Persistent Telecom Solutions Inc.

BALANCE SHEET AS AT March 31, 2017

	Note	As at March 31, 2017 (In ₹)	As at March 31, 2016 (In ₹)	As at April 1, 2015 (In ₹)
ASSETS				
Non-current assets				
Property, Plant and Equipment	5	2,401,594	9,669,997	27,884,405
Other Intangible assets	5	209,445,165	405,094,981	145,230,169
		211,846,759	**414,764,978**	**173,114,574**
Financial assets				
-Loans	7	95,344	294,315	792,815
Deferred Tax Asset (Net)	6	249,184,439	183,145,012	259,439,078
		461,126,542	**598,204,305**	**433,346,467**
Current assets				
Trade receivables	8	225,024,392	250,209,207	168,196,771
Cash and cash equivalents	9	44,102,661	79,186,319	101,980,198
-Other current financial assets	10	48,459,736	27,355,773	13,125,233
Other Current Assets	11	159,265,798	62,133,040	71,260,905
Current Tax Assets (Net)		5,627,149	-	-
		482,479,736	**418,884,339**	**354,563,107**
TOTAL		**943,606,278**	**1,017,088,644**	**787,909,574**
EQUITY AND LIABILITIES				
EQUITY				
Equity share capital	4	123	123	123
Other equity		(154,681,626)	(3,631,601)	94,491,212
		(154,681,503)	**(3,631,478)**	**94,491,335**
LIABILITIES				
Non- current liabilities				
Financial liabilities				
-Borrowings	12	340,462,500	251,081,590	281,532,258
		185,780,997	**247,450,112**	**376,023,593**
Current liabilities				
Financial liabilities				
-Borrowings	13	10,339,380	54,407,724	28,088,736
- Trade payables	14	376,944,756	160,566,066	158,373,318
- Other financial liabilities	15	69,580,641	124,472,723	19,537,256
Other current liabilities	16	203,542,442	339,440,773	84,429,885
Provisions	17	97,418,062	81,934,486	112,960,499
Current Tax Liabilities (Net)		-	8,816,760	8,496,287
		757,825,281	**769,638,532**	**411,885,981**
TOTAL		**943,606,278**	**1,017,088,644**	**787,909,574**
Summary of significant accounting policies	3			

The accompanying notes are an integral part of the 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 : April 23, 2017

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

Dr. Anand Deshpande	Narayanan Rajagopalan
Director	President and Director
Place: Pune	Place: Santa Clara
Date : April 23, 2017	Date : April 23, 2017

Persistent Telecom Solutions Inc.

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2017

	Note	For the year ended March 31, 2017 (In ₹)	For the year ended March 31, 2016 (In ₹)
Income			
Revenue from operations	18	1,435,369,828	1,208,191,867
Other income	19	2,142,848	88,829
	(A)	**1,437,512,676**	**1,208,280,696**
Expenses			
Employee benefit expenses	20.1	641,833,409	543,122,015
Cost of technical professionals	20.2	277,444,509	207,769,504
Finance costs		8,593,764	6,123,872
Depreciation and amortization expense	5.1	198,394,563	115,857,120
Other expenses	21	425,602,949	349,186,751
	(B)	**1,551,869,194**	**1,222,059,262**
Profit/(Loss) before tax and exceptional items		**(114,356,518)**	**(13,778,566)**
Exceptional Items	22	114,108,420	-
Profit/(Loss) before tax		**(228,464,938)**	**(13,778,566)**
Tax expense			
Current tax		-	-
Deferred tax (credit) / charge		(72,338,563)	90,574,102
Tax credit in respect of earlier years		-	-
Total tax expense		**(72,338,563)**	**90,574,102**
Net Profit/(Loss) after tax and exceptional items	**(C)**	**(156,126,375)**	**(104,352,668)**
Other comprehensive income			
Items that will not be reclassified to profit or loss (D)			
- Remeasurements of the defined benefit liabilities / (asset)		-	1,692,482
- Tax effect on remeasurements of the defined benefit liabilities / (asset)		-	(575,444)
		-	**1,117,038**
Items that may be reclassified to profit or loss (E)			
- Exchange differences in translating the financial statements of foreign		5,076,350	5,112,817
		5,076,350	**5,112,817**
Total comprehensive income for the year (C) + (D) + (E)		**(151,050,025)**	**(98,122,813)**
Earnings per equity share	23		
[nominal value of share $ 0.001 (previous year $ 0.001)]			
Basic ₹		(62,954.18)	(42,077.69)
Diluted ₹		(62,954.18)	(42,077.69)
Summary of significant accounting policies	3		

The accompanying notes are 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 Telecom Solutions Inc.

per C.K. Joshi
Partner
Membership No. 030428

Dr. Anand Deshpande
Director

Narayanan Rajagopalan
President and Director

Place: Pune
Date : April 23, 2017

Place: Pune
Date : April 23, 2017

Place: Santa Clara
Date : April 23, 2017

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Persistent Telecom Solutions Inc.

