

**Persistent Systems Inc.****BALANCE SHEET AS AT MARCH 31, 2015**

	Note	As at March 31, 2015 (In ₹)	As at March 31, 2014 (In ₹)
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital	1	778,712,850	473,587,850
Reserves and surplus	2	561,172,057	148,289,016
	<b>(A)</b>	<b>1,339,884,907</b>	<b>621,876,866</b>
<b>Non- current liabilities</b>			
Deferred tax liability (net)	10	60,691,510	-
Long-term borrowings	3	-	299,700,000
Other long term liabilities	4	-	306,170,583
	<b>(B)</b>	<b>60,691,510</b>	<b>605,870,583</b>
<b>Current liabilities</b>			
Short term borrowings	5	7,768,681	9,756,192
Trade payables	6	687,337,098	595,545,747
Other current liabilities	6	1,122,027,265	772,869,569
Short-term provisions	7	469,702,506	353,203,771
	<b>(C)</b>	<b>2,286,835,550</b>	<b>1,731,375,279</b>
<b>TOTAL</b>	<b>(A)+(B)+(C)</b>	<b>3,687,411,967</b>	<b>2,959,122,728</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets			
- Tangible assets	8.1	73,229,663	62,333,623
- Intangible assets	8.2	649,520,537	780,905,454
- Capital work-in-progress		-	2,154,392
		722,750,200	845,393,469
Non-current investments	9	458,551,841	439,910,329
Deferred tax assets (net)	10	-	8,659,832
Long term loans and advances	11	194,863,905	160,633,614
Other non-current assets	12	154,754	429,383
	<b>(A)</b>	<b>1,376,320,700</b>	<b>1,455,026,627</b>
<b>Current assets</b>			
Trade receivables	13	1,638,514,413	1,031,751,806
Cash and bank balance	14	118,791,714	242,955,316
Short-term loans and advances	15	215,494,706	119,431,233
Other current assets	16	338,290,434	109,957,746
	<b>(B)</b>	<b>2,311,091,267</b>	<b>1,504,096,101</b>
<b>TOTAL</b>	<b>(A) + (B)</b>	<b>3,687,411,967</b>	<b>2,959,122,728</b>
Summary of significant accounting policies	25		

The accompanying notes form an integral part of the financial statements

As per our report of even date

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

**For and on behalf of the Board of Directors of**  
**Persistent Systems Inc.**

per C. K. Joshi  
Partner  
Membership No. 030428

Rohit Kamat  
Director

Ranga Puranik  
President & Director

Place: Pune  
Date : April 20, 2015

Place: Pune  
Date : April 20, 2015

Place: Pune  
Date : April 20, 2015

**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2015**

	Note	For the year ended	
		March 31, 2015	March 31, 2014
		(In ₹)	(In ₹)
<b>Income</b>			
Revenue from operations (net)	17	8,115,290,156	5,714,086,599
Other income	18	7,571,223	1,327,076
<b>Total revenue (A)</b>		<b>8,122,861,379</b>	<b>5,715,413,675</b>
<b>Expenses</b>			
Employee benefit expenses	19.1	3,643,506,676	2,672,545,644
Cost of technical professionals	19.2	2,956,658,788	2,057,832,792
Other expenses	20	797,597,570	691,142,032
Finance costs		15,950,612	19,092,116
Depreciation and amortization expense	8.3	194,723,869	196,299,509
<b>Total expenses (B)</b>		<b>7,608,437,515</b>	<b>5,636,912,093</b>
<b>Profit before tax (A - B)</b>		<b>514,423,864</b>	<b>78,501,582</b>
<b>Tax expense</b>			
Current tax		94,155,891	6,748,390
Tax charge in respect of earlier years		(20,248,121)	-
Deferred tax Charge/(Credit)		68,404,953	43,974,149
<b>Total tax expense</b>		<b>142,312,723</b>	<b>50,722,539</b>
<b>Net Profit after tax</b>		<b>372,111,141</b>	<b>27,779,043</b>
<b>Earnings per equity share [nominal value of Share \$ 0.10] (Previous period / year \$0.10)</b>			
Basic (In ₹)	21	3.01	0.29
Diluted (In ₹)		3.01	0.29
Summary of significant accounting policies	25		

The accompanying notes form an integral part of the financial statements

As per our report of even date

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

**For and on behalf of the Board of Directors of**  
**Persistent Systems Inc.**

per C. K. Joshi  
 Partner  
 Membership No. 030428

Rohit Kamat  
 Director

Ranga Puranik  
 President & Director

Place: Pune  
 Date : April 20, 2015

Place: Pune  
 Date : April 20, 2015

Place: Pune  
 Date : April 20, 2015

**Persistent Systems Inc.****CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2015**

(Amount in ₹)

