

CONDENSED INTERIM BALANCE SHEET AS AT SEPTEMBER 30, 2020

	Notes	As at September 30, 2020 (In ₹ Million)	As at September 30, 2019 (In ₹ Million)	As at March 31, 2020 (In ₹ Million)
ASSETS				
Non-current assets				
Property, Plant and Equipment	5.1	52.48	69.31	65.74
Capital work-in-progress		0.13	0.09	-
Other Intangible assets	5.2	467.53	893.30	605.04
Right-of-use Asset	5.3	175.74	162.77	128.99
Intangible assets under development		-	35.43	78.05
		<u>695.88</u>	<u>1,160.90</u>	<u>877.82</u>
Financial assets				
- Investments	6	188.19	198.49	211.97
- Loans	7	384.09	75.22	263.23
Deferred tax assets (net)	14	578.31	186.51	424.79
Other non-current assets	8	0.63	7.06	1.92
	(A)	<u>1,847.10</u>	<u>1,628.18</u>	<u>1,779.73</u>
Current assets				
Financial assets				
- Trade receivables	9	3,888.06	3,450.97	3,849.40
- Cash and cash equivalents	10	293.59	494.35	838.79
- Loans	11	47.94	100.79	85.32
- Other current financial assets	12	772.14	1,153.15	877.81
Current tax assets (net)		95.25	114.17	80.83
Other current assets	13	99.19	68.58	96.39
	(B)	<u>5,196.17</u>	<u>5,382.01</u>	<u>5,828.54</u>
TOTAL	(A) + (B)	<u>7,043.27</u>	<u>7,010.19</u>	<u>7,608.27</u>
EQUITY AND LIABILITIES				
EQUITY				
Equity share capital	4	2,478.01	2,478.01	2,478.01
Other equity		384.81	548.03	710.74
	(A)	<u>2,862.82</u>	<u>3,026.04</u>	<u>3,188.75</u>
LIABILITIES				
Non-current liabilities				
Financial liabilities				
- Lease liabilities	15	117.55	103.19	84.68
	(B)	<u>117.55</u>	<u>103.19</u>	<u>84.68</u>
Current liabilities				
Financial liabilities				
- Lease liabilities		75.36	80.20	61.65
- Trade payables	16	2,777.66	2,316.69	2,552.05
- Other financial liabilities	17	56.23	451.72	383.13
Other current liabilities	18	491.05	447.27	663.40
Provisions	19	662.60	585.08	674.61
	(C)	<u>4,062.90</u>	<u>3,880.96</u>	<u>4,334.84</u>
TOTAL	(A)+(B)+(C)	<u>7,043.27</u>	<u>7,010.19</u>	<u>7,608.27</u>

Summary of significant accounting policies

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The accompanying notes form an integral part of the condensed interim financial statements

As per our report of even date

For Walker Chandio & Co LLP
Chartered Accountants
Firm Registration No.: 001076N/N500013

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

Bharat Shetty
Partner
Membership No. :- 106815

Dr. Anand Deshpande **Thomas Klein**
Director Director

Place: Mumbai
Date : October 21, 2020

Place: Pune Place: Santa Clara
Date : October 21, 2020 Date : October 21, 2020

CONDENSED INTERIM STATEMENT OF PROFIT AND LOSS FOR THE QUARTER AND HALF YEAR ENDED SEPTEMBER 30, 2020

	Notes	For the quarter ended		For the half year ended		For the year ended
		September 30, 2020 (In ₹ Million)	September 30, 2019 (In ₹ Million)	September 30, 2020 (In ₹ Million)	September 30, 2019 (In ₹ Million)	March 31, 2020 (In ₹ Million)
Income						
Revenue from operations (net)	20	6,044.78	5,409.12	11,824.72	10,419.53	21,249.64
Other income	21	5.84	6.67	13.31	12.96	25.57
Total Income	(A)	6,050.62	5,415.79	11,838.03	10,432.49	21,275.21
Expenses						
Employee benefits expense	22.1	2,158.73	2,017.03	4,149.97	3,835.27	7,849.10
Cost of technical professionals	22.2	3,537.63	2,647.12	6,947.78	5,214.22	11,246.57
Finance cost		2.79	3.32	5.87	6.88	12.89
Depreciation and amortization expense	5.4	218.28	197.38	431.85	398.42	795.58
Other expenses	23	305.68	446.98	712.58	1,248.15	1,837.21
Total expenses	(B)	6,223.11	5,311.83	12,248.05	10,702.94	21,741.35
(Loss) / Profit before tax	(A - B)	(172.49)	103.96	(410.02)	(270.45)	(466.14)
Tax expense						
Current tax		3.67	20.61	5.81	22.65	24.74
Tax charge in respect of earlier years		-	-	-	-	57.51
Deferred tax credit		(75.15)	(14.59)	(166.89)	(16.24)	(227.77)
Total tax (credit)/ expense		(71.48)	6.02	(161.08)	6.41	(145.52)
Net Loss for the period/ year	(C)	(101.01)	97.94	(248.94)	(276.86)	(320.62)
Other comprehensive income						
Items that will be reclassified to profit and loss						
- Exchange differences on translating the financial statements	(D)	(70.43)	78.76	(76.99)	75.92	282.39
		(70.43)	78.76	(76.99)	75.92	282.39
Total comprehensive (loss)/ income for the period/ year (C) + (D)		(171.44)	176.70	(325.93)	(200.94)	(38.23)
Earnings per equity share [nominal value of Share \$ 0.10] (Previous period/ year \$0.10)						
Basic (In ₹)	24	(0.25)	0.24	(0.62)	(0.69)	(0.80)
Diluted (In ₹)		(0.25)	0.24	(0.62)	(0.69)	(0.80)
Summary of significant accounting policies	3					

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For and on behalf of the Board of Directors of
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Partner
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Dr. Anand Deshpande **Thomas Klein**
Director Director

Place: Mumbai
Date : October 21, 2020

Place: Pune Place: Santa Clara
Date : October 21, 2020 Date : October 21, 2020

CONDENSED INTERIM CASH FLOW STATEMENT FOR THE HALF YEAR ENDED SEPTEMBER 30, 2020

(In ₹ million)