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2017

		For the year ended March 31, 2017 (In ₹)	For the year ended March 31, 2016 (In ₹)
Cash flow from operating activities			
Profit/(Loss) before tax		**(228,464,938)**	**(13,778,566)**
Adjustments for:			
Foreign Currency Translation Reserve		2,989,404	17,013,602
Finance Cost		8,593,764	6,123,872
Interest income		(55,795)	(49,695)
Depreciation and amortization expense		198,394,563	115,857,120
Foreign exchange (loss) / gain(net)		-	(273,479)
Bad debts written off		488,271	-
Provision for doubtful debts (net)		14,660,246	(593,962)
Loss on sale of fixed assets		37,854	-
Employee stock option expenses		1,913,099	-
Remeasurements of the defined benefit liabilities / asset		-	1,692,482
Operating profit before working capital changes		**(1,443,532)**	**125,991,374**
Movements in working capital :			
Decrease/ (Increase) in trade receivables		10,036,298	(81,144,995)
Decrease/ (Increase) in other current assets		(97,132,758)	(4,571,155)
Decrease/(Increase) in loans and advances		(22,818,091)	(33,020)
Increase/ (Decrease) in trade payables and current liabilities		36,053,050	(37,221,466)
Increase/ (Decrease) in provisions		15,483,576	(31,026,013)
Operating profit after working capital changes		**(59,821,457)**	**(28,005,275)**
Direct taxes paid (net of refunds)		(14,258,570)	(191,167)
Net cash generated from / (used in) operating activities	**A**	**(74,080,027)**	**(28,196,442)**
Cash flows from investing activities			
(Payment for capital expenditure)/Sales proceeds from fixed assets		4,004,310	(55,569,597)
Interest received		55,795	49,695
Net cash (used in) investing activities	**B**	**4,060,105**	**(55,519,902)**
Cash flows from financing activities			
Proceeds from long term borrowings		42,748,667	65,600,447
Interest paid		(7,812,403)	(4,677,982)
Net cash generated from financing activities	**C**	**34,936,264**	**60,922,465**
Net increase in cash and cash equivalents **(A + B + C)**		(35,083,658)	(22,793,879)
Cash and cash equivalents at the beginning of the reporting year		79,186,319	101,980,198
Cash and cash equivalents at the end of the reporting year		**44,102,661**	**79,186,319**
Components of cash and cash equivalents		**March 31, 2017**	**March 31, 2016**
Balances with Banks		44,102,661	79,186,319
Cash and cash equivalents as per note 9		**44,102,661**	**79,186,319**
Summary of significant accounting policies	3		

The accompanying notes are 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 Telecom Solutions Inc.

per C.K. Joshi
Partner
Membership No. 030428

Place: Pune
Date : April 23, 2017

Dr. Anand Deshpande
Director

Place: Pune
Date : April 23, 2017

Narayanan Rajagopalan
President and Director

Place: Santa Clara
Date : April 23, 2017

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Persistent Telecom Solutions Inc.

STATEMENT OF CHANGES IN EQUITY FOR MARCH 31, 2017

A. Equity share capital

Refer note : 4

(In ₹)

Balance as at April 1, 2016	Changes in equity share capital during the period	Balance as at March 31, 2017
123	-	123

(In ₹)

Balance as at April 1, 2015	Changes in equity share capital during the year	Balance as at March 31, 2016
123	-	123

(In ₹)

Balance as at April 1, 2014	Changes in equity share capital during the year	Balance as at April 1,2015
123	**-**	**123**

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Persistent Telecom Solutions Inc.
STATEMENT OF CHANGES IN EQUITY FOR MARCH 31, 2017

B. Other equity

(In ₹)

Particulars	Reserves and surplus		Items of other comprehensive income		Total
	Securities premium reserve	Retained earnings	Exchange differences on translating the financial statements of foreign operations	Remeasurements of the defined benefit liabilities / asset	
Balance as at April 1, 2016	306,930,570	(402,936,908)	91,257,699	1,117,038	(3,631,601)
Net profit/(losses) for the period	-	(156,126,375)	-	-	(156,126,375)
Change during the period	-	-	5,076,350	-	5,076,350
Balance at March 31, 2017	**306,930,570**	**(559,063,283)**	**96,334,049**	**1,117,038**	**(154,681,626)**

(In ₹)

Particulars	Reserves and surplus		Items of other comprehensive income		Total
	Securities premium reserve	Retained earnings	Exchange differences on translating the financial statements of foreign operations	Remeasurements of the defined benefit liabilities / asset	
Balance as at April 1, 2015	306,930,570	(293,740,471)	86,144,882	-	99,334,981
Ind AS adjustments on first time adoption (Refer note 24)	-	(4,843,769)	-	1,117,038	(3,726,731)
Net profit for the year	-	(104,352,668)	-	-	(104,352,668)
Change during the period	-	-	5,112,817	-	5,112,817
Balance at March 31, 2016	**306,930,570**	**(402,936,908)**	**91,257,699**	**1,117,038**	**(3,631,601)**

The accompanying notes are an integral part of the 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 : April 23, 2017

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

Dr. Anand Deshpande
Director

Place: Pune
Date : April 23, 2017

Narayanan Rajagopalan
President and Director

Place: Santa Clara
Date : April 23, 2017

1. 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.

2. Basis of preparation

The financial statements of the Company have been prepared on an accrual basis and under the historical cost convention except for certain financial instruments which have been measured at fair value. The accounting policies are consistently applied by the Company during the year and are consistent with those used in previous year except for the changes in accounting policies required to be made on first time adoption of Indian Accounting Standards notified under the Companies Act, 2013.

-**Statement of compliance**
In accordance with the notification issued by the Ministry of Corporate Affairs, the Company has adopted Indian Accounting Standards (referred to as “Ind AS”) notified under the Companies (Indian Accounting Standards) Rules, 2015 with effect from April 1, 2016. Previous period numbers in the financial statements have been restated to Ind AS. In accordance with Ind AS 101 First-time Adoption of Indian Accounting Standards, the Company has presented a reconciliation from the presentation of financial statements under Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (“Previous GAAP”) to Ind AS of Shareholders’ equity as at April 1, 2015 and March 31, 2016 and of the comprehensive net income for the year ended March 31, 2016.

3. Statement 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 Ind AS 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.

Critical accounting estimates

i. Revenue recognition

The Company uses the percentage-of-completion method in accounting for its fixed-price contracts. Use of the percentage-of-completion method requires the Company to estimate the efforts or costs expended to date as a proportion of the total efforts or costs to be expended. Efforts or costs expended have been used to measure progress towards completion. Provisions for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the expected contract estimates at the reporting date.