Particulars	For the year ended	
	March 31, 2015	March 31, 2014
<b>Cash flow from operating activities</b>		
<b>Profit before taxation</b>	<b>514,423,864</b>	<b>78,501,582</b>
Adjustments for:		
Foreign currency translation reserve	68,466,696	86,854,855
Interest income	(544,297)	(761,878)
Depreciation	194,723,869	196,299,509
Finance cost	15,950,612	19,092,116
unrealised Foreign exchange loss / (gain)	1,829,555	1,044,904
Bad debts written off	22,215,717	15,371,864
Provision for doubtful debts (net)	(20,373,623)	30,716,059
<b>Operating profit before working capital changes</b>	<b>796,692,393</b>	<b>427,119,011</b>
Movements in working capital :		
(Increase)/decrease in sundry debtors	(610,434,256)	(424,363,290)
(Increase)/decrease in other current assets	(228,332,688)	(41,108,686)
(Increase)/decrease in loans and advances	(89,274,727)	(101,729,581)
Increase/(decrease) in trade payables and current liabilities	209,797,488	464,355,702
Increase/(decrease) in provisions	98,489,429	83,598,074
<b>Operating profit after working capital changes</b>	<b>176,937,639</b>	<b>407,871,230</b>
Direct taxes paid (net of refunds)	(55,898,464)	(38,906,298)
<b>Net cash flow from operating activities</b>	<b>(A) 121,039,175</b>	<b>368,964,932</b>
<b>Cash flows from investing activities</b>		
Additions to Fixed Assets	(411,956,287)	(178,997,194)
Intercorporate deposit received back	(31,870,279)	(18,026,178)
Investment in subsidiaries - Cloudsquads Inc.	-	(33,816,829)
Capital Advance	(9,372,000)	-
Investment in other companies	-	(34,465,500)
(Investments in)/maturity of bank deposits having original maturity over 3 months	(35,248)	8,558
Interest received	818,926	387,326
<b>Net cash flow from investing activities</b>	<b>(B) (452,414,888)</b>	<b>(264,909,817)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of share capital	305,125,000	-
Repayment of borrowings	(77,210,000)	-
Payment of Interest	(20,738,137)	(12,634,611)
<b>Net cash flow from financing activities</b>	<b>(C) 207,176,863</b>	<b>(12,634,611)</b>
<b>Net increase in cash and cash equivalents (A + B + C)</b>	<b>(124,198,850)</b>	<b>91,420,504</b>
<b>Cash and cash equivalents at the beginning of the period/ year</b>	<b>241,601,828</b>	<b>150,181,324</b>
<b>Cash and cash equivalents at the end of the period/ year</b>	<b>117,402,978</b>	<b>241,601,828</b>
<b>Components of cash and cash equivalents</b>	<b>March 31, 2015</b>	<b>March 31, 2014</b>
Cash on hand	6,755	6,480
Bank Balances with Banks	117,396,223	241,595,348
<b>Cash and cash equivalents (as per note 14)</b>	<b>117,402,978</b>	<b>241,601,828</b>

Summary of significant accounting policies 25

The accompanying notes form an integral part of the financial statements

As per our report of even date

**For Joshi Apte & Co.**  
**Firm Registration no. 104370W**  
**Chartered Accountants**

**For and on behalf of the Board of Directors of**  
**Persistent Systems Inc.**

per C. K. Joshi  
 Partner  
 Membership No. 030428

Rohit Kamat  
 Director

Ranga Puranik  
 President & Director

Place: Pune  
 Date : April 20, 2015

Place: Pune  
 Date : April 20, 2015

Place: Pune  
 Date : April 20, 2015

**NOTES FORMING PART OF FINANCIAL STATEMENTS**

**1. Share capital**

	As at March 31, 2015 (In ₹)	As at March 31, 2014 (In ₹)
<b>Authorised</b>		
350,000,000 (Previous year 120,000,000) Common Shares of \$0.10 each.	US \$ 35,000,000	US \$ 12,000,000
	<b>US \$ 35,000,000</b>	<b>US \$ 12,000,000</b>
<b>Issued, subscribed and paid-up</b>		
1,47,000,000 (Previous year 97,000,000) Common Shares of \$0.10 each fully paid up. All shares are held by Holding Company viz. Persistent Systems Limited	778,712,850	473,587,850
	<b>778,712,850</b>	<b>473,587,850</b>

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

	As At March 31, 2015		As At March 31, 2014	
	No. Of Shares	Amount (In ₹)	No. Of Shares	Amount (In ₹)
No. of Share at the beginning of the reporting period	97,000,000	473,587,850	97,000,000	473,587,850
Add : - Additional Shares issued during the year/period	50,000,000	305,125,000	-	-
<b>No. of Share at the end of the reporting period</b>	<b>147,000,000</b>	<b>778,712,850</b>	<b>97,000,000</b>	<b>473,587,850</b>