Particulars	For the half year ended		For the year ended
	September 30, 2020	September 30, 2019	March 31, 2020
Cash flow from operating activities			
Loss before tax	(410.02)	(270.45)	(466.14)
Adjustments for:			
Exchange differences in translating the financial statements	(44.97)	(142.70)	22.96
Unrealised foreign exchange loss	40.52	-	9.14
Interest income	(7.48)	(8.55)	(17.98)
Profit on sale of Property, plant and equipment	-	-	(0.02)
Depreciation and amortization	431.85	398.42	795.58
Finance cost	5.87	6.88	12.89
Reversal of impairment loss on financial assets (net)	(65.97)	0.44	(57.10)
Reversal of Provision for diminution in value of Investment	-	-	(153.05)
Loss on disposal of subsidiary	-	145.06	300.10
Advances written off	-	13.14	-
Provision for doubtful debts (net)	48.59	0.38	43.21
Operating profit before working capital changes	(1.61)	142.62	489.59
Movements in working capital :			
Increase in trade receivable	(84.05)	(136.02)	(259.84)
(Increase) / decrease in other current assets	(2.80)	75.51	57.47
Decrease / (increase) in other non current assets	1.29	(0.63)	4.79
Decrease / (increase) in other current financial assets	121.56	(229.53)	124.33
(Decrease) / increase in trade payables, current liabilities and non current liabilities	(317.36)	200.12	210.06
Decrease in provisions	(12.01)	(230.62)	(204.58)
Operating profit after working capital changes	(294.98)	(178.55)	421.82
Direct taxes paid (net of refunds)	(20.23)	(15.90)	(58.40)
Net cash flow (used in) / generated from operating activities	(315.21)	(194.45)	363.42
Cash flows from investing activities			
Additions to Property, plant and equipment (including Intangible assets)	(187.27)	(38.23)	(114.29)
Deposit placed	(162.92)	(124.75)	(157.92)
Deposit returned	147.66	57.11	-
Investment realised	-	21.60	25.86
Interest received	0.37	5.24	12.34
Net cash flow used in from investing activities	(187.88)	(79.03)	(234.01)
Cash flows from financing activities			
Lease repayment	(42.11)	(48.60)	(107.05)
Net cash flow used in financing activities	(42.11)	(48.60)	(107.05)
Net (decrease) / increase in cash and cash equivalents (A + B + C)	(545.20)	(322.08)	22.36
Cash and cash equivalent transferred from Herald Tech. on dissolution	-	0.34	0.34
Cash and cash equivalents at the beginning of the period/ year	838.79	816.09	816.09
Cash and cash equivalents at the end of the period/ year (Refer Note 10)	293.59	494.35	838.79
Components of cash and cash equivalents as at	September 30, 2020	September 30, 2019	March 31, 2020
Cash on hand	0.01	0.01	0.01
Bank Balances with Banks	293.58	494.34	838.78
Cash and cash equivalents	293.59	494.35	838.79
(Refer Note 10)			
Summary of significant accounting policies	3		

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

As per our report of even date

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Dr. Anand Deshpande **Thomas Klein**
Director Director

Place: Mumbai
Date : October 21, 2020

Place: Pune Place: Santa Clara
Date : October 21, 2020 Date : October 21, 2020

Persistent Systems, Inc.**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED SEPTEMBER 30, 20****A. Equity share capital**

(Refer Note: 4)

(In ₹ Million)

Balance as at April 1, 2020	Changes in equity share capital during the period	Balance as at September 30, 2020
2,478.01	-	2,478.01

(In ₹ Million)

Balance as at April 1, 2019	Changes in equity share capital during the period	Balance as at September 30, 2019
2,478.01	-	2,478.01

(In ₹ Million)

Balance as at April 1, 2019	Changes in equity share capital during the year	Balance as at March 31, 2020
2,478.01	-	2,478.01

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CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED SEPTEMBER 30, 2020

B. Other equity

(In ₹ Million)

Particulars	Items of other comprehensive income		Total
	Retained earnings	Exchange differences on translating the financial statements of foreign operations*	
Balance as at April 1, 2020	73.54	637.20	710.74
Net Loss for the period	(248.94)	-	(248.94)
Change during the period	-	(76.99)	(76.99)
Balance at September 30, 2020	(175.40)	560.21	384.81

(In ₹ Million)

Particulars	Items of other comprehensive income		Total
	Retained earnings	Exchange differences on translating the financial statements of foreign operations*	
Balance as at April 1, 2019	406.92	354.81	761.73
Net Loss for the period	(276.86)	-	(276.86)
Transition impact on adoption of IND AS 116	(12.76)	-	(12.76)
Change during the period	-	75.92	75.92
Balance at September 30, 2019	117.30	430.73	548.03

(In ₹ Million)

Particulars	Items of other comprehensive income		Total
	Retained earnings	Exchange differences on translating the financial statements of foreign operations*	
Balance as at April 1, 2019	406.92	354.81	761.73
Net Loss for the year	(320.62)	-	(320.62)
Transition impact on adoption of IND AS 116	(12.76)	-	(12.76)
Change during the year	-	282.39	282.39
Balance at March 31, 2020	73.54	637.20	710.74

***Nature and purpose of reserves:**

Foreign currency translation reserve

The exchange differences arising from the translation of financial statements of foreign operations with functional currency other than Indian rupees is recognised in other comprehensive income, net of taxes and is presented within equity in the foreign currency translation reserve.

The accompanying notes form an integral part of the condensed interim financial statements

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Persistent Systems, Inc.

Bharat Shetty
Partner
Membership No. :- 106815

Dr. Anand Deshpande
Director

Thomas Klein
Director

Place: Mumbai
Date : October 21, 2020

Place: Pune
Date : October 21, 2020

Place: Santa Clara
Date : October 21, 2020

NOTES FORMING PART OF CONDENSED INTERIM FINANCIAL STATEMENTS

1. Nature of operations

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

2. Basis of preparation

The special purpose condensed interim financial statements for the quarter and half year ended September 30, 2020 of the Company have been prepared for the purpose of consolidation with the holding Company. These condensed interim financial statements have been prepared in accordance with the recognition and measurement principle of Ind AS 34, Interim Financial Reporting (Ind AS 34), as issued under Companies (Indian Accounting Standards) Rules 2015 as amended and notified under Section 133 of the Companies Act, 2013 ("the Act") except for presentation and disclosures requirement as required under the standard.

The Special purpose condensed interim financial statement has been prepared solely to enable the Company's management to provide information for the consolidation with the holding Company and for their internal use.

While preparing these condensed interim financial statements, the Company has presented the following:

- a. Balance Sheet as at September 30, 2020
- b. Statement of Profit and Loss for the quarter and half year ended September 30, 2020
- c. Statement of Cash Flow for the half year ended then ended
- d. Statement of Changes in Equity for the half year then ended
- e. Selected explanatory notes

Accordingly, these special purpose condensed interim financial statements, among other things, does not include notes and disclosures pertaining to Ind AS 24 (Related Party Disclosures), Ind AS 113 (Fair Value Measurement) and Ind AS 107 (Financial Instrument: Disclosures) which are required to be disclosed in accordance with paragraph 15B and paragraph 16A of Ind AS 34.

3. Summary of significant accounting policies

A. Accounting year

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

B. Functional currency

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

C. Use of estimates

The preparation of the condensed interim financial statements in conformity with Ind AS requires the management to make, judgements, 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.

NOTES FORMING PART OF CONDENSED INTERIM FINANCIAL STATEMENTS

Estimation of uncertainties relating to the global health pandemic from COVID-19:

The Company has evaluated the likely impact of the COVID-19 on the overall business of the Company. Though it is too early to estimate the same in view of the volatility in the global economic conditions pursuant to this pandemic; the Company as at the date of the approval of these financials, has used various available sources of information to analyse the carrying amount of its financial assets and exposures. The impact of COVID-19 on the Company's condensed interim financial statements may differ from the estimate as on the date of the approval of the condensed interim financial statements.

Expected credit loss:

The Company has considered the current and anticipated future economic conditions relating to industries the Company deals with and the countries where it operates. In calculating expected credit loss, the Company has also considered related credit information for its customers to estimate the probability of default in future and has taken into account estimates of possible effect from the pandemic relating to COVID -19 using the forward looking approach prescribed by Ind AS 109.