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ii. Income taxes

The Company's major tax jurisdictions is USA. Significant judgements are involved in determining the provision for income taxes.

iii. Property, plant and equipment

Property, plant and equipment represent a significant proportion of the asset base of the Company. The charge in respect of depreciation is derived after determining an estimate of an asset’s expected useful life and the expected residual value at the end of its life. The useful lives and residual values of Company's assets are determined by management at the time the asset is acquired and reviewed periodically. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology.

iv. Provisions

Provisions are determined based on the best estimate required to settle the obligation at the reporting date. If the effect of time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. These estimates are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

D. Property, Plant and Equipment

Property, Plant and Equipment 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 Property, Plant and Equipment that are not ready to be put to use.

Subsequent expenditure related to an item of Property, Plant and Equipment is added to its book value only if it is probable that future economic benefits associated with the item will flow to the Company. All other expenses on existing Property, Plant and Equipment, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the year during which such expenses are incurred.

Gains or losses arising from disposal of Property, Plant and Equipment 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.

E. Intangible assets

a) 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 directly 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.

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;
- 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 begins when the development is complete and the asset is available for use.

F. Depreciation and amortization

Depreciation on Property, Plant and Equipment 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 Property, Plant and Equipment as follows:

Assets	Useful lives
Computers	3 years
Computers - Servers and networks*	3 years
Office equipments	5 years
Plant and equipment*	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.

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. Financial Instruments

i) Financial assets

Initial recognition and measurement

Financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

For the purpose of subsequent measurement, financial assets are classified as:

- **Financial assets at amortized cost**

  Financial assets that are held within a business model whose objective is to hold assets for collecting contractual cash flows and whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are subsequently measured at amortized cost using the effective interest rate method. The change in measurements are recognized as finance income in the statement of profit and loss.

- **Financial assets at fair value through other comprehensive income (FVTOCI)**

  Financial assets that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling the financial assets and the assets' contractual cash flows represent solely payments of principal and interest on the principal amount outstanding are subsequently measured at fair value. Fair value movements are recognized in other comprehensive income.

- **Financial assets at fair value through profit or loss (FVTPL)**

  Any financial assets which does not meet the criteria for categorization as financial assets at amortized cost or as FVTOCI, is classified as financial assets at FVTPL. Financial assets included within the FVTPL category are subsequently measured at fair value with all changes recognized in the statement of profit and loss.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

For the purpose of subsequent measurement, financial liabilities are classified as:

- **Financial liabilities at amortized cost**

  Financial liabilities such as loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. The change in measurements are recognized as finance costs in the statement of profit and loss.

- **Financial liabilities at fair value through profit or loss (FVTPL)**

  Financial liabilities include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss if the recognition criteria as per Ind AS 109 are satisfied. Gains or losses on liabilities held for trading are recognized in statement of profit and loss. Fair value gains or losses on liabilities designated as FVTPL attributable to changes in own credit risk are recognized in other comprehensive income. All other changes in fair value of liabilities designated as FVTPL are recognized in the statement of profit and loss. The Company has not designated any financial liability as at FVTPL.

iii) Impairment

i) Financial assets

The Company applies Expected Credit Loss (ECL) model for measurement and recognition of impairment loss on financial assets measured at amortized cost and financial assets that are debts instruments and are measured at fair value through other comprehensive income (FVTOCI). ECL is the difference between contractual cash flows that are due and the cash flows that the Company expects to receive, discounted at the original effective interest rate.

For trade receivables, the Company recognizes impairment loss allowance based on lifetime ECL at each reporting date, right from its initial recognition. For other financial assets, the Company determines whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12 month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used.

ii) Non-financial assets

The carrying amounts of Property, Plant and Equipment and Goodwill are reviewed at each balance sheet date or whenever there is any indication of impairment based on internal/external factors. If any indications exist, the Company estimates the asset's recoverable amount.

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.

H. Impairment of Property, Plant and Equipment and Other 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.

I. 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.

J. 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.

K. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Company. 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 proportion basis as and when the services are rendered 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 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

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

iii. Dividends

Dividend Income 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.

L. Foreign currency transaction:

i. Initial recognition

Foreign currency transactions are recorded in the respective functional currencies of the entities in the Company, by applying to the foreign currency amount the exchange rate between the functional currency and the foreign currency at the date of the transaction.

ii. 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.

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 in which the transaction is settled.

M. 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. Remeasurements, comprising of actuarial gains and losses are recognized in full in the statement of profit and loss.

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.

N. Income taxes

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the U.S. tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in equity is recognized in equity and not in statement of profit and loss.

Deferred income taxes reflect the impact of temporary differences between tax base of assets and liabilities and their carrying amounts. 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 temporary differences, except deferred tax liability arising from initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, affects neither accounting nor taxable profit/ loss at the time of transaction. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses, except deferred tax assets arising from initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, affects neither accounting nor taxable profit/ loss at the time of transaction. Deferred tax assets are recognized only to the extent that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available against which such deferred tax assets can be realized.

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.

Deferred tax relating to items recognized outside the statement of profit and loss is recognized in co-relation to the underlying transaction either in other comprehensive income or directly in equity.

O. Cash and cash equivalents

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

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P. 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 as per the terms of the lease agreements.

Q. Earnings per share (EPS)

Basic earnings per share are calculated by dividing the net profit for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. 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 attributable to the equity shareholders and the weighted average number of equity shares outstanding during the period, are adjusted for the effects of all dilutive potential equity shares.

The number of shares and potential dilutive equity shares are adjusted retrospectively for all periods presented for any bonus shares issues including for changes effected prior to the approval of the financial statements by the Board of Directors.

