.00 | 1,518.69 | 2,237.84 |
| | Year ended | 31-Mar-12 | 2,137.66 | 1,117.20 | 6,748.25 | 10,003.11 |
| Identifiable Expense | Quarter ended | 30-Jun-12 | 375.93 | 160.59 | 983.93 | 1,520.45 |
| | Quarter ended | 30-Jun-11 | 226.09 | 88.15 | 976.57 | 1,290.81 |
| | Year ended | 31-Mar-12 | 912.78 | 460.05 | 3,972.88 | 5,345.71 |
| Segmental Operating Income | Quarter ended | 30-Jun-12 | 461.57 | 168.64 | 856.38 | 1,486.59 |
| | Quarter ended | 30-Jun-11 | 271.06 | 133.85 | 542.12 | 947.03 |
| | Year ended | 31-Mar-12 | 1,224.88 | 657.15 | 2,775.37 | 4,657.40 |
| Unallocable Expenses | Quarter ended | 30-Jun-12 | | | | 985.83 |
| | Quarter ended | 30-Jun-11 | | | | 684.45 |
| | Year ended | 31-Mar-12 | | | | 3,024.49 |
| Operating Income | Quarter ended | 30-Jun-12 | | | | 500.76 |
| | Quarter ended | 30-Jun-11 | | | | 262.54 |
| | Year ended | 31-Mar-12 | | | | 1,632.91 |
| Other Income (Net of Expenses) | Quarter ended | 30-Jun-12 | | | | 74.71 |
| | Quarter ended | 30-Jun-11 | | | | 137.80 |
| | Year ended | 31-Mar-12 | | | | 335.77 |
| Profit before Taxes | Quarter ended | 30-Jun-12 | | | | 575.47 |
| | Quarter ended | 30-Jun-11 | | | | 400.34 |
| | Year ended | 31-Mar-12 | | | | 1,968.68 |
| Tax expense | Quarter ended | 30-Jun-12 | | | | 159.69 |
| | Quarter ended | 30-Jun-11 | | | | 124.66 |
| | Year ended | 31-Mar-12 | | | | 550.88 |
| Profit after Tax | Quarter ended | 30-Jun-12 | | | | 415.78 |
| | Quarter ended | 30-Jun-11 | | | | 275.68 |
| | Year ended | 31-Mar-12 | | | | 1,417.80 |
| Segmental Trade Receivables | As at | 30-Jun-12 | 695.64 | 233.43 | 1,872.59 | 2,801.66 |
| | As at | 30-Jun-11 | 305.86 | 147.43 | 1,502.02 | 1,955.31 |
| | As at | 31-Mar-12 | 455.02 | 255.32 | 1,634.13 | 2,344.47 |
| Unallocated Assets | As at | 30-Jun-12 | | | | 8,160.45 |
| | As at | 30-Jun-11 | | | | 7,445.86 |
| | As at | 31-Mar-12 | | | | 7,798.47 |

**27. Segment Information**

**Geographical Segments**

The following table shows the distribution of the Group's consolidated sales by geographical market regardless of from where the services were rendered

**(in ₹ Million )**

| Particulars | | | North America | Europe | Asia Pacific | Total |
|---|---|---|---|---|---|---|
| Revenue | Quarter ended | 30-Jun-12 | 2,539.59 | 207.08 | 260.38 | 3,007.05 |
| | Quarter ended | 30-Jun-11 | 1,853.24 | 166.18 | 218.42 | 2,237.84 |
| | Year ended | 31-Mar-12 | 8,255.74 | 732.34 | 1,015.03 | 10,003.11 |
| Segmental Trade Receivables | As at | 30-Jun-12 | 2,232.70 | 241.92 | 327.04 | 2,801.66 |
| | As at | 30-Jun-11 | 1,635.57 | 123.37 | 196.37 | 1,955.31 |
| | As at | 31-Mar-12 | 1,845.54 | 208.19 | 290.74 | 2,344.47 |

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**28. Gratuity and other post-employment benefit plans:**

The Group has a defined benefit gratuity plan. Each employee is eligible for gratuity on completion of minimum five years of service at 15 days basic salary (last drawn basic salary) 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 statement of profit and loss and the funded status and amounts recognised in the Balance Sheet for the respective plans.

