Persistent Telecom Solutions Inc.

CONDENSED BALANCE SHEET AS AT DECEMBER 31, 2015

	Note	As at December 31, 2015 (In ₹)	As at December 31, 2014 (In ₹)	As at March 31, 2015 (In ₹)
EQUITY AND LIABILITIES				
Shareholders' funds				
Share capital	1	123	123	123
Reserves and surplus	2	126,070,484	130,019,004	99,334,981
	(A)	**126,070,607**	**130,019,127**	**99,335,104**
Non- current liabilities				
Long-term borrowings	3	277,107,177	224,930,774	281,377,504
Other long term liabilities	4	-	918,520	154,754
	(B)	**277,107,177**	**225,849,294**	**281,532,258**
Current liabilities				
Short term borrowings	5	51,371,157	5,171,112	23,244,967
Trade payables	6	155,483,224	129,041,680	158,373,318
Other current liabilities	6	233,853,887	83,963,977	103,967,141
Short-term provisions	7	85,850,852	111,622,982	121,456,786
	(C)	**526,559,120**	**329,799,751**	**407,042,212**
TOTAL	**(A)+(B)+(C)**	**929,736,904**	**685,668,172**	**787,909,574**
ASSETS				
Non-current assets				
Fixed assets				
- Tangible assets	8	6,918,454	37,306,280	27,884,405
- Intangible assets	8	102,527,830	178,920,636	145,230,169
- Capital work-in-progress		-	94,762	-
		109,446,284	216,321,678	173,114,574
Deferred tax assets (net)	9	298,888,224	176,472,174	259,439,078
Long term loans and advances	10	451,348	1,007,962	792,815
	(A)	**408,785,856**	**393,801,814**	**433,346,467**
Current assets				
Trade receivables	11	344,550,545	147,974,629	168,196,771
Cash and bank balances	12	60,746,105	70,839,280	101,980,198
Short-term loans and advances	13	94,760,983	59,788,542	73,587,243
Other current assets	14	20,893,415	13,263,907	10,798,895
	(B)	**520,951,048**	**291,866,358**	**354,563,107**
TOTAL	**(A) + (B)**	**929,736,904**	**685,668,172**	**787,909,574**
Summary of significant accounting policies	22			

The accompanying notes are an integral part of the condensed financial statements

As per our report of even date

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

per C.K. Joshi
Partner
Membership No. 030428

Place: Pune
Date : January 22, 2016

For and on behalf of the Board of Directors of
Persistent Telecom Solutions Inc.

Dr. Anand Deshpande	Nara Rajagopalan
Director	President and Director
Place: Pune	Place: Santa Clara
Date : January 22, 2016	Date : January 22, 2016

Persistent Telecom Solutions Inc.

CONDENSED STATEMENT OF PROFIT AND LOSS FOR THE QUARTER AND NINE MONTHS ENDED DECEMBER 31, 2015

	Note	For the quarter ended		For the nine months ended		For the year ended
		December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014	March 31, 2015
		(In ₹)	(In ₹)	(In ₹)	(In ₹)	(In ₹)
Income						
Revenue from operations	15	335,839,952	245,393,744	918,906,117	787,474,515	1,053,544,603
Other income	16	15,854	21,994	63,489	100,350	133,852
		335,855,806	**245,415,738**	**918,969,606**	**787,574,865**	**1,053,678,455**
Expenses						
Employee benefit expenses	17.1	83,129,040	168,562,705	395,866,750	485,549,174	649,833,822
Cost of technical professionals	17.2	39,154,037	49,164,012	156,603,906	136,142,820	199,862,002
Other expenses	18	84,911,151	109,570,485	278,268,556	317,449,016	426,621,984
Finance costs		1,756,137	620,096	4,350,165	1,322,056	2,087,660
Depreciation and amortization expense	8	19,996,159	63,549,957	87,175,292	185,468,184	227,810,411
		228,946,524	**391,467,255**	**922,264,669**	**1,125,931,250**	**1,506,215,879**
Profit/(Loss) before tax		**106,909,282**	**(146,051,517)**	**(3,295,063)**	**(338,356,385)**	**(452,537,424)**
Tax expense						
Current tax		-	-	-	-	-
Deferred tax (credit) / charge		6,532,181	(21,125,049)	(23,819,462)	(53,121,703)	(136,667,130)
Tax credit in respect of earlier years		-	-	-	-	-
Total tax expense		**6,532,181**	**(21,125,049)**	**(23,819,462)**	**(53,121,703)**	**(136,667,130)**
Net Profit/(Loss) after tax		**100,377,101**	**(124,926,468)**	**20,524,399**	**(285,234,682)**	**(315,870,294)**
Earnings per equity share [nominal value of share $ 0.001 (Corresponding period/ previous year $ 0.001)]	19					
Basic ₹		40,474.64	(50,373.58)	8,275.97	(115,013.98)	(127,367.05)
Diluted ₹		40,474.64	(50,373.58)	8,275.97	(115,013.98)	(127,367.05)
Summary of significant accounting policies	22					