**2. Reserves and surplus**

	As at March 31, 2015 (In ₹)	As at March 31, 2014 (In ₹)
<b>A. Foreign currency translation reserve</b>		
Balance as per last financial statements	104,455,663	48,688,318
Add: Exchange difference during the year on net investment in non-integral foreign operation	40,771,900	55,767,345
<b>(A)</b>	<b>145,227,563</b>	<b>104,455,663</b>
<b>B. Profit and loss account</b>		
Balance as per last financial statements	43,833,353	16,054,310
Profit after tax for the reporting year	372,111,141	27,779,043
<b>(B)</b>	<b>415,944,494</b>	<b>43,833,353</b>
<b>(A+B)</b>	<b>561,172,057</b>	<b>148,289,016</b>

**3. Long-term borrowings**

	As at March 31, 2015 (In ₹)	As at March 31, 2014 (In ₹)
<b>Unsecured</b>		
Inter company borrowing		
- Persistent Systems Limited. (Refer Note No. 22) (Repayment Terms : At the end of three years)(Rate of Interest: LIBOR + 350 bps) (Refer Note No 6)	-	299,700,000
	<b>-</b>	<b>299,700,000</b>

**4. Other long term liabilities**

	As at March 31, 2015 (In ₹)	As at March 31, 2014 (In ₹)
Capital creditors (Refer Note No 6)	-	299,700,000
Interest accrued but not due on loans -Persistent Systems Ltd (Refer Note No. 22)	-	6,470,583
	<b>-</b>	<b>306,170,583</b>

**NOTES FORMING PART OF FINANCIAL STATEMENTS**

**5. Short term borrowings**

	As at March 31, 2015 (In ₹)	As at March 31, 2014 (In ₹)
Loans and advances from related parties (Refer Note No. 22)		
-Persistent Systems Limited	7,768,062	7,621,539
-Persistent Systems France SAS	619	2,134,653
	<b>7,768,681</b>	<b>9,756,192</b>

**6. Trade payables and other current liabilities**

	As at March 31, 2015 (In ₹)	As at March 31, 2014 (In ₹)
Trade payables *	687,337,098	595,545,747
* - Includes dues to related parties (Refer note 22)	<b>687,337,098</b>	<b>595,545,747</b>

**Other current liabilities**

Inter company Borrowing (Refer Note No.3 and 22)

- Persistent Systems Limited. (Repayment terms : At the end of three years) (Rate of Interest: LIBOR + 350 bps)	312,400,000	89,910,000
Unearned revenue	402,333,825	323,854,022
Capital creditors	312,400,000	307,409,010
Other payables		
- Statutory liabilities	7,456,914	7,026,358
- Accrued employee liabilities	46,255,798	29,234,551
Advance from customer	37,556,513	13,494,471
Interest accrued but not due on loans		
-Persistent Systems Ltd. (Refer Note No.4 and 22)	3,624,215	1,941,157
	<b>1,122,027,265</b>	<b>772,869,569</b>

**7. Short-term provisions**

	As at March 31, 2015 (In ₹)	As at March 31, 2014 (In ₹)
Provision for employee benefits		
- Leave encashment	115,143,482	81,880,277
- Other employee benefits	325,611,291	260,385,067
Others		
Provision for income tax (net of advance tax )	28,947,733	10,938,427
	<b>469,702,506</b>	<b>353,203,771</b>

**NOTES FORMING PART OF FINANCIAL STATEMENTS**

**8.1 Tangible assets**

(In ₹)

	Office Equipment	Computers	Furniture & fixtures	Total
<b>Gross block</b>				
<b>As at April 1, 2014</b>	<b>2,978,214</b>	<b>62,266,171</b>	<b>28,636,429</b>	<b>93,880,814</b>
Additions	3,434,753	37,218,424	789,318	41,442,495
Other adjustments				
- Exchange differences	113,059	3,138,475	1,203,373	4,454,907
<b>As at March 31, 2015</b>	<b>6,526,026</b>	<b>102,623,070</b>	<b>30,629,120</b>	<b>139,778,216</b>
<b>Depreciation</b>				
<b>As at April 1, 2014</b>	<b>1,429,826</b>	<b>26,512,586</b>	<b>3,604,779</b>	<b>31,547,191</b>
Charge for the period	681,013	26,469,799	5,879,544	33,030,356
Other adjustments				
- Exchange differences	73,665	1,631,702	265,639	1,971,006
<b>As at March 31, 2015</b>	<b>2,184,504</b>	<b>54,614,087</b>	<b>9,749,962</b>	<b>66,548,553</b>
<b>Net block</b>				
<b>As at March 31, 2015</b>	<b>4,341,522</b>	<b>48,008,983</b>	<b>20,879,158</b>	<b>73,229,663</b>
<b>As at March 31, 2014</b>	<b>1,548,388</b>	<b>35,753,585</b>	<b>25,031,650</b>	<b>62,333,623</b>

(In ₹)

