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Persistent Systems Limited

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Audited consolidated financial results of Persistent Systems Limited for the quarter ended June 30, 2019

₹ in Million

Sr. No.	Particulars	Quarter ended		Year ended
		June 30, 2019 (Audited)	March 31, 2019 (Audited)	March 31, 2019 (Audited)
1	Revenue from operations	8,321.14	8,318.54	8,342.81
2	Other income	300.36	283.96	186.75
3	Total Income	8,621.50	8,602.50	8,529.56
4	Expenses			
	- Employee benefits expense	4,916.25	4,859.47	4,618.37
	- Cost of professionals	859.82	862.83	844.68
	- Finance costs	18.50	1.03	0.28
	- Depreciation and amortization expense	386.17	376.80	400.81
	- Other expenses	1,343.15	1,389.23	1,479.17
	Total Expenses	7,523.89	7,489.36	7,343.31
5	Profit before exceptional items and tax	1,097.61	1,113.14	1,186.25
6	Exceptional items	--	--	--
7	Profit before tax	1,097.61	1,113.14	1,186.25
8	Tax expense			
	- Current tax	350.55	298.75	356.05
	- Tax charge / (credit) in respect of earlier years	--	12.52	88.81
	- Deferred tax charge / (credit)	(77.64)	(42.86)	(43.28)
	Total tax expense	272.91	268.41	312.77
9	Profit for the period/year from continuing operations	824.70	844.73	873.48
10	Profit / (Loss) for the period/year from discontinued operations	--	--	--
11	Tax expense of discontinued operations	--	--	--
12	Profit / (Loss) for the period / year from discontinued operations (after tax)	--	--	--
13	Profit for the period / year	824.70	844.73	873.48
14	Other comprehensive income			
	A. Items that will not be reclassified to profit and loss			
	- Remeasurements of the defined benefit liabilities / (assets) (net of tax)	(26.37)	12.19	(13.05)
		(26.37)	12.19	(13.05)
	B. Items that may be reclassified to profit and loss			
	- Effective portion of cash flow hedge (net of tax)	(23.19)	115.57	(159.13)
	- Exchange differences in translating the financial statements of foreign operations	(0.63)	(58.42)	151.80
		(23.82)	57.15	(7.33)
	Total other comprehensive income for the period / year	(50.19)	69.34	(20.38)
15	Total comprehensive income for the period / year (Comprising Profit / (Loss) and Other Comprehensive Income for the period / year)	774.51	914.07	853.10
16	Paid-up equity share capital (Face value of share ₹ 10 each)	764.25	791.19	800.00
17	Reserves excluding revaluation reserves	--	--	22,655.61
18	Earnings per equity share (for continuing operations) in ₹			
	- Basic	10.65	10.59	10.92
	- Diluted	10.65	10.59	10.92
19	Earnings per equity share (for discontinued operations) in ₹			
	- Basic	--	--	--
	- Diluted	--	--	--
20	Earnings per equity share (for discontinued and continuing operations) in ₹			
	- Basic	10.65	10.59	10.92
	- Diluted	10.65	10.59	10.92
21	Dividend per share (in ₹)			
	Interim dividend	--	3	--
	Final dividend	--	--	3
	Total dividend	--	3	3

Audited unconsolidated financial information

₹ in Million

Particulars	Quarter ended			Year ended
	June 30, 2019 (Audited)	March 31, 2019 (Audited)	June 30, 2018 (Audited)	March 31, 2019 (Audited)
Revenue from operations	4,953.95	5,162.71	4,619.91	19,598.67
Profit before tax	1,114.73	961.69	1,205.40	4,383.76
Profit after tax	834.39	720.00	923.25	3,150.08

Segment wise Revenue, Results and Capital Employed

The Group reorganised itself into three business units from April 1, 2018, which form the operating segments for segment reporting.

The operating segments are:

- Technology Services
- Alliance
- Accelente (Products)

Sr. No.	Particulars	Quarter ended			Year ended
		June 30, 2019 (Audited)	March 31, 2019 (Audited)	June 30, 2018 (Audited)	March 31, 2019 (Audited)
1	Segment revenue				
	- Technology Services	5,704.51	5,741.15	5,243.17	22,018.03
	- Alliance	2,312.65	2,061.19	2,690.68	9,759.92
	- Accelente (Products)	303.98	516.20	408.96	1,881.46
	Total	8,321.14	8,318.54	8,342.81	33,659.41
2	Less: Inter segment revenue	--	--	--	--
3	Net sales/income from operations	8,321.14	8,318.54	8,342.81	33,659.41
4	Segment results profit/ (loss) before tax, interest and depreciation and amortization				
	- Technology Services	2,068.00	2,339.76	1,998.56	8,507.67
	- Alliance	748.61	549.88	860.37	3,298.01
	- Accelente (Products)	107.92	304.15	162.77	992.14
	Total	2,924.62	3,193.79	3,021.20	12,797.82
5	Less: Finance costs	18.50	1.03	0.28	3.05
	- Other un-allocable expenses	2,108.87	2,363.58	2,021.42	8,807.93
6	Un-allocable income	300.36	283.96	186.75	876.55
7	Total profit before tax	1,097.61	1,113.14	1,186.25	4,863.39

₹ in Million

Sr. No.	Particulars	As on		
		June 30, 2019 (Audited)	March 31, 2019 (Audited)	June 30, 2018 (Audited)
8	Segment assets			
	- Technology Services	3,836.43	3,547.07	3,657.36
	- Alliance	700.25	1,021.77	1,618.23
	- Accelente (Products)	195.50	354.17	355.04
	Total allocable segment assets	4,732.18	4,923.01	5,630.63
	Unallocable assets	22,935.10	23,632.98	22,242.56
	Total assets	27,667.28	28,555.99	27,873.19

Notes for segment wise information:

Operating segments are components of an enterprise for which discrete financial information is available that is evaluated regularly by the chief operating decision maker, in deciding how to allocate resources and assessing performance. The Group's chief operating decision maker is the Chief Executive Officer and the Chairman.

