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Independent Auditor's Report

To the Members of Persistent Systems Limited

Report on the Audit of the Standalone Financial Statements

Opinion

1. We have audited the accompanying standalone financial statements of **Persistent Systems Limited** ('the Company'), which comprise the Balance Sheet as at 31 March 2021, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.
2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ('Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including Indian Accounting Standards ('Ind AS') specified under section 133 of the Act, of the state of affairs of the Company as at 31 March 2021, and its profit (including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

4. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Persistent Systems Limited
Independent Auditor's Report on the Audit of the Standalone Financial Statements

5. We have determined the matters described below to be the key audit matters to be communicated in our report.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| <p>Accuracy of revenues and onerous obligations in respect of fixed-price contracts</p> <p>Refer Notes 3(h)(i) notes forming part of the Standalone Financial Statements.</p> <p>The Company has entered into various fixed-price software development contracts, for which revenue is recognized by the Company using the percentage of completion computed as per the Input method prescribed under Ind AS 115 Revenue from Contracts with Customers. The said revenue recognition accounting policy involves exercise of significant judgement by the management and the following factors requiring significant auditor attention:</p> <ul style="list-style-type: none"> • High inherent risk around accuracy of revenue, given the customised and complex nature of these contracts and significant involvement of IT systems. • High estimation uncertainty relating to determination of the progress of each contract, costs incurred till date and additional costs required to complete the remaining contract. • Identification and determination of onerous contracts and related obligations. • Determination of unbilled revenue receivables and unearned revenue related to these contracts as at end of reporting period. <p>Considering the materiality of the amounts involved, and significant degree of judgement and subjectivity involved in the estimates as mentioned above, we have identified revenue recognition for fixed price contracts and determination of onerous contracts and related provisions, as a key audit matter for the current year audit.</p> | <p>Our audit work included but was not restricted to the following procedures:</p> <ul style="list-style-type: none"> • Obtained an understanding of the systems, processes and controls implemented by management for recording and calculating revenue, and the associated unbilled revenue, unearned and deferred revenue balances, and onerous contract obligations. • Tested the design and operating effectiveness of related manual controls and involved auditor's experts to assess key information technology (IT) controls over: <ul style="list-style-type: none"> ➢ IT environment in which the business systems operate, including access controls, segregation of duties, program change controls, program development controls and IT operation controls; ➢ Testing the IT controls over the completeness and accuracy of cost/efforts and revenue reports generated by the system; and ➢ Testing the access and application controls pertaining to allocation of resources and budgeting systems which prevents the unauthorized changes to recording of efforts incurred and controls relating to the estimation of contract efforts required to complete the project. • Selected a sample of contracts and performed a retrospective review of efforts incurred with estimated efforts to identify significant variations and verify whether those variations have been considered in estimating the remaining efforts to complete the contract. • Reviewed a sample of contracts with unbilled revenues to identify possible delays in achieving milestones, which require change in estimated efforts to complete the remaining performance obligations. • Performed analytical procedures for reasonableness of incurred and estimated efforts. • Evaluated management's identification of onerous contracts based on estimates tested as above. • Evaluated the appropriateness of disclosures made in the financial statements with respect to revenue recognized during the year as required by applicable Indian Accounting Standards. |

Persistent Systems Limited
Independent Auditor's Report on the Audit of the Standalone Financial Statements

| Key audit matter | How our audit addressed the key audit matter |
|---|--|
| <p>Unbilled revenue in respect of revenue sharing arrangements, i.e., Royalty income</p> <p>Refer Note 3(h)(i) notes forming part of the Standalone Financial Statements.</p> <p>Royalty income from one of the main customers is accrued as a percentage of total onward sales made by the customer during the period.</p> <p>Recognition of royalty income for the period of three months before year end, involves estimations made by the Company based on prior trends and booked as an unbilled receivable, since sales for the period by the customer is determined subsequent to the period end.</p> <p>Considering the materiality of the amounts involved, and significant degree of judgement and subjectivity involved in the estimates of the unbilled revenue, we have identified unbilled receivable in respect of revenue sharing arrangements as a key audit matter for the current year audit.</p> | <p>Our audit work included but was not restricted to the following procedures:</p> <ul style="list-style-type: none"> • Obtained an understanding of the systems, processes and controls implemented by management for estimating revenue and the associated unbilled revenue. • Tested the design and operating effectiveness of the internal controls relating to estimation of share of revenue involved in recognition of royalty income. • Evaluated basis of estimation of aforesaid unbilled receivable from the terms of the contract and past trends, and verified arithmetical accuracy of management computation. • Assessed historical accuracy of the forecasts made by the management in earlier period/s. • Performed analytical procedures for reasonableness of revenue and associated unbilled revenue recorded and disclosed as at year end. • Evaluated the appropriateness of disclosures made in the financial statements with respect to unbilled revenue recognized during the year as required by applicable Indian Accounting Standards. |