The accompanying notes are an integral part of the condensed financial statements

As per our report of even date

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

per C.K. Joshi
Partner
Membership No. 030428

Place: Pune
Date : January 22, 2016

For and on behalf of the Board of Directors of
Persistent Telecom Solutions Inc.

Dr. Anand Deshpande
Director

Place: Pune
Date : January 22, 2016

Nara Rajagopalan
President and Director

Place: Santa Clara
Date : January 22, 2016

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Persistent Telecom Solutions Inc.

CASH FLOW STATEMENT FOR THE NINE MONTHS ENDED DECEMBER 31, 2015

		For the nine months ended December 31, 2015 (In ₹)	For the nine months ended December 31, 2014 (In ₹)	For the year ended March 31, 2015 (In ₹)
Cash flow from operating activities				
Profit/(Loss) before tax		**(3,295,063)**	**(338,356,385)**	**(452,537,424)**
Adjustments for:				
Foreign Currency Translation Reserve		1,380,431	678,859	1,173,938
Finance Cost		4,350,165	1,322,056	2,087,660
Interest income		(33,708)	(44,669)	(56,062)
Depreciation and amortization expense		87,175,292	185,468,184	227,810,411
Provision for doubtful debts (net)		5,938,380	6,547,230	5,800,442
Operating profit before working capital changes		**95,515,497**	**(144,384,725)**	**(215,721,035)**
Movements in working capital :				
Decrease/ (Increase) in trade receivables		(182,292,154)	7,334,962	(12,140,392)
Decrease/ (Increase) in other current assets		(10,094,520)	97,102,941	99,567,953
Decrease/ (Increase) in loans and advances		(20,832,273)	12,715,820	(867,734)
Increase/ (Decrease) in trade payables and current liabilities		155,122,842	31,127,376	98,536,033
Increase/ (Decrease) in provisions		-35,911,433	17,358,138	24,833,057
Operating profit after working capital changes		**1,507,959**	**21,254,512**	**(5,792,118)**
Direct taxes paid (net of refunds)		-	(5,897,291)	(3,538,406)
Net cash generated from / (used in) operating activities	**A**	**1,507,959**	**15,357,221**	**(9,330,524)**
Cash flows from investing activities				
Payment for capital expenditure		(14,575,832)	(25,985,358)	(27,082,325)
Interest received		33,708	44,669	56,062
Net cash (used in) investing activities	**B**	**(14,542,124)**	**(25,940,689)**	**(27,026,263)**
Cash flows from financing activities				
(Repayment)/ Proceeds from long term borrowings		-26,773,765	14,727,182	73,172,321
Interest paid		(1,426,162)	(641,683)	(2,172,585)
Net cash generated from financing activities	**C**	**(28,199,928)**	**14,085,499**	**70,999,736**
Net increase in cash and cash equivalents **(A + B + C)**		(41,234,093)	3,502,031	34,642,949
Cash and cash equivalents at the beginning of the reporting period/ year		101,980,198	67,337,249	67,337,249
Cash and cash equivalents at the end of the reporting period/ year		**60,746,105**	**70,839,280**	**101,980,198**

Components of cash and cash equivalents	**December 31, 2015**	**December 31, 2014**	**March 31, 2015**
Balances with Banks	60,746,105	70,839,280	101,980,198
Cash and cash equivalents as per note 12	**60,746,105**	**70,839,280**	**101,980,198**

Summary of significant accounting policies 22

The accompanying notes are an integral part of the condensed financial statements

As per our report of even date

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

per C.K. Joshi
Partner
Membership No. 030428

Place: Pune
Date : January 22, 2016

For and on behalf of the Board of Directors of Persistent Telecom Solutions Inc.