	Office Equipment	Computers	Furniture & fixtures	Total
<b>Gross Block</b>				
<b>As at April 1, 2013</b>	<b>1,641,262</b>	<b>23,079,723</b>	<b>2,136,071</b>	<b>26,857,056</b>
Additions	1,207,878	36,041,261	27,225,054	64,474,193
Other adjustments				
- Exchange differences	129,074	3,145,187	(724,696)	2,549,565
<b>As at March 31, 2014</b>	<b>2,978,214</b>	<b>62,266,171</b>	<b>28,636,429</b>	<b>93,880,814</b>
<b>Depreciation</b>				
<b>As at April 1, 2013</b>	<b>914,926</b>	<b>10,285,334</b>	<b>489,245</b>	<b>11,689,505</b>
Charge for the period	425,863	15,387,109	3,111,668	18,924,640
Other adjustments				
- Exchange differences	89,037	840,143	3,866	933,046
<b>As at March 31, 2014</b>	<b>1,429,826</b>	<b>26,512,586</b>	<b>3,604,779</b>	<b>31,547,191</b>
<b>Net Block</b>				
<b>As at March 31, 2014</b>	<b>1,548,388</b>	<b>35,753,585</b>	<b>25,031,650</b>	<b>62,333,623</b>

**NOTES FORMING PART OF FINANCIAL STATEMENTS**

**8.2 Intangible assets**

	(In ₹)		
	Software	Acquired contractual rights	Total
<b>Gross block</b>			
<b>As at April 1, 2014</b>	<b>975,067,357</b>	<b>73,670,276</b>	<b>1,048,737,633</b>
Additions	325,820	-	325,820
Other adjustments			
- Exchange differences	41,314,994	3,121,830	44,436,824
<b>As at March 31, 2015</b>	<b>1,016,708,171</b>	<b>76,792,106</b>	<b>1,093,500,277</b>
<b>Amortization</b>			
<b>As at April 1, 2014</b>	<b>200,716,912</b>	<b>67,115,267</b>	<b>267,832,179</b>
Charge for the period	156,303,680	5,389,833	161,693,513
Other adjustments			
- Exchange differences	11,506,508	2,947,540	14,454,048
<b>As at March 31, 2015</b>	<b>368,527,100</b>	<b>75,452,640</b>	<b>443,979,740</b>
<b>Net block</b>			
<b>As at March 31, 2015</b>	<b>648,181,071</b>	<b>1,339,466</b>	<b>649,520,537</b>
<b>As at March 31, 2014</b>	<b>774,350,445</b>	<b>6,555,009</b>	<b>780,905,454</b>

  

	(In ₹)		
	Software	Acquired contractual rights	Total
<b>As at April 1, 2013</b>	<b>52,505,092</b>	<b>66,707,611</b>	<b>119,212,703</b>
Additions	831,521,739	-	831,521,739
Other adjustments			
- Exchange differences	91,040,526	6,962,665	98,003,191
<b>As at March 31, 2014</b>	<b>975,067,357</b>	<b>73,670,276</b>	<b>1,048,737,633</b>
<b>Amortization</b>			
<b>As at April 1, 2013</b>	<b>52,505,092</b>	<b>31,839,209</b>	<b>84,344,301</b>
Charge for the period	144,929,917	32,444,952	177,374,869
Other adjustments			
- Exchange differences	3,281,903	2,831,106	6,113,009
<b>As at March 31, 2014</b>	<b>200,716,912</b>	<b>67,115,267</b>	<b>267,832,179</b>
<b>Net Block</b>			
<b>As at March 31, 2014</b>	<b>774,350,445</b>	<b>6,555,009</b>	<b>780,905,454</b>

**8.3 Depreciation and amortization**

	For the year ended	
	March 31, 2015	March 31, 2014
	(In ₹)	(In ₹)
On tangible assets	33,030,356	18,924,640
On intangible assets	161,693,513	177,374,869
	<b>194,723,869</b>	<b>196,299,509</b>

*(This space is intentionally left blank)*

**NOTES FORMING PART OF FINANCIAL STATEMENTS**
**9. Non-current investments**

	As at March 31, 2015 (In ₹)	As at March 31, 2014 (In ₹)
<b>Investments in Equity Instruments (At cost)</b>		
<b>Trade (Unquoted)</b>		
In Wholly owned Subsidiary Companies		
Persistent Telecom Solutions Inc.		
2,480 (Previous year 2,480) shares of \$ 0.001 each, fully paid up	387,376,000	371,628,000
Cloud Squads Inc.	35,249,841	33,816,829
8,500,000 (Previous year 8,500,000) equity shares of \$ 0.0000053 each, fully paid up		
<b>Investments in Preferred Stocks (At cost)</b>		
In Hyginex, Inc.	12,496,000	11,988,000
250,000 (Previous year - 250,000) Preference shares of \$ 0.001 each, fully paid up		
<b>Investments in Convertible notes (At cost)</b>		
<b>Trade (Unquoted)</b>		
In DxNow		
1 (Previous year - 1) Note of \$ 125,000 each, fully paid up	7,810,000	7,492,500
In Ustyme		
1 (Previous year - 1) Note of \$ 250,000 each, fully paid up	15,620,000	14,985,000
	<b>458,551,841</b>	<b>439,910,329</b>
Aggregate amount of unquoted investments	458,551,841	439,910,329