**Statement of profit and loss**

Net employee benefit expense (recognised in statement of profit and loss Account)

(In ₹ Million)

| | For the quarter ended | | For the year ended | | | | |
|---|---|---|---|---|---|---|---|
| | **June 30, 2012** | **June 30, 2011** | **March 31, 2012** | **March 31, 2011** | **March 31, 2010** | **March 31, 2009** | **March 31, 2008** |
| Current service cost | 13.91 | 12.70 | 71.08 | 64.38 | 37.54 | 28.43 | 28.07 |
| Interest cost on benefit obligation | 4.85 | 4.22 | 15.69 | 9.44 | 6.55 | 6.51 | 4.05 |
| Expected return on plan assets | (4.30) | (3.43) | (12.02) | (7.92) | (6.98) | (5.63) | (4.37) |
| Net actuarial (gain) / loss recognised in the period | (4.93) | (12.43) | (30.33) | 24.49 | 4.05 | (27.26) | 7.17 |
| Interest income | (0.67) | - | (2.97) | (7.91) | - | - | (4.40) |
| **Net benefit expense** | **8.86** | **1.06** | **41.45** | **82.48** | **41.16** | **2.05** | **30.52** |
| Actual Return on Net Plan Assets | - | | - | 10.38 | 7.92 | 7.47 | 4.52 |

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

(In ₹ Million)

| | For the quarter ended | | For the year ended | | | | |
|---|---|---|---|---|---|---|---|
| | **June 30, 2012** | **June 30, 2011** | **March 31, 2012** | **March 31, 2011** | **March 31, 2010** | **March 31, 2009** | **March 31, 2008** |
| Opening fair value of plan assets | 185.42 | 110.84 | 110.10 | 78.11 | 86.02 | 53.88 | 29.09 |
| Interest received and accrued during the year/ adjustment to opening balance | 0.76 | - | 2.26 | 0.01 | - | - | - |
| Expected return / adjustment | 4.30 | 3.43 | 12.02 | 15.90 | 6.98 | 5.63 | 4.37 |
| Contribution by employer | 40.86 | 88.66 | 88.67 | 35.04 | 0.11 | 30.19 | 20.35 |
| Benefits paid | (6.74) | (5.03) | (30.61) | (19.14) | (8.03) | (5.52) | (2.79) |
| Actuarial gains / (losses) | (4.30) | (1.89) | 2.98 | 0.92 | (6.97) | 1.85 | 2.86 |
| **Closing fair value of plan assets** | **220.30** | **196.01** | **185.42** | **110.84** | **78.11** | **86.03** | **53.88** |

Changes in the present value of the defined benefit obligation (recognised in Balance Sheet) are as follows:

(In ₹ Million)

| | For the quarter ended | | For the year ended | | | | |
|---|---|---|---|---|---|---|---|
| | **June 30, 2012** | **June 30, 2011** | **March 31, 2012** | **March 31, 2011** | **March 31, 2010** | **March 31, 2009** | **March 31, 2008** |
| Opening defined benefit obligation | 228.29 | 201.35 | 199.47 | 121.27 | 88.14 | 84.13 | 52.00 |
| Interest cost | 4.85 | 4.22 | 15.69 | 9.44 | 6.55 | 6.51 | 4.05 |
| Current service cost | 13.91 | 12.70 | 71.08 | 64.38 | 37.54 | 28.43 | 28.07 |
| Benefits paid | (6.74) | (5.03) | (30.61) | (19.14) | (8.03) | (5.52) | (2.79) |
| Actuarial (gains) / losses on obligation | (9.23) | (14.32) | (27.34) | 25.40 | (2.93) | (25.41) | 2.80 |
| **Closing defined benefit obligation** | **231.08** | **198.92** | **228.29** | **201.35** | **121.27** | **88.14** | **84.13** |

Summary statement of provision for gratuity is as follows:

(In ₹ Million)

| | As at | | | | | | |
|---|---|---|---|---|---|---|---|
| | **June 30, 2012** | **June 30, 2011** | **March 31, 2012** | **March 31, 2011** | **March 31, 2010** | **March 31, 2009** | **March 31, 2008** |
| Fair value of plan assets | 220.30 | 196.01 | 185.42 | 110.84 | 78.11 | 86.03 | 53.88 |
| Add/(Less) : Defined benefit obligations | (231.08) | (198.92) | (228.29) | (201.35) | (121.27) | (88.14) | (84.13) |
| Less : Unrecognised past service cost | - | - | - | - | - | - | - |
| **Plan asset / (liability)** | **(10.78)** | **(2.91)** | **(42.87)** | **(90.51)** | **(43.16)** | **(2.11)** | **(30.25)** |

The Group expects to contribute the entire deficit to gratuity fund in financial year 2012-13
The Group maintains gratuity fund, which is being administered by Life Insurance Corporation of India

(In ₹ Million)

| | As at | | | | | | |
|---|---|---|---|---|---|---|---|
| | **June 30, 2012** | **June 30, 2011** | **March 31, 2012** | **March 31, 2011** | **March 31, 2010** | **March 31, 2009** | **March 31, 2008** |
| Investments with insurer including accrued interest | 220.30 | 196.01 | 185.42 | 110.84 | 78.11 | 86.03 | 53.88 |