Dr. Anand Deshpande
Director
Place: Pune
Date : January 22, 2016

Nara Rajagopalan
President and Director
Place: Santa Clara
Date : January 22, 2016

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Persistent Telecom Solutions Inc.

NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

1. Share capital

	As at December 31, 2015 (In ₹)	As at December 31, 2014 (In ₹)	As at March 31, 2015 (In ₹)
Authorised			
5,000 (Corresponding period/ previous year 5,000) Common Shares of $0.001 each.	US $ 5	US $ 5	US $ 5
	US $ 5	**US $ 5**	**US $ 5**
Issued, subscribed and paid-up			
2,480 (Corresponding period/ previous year 2,480) common shares of $0.001 each fully paid up.	123	123	123
All shares are held by holding company viz. Persistent Systems Inc.			
	123	**123**	**123**

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.

2. Reserves and surplus

		As at December 31, 2015 (In ₹)	As at December 31, 2014 (In ₹)	As at March 31, 2015 (In ₹)
A. Securities premium account				
Balance as per last financial statements		306,930,570	306,930,570	306,930,570
Add: Additions during the period/ year		-	-	-
	(A)	**306,930,570**	**306,930,570**	**306,930,570**
B. Foreign currency translation reserve				
Balance as per last financial statements		86,144,882	75,083,607	75,083,607
Add: Exchange difference during the period/ year on net investment in non-integral foreign operation		6,211,104	11,109,686	11,061,275
	(B)	**92,355,986**	**86,193,293**	**86,144,882**
C. Surplus in the statement of profit and loss				
Balance as per last financial statements		(293,740,471)	22,129,823	22,129,823
Net Profit for the reporting period/ year		20,524,399	(285,234,682)	(315,870,294)
	(C)	**(273,216,072)**	**(263,104,859)**	**(293,740,471)**
	(A+B+C)	**126,070,484**	**130,019,004**	**99,334,981**

3. Long-term borrowings

	As at December 31, 2015 (In ₹)	As at December 31, 2014 (In ₹)	As at March 31, 2015 (In ₹)
Unsecured			
Borrowings from related parties			
- Persistent Systems, Inc.	132,260,000	129,426,750	190,564,000
(Repayment Terms : After Thirty six months)			
(Rate of interest: Applicable federal rate)			
- Persistent Systems Pte. Ltd.	144,847,177	95,504,024	90,813,504
(Repayment Terms : After Thirty six months)			
(Rate of interest: SIBOR + 2%)			
	277,107,177	**224,930,774**	**281,377,504**

4. Other long term liabilities

	As at December 31, 2015 (In ₹)	As at December 31, 2014 (In ₹)	As at March 31, 2015 (In ₹)
Interest accrued but not due on term loans			
- Persistent Systems, Inc.	-	88,209	154,754
- Persistent Systems Pte. Ltd.	-	830,311	-
	-	**918,520**	**154,754**

NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

5. Short term borrowings

	As at December 31, 2015 (In ₹)	As at December 31, 2014 (In ₹)	As at March 31, 2015 (In ₹)
Loans and advances from related parties			
Unsecured			
-Persistent Systems, Inc.	51,371,157	5,104,919	22,818,045
-Persistent Systems Ltd.	-	66,193	426,922
	51,371,157	**5,171,112**	**23,244,967**

6. Trade payables and other current liabilities

	As at December 31, 2015 (In ₹)	As at December 31, 2014 (In ₹)	As at March 31, 2015 (In ₹)
Trade payables	155,483,224	129,041,680	158,373,318
	155,483,224	**129,041,680**	**158,373,318**
Other current liabilities			
Unearned revenue	71,034,111	56,283,936	78,882,552
Advance from customers	-	-	247,326
Other payables			
- Statutory liabilities	4,633,998	4,386,765	5,300,007
- Accrued employee liabilities	2,044,494	23,293,276	19,537,256
Borrowings from related parties			
-Persistent Systems, Inc.	135,566,500	-	-
-Persistent Systems Pte. Ltd.	17,401,533	-	-
Interest accrued on borrowings from related parties			
- Persistent Systems, Inc.	636,762	-	-
- Persistent Systems Pte. Ltd.	2,536,489	-	-
	233,853,887	**83,963,977**	**103,967,141**