R. Provisions

A provision is recognized when the Company 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 determined based on the best estimate required to settle the obligation at the reporting date. If the effect of time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. These estimates are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

S. 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.

T. Employee stock compensation expenses

Employees of the Company receive remuneration in the form of share based payment transactions, whereby employees render services as consideration for equity instruments granted (equity-settled transactions) by the holding Company, Persistent Systems Limited, to the employees of the Company.

In accordance with Ind AS 102, the cost of equity-settled transactions is determined by the fair value at the date of the grant by the holding Company of the equity instruments to the employees of the Company and recognized as employee compensation cost over the vesting period. 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 Company’s best estimate of the number of equity instruments that will ultimately vest.

The expense or credit recognized by the Company in the statement of profit and loss for a year represents the movement in cumulative expense recognized as at the beginning and end of that year and is recognized in employee benefits expense of the Company. In case of the employee stock option schemes having 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.

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4. Share capital

	As at March 31, 2017 (In ₹)	As at March 31, 2016 (In ₹)
Authorised		
5,000 (Previous year 5,000) Common Shares of $0.001 each.	US $ 5	US $ 5
	US $ 5	**US $ 5**
Issued, subscribed and paid-up		
2,480 (previous year 2,480) common shares of $0.001 eacl fully paid up. All shares are held by holding company viz. Persisten Systems Inc.	123	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.

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Persistent Telecom Solutions Inc.

NOTES FORMING PART OF FINANCIAL STATEMENTS

5. Property, Plant and Equipment & Other Intangible Assets

(In ₹)

	Computers	Office Equipment	Furniture & Fixtures	Sub total Tangibles	Software	Acquired Contractual rights	Sub total Intangibles	Total
Gross Block								
As at April 1, 2016	136,928,302	1,431,911	847,649	139,207,862	639,211,408	458,748,563	1,097,959,971	1,237,167,833
Additions	227,094	-	174,442	401,536	-	-	-	401,536
Disposals	(4,448,177)	(17,616)	-	(4,465,793)	-	-	-	(4,465,793)
Other Adjustments								
- Exchange difference	(2,778,445)	(29,730)	(22,685)	(2,830,860)	(13,437,021)	(9,643,467)	(23,080,488)	(25,911,348)
As at March 31, 2017	**129,928,774**	**1,384,565**	**999,406**	**132,312,745**	**625,774,387**	**449,105,096**	**1,074,879,483**	**1,207,192,228**
Depreciation / Amortization								
As at April 1, 2016	128,699,678	608,048	230,139	129,537,865	459,979,993	232,884,997	692,864,990	822,402,855
Charge for the year	4,232,489	284,778	185,159	4,702,426	69,234,080	124,458,057	193,692,137	198,394,563
Other Adjustments								
- Exchange difference	(4,291,127)	(26,906)	(11,107)	(4,329,140)	(12,013,443)	(9,109,366)	(21,122,809)	(25,451,949)
As at March 31, 2017	**128,641,040**	**865,920**	**404,191**	**129,911,151**	**517,200,630**	**348,233,688**	**865,434,318**	**995,345,469**
Net Block								
As at March 31, 2017	**1,287,734**	**518,645**	**595,215**	**2,401,594**	**108,573,757**	**100,871,408**	**209,445,165**	**211,846,759**
As at March 31, 2016	**8,228,624**	**823,863**	**617,510**	**9,669,997**	**179,231,415**	**225,863,566**	**405,094,981**	**414,764,978**
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	6,155,466	208,168	213,851	6,577,485	185,419,877	167,466,063	352,885,940	359,463,425
Other Adjustments								
- Exchange difference	7,306,589	64,691	32,026	7,403,306	20,641,448	11,050,790	31,692,238	39,095,544
As at March 31, 2016	**136,928,302**	**1,431,911**	**847,649**	**139,207,862**	**639,211,408**	**458,748,563**	**1,097,959,971**	**1,237,167,833**
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 year	25,732,650	251,397	129,295	26,113,342	28,203,084	61,540,694	89,743,778	115,857,120
Other Adjustments								
- Exchange difference	6,052,847	22,255	6,755	6,081,857	24,748,508	10,221,080	34,969,588	41,051,445
As at March 31, 2016	**128,699,678**	**608,048**	**230,139**	**129,537,865**	**459,979,993**	**232,884,997**	**692,864,990**	**822,402,855**
Net Block								
As at March 31, 2016	**8,228,624**	**823,863**	**617,510**	**9,669,997**	**179,231,415**	**225,863,566**	**405,094,981**	**414,764,978**
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 01, 2014	110,198,421	450,845	149,976	110,799,242	415,370,111	268,839,447	684,209,558	795,008,800
Additions	8,304,879	662,384	439,632	9,406,895	168,993	-	168,993	9,575,888
Other Adjustments								
- Exchange differences	4,962,947	45,823	12,164	5,020,934	17,610,979	11,392,263	29,003,242	34,024,176
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**
Depreciation								
As at April 01, 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 year	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 differences	3,069,942	9,378	2,201	3,081,521	13,851,720	5,056,007	18,907,727	21,989,248
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**
Net Block								
As at April 1, 2015	**26,552,066**	**824,656**	**507,683**	**27,884,405**	**26,121,682**	**119,108,487**	**145,230,169**	**173,114,574**

5.1 Depreciation and amortization expense

(In ₹)

	For the year ended	
	March 31, 2017	**March 31, 2016**
On Property, Plant and Equipment	4,702,426	26,113,342
On Other intangible assets	193,692,137	89,743,778
	198,394,563	**115,857,120**

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NOTES FORMING PART OF FINANCIAL STATEMENTS

6. Deferred tax assets

	As at March 31, 2017 (In ₹)	As at March 31, 2016 (In ₹)	As at April 1, 2015 (In ₹)
Deferred tax assets			
Provision for doubtful debts	14,665,174	9,897,108	9,722,524
Provision for leave encashment	8,219,756	8,228,037	9,178,401
Sales commission	4,979,046	3,887,983	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	173,383,115	142,402,396	130,902,638
Others*	47,937,348	18,729,488	103,825,682
Deferred tax asset (net)	**249,184,439**	**183,145,012**	**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 reasonable certainty of the profits in the holding company, full deferred tax asset is recognized in the financial statements of the company.