Persistent Systems Limited
Independent Auditor's Report on the Audit of the Standalone Financial Statements

| Key audit matter | How our audit addressed the key audit matter |
|---|--|
| <p>Contingent liabilities relating to export incentive litigation</p> <p>Refer Note 36 – notes forming part of the Standalone Financial Statements regarding dispute on export incentives scrips awarded to the Company.</p> <p>The Company in previous years has deposited under protest Rs 296.55 million with the Directorate General of Foreign Trade pursuant to the Summons received from the Directorate of Revenue Intelligence ('DRI'), and have made a corresponding application with the relevant authorities.</p> <p>Further in the current year, the Company has received Show Cause Notice ('SCN') from DRI, claiming that the Company is not eligible for the benefit under the scheme and if the Company has wrongfully claimed such benefits, it will be liable for the such consequential penalties.</p> <p>The management based their assessment and interpretation of various applicable rules, regulations, practices and precedents, and based on various documents filed with relevant authorities to avail these claims, believes that they have a strong case and the export incentives of 296.55 million deposited under protest are fully recoverable. Accordingly, the duty paid under protest, has been presented as receivable from government authority and has been correspondingly disclosed under contingent liability.</p> <p>In view of the amounts involved and uncertainty pertaining to the final outcome of the matter requiring significant management judgement in determination of recoverability of the aforesaid balance with respect to the said litigation, this matter is considered as a key audit matter for the current year's audit.</p> | <p>Our audit work included but was not restricted to the following procedures:</p> <ul style="list-style-type: none"> • Obtained an understanding of the Company's process and the underlying controls for identification and monitoring of the pending litigations and completeness of such litigations for financial reporting • Assessed the appropriateness of the Company's accounting policies relating to provisions and contingent liability disclosure, in accordance with the applicable Indian Accounting Standards • Discussed developments during the year in the export incentive matter with the management and obtained opinion from the management's expert. • Obtained the documents for various correspondences made between the Company and the respective departments • Involved auditor's expert to test the management's underlying assumptions in estimating the export incentive benefits and the possible outcome of the matters. This involved assessing the probability of an unfavourable outcome of a given proceeding and the reliability of estimates of related amounts which involved consideration of legal precedence and other rulings and expert opinion obtained by the management. • Assessed adequacy and appropriateness of the disclosure made in the financial statement to determine whether management has presented the facts and circumstances adequately. |

Information other than the Financial Statements and Auditor's Report thereon

6. The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the standalone financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the standalone financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

Persistent Systems Limited
Independent Auditor's Report on the Audit of the Standalone Financial Statements

In connection with our audit of the standalone financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Standalone Financial Statements

7. The accompanying standalone financial statements have been approved by the Company's Board of Directors. The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Ind AS specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.
8. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
9. Those Board of Directors is also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

10. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
11. As part of an audit in accordance with Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
 - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls;

Persistent Systems Limited
Independent Auditor's Report on the Audit of the Standalone Financial Statements

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
 - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
 - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
12. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
13. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

15. As required by section 197(16) of the Act, based on our audit, we report that the Company has paid remuneration to its directors during the year in accordance with the provisions of and limits laid down under section 197 read with Schedule V to the Act.
16. As required by the Companies (Auditor's Report) Order, 2016 ('the Order') issued by the Central Government of India in terms of section 143(11) of the Act, we give in the Annexure A a statement on the matters specified in paragraphs 3 and 4 of the Order.
17. Further to our comments in Annexure A, as required by section 143(3) of the Act, based on our audit, we report, to the extent applicable, that:
- a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the accompanying standalone financial statements;
 - b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - c) the standalone financial statements dealt with by this report are in agreement with the books of account;
 - d) in our opinion, the aforesaid standalone financial statements comply with Ind AS specified under section 133 of the Act;

Persistent Systems Limited
Independent Auditor's Report on the Audit of the Standalone Financial Statements