Impact on revenue:

The Company continues to re-evaluate the probable revenues from customers in various verticals to assess any possible drops in revenue from any of these verticals due to the economic stress caused by COVID – 19. Accordingly, it is the opinion of the Company that the customers could re-prioritise their discretionary spend in the immediate future to conserve resources.

The impact assessment of COVID – 19 is a continuing process given the uncertainties associated with its nature and duration. The Company has considered the same to the extent known currently and has taken steps to measure the cost budgets required to complete its performance obligations in respect of fixed price contracts and incorporated the impact of likely delays and costs in meeting its obligations.

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.

Further, the Company uses significant judgement while determining the transaction price allocated to performance obligations using the expected cost plus margin approach.

In respect of the contracts where the transaction price is payable as revenue share at pre-defined percentage of customer revenue and bearing in mind, the time gap between the close of the accounting period / year and availability of the revenue report from the customer, the Company is required to use its judgement to ascertain the income from revenue share on the basis of historical trends of customer revenue.

ii. Income taxes

The Company's major tax jurisdiction is United States of America, 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

NOTES FORMING PART OF CONDENSED INTERIM FINANCIAL STATEMENTS

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 of the amount 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.

v. Internally generated Intangible assets

During the period, the management continued to assess the recoverability of the Company's internally generated intangible assets including those under development. Based on the current revenue generated from these lines of business, expected future revenue and the basis of amortization followed, the management considers the carrying value of these intangible assets as recoverable.

vi. Leases

Ind AS 116 requires lessees to determine the lease term as the non-cancellable period of a lease adjusted with any option to extend or terminate the lease, if the use of such option is reasonably certain. The Company makes an assessment on the expected lease term on a lease-by-lease basis and thereby assesses whether it is reasonably certain that any options to extend or terminate the contract will be exercised. In evaluating the lease term, the Company considers factors such as any significant leasehold improvements undertaken over the lease term, costs relating to the termination of the lease and the importance of the underlying asset to the Company's operations taking into account the location of the underlying asset and the availability of suitable alternatives. The lease term in future periods is reassessed to ensure that the lease term reflects the current economic circumstances. After considering current and future economic conditions, the Company has concluded that no changes are required to lease periods relating to the existing lease contracts.

D. Property, plant and equipment

Property, plant and equipment 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 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 original cost only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing fixed assets, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.

Gains or losses arising from disposal of 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 derecognized.

NOTES FORMING PART OF CONDENSED INTERIM FINANCIAL STATEMENTS

E. 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 directly 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 in which these are incurred.

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 derecognized.

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 intangibles under development.

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

F. Business combinations:

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the

- Fair values of the assets transferred;
- Liabilities incurred to the former owners of the acquired business;
- Equity interests issued by the Group; and
- Fair value of any asset or liability resulting from a contingent consideration arrangement.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- Consideration transferred;
- Amount of any non-controlling interest in the acquired entity, and
- Acquisition-date fair value of any previous equity interest in the acquired entity

NOTES FORMING PART OF CONDENSED INTERIM FINANCIAL STATEMENTS

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized in other comprehensive income and accumulated in equity as capital reserve provided there is clear evidence of the underlying reasons for classifying the business combination as a bargain purchase. In other cases, the bargain purchase is recognized directly in equity as capital reserve.

G. 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
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

Leasehold improvements are amortized over the period of lease or useful life, whichever is lower.

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

Intangible assets are amortized on a straight-line basis over their estimated useful lives ranging from 3 to 6 years from the day the asset is made available for use.

H. Borrowing Cost:

Borrowing cost includes interest and 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 period in which they occur.

I. Financial instruments

i. Financial assets

Initial recognition and measurement

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets (other than financial assets at fair value through profit or loss) are added to the fair value of the financial assets on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in the statement of profit and loss.

Subsequent measurement

NOTES FORMING PART OF CONDENSED INTERIM FINANCIAL STATEMENTS

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 asset which does not meet the criteria for categorization as financial instruments at amortized cost or as FVTOCI, is classified as financial instrument at FVTPL. Financial instruments 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 initially measured at fair value. Transaction costs that are directly attributable to issue of financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are deducted from the fair value of the financial liabilities on initial recognition. Transaction costs directly attributable to the issue of financial liabilities at fair value through profit or loss are recognised immediately in the statement of profit and loss.

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 at fair value through profit or loss if the recognition criteria as per Ind AS 109- "Financial Instruments" 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 at FVTPL.

NOTES FORMING PART OF CONDENSED INTERIM FINANCIAL STATEMENTS

Derecognition

The Company derecognizes financial liabilities when the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognised in the statement of profit and loss.

J. 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 debt 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 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 unless the asset does not generate cash flows that are largely independent of those from other assets. In such case, the recoverable

amount is determined for the Cash Generating Unit (CGU) to which the asset belongs. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The recoverable amount is the greater of the asset's fair value and its 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.

An impairment loss is recognised in the statement of profit and loss.

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

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 services and products

The Company derives revenues primarily from IT services comprising of software development and related services and from the licensing of software products.

Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration expected to receive in exchange for those products or services. Arrangements with customers for software related services are either on a time-and-material or fixed price basis.

NOTES FORMING PART OF CONDENSED INTERIM FINANCIAL STATEMENTS

Revenue on time-and-material contracts are recognized as and when the related services are performed. Revenue from fixed-price contracts, where the performance obligations are satisfied over time and where there is no uncertainty as to measurement or collectability of consideration, is recognized as per the percentage-of-completion method. When there is uncertainty as to measurement or ultimate collectability, revenue recognition is postponed until such uncertainty is resolved.

Revenue from licenses where the customer obtains a “right to use” the licenses is recognized at the time the license is made available to the customer. Revenue from licenses where the customer obtains a “right to access” is recognized over the access period.

When support services are provided in conjunction with the licensing arrangement and the license and the support services have been identified as two separate performance obligations, the transaction price for such contracts are allocated to each performance obligation of the contract based on their relative standalone selling prices. Maintenance revenue is recognized proportionately over the period in which the services are rendered.

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

The Company accounts for volume discounts and pricing incentives to customers as a reduction of revenue based on the proportionate allocation of the discounts amount to each of the underlying performance obligation that corresponds to the progress by the customer towards earning the discount. Also, when the level of discount varies with increases in levels of revenue transactions, the Company recognizes the liability based on its estimate of the customer's future purchases. If it is probable that the criteria for the discount will not be met, or if the amount thereof cannot be estimated reliably, then discount is not recognized until the payment is probable and the amount can be estimated reliably. The Company recognizes changes in the estimated amount of obligations for discounts in the period in which the change occurs.

Unbilled revenue represents revenue recognized in relation to work done 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.

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

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

L. Foreign currency transaction and translation

i. Initial recognition

Foreign currency transactions are recorded in the functional currency, i.e. 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.

NOTES FORMING PART OF CONDENSED INTERIM FINANCIAL STATEMENTS

ii. Conversion

The transactions are in US Dollars, which are converted for reporting in Indian currency on the following basis. The equity share capital is translated on the date of transaction and fixed assets and investments are translated at the closing rate as at the date of the balance sheet. All other assets and 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 transferred to Currency Translation Reserve and the said amount is shown under the head "Other Equity".

iii. Settlement:

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

M. Retirement and other employee benefits

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 in the reporting period in which they occur. Remeasurements are not reclassified to the statement of profit and loss subsequently.