7. Non Current financial assets: Loans

	As at March 31, 2017 (In ₹)	As at March 31, 2016 (In ₹)	As at April 1, 2015 (In ₹)
Unsecured, considered good			
Advances recoverable in cash or kind or for value to be received	95,344	294,315	792,815
	95,344	**294,315**	**792,815**

8. Trade receivables

	As at March 31, 2017 (In ₹)	As at March 31, 2016 (In ₹)	As at April 1, 2015 (In ₹)
Outstanding for a period exceeding six months from the date they are due for payment			
Unsecured (considered good)	-	-	3,623,931
Unsecured (considered doubtful)	42,661,126	29,109,130	28,595,612
	42,661,126	29,109,130	32,219,543
Less : Provision for doubtful debts	42,661,126	29,109,130	28,595,612
	-	-	3,623,931
Others*			
Unsecured (considered good)	225,024,392	250,209,207	164,572,840
Unsecured (considered doubtful)	-	-	
	225,024,392	250,209,207	164,572,840
Less : Provision for doubtful debts	-	-	
	225,024,392	250,209,207	164,572,840
	225,024,392	**250,209,207**	**168,196,771**

*Includes dues from related parties (Refer Note: 25)

9. Cash and cash equivalents

	As at March 31, 2017 (In ₹)	As at March 31, 2016 (In ₹)	As at April 1, 2015 (In ₹)
Cash and cash equivalents as presented in cash flow statement			
Balances with banks			
- On current account	44,102,661	79,186,319	101,980,198
	44,102,661	**79,186,319**	**101,980,198**

10. Other current financial assets

	As at March 31, 2017 (In ₹)	As at March 31, 2016 (In ₹)	As at April 1, 2015 (In ₹)
Unsecured, considered good			
Carried at amortised cost			
Advance to related parties (Unsecured, considered good)*			
- Aepona Lmited UK	868,616	23,912	-
-Persistent Systems Ltd.	20,183,674	10,161,119	-
Other loans and advances			
Deposits	144,278	1,800,692	2,326,338
Unbilled revenue	27,263,168	15,370,050	10,798,895
	48,459,736	**27,355,773**	**13,125,233**

*(Refer Note: 25)

11. Other current assets

	As at March 31, 2017 (In ₹)	As at March 31, 2016 (In ₹)	As at April 1, 2015 (In ₹)
Advances to suppliers (Unsecured, considered good)			
Advances recoverable in cash or kind or for value to be received	159,265,798	62,133,040	71,260,905
	159,265,798	**62,133,040**	**71,260,905**

Persistent Telecom Solutions Inc.

NOTES FORMING PART OF FINANCIAL STATEMENTS

12. Non Current financial liabilities: Borrowings

	As at March 31, 2017 (In ₹)	As at March 31, 2016 (In ₹)	As at April 1, 2015 (In ₹)
Unsecured			
Borrowings from related parties			
- Persistent Systems, Inc.	132,942,500	132,485,000	190,564,000
(Repayment Terms : After Thirty six months)			
(Rate of interest: Applicable federal rate)			
- Persistent Systems Pte. Ltd.	207,520,000	118,596,590	90,813,504
(Repayment Terms : After Thirty six months)			
(Rate of interest: SIBOR + 2%)			
Add: Interest accrued but not due on term loans	-	-	154,754
	340,462,500	**251,081,590**	**281,532,258**

*(Refer Note: 25)

13. Current financial liabilities : Borrowings

	As at March 31, 2017 (In ₹)	As at March 31, 2016 (In ₹)	As at April 1, 2015 (In ₹)
Loans and advances from related parties			
Unsecured*			
-Persistent Systems, Inc.	10,339,380	48,905,853	22,818,045
-Persistent Systems Pte. Ltd.	-	600,745	-
-Persistent Systems Ltd.	-	4,901,126	5,270,691
	10,339,380	**54,407,724**	**28,088,736**

*(Refer Note: 25)

14. Trade payables

	As at March 31, 2017 (In ₹)	As at March 31, 2016 (In ₹)	As at April 1, 2015 (In ₹)
Trade payables*	376,944,756	160,566,066	158,373,318
	376,944,756	**160,566,066**	**158,373,318**

*Includes dues to related parties (Refer Note: 25)

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NOTES FORMING PART OF FINANCIAL STATEMENTS

15. Other current financial liabilities

	As at March 31, 2017 (In ₹)	As at March 31, 2016 (In ₹)	As at April 1, 2015 (In ₹)
Carried at amortised cost			
Borrowings from related parties*			
-Persistent Systems, Inc.	64,850,000	76,178,875	-
-Persistent Systems Pte. Ltd.	-	43,928,136	-
Interest accrued on borrowings from related parties*			
-Persistent Systems, Inc.	690,378	249,710	-
-Persistent Systems Pte. Ltd.	1,734,327	1,429,008	-
Other payables			
- Accrued employee liabilities	1,280,139	1,639,104	19,537,256
Capital creditors	1,025,797	1,047,890	-
	69,580,641	**124,472,723**	**19,537,256**

*(Refer Note: 25)

16. Other current liabilities

	As at March 31, 2017 (In ₹)	As at March 31, 2016 (In ₹)	As at April 1, 2015 (In ₹)
Unearned revenue	202,880,089	336,032,616	78,882,552
Advance from customers	129,700	741,916	247,326
Other payables			
- Statutory liabilities	532,653	2,666,241	5,300,007
	203,542,442	**339,440,773**	**84,429,885**