- e) on the basis of the written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2021 from being appointed as a director in terms of section 164(2) of the Act;
- f) we have also audited the internal financial controls with reference to financial statements of the Company as on 31 March 2021 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date and our report dated 29 April 2021 as per Annexure B expressed unmodified opinion; and
- g) with respect to the other matters to be included in the Auditor's Report in accordance with rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us:
 - i. the Company, as detailed in note 36 to the standalone financial statements, has disclosed the impact of pending litigations on its financial position as at 31 March 2021.
 - ii. the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses as at 31 March 2021.;
 - iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended 31 March 2021.; and
 - iv. the disclosure requirements relating to holdings as well as dealings in specified bank notes were applicable for the period from 8 November 2016 to 30 December 2016, which are not relevant to these standalone financial statements. Hence, reporting under this clause is not applicable.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No:001076N/N500013

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Shashi Tadwalkar
Partner
Membership No:101797

UDIN:21101797AAAAAP9108

Place: Pune
Date: 29 April 2021

Annexure A to the Independent Auditor's Report of even date to the members of Persistent Systems Limited, on the standalone financial statements for the year ended 31 March 2020

Based on the audit procedures performed for the purpose of reporting a true and fair view on the standalone financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, and to the best of our knowledge and belief, we report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment.
- (b) The Company has a regular program of physical verification of its property, plant and equipment under which property, plant and equipment are verified in a phased manner over a period of three years, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this program, certain property, plant and equipment were verified during the year and no material discrepancies were noticed on such verification.
- (c) The title deeds of all the immovable properties (which are included under the head 'Property, plant and equipment') are held in the name of the Company.
- (ii) The Company does not have any inventory. Accordingly, the provisions of clause 3(ii) of the Order are not applicable.
- (iii) The Company has not granted any loan, secured or unsecured to companies, firms, Limited Liability Partnerships (LLPs) or other parties covered in the register maintained under Section 189 of the Act. Accordingly, the provisions of clauses 3(iii)(a), 3(iii)(b) and 3(iii)(c) of the Order are not applicable.
- (iv) In our opinion, the Company has complied with the provisions of Sections 185 and 186 of the Act in respect of loans, investments, guarantees and security.
- (v) In our opinion, the Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.
- (vi) The Central Government has not specified maintenance of cost records under sub-section (1) of Section 148 of the Act, in respect of Company's products/ services. Accordingly, the provisions of clause 3(vi) of the Order are not applicable.
- (vii) (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, goods and services tax, value added tax, cess and other material statutory dues, as applicable, have generally been regularly deposited to the appropriate authorities, though there has been a slight delay in a few cases. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they became payable.

Annexure A (Contd)

- (b) The dues outstanding in respect of income-tax, sales-tax, service-tax, duty of customs, duty of excise and value added tax on account of any dispute, are as follows:

Statement of Disputed Dues

| Name of the statute | Nature of dues | Amount (₹ Million) | Amount paid under Protest (₹ Million) | Period to which the amount relates | Forum where dispute is pending |
|---------------------------------------|-----------------------|---------------------------|--|---|--|
| The Income Tax Act, 1961 | Income tax | 28.69 | - | 2009-10 | Honourable High Court |
| The Income Tax Act, 1961 | Income tax | 19.06 | - | 2010-11 | Honourable High Court |
| The Income Tax Act, 1961 | Income tax | 12.52 | - | 2008-09 | Honourable High Court |
| The Income Tax Act, 1961 | Income tax | 28.57 | 25.20 | 2013-14 | Income Tax Appellate Tribunal |
| The Income Tax Act, 1961 | Income tax | 42.14 | 42.14 | 2014-15 | Income Tax Appellate Tribunal |
| The Income Tax Act, 1961 | Income tax | 29.85 | 1.50 | 2015-16 | Income Tax Appellate Tribunal |
| The Income Tax Act, 1961 | Income tax | 277.22 | - | 2017-18 | Assessing officer (AO) |
| Maharashtra Value added Tax Act, 2002 | Sales Tax | 0.82 | - | 2014-15 | Customs, Excise and Service Tax Appellate Tribunal |
| The Customs Act, 1962 | Export incentive | 296.55 | 296.55 | 2015-16, 2016-17 and 2017-18 | Directorate of Revenue Intelligence |
| Maharashtra Value added Tax Act, 2002 | Sales Tax | 26.51 | 23.44 | 2005-06 and 2013-14 | Joint Commissioner (Appeals) – VAT |
| The Finance Act, 1994 | Service tax | 173.78 | 165.58 | 2014-15 | Central Excise and Service Tax Appellate Tribunal |

Persistent Systems Limited
Independent Auditor's Report on the Audit of the Standalone Financial Statements

Annexure A (Contd)