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 beyond 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 tax authorities in accordance with the tax laws prevailing in United States. 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.

NOTES FORMING PART OF CONDENSED INTERIM FINANCIAL STATEMENTS

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.

O. 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.

P. Leases

The Company's lease asset classes primarily consist of leases for office premises. The Company assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- i. the contract involves the use of an identified asset;
- ii. the Company has substantially all of the economic benefits from use of the asset through the period of the lease; and
- iii. the Company has the right to direct the use of the asset

Where the Company is a lessee

The Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract and allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Company recognises right-of-use asset representing its right to use the underlying asset for the lease term at the lease commencement date. The cost of the right-of-use asset measured at inception shall comprise of the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date less any lease incentives received, plus any initial direct costs incurred and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset or restoring the underlying asset or site on which it is located.

The right-of-use assets is subsequently measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability. The right-of-use assets is depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset. The estimated useful lives of right-of use assets are determined on the same basis as those of property, plant and equipment.

Right-of-use assets are tested for impairment whenever there is any indication that their carrying amounts may not be recoverable. Impairment loss, if any, is recognised in the statement of profit and loss.

The Company measures the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses incremental borrowing rate.

The lease payments shall include fixed payments, variable lease payments based on an index or rate, residual value guarantees, exercise price of a purchase option where the Company is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

NOTES FORMING PART OF CONDENSED INTERIM FINANCIAL STATEMENTS

The lease liability is subsequently remeasured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or statement of profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected not to apply the requirements of Ind AS 116 to short-term leases of all assets that have a lease term of 12 months or less and leases for which the underlying asset is of low value. The lease expenses associated with these leases are recognized in the statement of profit and loss on a straight line basis.

Company as a lessor

At the inception of the lease, the Company classifies each of its leases as either an operating lease or a finance lease. The Company recognises lease payments received under operating leases as income over the lease term on a straight line basis.

Q. Earnings per share (EPS)

Basic earnings per share are calculated by dividing the net profit / loss 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 reporting period / year 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 / year, 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 / loss 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.

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

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

NOTES FORMING PART OF CONDENSED INTERIM FINANCIAL STATEMENTS

4. Share capital

	As at September 30, 2020	As at September 30, 2019	As at March 31, 2020
Authorised (In USD Million)			
650,000,000 (Corresponding period / Previous year 650,000,000) Common Shares of \$0.10 each	\$ 65	\$ 65	\$ 65
	<u>\$ 65</u>	<u>\$ 65</u>	<u>\$ 65</u>
Issued, subscribed and paid-up (In ₹ Million)			
402,000,000 (Corresponding period / Previous year 402,000,000) Common Shares of \$0.10 each fully paid up. All shares are held by Holding Company i.e. Persistent Systems Limited.	2,478.01	2,478.01	2,478.01
	<u>2,478.01</u>	<u>2,478.01</u>	<u>2,478.01</u>

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

	As At September 30, 2020		As At September 30, 2019		As At March 31, 2020	
	No. of Shares	Amount (In ₹ Million)	No. of Shares	Amount (In ₹ Million)	No. of Shares	Amount (In ₹ Million)
No. of Shares at the beginning of the reporting period/ year	402,000,000	2,478.01	402,000,000	2,478.01	402,000,000	2,478.01
Add : Additional Shares issued during the period/ year	-	-	-	-	-	-
No. of Shares at the end of the reporting period/ year	<u>402,000,000</u>	<u>2,478.01</u>	<u>402,000,000</u>	<u>2,478.01</u>	<u>402,000,000</u>	<u>2,478.01</u>

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NOTES FORMING PART OF CONDENSED INTERIM FINANCIAL STATEMENTS
5.1 Property, plant and equipment

	(In ₹ Million)				
	Office Equipment	Computers	Furniture & fixtures	Leasehold improvements	Total
Gross block					
As at April 1, 2020	36.87	236.97	123.59	0.78	398.21
Additions	-	7.82	2.93	-	10.75
Disposals	-	(4.56)	-	-	(4.56)
Effect of foreign currency translation from functional currency to reporting currency	(0.88)	(5.58)	(3.19)	(0.02)	(9.67)
As at September 30, 2020	35.99	234.65	123.33	0.76	394.73
Accumulated depreciation					
As at April 1, 2020	28.25	200.31	103.41	0.50	332.47
Charge for the period	2.80	10.73	8.88	0.06	22.47
Disposals	-	(4.56)	-	-	(4.56)
Effect of foreign currency translation from functional currency to reporting currency	(0.71)	(4.65)	(2.75)	(0.02)	(8.13)
As at September 30, 2020	30.34	201.83	109.54	0.54	342.25
Net block					
As at September 30, 2020	5.65	32.82	13.79	0.22	52.48
As at March 31, 2020	8.62	36.66	20.18	0.28	65.74

	(In ₹ Million)				
	Office Equipment	Computers	Furniture & fixtures	Leasehold improvements	Total
Gross block					
As at April 1, 2019	33.67	203.75	112.89	0.71	351.02
Additions	0.01	13.74	-	-	13.75
Disposals	-	(12.05)	-	-	(12.05)
Effect of foreign currency translation from functional currency to reporting currency	0.85	5.48	2.85	0.02	9.20
As at September 30, 2019	34.53	210.92	115.74	0.73	361.92
Accumulated depreciation					
As at April 1, 2019	20.03	172.31	78.11	0.34	270.79
Charge for the period	3.09	15.03	8.31	0.06	26.49
Disposals	-	(11.99)	-	-	(11.99)
Effect of foreign currency translation from functional currency to reporting currency	0.55	4.68	2.08	0.01	7.32
As at September 30, 2019	23.67	180.03	88.50	0.41	292.61
Net block					
As at September 30, 2019	10.86	30.89	27.24	0.32	69.31
As at March 31, 2019	13.64	31.44	34.78	0.37	80.23

	(In ₹ Million)				
	Office Equipment	Computers	Furniture & fixtures	Leasehold improvements	Total
Gross block					
As at April 1, 2019	33.67	203.75	112.89	0.71	351.02
Additions	0.01	30.31	-	-	30.32
Disposals	-	(16.87)	-	-	(16.87)
Effect of foreign currency translation from functional currency to reporting currency	3.19	19.78	10.70	0.07	33.74
As at March 31, 2020	36.87	236.97	123.59	0.78	398.21
Accumulated depreciation					
As at April 1, 2019	20.03	172.31	78.11	0.34	270.79
Charge for the year	5.96	26.86	16.76	0.12	49.70
Disposals	-	(16.32)	-	-	(16.32)
Effect of foreign currency translation from functional currency to reporting currency	2.26	17.46	8.54	0.04	28.30
As at March 31, 2020	28.25	200.31	103.41	0.50	332.47
Net block					
As at March 31, 2020	8.62	36.66	20.18	0.28	65.74
As at March 31, 2019	13.64	31.44	34.78	0.37	80.23