17. Current Liabilities: Provisions

	As at March 31, 2017 (In ₹)	As at March 31, 2016 (In ₹)	As at April 1, 2015 (In ₹)
Provision for employee benefits			
- Leave encashment	24,175,754	24,200,091	26,995,272
- Other employee benefits	73,242,308	57,734,395	85,965,227
	97,418,062	**81,934,486**	**112,960,499**

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NOTES FORMING PART OF FINANCIAL STATEMENTS

18. Revenue from operations

	For the year ended March 31, 2017 (In ₹)	For the year ended March 31, 2016 (In ₹)
Sale of licenses (net)	172,206,717	215,051,937
Sale of software services (net)*	1,263,163,111	993,139,930
	1,435,369,828	**1,208,191,867**

*(Refer Note: 25)

19. Other income

	For the year ended March 31, 2017 (In ₹)	For the year ended March 31, 2016 (In ₹)
Interest income	55,795	49,695
Miscellaneous income	2,087,053	39,134
	2,142,848	**88,829**

20. Personnel expenses

	For the year ended March 31, 2017 (In ₹)	For the year ended March 31, 2016 (In ₹)
20.1 Employee benefit expenses		
Salaries, wages and bonus	636,044,344	537,777,156
Staff welfare and benefits	3,875,966	5,344,859
Employee stock option expenses	1,913,099	-
	641,833,409	**543,122,015**
20.2 Cost of technical professionals		
- Related Parties*	273,399,970	200,565,681
- Others	4,044,539	7,203,823
	277,444,509	**207,769,504**
	919,277,918	**750,891,519**

*(Refer Note: 25)

21. Other expenses

	For the year ended March 31, 2017 (In ₹)	For the year ended March 31, 2016 (In ₹)
Travelling and conveyance (Refer Note: 25)	55,072,330	26,060,925
Electricity expenses	76,445	154,193
Communication expenses	3,203,656	2,343,044
Recruitment expenses	5,842,284	2,608,741
Training and seminars	892,743	1,497,113
Royalty expenses (Refer Note: 25)	110,928,312	138,063,458
Third party hosting and software fees	52,263,922	63,588,474
Purchase of software licenses and support expenses	21,974,070	28,035,230
Provision for doubtful debts/ (Provision for doubtful debts written back) (net)	14,660,246	-
Bad Debts	488,271	604,472
Rent	963,530	16,574,601
Rates, fees and profession tax	2,013,863	426,506
Legal and professional fees	111,247,018	33,640,126
Repairs and maintenance		
- Plant and machinery	938,998	940,309
- Others	-	25,152
Commission on sales to other than sole selling agents	3,411,822	-
Advertisement and sponsorship fees	21,273,490	22,033,167
Computer consumables	1,701,854	1,238,197
Auditors' remuneration (Refer Note: 28)	70,900	61,243
Books, memberships, subscriptions	4,892,654	3,315,337
Foreign exchange loss (net)	6,933,105	(1,032,913)
Loss on sale of assets (net)	37,854	-
Miscellaneous expenses	6,715,582	9,009,376
	425,602,949	**349,186,751**

22. Exceptional Item

	For the year ended March 31, 2017 (In ₹)	For the year ended March 31, 2016 (In ₹)
Litigation Cost (Net) (Refer Note: 31)	114,108,420	-
	114,108,420	**-**

NOTES FORMING PART OF FINANCIAL STATEMENTS

23. Earnings per share

		For the year ended March 31, 2017 (In ₹)	For the year ended March 31, 2016 (In ₹)
Basic earnings per share			
Numerator			
Net Profit / (loss) after tax	A	(156,126,375)	(104,352,668)
Denominator			
Weighted average number of equity shares	B	2,480	2,480
Basic/Diluted earnings per share (Face value of US $ 0.001 each)	A / B	(62,954.18)	(42,077.69)

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24. First-time adoption of Ind-AS

These condensed financial statements, for the year ended 31 March 2017, have been prepared in accordance with Ind-AS. For periods up to and including the year ended March 31, 2016, the Company prepared its financial statements in accordance with statutory reporting requirements in India immediately before adopting Ind AS ('previous GAAP').

Accordingly, the Company has prepared condensed financial statements which comply with Ind-AS applicable for period ending on March 31 2017, together with the comparative period data as at March 31, 2016. In preparing these financial statements, the Company's opening balance sheet was prepared as at April 1, 2015, the Company's date of transition to Ind-AS. This note explains the principal adjustments made by the Company in restating its Indian GAAP financial statements, including the balance sheet as at April 1, 2015 and the financial statements as at March 31, 2016.

Exemptions applied

Ind AS 101 allows first-time adopters certain optional exemptions from the retrospective application of certain requirements under Ind AS.
The Company has applied the following optional exemptions:

A. Share based payment transactions
The Company has not applied Ind AS 102, "Share based payment" to equity instruments that vested before the date of transition to Ind AS i.e. April 1, 2015. Accordingly, equity instruments that have vested prior to April 1, 2015 have not been fair valued.

B. Deemed cost
The Company has elected to measure the carrying value for all of its Property, Plant and Equipment as per the previous GAAP and use that as its deemed cost as at the date of transition to Ind AS i.e. April 1, 2015.

Explanation of transition to Ind AS

The below mentioned reconciliations
- equity as at April 1, 2015
- equity as at March 31, 2016
- Profit for the year ended March 31, 2016

There are no material adjustments to the cash flow statements.

There are no material adjustments to the balance sheet items.

In the reconciliations mentioned above, certain reclassifications are made to Indian GAAP financial information to align with the Ind AS presentation.