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:

(In ₹ Million)

| | As at | | | | | | |
|---|---|---|---|---|---|---|---|
| | **June 30, 2012** | **June 30, 2011** | **March 31, 2012** | **March 31, 2011** | **March 31, 2010** | **March 31, 2009** | **March 31, 2008** |
| Discount rate | 8.76% | 8.77% | 8.67% | 8.52% | 8.45% | 7.79% | 8.00% |
| Expected rate of return on assets | 8.50% | 9.00% | 8.50% | 8.50% | 8.50% | 8.50% | 9.00% |
| Increment rate | 7.00% | 7.00% | 7.00% | 7.00% | 6.00% | 6.00% | 7.00% |

Amounts for the current and previous periods are as follows:

(In ₹ Million)

| | As at | | | | | | |
|---|---|---|---|---|---|---|---|
| | **June 30, 2012** | **June 30, 2011** | **March 31, 2012** | **March 31, 2011** | **March 31, 2010** | **March 31, 2009** | **March 31, 2008** |
| Plan assets | 220.30 | 196.01 | 185.42 | 110.84 | 78.11 | 86.03 | 53.88 |
| Defined benefit obligation | (231.08) | (198.92) | (228.29) | (201.35) | (121.27) | (88.14) | (84.13) |
| (Deficit) | (10.78) | (2.91) | (42.87) | (90.51) | (43.16) | (2.11) | (30.25) |
| Experience adjustments on plan liabilities | (9.23) | (14.32) | (27.34) | 25.40 | (2.93) | (25.41) | 2.80 |
| Experience adjustments on plan assets | (4.30) | (1.89) | 2.98 | 0.92 | (6.97) | 1.85 | 2.86 |

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

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**29. Derivative instruments and un-hedged foreign currency exposures**

**(i) Forward contracts outstanding at the reporting date:**

**(In ₹ million)**

| | As at June 30, 2012 | As at June 30, 2011 | As at March 31, 2012 |
|---|---|---|---|
| Forward contracts to sell USD: Hedging of expected future sales of USD 107.75 Million (Previous period USD 86.25 Million/ previous year USD 101.00 Million) | 5,694.60 | 4,087.35 | 5,084.03 |

**(ii) Details of un-hedged foreign currency exposures at the reporting date:**

| | As at June 30, 2012 | | | As at June 30, 2011 | | | As at March 31, 2012 | | |
|---|---|---|---|---|---|---|---|---|---|
| | In. ₹ million | Foreign Currency (In million) | Conversion Rate (₹) | In. ₹ million | Foreign Currency (In million) | Conversion Rate (₹) | In. ₹ million | Foreign Currency (In million) | Conversion Rate (₹) |
| Bank Balances | 0.73 | JP ¥ 1.05 | 0.70 | 0.57 | JP ¥ 1.02 | 0.56 | 0.47 | JP¥ 0.76 | 0.62 |
| | 40.79 | USD 0.73 | 55.63 | 76.65 | USD 1.71 | 44.76 | 97.43 | USD 1.93 | 50.87 |
| | 1.76 | GBP 0.02 | 86.94 | 7.66 | GBP 0.11 | 72.10 | 4.30 | GBP 0.05 | 81.50 |
| | 2.93 | CAD 0.05 | 54.48 | 2.74 | CAD 0.06 | 46.26 | 2.65 | CAD 0.05 | 51.04 |
| | - | - | - | 0.23 | SGD 0.01 | 36.43 | - | - | - |
| | 9.69 | MYR 0.55 | 17.57 | - | - | - | - | - | - |
| | 2.67 | EUR 0.04 | 70.19 | - | - | - | - | - | - |
| Trade payables | 16.29 | USD 0.29 | 55.63 | - | - | - | - | - | - |
| Trade receivables | 899.46 | USD 16.17 | 55.63 | 1,268.99 | USD 28.32 | 44.76 | 751.39 | USD 14.77 | 50.87 |
| | 49.14 | EUR 0.70 | 70.19 | 32.29 | EUR 0.50 | 64.95 | 54.39 | EUR 0.80 | 67.89 |
| | 60.86 | GBP 0.70 | 86.94 | 20.46 | GBP 0.28 | 72.10 | 45.87 | GBP 0.56 | 81.50 |
| | 31.60 | CAD 0.58 | 54.48 | 4.39 | CAD 0.09 | 46.26 | 12.51 | CAD 0.25 | 51.04 |
| | 0.57 | AUD 0.01 | 56.85 | 0.48 | AUD 0.01 | 48.06 | 0.52 | AUD 0.01 | 52.92 |
| | 2.24 | NOK 0.24 | 9.32 | 0.66 | NOK 0.08 | 8.34 | 1.38 | NOK 0.16 | 8.93 |
| | 0.24 | SEK 0.03 | 8.00 | 0.37 | SEK 0.05 | 7.10 | 0.42 | SEK 0.05 | 7.67 |
| | 0.44 | SGD 0.01 | 43.87 | - | - | - | 0.12 | SGD 0.003 | 40.47 |
| | 1.82 | AED 0.12 | 15.14 | - | - | - | - | - | - |