Segment wise capital employed

Segment wise capital employed, depreciation and amortization and other non-cash expenses in various reportable segments have not been presented as the assets are used interchangeably between segments and the Group is of the view that it is not practical to reasonably allocate the other assets, liabilities and other non-cash expenses to individual segments and an all-in-one allocation will not be meaningful.

Notes:

- The audited consolidated financial statements for the quarter ended June 30, 2019, have been taken on record by the Board of Directors at its meeting concluded on July 25, 2019 as recommended by the Audit Committee at its meeting held on July 24, 2019. The statutory auditors have expressed an unqualified audit opinion.
- The Board of Directors, in its meeting held in January 2019, approved the buyback by the Company of its fully paid-up equity shares having face value of ₹ 10 each. The window for buying the shares opened on February 8, 2019 and the Company has purchased 3,575,000 equity shares between February 2019 and June 2019 and has extinguished these shares after following the due process. The Company has completed the buyback on June 27, 2019 and the total number of equity shares outstanding as on June 30, 2019 post buyback stands at 76,425,000. The Company has completed the redemption of 50,887 equity shares on July 3, 2019 which were bought back before June 27, 2019, after following the due process.
- Persistent Systems Germany GmbH, wholly owned subsidiary of Persistent Systems Limited has entered into a Share Purchase Agreement dated June 27, 2019 to acquire 100% share capital of Youpreneur GmbH, a Solentech Certified Gold Partner in Germany. As on that date, Youpreneur GmbH was holding 30% stake in its associate Company - Youpreneur Limited, United Kingdom. Balance 70% stake in the said associate has also been acquired by Persistent Systems Germany GmbH through Youpreneur GmbH on June 27, 2019.
- Mr. Sanjay Kumar Bhattacharyya resigned as an Independent Director of the Company w.e.f. July 1, 2019.
- Effective April 1, 2019, the Group adopted Ind AS 116 "Leases", applied to all repurchase lease contracts existing on April 1, 2019 using the modified retrospective method and has taken the cumulative adjustment to retained earnings, on the date of initial application. Accordingly, comparatives for the period / year have not been retrospectively adjusted. On transition, the adoption of the new standard resulted in recognition of right-of-use assets (ROU) of ₹ 723.5 million and a lease liability of ₹ 213.39 million. The cumulative effect of applying the standard resulted in ₹ 109.69 million being shifted to retained earnings, net of taxes. The effect of this adoption is insignificant on the profit for the period and earnings per share.
- As reported in the previous quarter, Persistent Systems Limited ("the Parent Company") has deposits of ₹ 430 million with the financial institutions viz. Infrastructure Leasing & Financial Services Ltd. (ILFS) and ILFS Financial Services Ltd. (referred to as "ILFS Group") as on the balance sheet date. The Group has not received any interest on these deposits since April 1, 2018. In view of the uncertainty prevailing with respect to recovery of outstanding balances from ILFS Group, Management of the Parent Company has provided an additional amount of ₹ 100.00 million during the quarter ended June 30, 2019, thereby making the total provision for ₹ 232.50 million for impairment in value of deposits as of June 30, 2019. The provision currently reflects the exposure that may arise given the uncertainty. With the resolution plan in progress, the Management of the Parent Company is hopeful of recovery through with a time lag. The Parent Company continues to monitor developments in the matter and is committed to take steps including legal action that may be necessary to ensure full recovery of the said deposits.
- In the notice of 29th Annual General Meeting (AGM) held on July 24, 2019, the Parent Company had proposed re-appointment of M/s. Dewshi Haskins & Sells LLP, Chartered Accountants ("Dewshi") as the statutory auditors for a second term of two years from the date of the 29th AGM till the conclusion of 31st AGM of the Parent Company to be held before September 30, 2021. The Parent Company has received a communication dated July 23, 2019 from Dewshi informing that their appointment is approved for an abridged term of 2 years, and not for 5 years, in their view, it will not be in accordance with the law and hence, they will not be able to accept the same. Accordingly, the Board of Directors of the Parent Company has decided to identify a suitable audit firm which would be appointed as the statutory auditors of the Parent Company, in terms of Section 129(10) of the Companies Act, 2013, Dewshi shall continue to be the statutory auditor of the Parent Company until the appointment of new statutory auditors.

By order of Board of Directors of Persistent Systems Limited

Pune
July 25, 2019Dr. Anand Deshpande
Chairman and Managing DirectorKiran Umrookar
Director

For risks and uncertainties relating to forward-looking statements, please visit our website : www.persistent.com