- (viii) The Company has not defaulted in repayment of loans or borrowings to any bank or financial institution or government during the year. The Company did not have any outstanding debentures during the year.
- (ix) The Company did not raise moneys by way of initial public offer or further public offer (including debt instruments). In our opinion, the term loans were applied for the purposes for which the loans were obtained.
- (x) No fraud by the Company or on the Company by its officers or employees has been noticed or reported during the period covered by our audit.
- (xi) Managerial remuneration has been paid and provided by the Company in accordance with the requisite approvals mandated by the provisions of Section 197 of the Act read with Schedule V to the Act.
- (xii) In our opinion, the Company is not a Nidhi Company. Accordingly, provisions of clause 3(xii) of the Order are not applicable.
- (xiii) In our opinion, all transactions with the related parties are in compliance with Sections 177 and 188 of the Act, where applicable, and the requisite details have been disclosed in the financial statements etc., as required by the applicable Ind AS.
- (xiv) During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures.
- (xv) In our opinion, the Company has not entered into any non-cash transactions with the directors or persons connected with them covered under Section 192 of the Act.
- (xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

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

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Shashi Tadwalkar
Partner
Membership No:101797

UDIN:21101797AAAAAP9108

Place: Pune
Date: 29 April 2021

Annexure B to the Independent Auditor's Report of even date to the members of Persistent Systems Limited on the standalone financial statements for the year ended 31 March 2021

Independent Auditor's Report on the internal financial controls with reference to the standalone financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')

1. In conjunction with our audit of the standalone financial statements of Persistent Systems Limited ('the Company') as at and for the year ended 31 March 2021, we have audited the internal financial controls with reference to financial statements of the Company as at that date.

Responsibilities of Management and Those Charged with Governance for Internal Financial Controls

2. The Company's Board of Directors is responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of the Company's business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility for the Audit of the Internal Financial Controls with Reference to Financial Statements

3. Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India ('ICAI') prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements, and the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements were established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements includes obtaining an understanding of such internal financial controls, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls with reference to financial statements.

Meaning of Internal Financial Controls with Reference to Financial Statements

6. A company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to financial statements include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as

Annexure B (Contd)

necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls with Reference to Financial Statements

7. Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such controls were operating effectively as at 31 March 2021, based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No:001076N/N500013

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Shashi Tadwalkar
Partner
Membership No:101797

UDIN:21101797AAAAAP9108

Place: Pune
Date: 29 April 2021

Persistent Systems Limited
BALANCE SHEET AS AT MARCH 31, 2021

| | Notes | As at March 31, 2021 In ₹ Million | As at March 31, 2020 In ₹ Million |
|---|-------|---|---|
| ASSETS | | | |
| Non-current assets | | | |
| Property, Plant and Equipment | 5.1 | 2,270.24 | 2,048.77 |
| Capital work-in-progress | | 112.33 | 48.27 |
| Right of Use assets | 5.2 | 314.62 | 269.40 |
| Other Intangible assets | 5.3 | 171.65 | 46.97 |
| Intangible assets under development | | - | 137.20 |
| | | 2,868.84 | 2,550.61 |
| Financial assets | | | |
| - Investments | 6 | 7,779.54 | 8,379.86 |
| - Loans | 7 | 52.23 | 123.57 |
| - Other non current financial assets | 8 | 25.76 | 358.93 |
| Deferred tax assets (net) | 9 | 245.74 | 317.35 |
| Other non-current assets | 10 | 419.73 | 329.39 |
| | | 11,391.84 | 12,059.71 |
| Current assets | | | |
| Financial assets | | | |
| - Investments | 11 | 6,374.95 | 5,164.77 |
| - Trade receivables (net) | 12 | 2,966.26 | 2,883.09 |
| - Cash and cash equivalents | 13 | 862.72 | 532.63 |
| - Other bank balances | 14 | 7,387.00 | 2,405.32 |
| - Loans | 15 | 49.33 | 4.76 |
| - Other current financial assets | 16 | 2,063.79 | 2,080.07 |
| Other current assets | 17 | 1,656.93 | 1,485.37 |
| | | 21,360.98 | 14,556.01 |
| TOTAL | | 32,752.82 | 26,615.72 |
| EQUITY AND LIABILITIES | | | |
| EQUITY | | | |
| Equity share capital | 4 | 764.25 | 764.25 |
| Other equity | | 26,890.99 | 22,221.13 |
| | | 27,655.24 | 22,985.38 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Financial liabilities | | | |
| - Lease liabilities | 20 | 304.72 | 191.26 |
| - Borrowings | 18 | 5.54 | 7.08 |
| Provisions | 19 | 240.94 | 182.79 |
| | | 551.20 | 381.13 |
| Current liabilities | | | |
| Financial liabilities | | | |
| - Lease liabilities | 20 | 73.82 | 165.38 |
| - Trade payables [(dues of micro and small enterprises ₹ 30.20 million (Previous year: ₹ 5.15 million)] | 21 | 938.40 | 972.49 |
| - Other financial liabilities | 22 | 397.42 | 549.73 |
| Other current liabilities | 23 | 1,679.01 | 851.02 |
| Provisions | 24 | 1,145.59 | 590.38 |
| Current tax liabilities (net) | | 312.14 | 120.21 |
| | | 4,546.38 | 3,249.21 |
| TOTAL | | 32,752.82 | 26,615.72 |
| 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 Walker Chandlok & Co LLP
Chartered Accountants
Firm Registration No.: 001076N/N500013
SHASHI
TADWALKAR
Digitally signed by
SHASHI TADWALKAR
Date: 2021.04.29
23:09:34 +05'30'