*(This space is intentionally left blank)*

## 30. Operating leases

The Group has taken equipment and office premises on lease under cancellable operating lease arrangements. Further, the Group has also taken certain office premises under non-cancellable operating lease agreement for a period of 3 – 15 years. The escalations during non-cancellable lease period have been accounted for on a straight line basis. There are no subleases. The Group 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 and the lease rentals recognized on cancellable and non-cancellable leases is as follows:

**(In ₹ Million)**

| | For the quarter ended | | For the year ended |
|---|---|---|---|
| | June 30, 2012 | June 30, 2011 | March 31, 2012 |
| Lease rentals during the reporting period | | | |
| - On cancellable leases | 9.69 | 4.06 | 24.77 |
| - On non-cancellable leases | 13.05 | 7.40 | 37.22 |
| **Total** | **22.74** | **11.46** | **61.99** |
| Obligation on non- cancellable operating leases | | | |
| - Not later than one year | 58.21 | 6.18 | 55.50 |
| - Later than one year and not later than five years | 223.50 | 21.58 | 225.05 |
| - Later than five years | 471.48 | - | 448.49 |

## 31. Related party disclosures

### (i) Names of related parties and related party relationship

| Related parties with whom transactions have taken place during the reporting period | | |
|---|---|---|
| Key management personnel | i. | Dr. Anand Deshpande, Chairman and Managing Director |
| | ii. | Mr. S.P. Deshpande, Non Executive Director (retired as Director w.e.f. October 31, 2011) |
| | iii. | Mr. Hari Haran, President, Persistent Systems Inc., USA |
| | iv. | Dr. Srikanth Sundararajan, Director, Persistent Systems Inc., USA |
| | v. | Mr. Ranganath Puranik, Director, Persistent Systems Inc., USA (appointed as Director w.e.f. April 23, 2012)** |
| | vi. | Mr. Mukesh Agarwal, Director, Persistent Systems France SAS |
| | vii. | Mr. Nitin Kulkarni, Executive Director* |
| Relatives of Key Management Personnel | i. | Ms. Chitra Buzruk (Relative of the Chairman and Managing Director and a Director) |
| | ii. | Ms. Sulabha Deshpande (Relative of the Chairman and Managing Director and a Director) |
| | iii. | Ms. Sonali Deshpande (Relative of the Chairman and Managing Director and a Director) |
| | iv. | Dr. Mukund Deshpande (Relative of the Chairman and Managing Director and a Director) |

*(This space is intentionally left blank)*

**(ii) Related party transactions**

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial reporting period

(In ₹ Million)

| | Name of the Related Party and Nature of Relationship | For the Quarter ended | | For the Year ended |
|---|---|---|---|---|
| | | June 30, 2012 | June 30, 2011 | March 31, 2012 |
| **Remuneration paid** | **Key Management Personnel** | | | |
| | Dr. Anand Deshpande | 2.47 | 2.31 | 8.47 |
| | Mr. Hari Haran | 6.69 | 5.27 | 22.82 |
| | Dr. Srikanth Sundararajan | - | 3.68 | 7.81 |
| | Mr. Nitin Kulkarni * | 1.74 | - | 6.01 |
| | Mr. Ranganath Puranik ** | 4.83 | - | - |
| | Mr. Mukesh Agarwal | 2.46 | - | 3.90 |
| | **Relatives of Key Management Personnel** | | | - |
| | Ms. Chitra Buzruk | 0.51 | 0.73 | 2.37 |
| | Dr. Mukund Deshpande | 0.74 | 0.91 | 3.38 |
| | **Total** | **19.44** | **12.90** | **54.76** |
| **Dividend paid** | Dr. Anand Deshpande | - | - | 56.97 |
| | Mr. S.P. Deshpande | - | - | 19.06 |
| | Ms. Chitra Buzruk | - | - | 0.14 |
| | Ms. Sonali Deshpande | - | - | 0.28 |
| | Ms. Sulabha Deshpande | - | - | 1.41 |
| | Mr. Nitin Kulkarni | - | - | 0.13 |
| | Mr. Mukesh Agarwal | - | - | 0.16 |
| | **Total** | - | - | **78.15** |