NOTES FORMING PART OF CONDENSED INTERIM FINANCIAL STATEMENTS

5.2 Other Intangible assets

	(In ₹ Million)		
	Software	Acquired contractual rights	Total
Gross block			
As at April 1, 2020	1,234.16	3,162.16	4,396.32
Additions	-	75.68	75.68
Additions through business combination (refer note 28)	-	178.76	178.76
Effect of foreign currency translation from functional currency to reporting currency	(28.63)	(86.35)	(114.98)
As at September 30, 2020	1,205.53	3,330.25	4,535.78
Accumulated Amortization			
As at April 1, 2020	1,233.99	2,557.29	3,791.28
Charge for the period	0.08	375.96	376.04
Effect of foreign currency translation from functional currency to reporting currency	(28.62)	(70.45)	(99.07)
As at September 30, 2020	1,205.45	2,862.80	4,068.25
Net block			
As at September 30, 2020	0.08	467.45	467.53
As at March 31, 2020	0.17	604.87	605.04
<hr/>			
	(In ₹ Million)		
	Software	Acquired contractual rights	Total
Gross block			
As at April 1, 2019	1,127.28	2,791.56	3,918.84
Additions	-	97.75	97.75
Effect of foreign currency translation from functional currency to reporting currency	28.42	71.83	100.25
As at September 30, 2019	1,155.70	2,961.14	4,116.84
Accumulated Amortization			
As at April 1, 2019	1,114.95	1,702.71	2,817.66
Charge for the period	12.17	318.18	330.35
Effect of foreign currency translation from functional currency to reporting currency	28.28	47.25	75.53
As at September 30, 2019	1,155.40	2,068.14	3,223.54
Net block			
As at September 30, 2019	0.30	893.00	893.30
As at March 31, 2019	12.33	1,088.85	1,101.18

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NOTES FORMING PART OF CONDENSED INTERIM FINANCIAL STATEMENTS

	(In ₹ Million)		
	Software	Acquired contractual rights	Total
Gross block			
As at April 1, 2019	1,127.28	2,791.56	3,918.84
Additions	-	97.75	97.75
Effect of foreign currency translation from functional currency to reporting currency	106.88	272.85	379.73
As at March 31, 2020	1,234.16	3,162.16	4,396.32
Accumulated Amortization			
As at April 1, 2019	1,114.95	1,702.71	2,817.66
Charge for the year	12.48	649.20	661.68
Effect of foreign currency translation from functional currency to reporting currency	106.56	205.38	311.94
As at March 31, 2020	1,233.99	2,557.29	3,791.28
Net block			
As at March 31, 2020	0.17	604.87	605.04
As at March 31, 2019	12.33	1,088.85	1,101.18

5.3 Right-of-use Asset

	(In ₹ Million)
	Office Premises
Gross block	
As at April 1, 2020	217.69
Additions	84.99
Disposals	(39.16)
Effect of foreign currency translation from functional currency to reporting currency	(7.04)
As at September 30, 2020	256.48
Accumulated depreciation	
As at April 1, 2020	88.70
Charge for the period	33.34
Disposals	(39.16)
Effect of foreign currency translation from functional currency to reporting currency	(2.14)
As at September 30, 2020	80.74
Net block	
As at September 30, 2020	175.74
As at March 31, 2020	128.99
(In ₹ Million)	
Office Premises	
Gross block	
As at April 1, 2019	-
Additions (Transitional impact on adoption of Ind AS 116)	149.87
Additions	58.90
Disposals	(9.35)
Effect of foreign currency translation from functional currency to reporting currency	4.43
As at September 30, 2019	203.85
Accumulated depreciation	
As at April 1, 2019	-
Charge for the period	41.58
Disposals	(1.08)
Effect of foreign currency translation from functional currency to reporting currency	0.58
As at September 30, 2019	41.08
Net block	
As at September 30, 2019	162.77

NOTES FORMING PART OF CONDENSED INTERIM FINANCIAL STATEMENTS

	<u>(In ₹ Million)</u>
	<u>Office Premises</u>
Gross block	
As at April 1, 2019	-
Additions (Transitional impact on adoption of Ind AS 116)	149.87
Additions	58.90
Disposals	(9.35)
Effect of foreign currency translation from functional currency to reporting currency	18.27
As at March 31, 2020	<u>217.69</u>
Accumulated depreciation	
As at April 1, 2019	
Charge for the year	84.20
Disposals	(1.12)
Effect of foreign currency translation from functional currency to reporting currency	5.62
As at March 31, 2020	<u>88.70</u>
Net block	
As at March 31, 2020	<u>128.99</u>

5.4 Depreciation and amortization

	For the quarter ended		For the half year ended		For the year ended
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019	March 31, 2020
	(In ₹ Million)	(In ₹ Million)	(In ₹ Million)	(In ₹ Million)	(In ₹ Million)
On Property, plant and equipment	10.90	13.22	22.47	26.49	49.70
On Other intangible assets	190.78	162.97	376.04	330.35	661.68
On Right-of-use asset	16.60	21.19	33.34	41.58	84.20
	<u>218.28</u>	<u>197.38</u>	<u>431.85</u>	<u>398.42</u>	<u>795.58</u>

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Persistent Systems, Inc.
NOTES FORMING PART OF CONDENSED INTERIM FINANCIAL STATEMENTS
6. Non-current financial assets : Investments

	As at September 30, 2020 (In ₹ Million)	As at September 30, 2019 (In ₹ Million)	As at March 31, 2020 (In ₹ Million)
Investments carried at cost			
Unquoted investments			
Investments in Equity Instruments			
-In Wholly owned Subsidiary Companies			
Persistent Telecom Solutions, Inc.			
2,480 (corresponding period 2,480; Previous year 2,480) shares of \$ 0.001 each, fully paid up	457.28	439.29	469.11
Less: Provision for diminution in value of investment	(457.28)	(439.29)	(469.11)
Aepona Group Limited			
5,644,820 Class "A" ordinary shares of Euro 0.012 each and 544,417,875,500 Class "B" ordinary shares of GBP 0.000001 each (Corresponding period Nil ; Previous year: 5,644,820 Class "A" ordinary shares of Euro 0.012 each and 544,417,875,500 Class "B" ordinary shares of GBP 0.000001 each)	166.47	-	170.77
Less: Provision for diminution in value of investment	(166.47)	-	(170.77)
Aepona Holdings Limited, Ireland			
Nil (Corresponding period 5,647,319 "A" ordinary share of Euro 0.012 each and 545,245,060,316 "B" ordinary shares of GBP 0.000001 each ; Previous year Nil)	-	312.93	-
Less: Provision for diminution in value of investment	-	(312.93)	-
Persistent Systems Israel Limited			
3,867,400 (Corresponding period 3,867,400; Previous year: 3,867,400) ordinary shares of 0.1 NIS par value	7.46	7.16	7.63
Persistent Systems Mexico, S.A. de C. V			
99,999 (Corresponding period 99,999; Previous year 99,999) ordinary shares of 0.1 Pesos par value	3.98	3.83	4.09
Total Investments in Equity Instruments carried at cost	11.44	10.99	11.72
Designated as Fair Value through Profit and Loss (FVTPL)			
Unquoted Investments			
Investments in Preferred Stocks			
HygineX, Inc.			
250,000 (Corresponding period: 250,000, Previous year - 250,000) Preferred stock of \$ 0.001 each, fully paid up	14.75	14.17	15.13
Less: Loss on FVTPL measurement	(14.75)	(14.17)	(15.13)
OpsDataStore, Inc.			
200,000 (Corresponding period: 200,000, Previous year - 200,000) Preferred Stock of \$ 0.001 each, fully paid up	14.75	14.17	15.13
Less: Loss on FVTPL measurement	(14.75)	(14.17)	(15.13)
Trunomi, Inc.			
277,778 (Corresponding period- 277,778, Previous year - 277,778) Preferred Stock of \$ 0.0002 each, fully paid up	18.44	17.71	18.92
Ampool, Inc.			
545,494 (Corresponding period: 545,494, Previous year - 545,494) Preferred Stock of \$ 0.4583 each, fully paid up	18.44	17.71	18.92
Less: Loss on FVTPL measurement	(18.44)	-	-
Cazena, Inc.			
588,638 Common Stock of \$ 0.0001 each (Corresponding period: 353,183 Preferred Stock of \$ 0.0001 each, Previous year - 588,638 Common Stock of \$ 0.0001 each) , fully paid up	147.51	141.71	151.33
Total Investments in Stocks carried at fair value	165.95	177.13	189.17
Investments in Convertible Notes			
In DxNow			
Note of \$ 125,000 each, fully paid up (Corresponding period - \$ 125,000 ,Previous year - \$ 125,000)	9.22	8.86	9.46
Less: Loss on FVTPL measurement	(9.22)	(8.86)	(9.46)
In Ustyme			
Note of \$ 250,000 each, fully paid up (Corresponding period - \$ 250,000 , Previous year - \$ 250,000)	18.44	17.71	18.92
Less: Loss on FVTPL measurement	(18.44)	(17.71)	(18.92)
In Akumina Inc.			
Note of \$ 146,429 each, fully paid up(Corresponding period- \$ 146,429, Previous year- \$ 146,429)	10.80	10.37	11.08
Total Investments in Convertible Notes carried at fair value	10.80	10.37	11.08
Total Investments	188.19	198.49	211.97
Aggregate amount of diminution in value of investments / Loss on FVTPL measurement	699.35	807.13	698.52
Aggregate amount of Quoted investments	-	-	-
Aggregate amount of Unquoted investments	887.54	1,005.62	910.49