7. Short-term provisions

	As at December 31, 2015 (In ₹)	As at December 31, 2014 (In ₹)	As at March 31, 2015 (In ₹)
Provision for employee benefits			
- Leave encashment	24,823,565	25,985,854	26,995,272
- Other employee benefits	52,225,501	79,499,726	85,965,227
Others			
- Provision for income tax (net of advance tax)	8,801,786	6,137,402	8,496,287
	85,850,852	**111,622,982**	**121,456,786**

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Persistent Telecom Solutions Inc.

NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

8. Tangible and Intangible Assets

(In ₹)

	Computers	Office Equipment	Furniture & Fixtures	Sub total Tangibles	Software	Others	Sub total Intangibles	Total
Gross Block								
As at April 1, 2015	123,466,247	1,159,052	601,772	125,227,071	433,150,083	280,231,710	713,381,793	838,608,864
Purchase	1,188,867	11,169	-	1,200,036	13,375,796	-	13,375,796	14,575,832
Other Adjustments								
- Exchange difference	7,252,654	67,600	35,155	7,355,409	25,815,566	16,370,770	42,186,336	49,541,745
As at December 2015	**131,907,768**	**1,237,821**	**636,927**	**133,782,516**	**472,341,445**	**296,602,480**	**768,943,925**	**902,726,441**
Depreciation / Amortization								
As at April 1, 2015	96,914,181	334,396	94,089	97,342,666	407,028,401	161,123,223	568,151,624	665,494,290
Charge for the period	23,098,877	179,991	91,239	23,370,107	17,354,468	46,450,717	63,805,185	87,175,292
Other Adjustments								
- Exchange difference	6,120,864	23,114	7,311	6,151,289	24,123,119	10,336,167	34,459,286	40,610,575
As at December 2015	**126,133,922**	**537,501**	**192,639**	**126,864,062**	**448,505,988**	**217,910,107**	**666,416,095**	**793,280,157**
Net Block								
As at December 2015	**5,773,846**	**700,320**	**444,288**	**6,918,454**	**23,835,457**	**78,692,373**	**102,527,830**	**109,446,284**
As at March 31, 2015	**26,552,066**	**824,656**	**507,683**	**27,884,405**	**26,121,682**	**119,108,487**	**145,230,169**	**173,114,574**
Gross Block								
As at April 1, 2014	110,198,421	450,845	149,976	110,799,242	415,370,111	268,839,447	684,209,558	795,008,800
Purchase	5,938,310	403,782	9,116	6,351,208	2,032,951	-	2,032,951	8,384,159
Other Adjustments								
- Exchange difference	8,282,637	52,081	8,663	8,343,381	20,264,801	14,330,031	34,594,832	42,938,213
As at December 31, 2014	**124,419,368**	**906,708**	**167,755**	**125,493,831**	**437,667,863**	**283,169,478**	**720,837,341**	**846,331,172**
Depreciation / Amortization								
As at April 1, 2014	54,718,655	135,388	18,887	54,872,930	271,955,557	88,866,144	360,821,701	415,694,631
Charge for the period	29,175,871	119,863	21,688	29,317,422	105,846,631	50,304,131	156,150,762	185,468,184
Other Adjustments								
- Exchange difference	3,983,800	11,600	1,799	3,997,199	18,367,497	6,576,745	24,944,242	28,941,441
As at December 31, 2014	**87,878,326**	**266,851**	**42,374**	**88,187,551**	**396,169,685**	**145,747,020**	**541,916,705**	**630,104,256**
Net Block								
As at December 31, 2014	**36,541,042**	**639,857**	**125,381**	**37,306,280**	**41,498,178**	**137,422,458**	**178,920,636**	**216,226,916**
As at March 31, 2014	**55,479,766**	**315,457**	**131,089**	**55,926,312**	**143,414,554**	**179,973,303**	**323,387,857**	**379,314,169**
Gross Block								
As at April 1, 2014	110,198,421	450,845	149,976	110,799,242	415,370,111	268,839,447	684,209,558	795,008,800
Purchase	8,304,879	662,384	439,632	9,406,895	168,993	-	168,993	9,575,888
Other Adjustments								
- Exchange difference	4,962,947	45,823	12,164	5,020,934	17,610,979	11,392,263	29,003,242	34,024,176
As at March 31, 2015	**123,466,247**	**1,159,052**	**601,772**	**125,227,071**	**433,150,083**	**280,231,710**	**713,381,793**	**838,608,864**
Depreciation / Amortization								
As at April 1, 2014	54,718,655	135,388	18,887	54,872,930	271,955,557	88,866,144	360,821,701	415,694,631
Charge for the period	39,125,584	189,630	73,001	39,388,215	121,221,124	67,201,072	188,422,196	227,810,411
Other Adjustments								
- Exchange difference	3,069,942	9,378	2,201	3,081,521	13,851,720	5,056,007	18,907,727	21,989,248
As at March 31, 2015	**96,914,181**	**334,396**	**94,089**	**97,342,666**	**407,028,401**	**161,123,223**	**568,151,624**	**665,494,290**
Net Block								
As at March 31, 2015	**26,552,066**	**824,656**	**507,683**	**27,884,405**	**26,121,682**	**119,108,487**	**145,230,169**	**173,114,574**
As at March 31, 2014	**55,479,766**	**315,457**	**131,089**	**55,926,312**	**143,414,554**	**179,973,303**	**323,387,857**	**379,314,169**

NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

9. Deferred tax assets

	As at December 31, 2015 (In ₹)	As at December 31, 2014 (In ₹)	As at March 31, 2015 (In ₹)
Deferred tax assets			
Provision for doubtful debts	12,349,694	11,883,345	9,722,524
Provision for leave encashment	8,440,007	10,394,345	9,178,401
Sales commission	3,551,334	6,317,414	5,809,833
Differences in depreciation and amortization and other differences in a block of tangible and intangible assets as per the US tax books and financial books	151,564,272	147,877,070	130,902,638
Others	122,982,917	-	103,825,682
Deferred tax asset (net)	**298,888,224**	**176,472,174**	**259,439,078**

*The company along with its holding company have decided to opt for filing consolidated income tax return in compliance with the applicable tax regulations in the United States from financial year 2014-15. This enables the company to set off its business losses against the profits of the holding company. In view of the virtual certainty of the profits in the holding company, full deferred tax asset is recognized in the financial statements of the company.

10. Long term loans and advances

	As at December 31, 2015 (In ₹)	As at December 31, 2014 (In ₹)	As at March 31, 2015 (In ₹)
Unsecured, considered good			
Advances recoverable in cash or kind or for value to be received	451,348	1,007,962	792,815
	451,348	**1,007,962**	**792,815**

11. Trade receivables

	As at December 31, 2015 (In ₹)	As at December 31, 2014 (In ₹)	As at March 31, 2015 (In ₹)
Outstanding for a period exceeding six months from the date they are due for payment			
Unsecured (considered good)	2,777,500	117,397	3,623,931
Unsecured (considered doubtful)	36,322,624	29,708,359	28,595,612
	39,100,124	29,825,756	32,219,543
Less : Provision for doubtful debts	36,322,624	29,708,359	28,595,612
	2,777,500	117,397	3,623,931
Others			
Unsecured (considered good)	341,773,045	147,857,232	164,572,840
Unsecured (considered doubtful)	-	-	-
	341,773,045	147,857,232	164,572,840
Less : Provision for doubtful debts	-	-	-
	341,773,045	147,857,232	164,572,840
	344,550,545	**147,974,629**	**168,196,771**

12. Cash and Bank Balance

	As at December 31, 2015 (In ₹)	As at December 31, 2014 (In ₹)	As at March 31, 2015 (In ₹)
Cash and cash equivalents as presented in cash flow statement			
Balances with banks			
- On current account	60,746,105	70,839,280	101,980,198
	60,746,105	**70,839,280**	**101,980,198**