* Mr. Nitin Kulkarni has been appointed as an Executive Director w.e.f. July 18, 2011; however, his remuneration is disclosed from April 1, 2011

** Mr. Ranganath Puranik appointed as Director w.e.f April 23, 2012; however, his remuneration is disclosed from April 1, 2012

**Outstanding Balances**

(In ₹ Million)

| | Name of the Related Party and Nature of Relationship | As at | | |
|---|---|---|---|---|
| | | June 30, 2012 | June 30, 2011 | March 31, 2012 |
| **Dividend payable** | Dr. Anand Deshpande | 28.50 | 17.06 | **-** |
| | Mr. S.P. Deshpande | 9.53 | 5.72 | **-** |
| | Ms. Chitra Buzruk | 0.07 | 0.04 | **-** |
| | Ms. Sonali Deshpande | 0.14 | 0.08 | **-** |
| | Ms. Sulabha Deshpande | 0.71 | 0.42 | **-** |
| | Mr. T M Vijayaraman | - | 0.15 | **-** |
| | | **38.95** | **23.47** | **-** |

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**32. Employees stock options (ESOP)**

Certain information in this note relating to number of shares, options and per share/option price has been disclosed in full and is not rounded off as stated in note 39.

**a) Details of Employee stock option plans**

The Group has provided various share-based payment schemes to its employees. The details of various equity-settled employee stock option plan ('ESOP') schemes adopted by the Board of Directors are as follows:

| ESOP scheme | No. of options granted | Date of adoption by the Board/Members | Initial Grant date | Exercise period |
|---|---|---|---|---|
| Scheme I | 2,280,250 | Dec 11, 1999 | Dec 11, 1999 | * |
| Scheme II | 376,600 | Apr 23, 2004 | Apr 23, 2004 | 10 Years |
| Scheme III | 1,266,650 | Apr 23, 2004 | Apr 23, 2004 | * |
| Scheme IV | 3,479,125 | Apr 23, 2006 | Apr 23, 2006 | 10 Years |
| Scheme V | 945,262 | Apr 23, 2006 | Apr 23, 2006 | * |
| Scheme VI | 608,125 | Oct 31, 2006 | Oct 31, 2006 | 10 Years |
| Scheme VII | 892,487 | Apr 30, 2007 | Apr 30, 2007 | 10 Years |
| Scheme VIII | 21,000 | Jul 24, 2007 | Jul 24, 2007 | 3 Years |
| Scheme IX | 687,231 | Jun 29, 2009 | Jun 29, 2009 | 10 Years |
| Scheme X | 1,139,991 | Jun 10, 2010 | Oct 29, 2010 | 3 Years |

*No contractual life is defined in the scheme

**The vesting period and conditions of the above ESOP schemes is as follows:**

All the above ESOP schemes have service condition, which require the employee to complete a specified period of service, as a vesting condition. The vesting pattern of various schemes has been provided below:

(i) Scheme I to V, VII and VIII & X:

| Service period from the date of grant | % of Options vesting | | |
|---|---|---|---|
| | Scheme I to V & X | Scheme VII | Scheme VIII |
| 12 Months | 10% | 20% | 25% |
| 24 Months | 30% | 40% | 50% |
| 36 Months | 60% | 60% | 75% |
| 48 Months | 100% | 80% | 100% |
| 60 Months | NA | 100% | NA |

(ii) Scheme VI:

| Service period from the date of grant | % of Options vesting |
|---|---|
| 18 Months | 30% |
| Every quarter thereafter | 5% |

(iii) Scheme IX:

| Service period from the date of grant | % of Options vesting |
|---|---|
| 30– 60 Months varying from employee to employee | 100% |