Persistent Systems, Inc.
NOTES FORMING PART OF CONDENSED INTERIM FINANCIAL STATEMENTS
7. Non current financial assets : loans

	As at September 30, 2020 (In ₹ Million)	As at September 30, 2019 (In ₹ Million)	As at March 31, 2020 (In ₹ Million)
Loans to related parties (Unsecured) at amortised cost			
- Persistent Telecom Solutions, Inc. (Repayment terms : At the end of three years) (Rate of Interest: US Prime rate + 150 bps)	-	70.85	-
- Interest accrued but not due at amortised cost	-	0.45	-
Less: Credit Impaired	-	(71.30)	-
	<u>73.76</u>	<u>-</u>	<u>76.17</u>
- Persistent Systems México, S.A. de C.V. (Repayment terms : At the end of three years) (Rate of Interest: Libor + 70 bps)	-	-	-
- Interest accrued but not due at amortised cost	4.39	-	3.36
	<u>78.15</u>	<u>-</u>	<u>79.53</u>
-Aepona Limited, UK (Repayment terms : At the end of three years) (Rate of Interest: Libor + 200 bps)	-	120.45	128.63
- Interest accrued but not due at amortised cost	-	1.92	2.29
Less: Credit Impaired	-	(122.37)	(130.92)
	<u>-</u>	<u>-</u>	<u>-</u>
PARX Consulting GmbH (Repayment terms : At the end of three years) (Rate of Interest: Libor + 225 bps)	60.43	-	61.72
- Interest accrued but not due at amortised cost	1.26	-	0.27
	<u>61.69</u>	<u>-</u>	<u>61.99</u>
PARX Werk AG (Repayment terms : At the end of three years) (Rate of Interest: Libor + 225 bps)	71.89	54.89	73.86
- Interest accrued but not due at amortised cost	2.01	0.11	0.88
	<u>73.90</u>	<u>55.00</u>	<u>74.74</u>
Youperience GmbH (Repayment terms : At the end of three years) (Rate of Interest: Libor + 225 bps)	16.41	-	16.84
- Interest accrued but not due at amortised cost	0.09	-	0.22
	<u>16.50</u>	<u>-</u>	<u>17.06</u>
- Persistent Systems France SAS (Repayment terms : At the end of three years) (Rate of Interest: Libor + 225 bps)	73.76	14.17	-
- Interest accrued but not due at amortised cost	0.18	0.38	-
	<u>73.94</u>	<u>14.55</u>	<u>-</u>
- Persistent Systems Germany GmbH (Repayment terms : At the end of three years) (Rate of Interest: Libor + 225 bps)	70.07	-	-
- Interest accrued but not due at amortised cost	0.34	-	-
	<u>70.41</u>	<u>-</u>	<u>-</u>
Loans to Others			
Loan to LHS Solutions, Inc.	-	-	24.28
- Interest accrued but not due at amortised cost	-	-	-
	<u>-</u>	<u>-</u>	<u>24.28</u>
Security deposits			
Unsecured, considered good	9.50	5.67	5.63
	<u>384.09</u>	<u>75.22</u>	<u>263.23</u>

8. Other non-current assets

	As at September 30, 2020 (In ₹ Million)	As at September 30, 2019 (In ₹ Million)	As at March 31, 2020 (In ₹ Million)
Unsecured, considered good			
Capital Advance	-	2.87	-
Advances recoverable in cash or kind or for value to be received	0.63	4.19	1.92
	<u>0.63</u>	<u>7.06</u>	<u>1.92</u>

9. Trade receivables

	As at September 30, 2020 (In ₹ Million)	As at September 30, 2019 (In ₹ Million)	As at March 31, 2020 (In ₹ Million)
Unsecured, considered good	3,888.06	3,450.97	3,849.40
Unsecured, credit impaired	120.77	27.35	74.84
	<u>4,008.83</u>	<u>3,478.32</u>	<u>3,924.24</u>
Less : Allowance for credit loss	120.77	27.35	74.84
	<u>3,888.06</u>	<u>3,450.97</u>	<u>3,849.40</u>

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Persistent Systems, Inc.
NOTES FORMING PART OF CONDENSED INTERIM FINANCIAL STATEMENTS
10. Cash and cash equivalents

	As at September 30, 2020 (In ₹ Million)	As at September 30, 2019 (In ₹ Million)	As at March 31, 2020 (In ₹ Million)
Cash and cash equivalents as presented in cash flow statement			
Cash on hand	0.01	0.01	0.01
Balances with banks			
-On current accounts	293.58	494.34	838.78
	293.59	494.35	838.79