Anand Deshpande

Shashi Tadwalkar
Partner

Membership No.: 101797

For and on behalf of the Board of Directors of
Persistent Systems Limited

Dr. Anand Deshpande
Chairman and Managing
Director

DIN: 00005721

Place: Pune
Date : April 29, 2021

Sandeep Kalra
Sandeep Kalra (Apr 29, 2021 10:27 EDT)

Sandeep Kalra
Executive Director and
Chief Executive Officer

DIN: 02506494

Place: New Jersey, USA
Date : April 29, 2021

Praveen Kadle
Independent Director

DIN: 00016814

Place: Mumbai
Date : April 29, 2021

Sunil Sapre
Sunil Sapre (Apr 29, 2021 19:46 GMT+5.5)

Sunil Sapre
Executive Director and
Chief Financial Officer

DIN: 06475949

Place: Mumbai
Date : April 29, 2021

Amit Atre
Amit Atre (Apr 29, 2021 19:19 GMT+5.5)
Company Secretary

Membership No. A20507

Place: Pune
Date : April 29, 2021

Place: Pune
Date : April 29, 2021

Persistent Systems Limited**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2021**

| | Notes | For the year ended March 31, 2021 In ₹ Million | March 31, 2020 In ₹ Million |
|--|-------|--|--------------------------------|
| Income | | | |
| Revenue from operations (net) | 25 | 24,796.08 | 21,081.22 |
| Other income | 26 | 1,176.16 | 1,599.04 |
| Total income (A) | | 25,972.24 | 22,680.26 |
| Expenses | | | |
| Employee benefits expense | 27.1 | 14,093.21 | 11,029.06 |
| Cost of professionals | 27.2 | 1,775.07 | 1,825.37 |
| Finance costs (refer note 33) | | 38.21 | 44.51 |
| Depreciation and amortization expense | 5.4 | 566.79 | 555.12 |
| Other expenses | 28 | 2,818.76 | 3,897.14 |
| Total expenses (B) | | 19,292.04 | 17,351.20 |
| Profit before tax (A - B) | | 6,680.20 | 5,329.06 |
| Tax expense | | | |
| Current tax | | 1,684.00 | 1,297.91 |
| Tax charge / (credit) in respect of earlier years | | 2.74 | (1.60) |
| Deferred tax credit | | (57.40) | (44.48) |
| Total tax expense (refer note 31) | | 1,629.34 | 1,251.83 |
| Net profit for the year (C) | | 5,050.86 | 4,077.23 |
| Other comprehensive income | | | |
| Items that will not be reclassified to profit and loss (D) | | | |
| - Remeasurements of the defined benefit liabilities / asset (net of tax) | | 15.93 | (30.46) |
| | | 15.93 | (30.46) |
| Items that may be reclassified to profit and loss (E) | | | |
| - Effective portion of cash flow hedge (net of tax) | | 383.55 | (429.15) |
| | | 383.55 | (429.15) |
| Total other comprehensive income for the year (D) + (E) | | 399.48 | (459.61) |
| Total comprehensive income for the year (C) + (D) + (E) | | 5,450.34 | 3,617.62 |
| Earnings per equity share | 29 | | |
| [Nominal value of share ₹10 (Previous year: ₹10)] | | | |
| Basic (In ₹) | | 66.09 | 53.17 |
| Diluted (In ₹) | | 66.09 | 53.17 |
| 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 Walker Chandio & Co LLP
Chartered Accountants
Firm Registration No.: 001076N/N500013