*(This space is intentionally left blank)*

**b) Details of activity of the ESOP schemes**

(i) Movement for the quarter ended June 30, 2012 and June 30, 2011

| ESOP Scheme | Particulars | Quarter ended | Outstanding at the beginning of the period | Granted during the period | Forfeited during the period | Exercised during the period | Outstanding at the end of the period | Exercisable at the end of the period |
|---|---|---|---|---|---|---|---|---|
| Scheme I | Number of Options | June 30,2012 | 4,485 | - | 6 | - | 4,479 | 4,316 |
| | Weighted Average Price | June 30,2012 | 12.14 | - | 7.00 | - | 12.13 | 12.11 |
| | Number of Options | June 30,2011 | 5,554 | - | - | - | 5,554 | 4,526 |
| | Weighted Average Price | June 30,2011 | 11.37 | - | - | - | 11.37 | 12.05 |
| Scheme II | Number of Options | June 30,2012 | 21,356 | - | - | 7,350 | 14,006 | 14,005 |
| | Weighted Average Price | June 30,2012 | 72.14 | - | - | 25.92 | 96.40 | 96.40 |
| | Number of Options | June 30,2011 | 23,556 | - | - | - | 23,556 | 15,190 |
| | Weighted Average Price | June 30,2011 | 74.41 | - | - | - | 74.41 | 62.29 |
| Scheme III | Number of Options | June 30,2012 | 272,822 | - | - | 16,581 | 256,241 | 249,512 |
| | Weighted Average Price | June 30,2012 | 62.59 | - | - | 64.85 | 62.45 | 62.50 |
| | Number of Options | June 30,2011 | 370,038 | - | 7,825 | 21,855 | 340,358 | 303,893 |
| | Weighted Average Price | June 30,2011 | 62.55 | - | 64.00 | 59.14 | 65.60 | 61.52 |
| Scheme IV | Number of Options | June 30,2012 | 1,144,804 | - | 22,100 | 28,450 | 1,094,254 | 524,420 |
| | Weighted Average Price | June 30,2012 | 102.33 | - | 120.09 | 75.16 | 102.68 | 81.43 |
| | Number of Options | June 30,2011 | 1,411,313 | - | 30,491 | 71,651 | 1,309,171 | 446,333 |
| | Weighted Average Price | June 30,2011 | 99.92 | - | 118.19 | 73.11 | 109.12 | 65.54 |
| Scheme V | Number of Options | June 30,2012 | 140,563 | - | 1 | 3,245 | 137,317 | 136,983 |
| | Weighted Average Price | June 30,2012 | 53.61 | - | 44.00 | 60.01 | 53.46 | 53.39 |
| | Number of Options | June 30,2011 | 207,658 | - | 1,139 | 20,705 | 185,814 | 177,353 |
| | Weighted Average Price | June 30,2011 | 52.82 | - | 50.84 | 51.24 | 75.19 | 51.38 |
| Scheme VI | Number of Options | June 30,2012 | 13,454 | - | - | - | 13,454 | 13,453 |
| | Weighted Average Price | June 30,2012 | 61.34 | - | - | - | 61.34 | 61.34 |
| | Number of Options | June 30,2011 | 96,251 | - | - | - | 96,251 | 71,313 |
| | Weighted Average Price | June 30,2011 | 54.26 | - | - | - | 54.26 | 52.69 |
| Scheme VII | Number of Options | June 30,2012 | 184,487 | - | 4,800 | - | 179,687 | 127,687 |
| | Weighted Average Price | June 30,2012 | 84.76 | - | 122.24 | - | 83.75 | 70.95 |
| | Number of Options | June 30,2011 | 223,653 | - | 5,660 | 18,840 | 199,153 | 79,536 |
| | Weighted Average Price | June 30,2011 | 81.91 | - | 89.26 | 59.16 | 83.86 | 68.33 |

*(This space is intentionally left blank)*

| ESOP Scheme | Particulars | Quarter ended | Outstanding at the beginning of the period | Granted during the period | Forfeited during the period | Exercised during the period | Outstanding at the end of the period | Exercisable at the end of the period |
|---|---|---|---|---|---|---|---|---|
| Scheme VIII | Number of Options | June 30,2012 | 3,500 | - | - | - | 3,500 | 3,500 |
| | Weighted Average Price | June 30,2012 | 96.41 | - | - | - | 96.41 | 96.41 |
| | Number of Options | June 30,2011 | 5,250 | - | - | - | 5,250 | 1,750 |
| | Weighted Average Price | June 30,2011 | 96.41 | - | - | - | 96.41 | 96.41 |
| Scheme IX | Number of Options | June 30,2012 | 399,131 | - | - | 10,817 | 388,314 | 243,301 |
| | Weighted Average Price | June 30,2012 | 109.48 | - | - | 109.48 | 109.48 | 109.48 |
| | Number of Options | June 30,2011 | 470,698 | - | 2,302 | 50,537 | 417,859 | 108,678 |
| | Weighted Average Price | June 30,2011 | 109.48 | - | 109.48 | 109.48 | 109.48 | 109.48 |
| Scheme X | Number of Options | June 30,2012 | 845,365 | 137,626 | 14,000 | - | 968,991 | 2,592 |
| | Weighted Average Price | June 30,2012 | 389.17 | 341.36 | 383.15 | - | 382.46 | 403.25 |
| | Number of Options | June 30,2011 | 547,925 | 176,000 | 24,000 | - | 699,925 | - |
| | Weighted Average Price | June 30,2011 | 401.25 | 397.55 | 394.36 | - | 400.56 | - |

The weighted average share price for the period over which stock options were exercised was ₹ 358.52 (Previous period ₹ 397.55/ previous year ₹ 345.70).