11. Current financial assets : loans

	As at September 30, 2020 (In ₹ Million)	As at September 30, 2019 (In ₹ Million)	As at March 31, 2020 (In ₹ Million)
Carried at amortised cost			
Unsecured considered good			
Loans to related parties			
- Persistent Telecom Solutions Inc (Repayment terms : At the end of three years) (Rate of Interest: US Prime rate + 150 bps)	-	-	78.03
- Aepona Limited, UK (Repayment terms : At the end of three years) (Rate of Interest: Libor + 200 bps)	59.00	-	-
Less: Impairment	(59.00)	-	-
- Persistent Systems México, S.A. de C.V. (Repayment terms : At the end of three years) (Rate of Interest: Libor + 70 bps)	-	70.66	-
Interest accrued on loan to related parties			
- Persistent Telecom Solutions Inc	-	-	0.48
- Persistent Systems France SAS	-	-	0.40
- Persistent Systems México, S.A. de C.V.	-	2.00	-
- Aepona Limited, UK	2.54	-	-
Loans to Others			
Loan to LHS Solutions, Inc.	22.10	22.11	-
- Interest accrued but not due at amortised cost	1.67	-	-
Security deposits			
Unsecured, considered good	21.63	6.02	6.41
	47.94	100.79	85.32

12. Other current financial assets

	As at September 30, 2020 (In ₹ Million)	As at September 30, 2019 (In ₹ Million)	As at March 31, 2020 (In ₹ Million)
Advance to related parties			
Unsecured considered good			
- Persistent Systems France SAS	6.07	0.02	6.23
- Valista Limited Ireland	0.04	0.04	0.04
- Aepona Limited, UK	29.46	42.46	45.35
Less: Credit Impaired	(29.46)	(42.46)	(45.35)
- Persistent Systems Israel Limited	-	73.22	-
- Persistent Systems Lanka (Private) Limited	-	-	0.55
- Persistent Telecom Solutions, Inc.	-	13.27	-
- PARX Consulting GmbH	3.38	-	3.46
- Persistent Systems Germany GmbH	8.38	-	8.60
- Persistent Systems Limited	-	-	2.80
	17.87	86.55	21.68
Unbilled Revenue	754.27	1,066.60	856.13
	754.27	1,066.60	856.13
	772.14	1,153.15	877.81

13. Other current assets

	As at September 30, 2020 (In ₹ Million)	As at September 30, 2019 (In ₹ Million)	As at March 31, 2020 (In ₹ Million)
Unsecured, considered good			
Advances recoverable in cash or kind or for value to be received	97.85	67.55	96.39
VAT receivable	1.34	1.03	-
	99.19	68.58	96.39

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NOTES FORMING PART OF CONDENSED INTERIM FINANCIAL STATEMENTS

14. Deferred tax assets / liabilities (net)

	As at September 30, 2020 (In ₹ Million)	As at September 30, 2019 (In ₹ Million)	As at March 31, 2020 (In ₹ Million)
Deferred tax assets			
Provision for doubtful debts	32.25	8.03	20.29
Employee related payments	80.88	22.28	76.73
Leave encashment	84.35	66.79	74.41
Tax Credit	272.15	191.78	261.11
Diminution in Investment	103.61	43.21	100.69
Difference in Book values and tax base values of ROU asset and lease liability	4.60	5.24	4.11
Others	24.04	-	5.66
	<u>601.88</u>	<u>337.33</u>	<u>543.00</u>
Deferred tax liabilities			
Accumulated Losses	(2.22)	(10.40)	(21.55)
Differences in book values and tax base values of block of Property, plant and equipment and other intangible assets	(21.35)	(140.42)	(96.66)
Deferred tax asset (net)	<u>578.31</u>	<u>186.51</u>	<u>424.79</u>

15. Other long term financial liabilities

	As at September 30, 2020 (In ₹ Million)	As at September 30, 2019 (In ₹ Million)	As at March 31, 2020 (In ₹ Million)
Lease liabilities	192.91	183.39	146.33
Less: Current portion of lease liabilities	(75.36)	(80.20)	(61.65)
	<u>117.55</u>	<u>103.19</u>	<u>84.68</u>

Movement of lease liabilities

	For the half year ended		For the year ended
	September 30, 2020 (In ₹ Million)	September 30, 2019 (In ₹ Million)	March 31, 2020 (In ₹ Million)
Opening balance	146.33	-	-
Additions (transitional impact on adoption of Ind AS 116)	-	173.85	185.18
Addition during the period/ year	82.82	59.77	64.40
Deletion during the period/ year	-	(8.51)	(9.09)
Add: Interest recognised during the period/ year	5.87	6.88	12.89
Less: Payments made	(42.11)	(48.60)	(107.05)
Closing balance	<u>192.91</u>	<u>183.39</u>	<u>146.33</u>

16. Trade payables

	As at September 30, 2020 (In ₹ Million)	As at September 30, 2019 (In ₹ Million)	As at March 31, 2020 (In ₹ Million)
Trade payables for goods and services	2,777.66	2,316.69	2,552.05
	<u>2,777.66</u>	<u>2,316.69</u>	<u>2,552.05</u>

Persistent Systems, Inc.**NOTES FORMING PART OF CONDENSED INTERIM FINANCIAL STATEMENTS****17. Current financial liabilities : Others**

	As at September 30, 2020 (In ₹ Million)	As at September 30, 2019 (In ₹ Million)	As at March 31, 2020 (In ₹ Million)
Accrued employee liabilities	7.82	314.17	302.29
Advances from related parties (Unsecured, considered good)			
- Persistent Systems Limited	13.40	116.12	65.25
- Persistent Telecom Solutions, Inc.	-	13.52	14.44
- Persistent Systems Germany GmbH	-	7.39	0.98
- Persistent Systems Lanka (Private) Limited	0.41	0.52	0.17
- Aepona Group Limited	34.60	-	-
	56.23	451.72	383.13

18. Other current liabilities

	As at September 30, 2020 (In ₹ Million)	As at September 30, 2019 (In ₹ Million)	As at March 31, 2020 (In ₹ Million)
Unearned revenue	378.82	338.70	462.82
Advance from customers	112.23	108.57	198.31
VAT payable (net)	-	-	2.27
	491.05	447.27	663.40

19. Provisions

	As at September 30, 2020 (In ₹ Million)	As at September 30, 2019 (In ₹ Million)	As at March 31, 2020 (In ₹ Million)
Provision for employee benefits			
- Leave encashment	322.41	254.35	285.16
- Other employee benefits	340.19	330.73	389.45
	662.60	585.08	674.61

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NOTES FORMING PART OF CONDENSED INTERIM FINANCIAL STATEMENTS

20. Revenue from operations (net)

	For the quarter ended		For the half year ended		For the year ended
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019	March 31, 2020
	(In ₹ Million)	(In ₹ Million)	(In ₹ Million)	(In ₹ Million)	(In ₹ Million)
Software licenses	39.04	118.91	165.12	182.91	342.49
Software services	6,005.74	5,290.21	11,659.60	10,236.62	20,907.15
	6,044.78	5,409.12	11,824.72	10,419.53	21,249.64

21. Other income

	For the quarter ended		For the half year ended		For the year ended
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019	March 31, 2020
	(In ₹ Million)	(In ₹ Million)	(In ₹ Million)	(In ₹ Million)	(In ₹ Million)
Interest on financial assets carried at amortised cost	2.66	4.40	7.48	8.55	17.98
Profit on sale of assets (net)	-	0.02	-	0.02	0.02
Miscellaneous income	3.18	2.25	5.83	4.39	7.57
	5.84	6.67	13.31	12.96	25.57