13. Short-term loans and advances

	As at December 31, 2015 (In ₹)	As at December 31, 2014 (In ₹)	As at March 31, 2015 (In ₹)
Unsecured, considered good			
Other loans and advances			
Deposits	1,797,634	1,003,846	2,326,338
Advances recoverable in cash or kind or for value to be received	82,812,867	58,784,696	71,260,905
Loans and advances to related parties (unsecured, considered good)			
- Persistent Systems Ltd.	10,150,482	-	-
	94,760,983	**59,788,542**	**73,587,243**

14. Other current assets

	As at December 31, 2015 (In ₹)	As at December 31, 2014 (In ₹)	As at March 31, 2015 (In ₹)
Unsecured, considered good			
Unbilled revenue	20,893,415	13,263,907	10,798,895
	20,893,415	**13,263,907**	**10,798,895**

NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

15. Revenue from operations

	For the quarter ended		For the nine months ended		For the year ended
	December 31, 2015 (In ₹)	December 31, 2014 (In ₹)	December 31, 2015 (In ₹)	December 31, 2014 (In ₹)	March 31, 2015 (In ₹)
Sale of licenses (net)	86,330,450	11,175,940	176,642,774	61,324,240	98,112,988
Sale of software services (net)	249,509,502	234,217,804	742,263,343	726,150,275	955,431,615
	335,839,952	**245,393,744**	**918,906,117**	**787,474,515**	**1,053,544,603**

16. Other income

	For the quarter ended		For the nine months ended		For the year ended
	December 31, 2015 (In ₹)	December 31, 2014 (In ₹)	December 31, 2015 (In ₹)	December 31, 2014 (In ₹)	March 31, 2015 (In ₹)
Interest income	12,401	17,131	33,708	44,669	56,062
Miscellaneous income	3,453	4,863	29,781	55,681	77,790
	15,854	**21,994**	**63,489**	**100,350**	**133,852**

17. Personnel expenses

	For the quarter ended		For the nine months ended		For the year ended
	December 31, 2015 (In ₹)	December 31, 2014 (In ₹)	December 31, 2015 (In ₹)	December 31, 2014 (In ₹)	March 31, 2015 (In ₹)
17.1 Employee benefit expenses					
Salaries, wages and bonus	82,019,159	166,986,072	391,321,317	481,797,738	645,026,942
Staff welfare and benefits	1,109,881	1,576,633	4,545,433	3,751,436	4,806,880
	83,129,040	**168,562,705**	**395,866,750**	**485,549,174**	**649,833,822**
17.2 Cost of technical professionals					
- Related Parties	39,283,468	43,981,912	151,548,187	129,432,885	187,765,510
- Others	(129,431)	5,182,100	5,055,719	6,709,935	12,096,492
	39,154,037	**49,164,012**	**156,603,906**	**136,142,820**	**199,862,002**
	122,283,077	**217,726,717**	**552,470,656**	**621,691,994**	**849,695,824**

18. Other expenses

	For the quarter ended		For the nine months ended		For the year ended
	December 31, 2015 (In ₹)	December 31, 2014 (In ₹)	December 31, 2015 (In ₹)	December 31, 2014 (In ₹)	March 31, 2015 (In ₹)
Travelling and conveyance	7,561,267	8,522,892	20,216,656	24,585,686	33,089,697
Electricity expenses	35,077	29,633	103,773	66,916	103,063
Communication expenses	930,349	812,460	1,740,946	3,225,898	3,720,924
Recruitment expenses	1,203,489	12,760,752	2,315,685	12,760,752	13,583,167
Training and seminars	5,960	1,506	642,183	141,431	1,594,456
Royalty expenses	37,240,548	37,125,541	112,413,901	127,275,217	176,729,512
Third party hosting and software fees	17,544,619	15,587,794	50,910,819	46,488,222	50,119,275
Purchase of software licenses and support expenses	6,524,983	7,703,799	21,259,960	18,835,870	41,715,338
Provision for doubtful debts/ (Provision for doubtful debts written back) (net)	5,461,084	7,204,350	5,938,380	6,547,230	5,800,442
Bad Debts	-	-	-	-	4,912,870
Rent	4,412,428	3,061,478	13,213,735	7,562,783	11,695,590
Rates, fees and profession tax	74,550	689,676	330,498	770,168	969,468
Legal and professional fees	211,964	4,148,454	21,382,801	45,022,172	55,350,320
Repairs and maintenance					
- Plant and machinery	175,304	213,370	904,284	900,699	1,224,838
Advertisement and sponsorship fees	18,057	11,262,169	17,204,713	16,143,579	19,156,767
Computer consumables	37,266	1,362,996	495,111	2,721,651	2,835,051
Auditors' remuneration	15,085	14,440	45,373	44,603	60,629
Books, memberships, subscriptions	1,647,027	348,037	3,405,938	764,295	1,795,300
Foreign exchange loss (net)	179,219	(3,413,106)	363,685	(2,783,747)	(6,180,768)
Miscellaneous expenses	1,632,875	2,134,244	5,380,115	6,375,591	8,346,045
	84,911,151	**109,570,485**	**278,268,556**	**317,449,016**	**426,621,984**