**c) Details of exercise price for stock options**

The details of exercise price for stock options outstanding at the end of the period/ year are as follows:

| | Range of exercise price | As at June 30, 2012 | | As at June 30, 2011 | | As at March 31, 2012 | |
|---|---|---|---|---|---|---|---|
| | | No. of Options outstanding | Weighted average remaining contractual life (in years) | No. of Options outstanding | Weighted average remaining contractual life (in years) | No. of Options outstanding | Weighted average remaining contractual life (in years) |
| Scheme I | 4.08 – 19.13 | 4,479 | Note (i) | 5,554 | Note(i) | 4,485 | note (i) |
| Scheme II | 25.92 – 96.41 | 14,006 | 9.21 | 23,556 | 9.21 | 21,356 | 8.36 |
| Scheme III | 25.92 – 96.41 | 256,241 | Note (i) | 340,358 | Note(i) | 272,822 | note (i) |
| Scheme IV | 44.46 – 122.24 | 1,094,254 | 9.85 | 1,309,171 | 11.50 | 1,144,804 | 10.81 |
| Scheme V | 44.46 – 88.28 | 137,317 | Note (i) | 185,814 | Note(i) | 140,563 | note (i) |
| Scheme VI | 44.46 – 61.34 | 13,454 | 9.94 | 96,251 | 10.49 | 13,454 | 10.19 |
| Scheme VII | 48.34 – 122.24 | 179,687 | 10.66 | 199,153 | 11.65 | 184,487 | 10.95 |
| Scheme VIII | 96.41 – 96.41 | 3,500 | 2.21 | 5,250 | 3.21 | 3,500 | 2.45 |
| Scheme IX | 109.48 – 109.48 | 388,314 | 10.92 | 417,859 | 11.86 | 399,131 | 11.13 |
| Scheme X | 315.15 – 403.25 | 968,991 | 5.80 | 699,925 | 9.09 | 845,365 | 5.88 |

Note (i) No contractual life is defined in the scheme.

**d) Effect of the employee share-based payment plans on the statement of profit and loss and on its financial position**

Compensation expense arising from equity-settled employee share based payment plans for the quarter ended June 30, 2012 amounted to ₹ 0.27 million (Previous period ₹ 2.15 million/ previous year ₹ 8.36 million ). The liability for employee stock options outstanding as at quarter end is ₹ 32.20 million (Previous period ₹ 29.77 million/ previous year ₹ 33.51 million)

**e) Details of stock options granted during the period/ year**

The weighted average fair value of the stock options granted during the current quarter is ₹ 341.36 (Previous period ₹ 397.55/ previous year 345.70). The Binomial tree valuation model has been used for computing the weighted average fair value considering the following inputs:

| | For the quarter ended | | For the year ended |
|---|---|---|---|
| | June 30, 2012 | June 30, 2011 | March 31, 2012 |
| | Scheme X | Scheme X | Scheme X |
| Weighted average share price | ₹ 358.52 | ₹ 397.55 | ₹ 345.70 |
| Exercise Price | ₹ 341.36 | ₹ 397.55 | ₹ 315.15- ₹ 397.55 |
| Expected Volatility | 38.93% | 40.08% | 31.90%, 32.56% |
| Historical Volatility | 40.08% | 40.08% | 31.52% - 61.52% |
| Life of the options granted (Vesting and exercise period) | 7 Years | 7 Years | 7 Years |
| Dividend yield | 1.00% | 1.00% | 1.00% |
| Average risk-free interest rate | 8.60% | 8.00% | 7.93% - 8.01% |
| Expected dividend rate | 40% | 40% | 40% |

The expected volatility was determined based on historical volatility data. The historical volatility is calculated as the standard deviation of daily lognormal returns from the stock of the Company/ comparable Companies. To allow the effect of early exercise of the options the exercise period has been considered as one year after the vesting date where the share price is expected to be 2.50 times the exercise price.

**f) Adjustment to general reserve on account of ESOP issued through trust**

The Company has adjusted ₹ 4.82 Million (Previous period: ₹ 17.14 million/ previous year ₹ 32.36 million) to General Reserve as the difference between the cost incurred by the Trust for the purpose of shares and the exercise price of those shares which have been exercised by the employee during the period/year, in accordance with Guidance Note on accounting for Employee share based payment, issued by the Institute of Chartered Accountants of India and SEBI Guidelines.