For and on behalf of the Board of Directors of
Persistent Systems Limited

SHASHI TADWALKAR
Digitally signed by
SHASHI TADWALKAR
Date: 2021.04.29
23:10:10 +05'30'

Anand Deshpande

Sandeep Kalra
Sandeep Kalra (Apr 25, 2021 10:27 EDT)

Shashi Tadwalkar
Partner

Dr. Anand Deshpande
Chairman and Managing
Director

Sandeep Kalra
Executive Director and
Chief Executive Officer

Praveen Kadle
Independent Director

Membership No.: 101797

DIN: 00005721

DIN: 02506494

DIN: 00016814

Place: Pune

Place: New Jersey, USA

Place: Mumbai

Date : April 29, 2021

Date : April 29, 2021

Date : April 29, 2021

Sunil Sapre
Sunil Sapre (Apr 29, 2021 19:46 GMT+5.5)

Sunil Sapre
Executive Director and
Chief Financial Officer
DIN: 06475949

Amit Atre
Company Secretary

Membership No. A20507

Place: Pune

Place: Mumbai

Place: Pune

Date : April 29, 2021

Date : April 29, 2021

Date : April 29, 2021

Persistent Systems Limited**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2021**

| | For the year ended | |
|---|-----------------------|-------------------|
| | March 31, 2021 | March 31, 2020 |
| | In ₹ Million | In ₹ Million |
| Cash flows from operating activities | | |
| Profit before tax | 6,680.20 | 5,329.06 |
| Adjustments for: | | |
| Interest income | (548.82) | (525.76) |
| Finance cost | 38.21 | 44.51 |
| Dividend income | (131.45) | (410.72) |
| Depreciation and amortization expense | 566.79 | 555.12 |
| Unrealised exchange (gain) / loss (net) | 151.02 | (128.86) |
| Exchange (gain) / loss on derivative contracts | (169.80) | 58.51 |
| Exchange (gain) / loss on translation of foreign currency cash and cash equivalents | 23.15 | (46.82) |
| Bad debts | 46.96 | - |
| Provision for expected credit loss (net) | (20.20) | 47.31 |
| Provision for doubtful deposits | - | 248.48 |
| Employee stock compensation expenses | 236.33 | 60.01 |
| Remeasurements of the defined benefit liabilities / asset (before tax effects) | 15.93 | (41.80) |
| (Gain) / loss on fair valuation of mutual funds | 133.70 | (119.02) |
| (Profit) on sale of investments (net) | (478.13) | (164.81) |
| (Profit) on sale of Property, Plant and Equipment (net) | 8.10 | - |
| Operating profit before working capital changes | 6,551.99 | 4,905.21 |
| Movements in working capital : | | |
| Decrease / (Increase) in non-current and current loans | 37.02 | (5.29) |
| Increase In other non current assets | (78.73) | (261.04) |
| Decrease / (Increase) in other current financial assets | 363.88 | (246.75) |
| Increase in other current assets | (171.56) | (241.93) |
| Increase in trade receivables | (312.65) | (373.81) |
| Increase in trade payables, current liabilities and non current liabilities | 1,059.46 | 253.67 |
| Increase / (Decrease) in provisions | 613.36 | (49.40) |
| Operating profit after working capital changes | 8,062.77 | 3,980.66 |
| Direct taxes paid (net of refunds) | (1,494.81) | (1,217.69) |
| Net cash generated from operating activities | (A) 6,567.96 | 2,762.97 |
| Cash flows from investing activities | | |
| Payment towards capital expenditure (including intangible assets) | (707.24) | (483.57) |
| Proceeds from sale of Property, Plant and Equipment | 4.13 | 4.08 |
| Investment in wholly owned subsidiaries | (376.61) | (474.00) |
| Purchase of bonds | (712.18) | (901.61) |
| Proceeds from sale of bonds | 350.53 | 819.87 |
| Investments in mutual funds | (24,591.91) | (19,456.95) |
| Proceeds from sale / maturity of mutual funds | 25,068.92 | 17,670.49 |
| (Investments)/ maturity in bank deposits having original maturity over three months | (4,464.82) | 2,044.25 |
| Maturity of deposit with financial institutions | - | 250.00 |
| Interest received | 359.89 | 484.68 |
| Dividend received | 131.45 | 410.72 |
| Net cash (used in) / generated from investing activities | (B) (4,937.84) | 367.96 |
| Cash flows from financing activities | | |
| (Repayment of) long term borrowings | (4.54) | (4.62) |
| Shares bought back | - | (1,677.01) |
| Specific project related grant received | 9.00 | 3.00 |
| Payment of lease liabilities | (173.11) | (188.37) |
| Dividend paid | (1,069.95) | (1,144.60) |
| Tax on dividend paid | - | (154.14) |
| Interest paid | (38.28) | (44.50) |
| Net cash used in financing activities | (C) (1,276.88) | (3,210.24) |