Reconciliation of profit

(In ₹)

Particulars	Note	Year ended March 31, 2016		
		Indian GAAP	Effect of transition to Ind AS	Ind AS
Income				
Revenue from operations (net)	18	1,208,191,867	-	**1,208,191,867**
Other income	19	88,829	-	**88,829**
Employee benefits expense	20.1	541,372,176	1,749,839	**543,122,015**
Other expenses	20.2 & 21	556,956,255	-	**556,956,255**
Profit before tax (A - B)		(12,028,727)	(1,749,839)	**(13,778,566)**
Total tax expense		91,149,546	(575,444)	**90,574,102**
Net profit		(103,178,273)	(1,174,395)	**(104,352,668)**

Persistent Telecom Solutions Inc.

NOTES FORMING PART OF FINANCIAL STATEMENTS

25. Related party transactions

I. Names of related parties

Holding Company:
Persistent Systems Inc.

Companies under same Management
Persistent Systems Limited
Persistent Systems Pte. Ltd.
Persistent Malaysia Systems Sdn Bhd
Aepona Ltd (UK)
Persistent Systems France SAS
Aepona Software (Private) Limited

Key Management Personnel
Mr. Nara Rajagopalan, President and Director

II. Related party transactions

Particulars	Name of the related Party	Relationship with the Related Party	For the year ended	
			March 31, 2017 (In ₹)	March 31, 2016 (In ₹)
Income				
Software Professional Services	Persistent Systems Malaysia Sdn. Bhd.	Companies under the same management	150,101,035	162,083,700
Sale of licenses	Persistent Systems Pte. Ltd.	Companies under the same management	48,792,089	-
	Persistent Systems France SAS	Companies under the same management	4,080,517	-
	Persistent Systems Limited	Companies under the same management	80,140,122	-
	Persistent Systems Malaysia Sdn. Bhd.	Companies under the same management	1,366,079	-
Reimbursement	Persistent Systems Limited	Companies under the same management	87,528	-
	Persistent Systems, Inc.	Holding Company	2,439,907	-
Commission on sales	Persistent Systems, Inc.	Holding Company	129,646,698	-
Expenses				
Technical Professional charges	Persistent Systems Limited	Companies under the same management	256,415,648	196,857,329
	Persistent Systems, Inc.	Holding Company	-	3,708,352
	Aepona Software (Private) Limited	Companies under the same management	16,984,322	-
Finance cost	Persistent Systems, Inc.	Holding Company	1,435,628	1,171,996
	Persistent Systems Pte. Ltd.	Companies under the same management	7,158,136	4,951,875
Royalty	Persistent Systems, Inc.	Holding Company	3,580,588	-
Travel and Conveyance expenses	Persistent Systems, Inc.	Holding Company	7,347,374	842,267
	Persistent Systems Limited	Companies under the same management	-	231,226
Remuneration**	Nara Rajagopalan	Key Management Personnel	43,514,308	34,156,873
Inter corporate deposit obtained*	Persistent Systems, Inc.	Holding Company	-	63,694,268
	Persistent Systems Pte. Ltd.	Companies under the same management	60,029,792	62,500,000
Repayment of Inter corporate deposit*	Persistent Systems, Inc.	Holding Company	6,643,635	60,593,819
	Persistent Systems Pte. Ltd.	Companies under the same management	17,901,673	-

***** These transactions are disclosed at exchange rate of INR-USD as on transaction date.
** Remuneration to Key Management Personnel does not include the provision made for leave benefits as they are determined on an acturial basis for company as a whole.

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NOTES FORMING PART OF FINANCIAL STATEMENTS

25. Related party transactions
III. Related party balances

Particulars	Name of the related Party	Relationship with the Related Party	As at March 31, 2017 (In ₹)	As at March 31, 2016 (In ₹)
Share capital	Persistent Systems, Inc.	Holding Company	123	123
Securities Premium	Persistent Systems, Inc.	Holding Company	306,930,570	306,930,570
Trade payables	Persistent Systems Limited	Companies under the same management	240,835,520	98,657,141
	Persistent Systems, Inc.	Holding Company	7,677,721	4,588,949
	Aepona Software (Private) Limited	Companies under the same management	16,105,059	
Advance given	Aepona Limited UK	Companies under the same management	868,616	23,912
	Persistent Systems Limited	Companies under the same management	20,183,674	10,161,119
Advance received*	Persistent Systems Pte. Ltd.	Companies under the same management	2,574,934	-
	Persistent Systems Limited	Companies under the same management	47,019,687	-
Trade receivables	Persistent Malaysia Systems Sdn Bhd	Companies under the same management	11,490,253	40,722,312
	Persistent Systems Limited	Companies under the same management	12,529,442	-
	Persistent Systems, Inc.	Holding Company	53,772,972	-
	Persistent Systems Pte. Ltd.	Companies under the same management	7,301,786	-
	Persistent Systems France SAS	Companies under the same management	449,411	-
Inter corporate deposits taken	Persistent Systems, Inc.	Holding Company	197,792,500	208,663,875
	Persistent Systems Pte. Ltd.	Companies under the same management	207,520,000	162,524,726
Short term borrowing*	Persistent Systems, Inc.	Holding Company	10,339,380	48,905,853
	Persistent Systems Pte. Ltd.	Companies under the same management	-	600,745
	Persistent Systems Limited	Companies under the same management	-	4,901,126
Interest on ICD payable	Persistent Systems, Inc.	Holding Company	690,378	249,710
	Persistent Systems Pte. Ltd.	Companies under the same management	1,734,327	1,429,008

IV. Related party guarantees

1. Persistent Systems Inc., holding company of Persistent Telecom Solutions Inc has given a guarantee of $250,000 for trade payables of Persistent Telecom Solutions Inc.

2. Persistent Systems Inc., holding company of Persistent Telecom Solutions Inc. has given a guarantee of $400,000 to Vendor for outstanding settlement claim of Persistent Telecom Solutions Inc.