**g) Impact on the reported net profit and earnings per share by applying the fair value based method**

Since the Company uses intrinsic value method as required by the Guidance Note on Accounting for Employee Share-based Payments issued by Institute of Chartered Accountants of India, the impact on reported net profit and Earnings Per Share by applying the fair value method is set out as follows:

**(In ₹ million)**

| | For the quarter ended | | For the year ended |
|---|---|---|---|
| | June 30, 2012 | June 30, 2011 | March 31, 2012 |
| Profit after tax | 415.78 | 275.68 | 1,417.80 |
| Add: Employee stock compensation under intrinsic value method | 0.27 | 2.15 | 8.36 |
| Less: Employee stock compensation under fair value method | (19.02) | (18.79) | (68.83) |
| **Proforma profit** | **397.03** | **259.04** | **1,357.33** |
| **Earnings Per Share** | | | |
| Basic | | | |
| - As reported | 10.80 | 7.23 | 37.02 |
| - Pro forma | 10.31 | 6.79 | 35.44 |
| Diluted | | | |
| - As reported | 10.39 | 6.89 | 35.45 |
| - Pro forma | 9.93 | 6.48 | 33.93 |

**33. Contingent liabilities**

(In ₹ million)

| | As at June 30, 2012 | As at June 30, 2011 | As at March 31, 2012 |
|---|---|---|---|
| Claims against the Group not acknowledged as debts | | | |
| - Legal claims [Note (i)] | - | 0.18 | - |
| - Income tax [Note (ii)] | 114.56 | 81.70 | 114.56 |
| | **114.56** | **81.88** | **114.56** |

(i) This represents disputed legal claim filed by an ex-employee, which has been since decided in the favour of the Group.

(ii) This represents disputed income tax demands against which the Group has filed appeals for the respective years with relevant authorities. The management is confident that the matter would be decided in favour of the Group. Consequently no provision has been made in the books of account in respect of such disputed income tax demands.

**34. Capital and other commitments**

(In ₹ million)

| | As at June 30, 2012 | As at June 30, 2011 | As at March 31, 2012 |
|---|---|---|---|
| **Capital commitments** | | | |
| Estimated amount of contracts remaining to be executed on capital account and not provided for | 110.07 | 290.35 | 152.10 |
| **Other commitments** | | | |
| Forward contracts | 5,694.60 | 4,087.35 | 5,084.03 |

For commitments relating to lease agreements, please refer note 30.

**35. Auditors' remuneration**

(In ₹ million)

| | For the quarter ended | | For the year ended |
|---|---|---|---|
| | June 30, 2012 | June 30, 2011 | March 31, 2012 |
| As auditor: | | | |
| - Audit fee | 1.39 | 1.08 | 4.79 |
| - Tax audit fee | 0.04 | 0.05 | 0.17 |
| In other capacity: | | | |
| - Other Services | 0.10 | 0.27 | 0.30 |
| Reimbursement of expenses | 0.01 | - | 0.05 |
| | **1.54** | **1.40** | **5.31** |

**36. Research and development expenditure**

The particulars of expenditure incurred on in-house research and development centre recognized by the Department of Scientific and Industrial Research (DSIR) is as follows:

(In ₹ million)

| | For the quarter ended | | For the year ended |
|---|---|---|---|
| | June 30, 2012 | June 30, 2011 | March 31, 2012 |
| Capital | 7.70 | 8.79 | 8.33 |
| Revenue | 7.63 | 8.82 | 36.39 |
| | **15.33** | **17.61** | **44.72** |

**37. Details of dues to Micro and Small enterprises as defined under MSMED Act, 2006**

There are no amounts that need to be disclosed pertaining to Micro and Small Enterprises under Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act, 2006).

As at June 30, 2012, no supplier has intimated the Company about its status as Micro or Small enterprises or its registration with the appropriate authority under 'The Micro, Small and Medium Enterprises Development Act, 2006'.

**38.** The Company has utilized entire amount of ₹ 1,200.60 million as per the "Object of the Issue" as stated in the Prospectus and related approval in the Annual General Meeting.

**39.** The consolidated financial statements are presented in ₹ million and decimal thereof except for per share information or as otherwise stated.

**40.** Previous period / year's figures have been regrouped where necessary to conform to current period's classification.

As per our report of even date

| | | | |
|---|---|---|---|
| **For S. R. BATLIBOI & Co.**<br>**Firm registration no. 301003E**<br>**Chartered Accountants** | **For JOSHI APTE & Co**<br>**Firm registration no. 104370W**<br>**Chartered Accountants** | **For and on behalf of the Board of Directors**<br>**of Persistent Systems Limited** | |
| per Arvind Sethi<br>Partner<br>Membership No.: 89802 | per Prakash Apte<br>Partner<br>Membership No.: 33212 | Dr. Anand Deshpande<br>Chairman and Managing Director | Kiran Umrootkar<br>Director |
| | | Rohit Kamat<br>Chief Finance Officer | Vivek Sadhale<br>Company Secretary and Head – Legal |
| Place : Pune<br>Date : July 19, 2012 | Place : Pune<br>Date : July 19, 2012 | Place : Pune<br>Date : July 19, 2012 | |