Persistent Systems Limited**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2021**

| | For the year ended | |
|---|--------------------|----------------|
| | March 31, 2021 | March 31, 2020 |
| | In ₹ Million | In ₹ Million |
| Net increase/ (decrease) in cash and cash equivalents (A + B + C) | 353.24 | (79.31) |
| Cash and cash equivalents at the beginning of the year | 532.63 | 565.12 |
| Effect of exchange differences on translation of foreign currency cash and cash equivalents | (23.15) | 46.82 |
| Cash and cash equivalents at the end of the year | 862.72 | 532.63 |
| Components of cash and cash equivalents | | |
| Cash on hand (refer note 13) | 0.10 | 0.15 |
| Balances with banks | | |
| On current accounts # (refer note 13) | 360.22 | 198.79 |
| On saving accounts (refer note 13) | 1.33 | 0.36 |
| On deposit account with maturity of less than three months (Refer note 13) | 292.50 | 71.47 |
| On Exchange Earner's Foreign Currency accounts (refer note 13) | 208.57 | 261.86 |
| Cash and cash equivalents | 862.72 | 532.63 |

Out of the cash and cash equivalent balance as at March 31, 2021, the Company can utilise ₹ 154.39 Million (Previous year: ₹ 6.62 Million) only towards certain predefined activities specified in the agreement.

Summary of significant accounting policies - Refer note 3

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

As per our report of even date

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

SHASHI
TADWALKAR

Digitally signed by SHASHI
TADWALKAR
Date: 2021.04.29 23:10:57 +05'30'

Anand Deshpande

Shashi Tadwalkar
Partner

Membership No.: 101797

For and on behalf of the Board of Directors of
Persistent Systems Limited

M. Kalra

Sandeep Kalra
Sandeep Kalra (Apr 29, 2021 10:27 EDT)

Dr. Anand Deshpande
Chairman and Managing
Director

DIN: 00005721

Place: Pune

Date : April 29, 2021

Sandeep Kalra
Executive Director and
Chief Executive Officer

DIN: 02506494

Place: New Jersey, USA

Date : April 29, 2021

Praveen Kadle
Independent Director

DIN: 00016814

Place: Mumbai

Date : April 29, 2021

Sunil Sapre

Sunil Sapre (Apr 29, 2021 19:46 GMT+5.5)

Sunil Sapre
Executive Director and
Chief Financial Officer

DIN: 06475949

Place: Mumbai

Date : April 29, 2021

Amit Atre
Company Secretary

Membership No. A20507

Place: Pune

Date : April 29, 2021

Place: Pune

Date : April 29, 2021

Persistent Systems Limited**STATEMENT OF CHANGES IN EQUITY SHARE CAPITAL FOR THE YEAR ENDED MARCH 31, 2021****A. Equity share capital**

(Refer note 4)

(In ₹ Million)

| Balance as at April 1, 2020 | Changes in equity share capital during the year | Balance as at March 31, 2021 |
|-----------------------------|---|------------------------------|
| | | |
| 764.25 | - | 764.25 |

(In ₹ Million)

| Balance as at April 1, 2019 | Changes in equity share capital during the year | Balance as at March 31, 2020 |
|-----------------------------|---|------------------------------|
| | | |
| 791.19 | (26.94) | 764.25 |

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Persistent Systems Limited
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2021
B. Other equity

| Particulars | Reserves and surplus | | | | | | Items of other comprehensive income | Total |
|--|----------------------------|------------------|-----------------------------------|----------------------------|---|-------------------|---------------------------------------|------------------|
| | Securities premium reserve | General reserve | Share options outstanding reserve | Capital redemption reserve | Special Economic Zone re-investment reserve | Retained earnings | Effective portion of cash flow hedges | |
| Balance as at April 1, 2020 | - | 12,227.23 | 290.51 | 35.75 | 49.95 | 9,861.78 | (244.09) | 22,221.13 |
| Net profit for the year | - | - | - | - | - | 5,050.86 | - | 5,050.86 |
| Other comprehensive income for the year | - | - | - | - | - | 15.93 | 383.55 | 399.48 |
| Dividend | - | - | - | - | - | (1,069.95) | - | (1,069.95) |
| Transfer to retained earnings | - | - | - | - | (49.95) | 49.95 | - | - |
| Transfer to general reserve | - | 2,020.34 | - | - | - | (2,020.34) | - | - |
| Adjustments towards employees stock options | - | 108.78 | (108.78) | - | - | - | - | - |
| Employee stock compensation expenses | - | - | 236.33 | - | - | - | - | 236.33 |
| Employee stock compensation expenses of subsidiaries | - | - | 53.14 | - | - | - | - | 53.14 |
| Balance as at March 31, 2021 | - | 14,356.35 | 471.20 | 35.75 | - | 11,888.23 | 139.46 | 26,890.99 |