**10. Deferred tax assets / liability**

	As at March 31, 2015 (In ₹)	As at March 31, 2014 (In ₹)
<b>Deferred tax assets</b>		
Provision for doubtful debts	21,718,128	34,916,602
Employee related payments	22,887,554	-
Leave encashment	39,148,772	35,208,519
	83,754,454	70,125,121
<b>Deferred tax liability</b>		
Difference in depreciation as per books of US tax laws	(144,445,964)	(61,465,289)
<b>Deferred tax asset/(liability) (net)</b>	<b>(60,691,510)</b>	<b>8,659,832</b>

**11. Long term loans and advances**

	As at March 31, 2015 (In ₹)	As at March 31, 2014 (In ₹)
<b>Unsecured, considered good</b>		
Loans to related parties		
- Persistent Telecom Solutions Inc. (Refer Note No. 22)	190,564,000	158,841,000
Other loans and advances		
- Security deposits	4,299,905	1,792,614
	<b>194,863,905</b>	<b>160,633,614</b>

**12. Other non-current assets**

	As at March 31, 2015 (In ₹)	As at March 31, 2014 (In ₹)
<b>Unsecured, considered good</b>		
<b>Interest accrued but not due</b>		
-on convertible notes	-	343,217
- Persistent Telecom Solutions Inc. (Refer Note No. 22)	154,754	86,166
	<b>154,754</b>	<b>429,383</b>



**NOTES FORMING PART OF FINANCIAL STATEMENTS**
**13. Trade receivables**

	As at March 31, 2015 (In ₹)	As at March 31, 2014 (In ₹)
<b>Outstanding for a period exceeding six months from the date they are due for payment</b>		
Unsecured (considered good)	6,133,349	-
Unsecured (considered doubtful)	63,876,913	49,723,946
	<u>70,010,262</u>	<u>49,723,946</u>
Less : Provision for doubtful debts	63,876,913	49,723,946
	<u>6,133,349</u>	<u>-</u>
<b>Others</b>		
Unsecured (considered good) *	1,632,381,064	1,031,751,806
Unsecured (considered doubtful)	-	31,477,431
	<u>1,632,381,064</u>	<u>1,063,229,237</u>
Less : Provision for doubtful debts	-	31,477,431
	<u>1,632,381,064</u>	<u>1,031,751,806</u>
	<u><b>1,638,514,413</b></u>	<u><b>1,031,751,806</b></u>

\* - Includes dues to related parties (Refer note 22)

**14. Cash and bank balance**

	As at March 31, 2015 (In ₹)	As at March 31, 2014 (In ₹)
<b>Cash and cash equivalents as presented in cash flow statement</b>		
Balances with banks		
On current account	117,396,223	241,595,348
Cash on hand	6,755	6,480
<b>Other bank balances</b>		
On deposit account with maturity more than three months but less than twelve months	1,388,736	1,353,488
	<u><b>118,791,714</b></u>	<u><b>242,955,316</b></u>

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

	As at March 31, 2015 (In ₹)	As at March 31, 2014 (In ₹)
<b>Unsecured considered good</b>		
Advance to related parties (Refer Note No. 22)		
- Persistent Telecom Solutions, Inc.	22,818,045	24,767,255
- CloudSquads Inc.	36,502,941	5,874,120
<b>Others</b>		
- Advances recoverable in cash or kind or for value to be received	145,755,645	88,789,858
- Capital Advance	9,372,000	-
- VAT receivable	1,046,075	-
	<u><b>215,494,706</b></u>	<u><b>119,431,233</b></u>

**16. Other current assets**

	As at March 31, 2015 (In ₹)	As at March 31, 2014 (In ₹)
Unbilled revenue	338,290,434	109,957,746
	<u><b>338,290,434</b></u>	<u><b>109,957,746</b></u>

(This space is intentionally left blank)

**NOTES FORMING PART OF FINANCIAL STATEMENTS****17. Revenue from operations**

	For the year ended	
	March 31, 2015	March 31, 2014
	(In ₹)	(In ₹)
Software licenses (Refer Note 22)	290,763,456	93,099,109
Software services (Refer Note 22)	7,824,526,700	5,620,987,490
	<b>8,115,290,156</b>	<b>5,714,086,599</b>

**18. Other income**

	For the year ended	
	March 31, 2015	March 31, 2014
	(In ₹)	(In ₹)
Interest income	127,622	58,983
Interest on intercorporate deposit	416,675	354,392
Interest on convertible notes	-	348,503
Miscellaneous income	7,026,926	565,198
	<b>7,571,223</b>	<b>1,327,076</b>