NOTES FORMING PART OF CONDENSED FINANCIAL STATEMENTS

19. Earnings per share

		For the quarter ended		For the nine months ended		For the year ended
		December 31, 2015 (In ₹)	December 31, 2014 (In ₹)	December 31, 2015 (In ₹)	December 31, 2014 (In ₹)	March 31, 2015 (In ₹)
Basic earnings per share						
Numerator						
Net Profit / (loss) after tax	A	100,377,101	(124,926,468)	20,524,399	(285,234,682)	(315,870,294)
Denominator						
Weighted average number of equity share	B	2,480	2,480	2,480	2,480	2,480
Basic/Diluted earnings per share (Face value of US $ 0.001 each)	A / B	40,474.64	(50,373.58)	8,275.97	(115,013.98)	(127,367.05)

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20. Nature of operations

Persistent Telecom Solutions, Inc. (the Company) is a wholly owned subsidiary of Persistent Systems, Inc. The company is specializing in software products, services and technology innovation in telecom and Product Lifecycle Management domains.

21. Basis of preparation

The condensed interim financial statements for the quarter and nine months ended on December 31, 2015 have been prepared in accordance with Accounting Standard 25 read with Rule 7 of the Companies (Accounts) Rules, 2014

The condensed 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 condensed 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 period/ year and are consistent with those used in previous period/ year.

22. Summary of significant accounting policies

A. Accounting year

The accounting year of the company is from April 1 to March 31.

B. Functional currency

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

C. Use of estimates

The preparation of the condensed 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 de-recognition 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.

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 de-recognition 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 development expenditure, until capitalization, is reflected as intangible assets 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 amortization

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
Buildings*	25 years
Computers	3 years
Computers - Servers and networks*	3 years
Office equipments	5 years
Plant and equipment*	5 years
Furniture and fixtures*	5 years
Vehicles*	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.

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 category 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 recognized on time basis in accordance with the terms of the contracts.

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

Revenue from licensing of software is recognized upon delivery.

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

Revenue from royalty is recognized 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 recognized as per the terms of contract.

The company collects sales tax on behalf of Government and, therefore these are not economic benefits flowing to the company, hence they are excluded from revenue.

ii. Interest

Income from interest 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

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 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 period / year-end conversion is translated to Currency Translation Reserve and the said amount is shown under the head “Reserves and Surplus”.

iii. Settlement

Revenue, and 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.

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 recognized 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.

P. 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.

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.

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 event 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 condensed financial statements.

23. Contingent liability

The Company does not have any contingent liability as on December 31, 2015 (corresponding period / previous year: ₹ Nil)

A US based corporation has filed a suit against the Company, claiming damages for direct and contributory infringement of copyrights and breach of contract. The Company is of the opinion that these claims are without merit. The suit is being defended very vigorously and is currently under discovery stage.

24. Previous period / year comparatives

Corresponding period/previous year comparative figures are regrouped wherever necessary to conform to current period/years classification.

As per our report of even date

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

per C.K. Joshi
Partner
Membership No. 030428

Place: Pune
Date: January 22, 2016

For and on behalf of the Board of Directors of
Persistent Telecom Solutions Inc.

Dr. Anand Deshpande
Director

Place: Pune
Date: January 22, 2016

Nara Rajagopalan
President and Director

Place: Santa Clara
Date: January 22, 2016