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

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26. Income taxes

A reconciliation of the income tax provision to the amount computed by applying the statutory income tax rate to the profit before tax is summarized below:

	For the year ended	
	March 31, 2017	**March 31, 2016**
	In ₹	**In ₹**
Profit before tax	(228,464,938)	(13,778,566)
Enacted tax rate	34.00%	34.00%
Computed tax expense at enacted tax rate	(77,678,079)	(4,684,712)
Effect of non-deductible expenses	1,916,423	266,371
Others	3,423,093	94,992,443
Income tax expense	**(72,338,563)**	**90,574,102**

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27. Financial risk management

Financial risk factors and risk management objectives

The Company's activities expose it to a variety of financial risks: credit risk and liquidity risk. The Company's focus is to foresee the unpredictability of financial markets and seek to minimize potential adverse effects on its financial performance. The Company does not foresee any major foreign exchange risk as majority of the revenue is generated and expenses are incurred in the Company's functional currency. The Company's exposure to credit risk is mainly for receivables that are overdue for more than 90 days. The Credit Task Force of the Group is responsible for credit risk management. The liquidity needs are managed by funding from / to the group companies. The Group's Risk Management Committee monitors risks and policies implemented to mitigate risk exposures.

Credit risk

Credit risk refers to the risk of default on its obligation by the counterparty resulting in a financial loss. The maximum exposure to the credit risk at the reporting date is primarily from trade receivables amounting to ₹ 267,685,518 and ₹ 79,318,337 as at March 31, 2017 and March 31, 2016, respectively. Trade receivables are typically unsecured and are derived from revenue earned from customers. Credit risk is managed by the Company by Credit Task Force through credit approvals, establishing credit limits and continuously monitoring the recovery status of customers to which the Company grants credit terms in the normal course of business. On account of adoption of Ind AS 109, the Company uses expected credit loss model to assess the impairment loss. The Company uses a provisioning policy approved by the Board of Directors to compute the expected credit loss allowance for trade receivables.

Credit risk is perceived mainly in case of receivables overdue for more than 90 days. The following table gives details of risk concentration in respect of percentage of receivables overdue for more than 90 days:

(In ₹)

	As at	
	March 31, 2017	**March 31, 2016**
Receivables overdue for more than 90 days	55,949,694	46,508,214
Total receivables	267,685,518	279,318,337
Overdue for more than 90 days as a % of total receivables	21%	17%

Ageing of trade receivables

(In ₹)

	As at	
	March 31, 2017	**March 31, 2016**
Within the credit period	165,973,770	157,299,221
1 to 30 days past due	30,044,275	31,910,837
31 to 60 days past due	6,928,845	42,950,345
61 to 90 days past due	8,788,935	649,720
91 to 120 days past due	1,467,345	12,033,297
121 and above past due	54,482,348	34,474,917
Less: Expected credit loss	(42,661,126)	(29,109,130)
Net trade receivables	**225,024,392**	**250,209,207**

Movement in expected credit loss allowance

(In ₹)

	As at	
	March 31, 2017	**March 31, 2016**
Opening balance	29,109,130	28,595,612
Movement in expected credit loss allowance	13,551,996	513,518
Closing balance	**42,661,126**	**29,109,130**

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Liquidity risk

The Company's principal sources of liquidity are cash and cash equivalents and the cash flow that is generated from operations. The Company has borrowings obtained from the group companies. The liquidity needs are managed by funding from / to the group companies. The working capital needs are met by availing intercorporate loans from the group companies whenever needed.
As at March 31, 2017, the Company had a working capital of ₹ (216,122,694) including cash and cash equivalents of ₹ 44,102,661. As at March 31, 2016, the Company had a working capital of ₹ (341,937,433) including cash and cash equivalents of ₹ 79,186,319.

The table below provides details regarding the contractual maturities of significant financial liabilities:

(In ₹)

	As at			
	March 31, 2017		March 31, 2016	
	Less than 1 year	More than 1 year	Less than 1 year	More than 1 year
Borrowings	-	340,462,500	120,107,011	251,081,590
Trade payables	376,944,756	-	160,566,066	-
Other financial liabilities	4,730,641	-	4,365,712	-

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28. Auditors remuneration

(Amount In ₹)

Particulars	**For the year ended March 31, 2017**	**For the year ended March 31, 2016**
Audit fees	70,900	61,243
TOTAL	**70,900**	**61,243**

29. Contingent liability

On February 29, 2016, the Company, acquired the assets of US based Citrix Systems International GMBH for an upfront consideration of USD 369,187. The asset purchase agreement provides for additional consideration, contingent upon certain conditions being met in future years. The fair value of the contingent consideration is estimated to be NIL as on the date of acquisition. The contingent consideration would be recorded, as and when the contingency is resolved and the consideration is payable.

30. PTSI is considered as going concern inspite of negative net worth and inability to repay debts on time, based on assurance of continued financial support and assistance from parent company and measures proposed to control loss.

31. A US based corporation had filed a suit in the year 2014 against the Company, claiming damages for direct and contributory infringement of copyrights and breach of contract. In the month of December 2016, the Court had directed the parties to reach a settlement in this matter. Accordingly, an out of court settlement was reached with the claimant without admission of any liability, during the quarter ended March 31, 2017 and an amount of ₹ 114,108,420 has been accounted as an expense, net of insurance claim receivable which is based on the legal opinion obtained.

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32. Previous year comparatives

Corresponding year comparative figures are regrouped wherever necessary to conform to 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 of** **Persistent Telecom Solutions Inc.**	
per C.K. Joshi Partner Membership No. 030428	Dr. Anand Deshpande Director	Narayanan Rajagopalan President and Director
Place: Pune Date: April 23, 2017	Place: Pune Date: April 23, 2017	Place: Santa Clara Date: April 23, 2017

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