*(This space is intentionally left blank)*

**NOTES FORMING PART OF FINANCIAL STATEMENTS**

**19. Personnel expenses**

	For the Year ended	
	March 31, 2015 (In ₹)	March 31, 2014 (In ₹)
<b>19.1 Employee benefit expenses</b>		
Salaries and wages	3,616,328,240	2,654,181,826
Staff welfare and benefits	27,178,436	18,363,818
	<b>3,643,506,676</b>	<b>2,672,545,644</b>
<b>19.2 Cost of technical, professionals</b>		
Technical professionals - Related parties (refer note 22)	1,976,277,422	1,294,874,257
Technical professionals - Others	980,381,366	762,958,535
	<b>2,956,658,788</b>	<b>2,057,832,792</b>
	<b>6,600,165,464</b>	<b>4,730,378,436</b>

**20. Other expenses**

	For the Year ended	
	March 31, 2015 (In ₹)	March 31, 2014 (In ₹)
Travelling and conveyance	437,433,003	352,798,900
Electricity expenses	1,245,953	1,132,768
Internet link expenses	5,257,645	2,912,353
Communication expenses	21,161,051	21,070,005
Recruitment expenses	51,590,346	12,252,257
Training and seminars	6,260,914	1,407,462
Purchase of software licenses and support expenses	22,504,559	43,556,575
Bad debts	22,215,717	15,371,864
Provision for doubtful debts/(Provision for doubtful debts written back)(net)	(20,373,623)	30,716,059
Rent	24,252,298	16,571,129
Insurance	959,350	409,466
Rates, fees and profession tax	5,139,425	2,015,140
Legal and professional fees	64,982,819	66,677,869
Repairs and maintenance		
-Plant and machinery	277,110	335,146
- Others	1,128,480	351,794
Commission on sales	4,092,331	2,658,678
Advertisement and sponsorship fees	34,569,935	19,350,660
Computer consumables	2,296,393	2,599,957
Auditors' remuneration (Refer Note No. 29)	255,450	246,679
Donations	6,130,300	6,098,554
Books, memberships, subscriptions	20,309,936	9,580,001
Foreign exchange loss (net)	2,804,365	1,044,904
Hosting fees	18,522,589	40,955,449
Cost-revenue sharing	17,881,845	29,416,200
Miscellaneous expenses	46,699,379	11,612,163
	<b>797,597,570</b>	<b>691,142,032</b>

(This space is intentionally left blank)

## NOTES FORMING PART OF FINANCIAL STATEMENTS

## 21. Earnings per share

Particulars		For the year ended	
		March 31, 2015 (In ₹)	March 31, 2014 (In ₹)
<b>Basic earnings per share</b>			
<b><u>Numerator</u></b>			
Net Profit / (loss) after tax	A	372,111,141	27,779,043
<b><u>Denominator</u></b>			
Weighted average number of equity share	B	123,575,342	97,000,000
<b>Basic/diluted earnings per share (Face value of US \$ 0.10 each)</b>	A / B	3.01	0.29

---

(This space is intentionally left blank)

**NOTES FORMING PART OF FINANCIAL STATEMENTS**

**22. Related party transactions**

**I. Names of related parties**

**Holding company:**

Persistent Systems Ltd.

**Wholly owned subsidiary:**

Persistent Telecom Solutions Inc  
Cloudsquads, Inc.

**Fellow Subsidiaries**

Persistent Systems Pte. Ltd.  
Persistent Systems France S.A.S

**Key Management Personnel**

Mr. Ranganath Puranik, President and Director  
Mr. Hari Haran, President and Director  
Mr. Sudhir Kulkarni

**II. Related party transactions**

Particulars	Name of the related Party	Relationship with the Related Party	For the year ended	
			March 31, 2015	March 31, 2014
			(In ₹)	(In ₹)
<b>Income</b>				
Commission received	Persistent Systems Limited	Holding Company	108,174,048	75,671,277
Sale of software service / Products	Persistent Systems Limited	Holding Company	1,314,546,773	773,207,615
	Persistent Systems France SAS	Company under same management	14,592,382	8,121,768
	Persistent Systems Pte Limited	Company under same management	176,838,373	59,384,042
	Persistent Telecom Solutions Inc.	Wholly owned subsidiary	2,726,757	3,135,672
Reimbursement of project travel expenses	Persistent Systems Limited	Holding Company	19,197,831	13,751,979
	Persistent Telecom Solutions Inc.	Wholly owned subsidiary	1,706,001	-
Interest	Persistent Telecom Solutions Inc.	Wholly owned subsidiary	416,675	354,392
<b>Expenses</b>				
Interest	Persistent Systems Limited	Holding Company	15,950,612	19,092,116
Reimbursement of expenses	Persistent Systems Limited	Holding Company	22,773,329	22,333,203
Cost of Technical Professionals	Persistent Systems Limited	Holding Company	1,970,263,339	1,294,518,999
	Persistent Systems France SAS	Company under same management	6,014,083	355,258
Commission on corp. guarantee	Persistent Systems Limited	Holding Company	156,465	116,758
<b>Inter corporate deposit given</b>	Persistent Telecom Solutions Inc.	Wholly owned subsidiary	62,480,000	62,470,623
<b>Repayment of ICD obtained**</b>	Persistent Systems Limited	Holding Company	93,720,000	-
<b>Repayment of ICD given**</b>	Persistent Telecom Solutions Inc.	Wholly owned subsidiary	37,488,000	44,444,444
<b>Share Capital Raised</b>	Persistent Systems Limited	Holding Company	305,125,000	-
<b>Managerial remuneration</b>				
	Hari Haran @	Key management personnel	-	19,614,383
	Ranganath Puranik #	Key management personnel	30,709,322	26,651,265
	Sudhir Kulkarni	Key management personnel	23,997,184	-