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NOTES FORMING PART OF CONDENSED INTERIM FINANCIAL STATEMENTS

22. Personnel expenses

	For the quarter ended		For the half year ended		For the year ended
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019	March 31, 2020
	(In ₹ Million)	(In ₹ Million)	(In ₹ Million)	(In ₹ Million)	(In ₹ Million)
22.1 Employee benefits expense					
Salaries and wages	2,154.99	1,970.11	4,110.44	3,756.32	7,655.54
Share based payments to employees	-	42.50	34.56	70.61	176.78
Staff welfare and benefits	3.74	4.42	4.97	8.34	16.78
	2,158.73	2,017.03	4,149.97	3,835.27	7,849.10
22.2 Cost of technical professionals					
Technical professionals - Related parties	2,305.63	1,836.41	4,452.57	3,644.31	7,764.71
Technical professionals - Others	1,232.00	810.71	2,495.21	1,569.91	3,481.86
	3,537.63	2,647.12	6,947.78	5,214.22	11,246.57
	5,696.36	4,664.15	11,097.75	9,049.49	19,095.67

23. Other expenses

	For the quarter ended		For the half year ended		For the year ended
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019	March 31, 2020
	(In ₹ Million)	(In ₹ Million)	(In ₹ Million)	(In ₹ Million)	(In ₹ Million)
Traveling and conveyance	19.38	120.86	64.93	283.75	513.67
Electricity expenses	1.18	1.01	3.15	2.84	6.45
Internet link expenses	1.83	2.37	4.40	5.11	11.44
Communication expenses	5.83	6.82	9.11	10.84	24.47
Recruitment expenses	12.61	18.10	24.11	32.74	52.34
Training and seminars	0.03	0.65	4.78	1.12	5.41
Purchase of software licenses and support expenses	83.73	92.61	276.12	186.72	318.68
Provision for doubtful debts/(Provision for doubtful debts written back)(net)	40.52	2.35	48.59	0.38	43.21
Rent	0.95	5.40	2.71	6.51	16.91
Insurance	-	0.31	-	0.63	3.50
Rates, fees and profession tax	4.37	0.49	14.37	6.34	18.64
Legal and professional fees	68.63	72.72	129.34	123.93	213.45
Repairs and maintenance			-		
- Plant and machinery	0.58	0.12	1.24	0.23	1.89
- Others	0.05	0.04	0.10	0.07	0.08
Commission on sales	7.56	10.78	15.06	38.41	51.50
Advertisement and sponsorship fees	18.00	20.34	30.44	76.83	159.15
Computer consumables	0.55	0.67	0.65	0.91	1.44
Auditor's remuneration	0.17	0.57	0.25	0.82	1.33
Donations	(0.29)	-	29.98	0.21	0.21
Books, memberships, subscriptions	1.10	4.23	3.86	7.47	14.26
Discount Allowed	27.16	58.76	35.85	70.97	113.49
Loss on disposal of subsidiary	-	0.67	-	145.06	300.10
Loss on FVTPL measurement	(0.18)	-	18.74	0.44	13.32
Reversal of Provision in value of investment carried at cost-Subsidiaries (net)	-	-	-	-	(153.05)
Inter corporate deposits written off	-	0.06	-	13.14	-
(Reversal of Impairment loss) / Impairment loss on financial assets carried at amortized cost	(37.02)	-	(84.71)	-	(70.42)
Inter-company obligation allocation	-	-	-	181.03	173.07
Foreign exchange loss/ (gain) (net)	29.54	4.60	40.30	9.25	(84.59)
Miscellaneous expenses	19.40	22.45	39.21	42.40	87.26
	305.68	446.98	712.58	1,248.15	1,837.21

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NOTES FORMING PART OF CONDENSED INTERIM FINANCIAL STATEMENTS

24. Earnings per share

Particulars		For the quarter ended		For the half year ended		For the year ended
		September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019	March 31, 2020
Basic earnings per share						
Numerator						
Net Loss after tax (In ₹ Million)	A	(101.01)	97.94	(248.94)	(276.86)	(320.62)
Denominator for Basic EPS						
Weighted average number of equity share	B	402,000,000	402,000,000	402,000,000	402,000,000	402,000,000
Denominator for Diluted EPS						
Weighted average number of equity shares	C	402,000,000	402,000,000	402,000,000	402,000,000	402,000,000
Basic earnings per share (In ₹) (Face value of US \$ 0.10 each)	A / B	(0.25)	0.24	(0.62)	(0.69)	(0.80)
Diluted earnings per share (In ₹) (Face value of US \$ 0.10 each)	A / C	(0.25)	0.24	(0.62)	(0.69)	(0.80)

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NOTES FORMING PART OF CONDENSED INTERIM FINANCIAL STATEMENTS

25. Contingent liability

Persistent Systems, Inc., has given commercial guarantee of 30 million Euros (Corresponding period / Previous year: 30 Million Euros) to Tech Data Europe GmbH on behalf of Persistent Systems France SAS. For the said guarantee, Persistent Systems, Inc. has charged guarantee fees of 0.25% of the guarantee amount.

Persistent Systems, Inc., subsidiary of Persistent Systems Limited, has also given a performance guarantee up to \$ 3 million Euros (Corresponding period: Nil / Previous year: \$ 3 million Euros) to United States Cellular Corporation (USCC) Services and its affiliates towards trade payable of Aepona Limited.

26. Herald Technologies Inc. was dissolved with effect from June 24, 2019. Persistent Systems, Inc., its holding Company, took over all the assets and liabilities of Herald Technologies Inc on the date of dissolution.

27. Aepona Holdings Limited, Ireland was dissolved with effect from October 24, 2019. Persistent Systems, Inc., its holding Company, took over all the assets and liabilities of Aepona Holdings Limited, Ireland on the date of dissolution.

28. Business combination

On May 12, 2020, the Company has entered into an agreement with a customer wherein it has acquired a business division together with the skilled employees and has also entered into a service agreement with the same customer for a period of five years. The Company did not have/nor does it hold any equity interest in the aforementioned customer before or after the above transaction. The transaction has been considered as a 'Business combination' in accordance with IND AS 103, Business Combinations.

A. Consideration for the transaction

The following table summarizes the acquisition date fair value of major components of the agreed consideration:

Particulars	Amount (in INR million)
Cash	136.10
Employee benefit liabilities assumed	42.66
Total Consideration	178.76

B. Identifiable assets acquired and liabilities assumed

The acquisition of the said business is accounted for using the acquisition method of accounting. However, the Company did not perform a complete exercise of purchase price allocation pending fair valuation of assets and liabilities assumed as at the reporting date. As a result, the Company has exercised the option of using the exemption available under Ind AS 103, which provides the Company a period of twelve months from the acquisition date for completing the accounting of purchase price allocation. Accordingly, the amount of INR 178.76 million has currently been considered as 'Contractual rights for service contracts' classified under Acquired contractual rights disclosed in Note 5.2 on provisional basis.

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Persistent Systems, Inc.

NOTES FORMING PART OF CONDENSED INTERIM FINANCIAL STATEMENTS

29. Corresponding period's / Previous year's comparatives

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

For Walker Chandio & Co LLP
Chartered Accountants
Firm Registration No: 001076N/N500013

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

Bharat Shetty
Partner
Membership No.: 106815

Dr. Anand Deshpande
Director

Thomas Klein
Director

Place: Pune
Date: October 21, 2020

Place: Pune
Date: October 21, 2020

Place: Santa Clara
Date: October 21, 2020