@ Mr. Hari Haran resigned as Director on November 22, 2013.

# Mr. Ranganath Puranik appointed as Director w.e.f April 23, 2012.

\*\* These transactions are disclosed at exchange rate of INR-USD as on the transaction date

**NOTES FORMING PART OF FINANCIAL STATEMENTS**

**22. Related party transactions**

**III. Related party balances**

Particulars	Name of the related Party	Relationship with the Related Party	As at	
			March 31, 2015 (In ₹)	March 31, 2014 (In ₹)
<b>Share capital</b>	Persistent Systems Limited	Holding Company	778,712,850	473,587,850
<b>Trade payables</b>	Persistent Systems Limited	Holding Company	357,751,108	361,116,763
	Persistent Systems France SAS	Company under same management	4,864,608	-
<b>Trade receivables</b>	Persistent Systems Limited	Holding Company	207,794,172	36,482,901
	Persistent Systems France SAS	Company under same management	-	1,445,513
	Persistent Systems Pte Limited	Company under same management	14,068,684	19,452,688
	Persistent Telecom Solutions Inc.	Wholly owned subsidiary	-	3,088,109
<b>Inter corporate deposits taken</b>	Persistent Systems Limited	Holding Company	312,400,000	389,610,000
<b>Inter corporate deposits given</b>	Persistent Telecom Solutions Inc.	Wholly owned subsidiary	190,564,000	158,841,000
<b>Advances received</b>	Persistent Systems Limited	Holding Company	7,768,062	7,621,539
	Persistent Systems France SAS	Company under same management	619	2,134,653
<b>Interest accrued but not due on loans</b>	Persistent Systems Limited	Holding Company	3,624,215	8,411,740
<b>Interest receivable</b>	Persistent Telecom Solutions Inc.	Wholly owned subsidiary	154,754	86,166
<b>Advances given *</b>	Persistent Telecom Solutions Inc.	Wholly owned subsidiary	22,818,045	24,767,254
	Cloudsquads, Inc.	Wholly owned subsidiary	36,502,941	5,874,120
<b>Investment</b>	Persistent Telecom Solutions Inc.	Wholly owned subsidiary	387,376,000	371,628,000
	Cloudsquads, Inc.	Wholly owned subsidiary	35,249,841	33,816,829.32

\* There is no repayment schedule in respect of this advance. It is repayable on demand. This amount is utilized for meeting business requirements.

**IV. Related party guarantees**

Persistent Systems Inc., has given a guarantee of \$250,000 to ADP Inc, trade payable of Persistent Telecom Solutions Inc which is a subsidiary of Persistent Systems Inc.

Persistent Systems Ltd (Holding company of Persistent Systems Inc.) has given a guarantee of \$170,000 to Sunlife Assurance Company of Canada on behalf of Persistent Systems Inc.

*(This space is intentionally left blank)*

## NOTES FORMING PART OF FINANCIAL STATEMENTS

### 23. Nature of operations

Persistent Systems, Inc (The Company) is a wholly owned subsidiary of Persistent Systems Ltd. The Company is specialized in software product, services and technology innovation.

### 24. Basis of preparation

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP) to comply in all material respects with the Accounting Standards specified under section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 and the relevant provisions of the Companies Act, 2013. These financial statements are prepared on an accrual basis and under the historical cost convention. The accounting policies are consistently applied by the Company during the year and are consistent with those used in previous year.

### 25. Summary of significant accounting policies

#### A. Accounting year

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

#### B. Functional currency

The company's functional currency is the U.S. Dollar

#### C. 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/year. 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.

#### D. Tangible fixed assets

Tangible 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/year during which such expenses are incurred.

Gains or losses arising from derecognition 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 derecognized.

## NOTES FORMING PART OF FINANCIAL STATEMENTS

### E. Intangible assets

#### a) Acquired intangible assets

Intangible assets including software licenses of enduring nature and acquired contractual rights acquired separately are measured on initial recognition at cost. Intangible assets are carried at cost less accumulated amortization and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Internally generated intangible assets, excluding capitalized development costs are reflected as expenditure in the statement of profit and loss in the reporting period/year in which these are incurred.

Gains or losses arising from derecognition 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 derecognized.

#### b) Research and development cost

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

- technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the asset 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.

### F. Depreciation and amortisation

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

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

Assets	Useful lives
Computers	3 years
Computers - Servers and networks*	3 years
Office equipments	5 years
Furniture and fixtures*	5 years

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



## NOTES FORMING PART OF FINANCIAL STATEMENTS

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

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

### G. 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. 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.

### H. Borrowing Cost:

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

### I. Investments

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis.

Long-term investments presented as non-current investments are carried at cost.

### J. Revenue recognition

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

#### i. Income from software licenses and services

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

Revenue from fixed price engagements is recognised in accordance with the proportionate completion method as per terms of contracts.

Revenue from licensing of software is recognised upon delivery.

Revenue from maintenance contracts and subscriptions is recognised on a pro-rata basis over the period of the contract.

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

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 recognised as per the terms of contract.

## NOTES FORMING PART OF FINANCIAL STATEMENTS

The company collects sales tax on behalf of the government and, therefore, these are not economic benefits following to the company. Hence, they are excluded from revenue.

### ii. Interest

Income from interest is recognised 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

Income from dividend is recognized when the company's right to receive payment is established by the balance sheet date. Dividend income is included under the head 'Other Income' in the statement of profit and loss.

## K. Foreign currency transaction and translation

### i. Initial recognition

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

### ii. Conversion

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

The exchange difference arising out of the year-end conversion is translated to Currency Translation Reserve and the said amount is shown under the head "Reserves and Surplus".

### iii. Settlement:

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

## L. Retirement and other employee benefits

### i. Gratuity

The Company is not liable to pay gratuity as per the payment of Gratuity Act 1972.

### ii. Superannuation

The Company does not have any superannuation scheme.

### iv. Provident fund

The Company is not liable to pay Provident Fund as per the Provident Fund Act 1952.

---

*(This space is intentionally left blank)*

## NOTES FORMING PART OF FINANCIAL STATEMENTS

### v. Leave encashment

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

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

### M. Income taxes

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the United States of America's tax laws. Deferred income tax reflects the impact of current period/year timing differences between taxable income and accounting income for the period/year and reversal of timing differences of earlier period/years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

In situation where the company 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.

At each balance sheet date the Company 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.

### N. Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand, bank deposits and short-term investments with an original maturity of three months or less.

### O. Lease

#### Where the Company 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.

## NOTES FORMING PART OF FINANCIAL STATEMENTS

### P. Earnings per share (EPS)

The earnings considered in ascertaining EPS comprise the amount attributable to Equity Shareholders. The number of shares used in computing the basic earning per share is the weighted average number of shares outstanding during the period/year.

### Q. Provisions

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

### R. Contingent liabilities

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

The Company does not recognize a contingent liability but discloses its existence in the financial statements.

### 26. Contingent liability

The Company does not have any contingent liability as on March 31, 2015 (Previous year ₹ Nil).

### 27. Investment in CloudSquads, Inc.

On February 10, 2014, the Company, acquired the entire equity capital of US based CloudSquads, Inc., for an upfront consideration of USD 0.56 million. The stock purchase agreement provides for additional consideration, contingent upon certain conditions being met in future years. The additional contingent consideration payable to the selling shareholders is subject to a maximum amount of USD 2.93 million. The contingent consideration would be recorded, as and when the contingency is resolved and the consideration is payable.

### 28. Capital commitments

(Amount in ₹)

Particulars	As at March 31, 2015	As at March 31, 2014
<b>Capital commitments</b>		
Estimated amount of contracts remaining to be executed on capital account and not provided for	21,868,000	NIL
<b>TOTAL</b>	<b>21,868,000</b>	<b>NIL</b>

### 29. Auditors remuneration

(Amount in ₹)

Particulars	For the year ended	
	March 31, 2015	March 31, 2014
As audit fees	255,450	246,679
<b>TOTAL</b>	<b>255,450</b>	<b>246,679</b>

# Persistent Systems, Inc.

## NOTES FORMING PART OF FINANCIAL STATEMENTS

### 30. Previous year comparatives

Previous year's figures have been regrouped wherever necessary to conform with current year's classification.

---

As per our report of even date

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

**For and on behalf of the Board of Directors  
Persistent Systems Inc.**

per C.K. Joshi  
Partner  
Membership No. 030428  
Place: Pune  
Date : April 20, 2015

Rohit Kamat  
Director  
Place: Pune  
Date : April 20, 2015

Ranga Puranik  
President & Director  
Place: Pune  
Date: April 20, 2015

---