| Particulars | Reserves and surplus | | | | | | Items of other comprehensive income | Total |
|--|----------------------------|------------------|-----------------------------------|----------------------------|---|-------------------|---------------------------------------|------------------|
| | Securities premium reserve | General reserve | Share options outstanding reserve | Capital redemption reserve | Special Economic Zone re-investment reserve | Retained earnings | Effective portion of cash flow hedges | |
| Balance as at April 1, 2019 | 774.10 | 10,570.73 | 76.29 | 8.81 | 70.00 | 9,735.72 | 185.06 | 21,420.71 |
| Net profit for the year | - | - | - | - | - | 4,077.23 | - | 4,077.23 |
| Other comprehensive income for the year | - | - | - | - | - | (30.46) | (429.15) | (459.61) |
| Dividend | - | - | - | - | - | (1,146.38) | - | (1,146.38) |
| Tax on dividend | - | - | - | - | - | (154.14) | - | (154.14) |
| Transfer to capital redemption reserve | - | - | - | 26.94 | - | (26.94) | - | - |
| Transitional impact on adoption of Ind AS 116 | - | - | - | - | - | (106.44) | - | (106.44) |
| Transferred from Special Economic Zone Reinvestment Reserve on utilization | - | - | - | - | (20.05) | 20.05 | - | - |
| Transfer to general reserve | - | 1,630.89 | - | - | - | (1,630.89) | - | - |
| Employee stock compensation expenses | - | - | 60.01 | - | - | - | - | 60.01 |
| Employee stock compensation expenses of subsidiaries | - | - | 179.82 | - | - | - | - | 179.82 |
| Adjustments towards employees stock options | - | 25.61 | (25.61) | - | - | - | - | - |
| Utilised towards buy back of shares (refer note 4d) | (774.10) | - | - | - | - | (875.97) | - | (1,650.07) |
| Balance at March 31, 2020 | - | 12,227.23 | 290.51 | 35.75 | 49.95 | 9,861.78 | (244.09) | 22,221.13 |

Summary of significant accounting policies - Refer note 3

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

As per our report of even date

For Walker Chandlok & Co LLP

Chartered Accountants

Firm Registration No.: 001076N/N500013

SHASHI

TADWALKAR

Shashi Tadwalkar
Partner

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SHASHI TADWALKAR
Date: 2021.04.29 23:11:27
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Membership No.: 101797

For and on behalf of the Board of Directors of

Persistent Systems Limited

Sandeep Kalra
Sandeep Kalra (Apr 29, 2021 10:27 EDT)

Anand Deshpande

Praveen Kadle

Dr. Anand Deshpande
Chairman and Managing
Director

DIN: 00005721

Place: Pune
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Amit Atre (Apr 29, 2021 19:19 GMT+5.5)

Amit Atre
Company Secretary

Membership No. A20507

Place: Pune
Date : April 29, 2021

Place: Pune
Date : April 29, 2021

Nature and purpose of reserves**a) Securities premium**

Securities premium is used to record the premium on issue of shares. The reserve is utilised in accordance with the provisions of Section 52 of the Companies Act, 2013.

b) General reserve

General reserve represents amounts transferred from profit for the year and from Share options outstanding reserve on exercise / expiry of employee share options. It is a free reserve in terms of section 2 (43) of the Companies Act, 2013.

c) Share options outstanding reserve

Share options outstanding reserve represents the cumulative expense recognized for equity-settled transactions at each reporting date until the employee share options are exercised / expired on which such amount is transferred to General reserve.

d) Capital redemption reserve

Capital redemption reserve represents the nominal value of the shares bought back and is created and utilised in accordance with Section 69 of the Companies Act, 2013.

e) Special Economic Zone re-investment reserve

The Special Economic Zone re-investment reserve has been created out of the profit in terms of the provisions of Section 10AA(1)(ii) of the Income tax Act, 1961. The reserve is utilised by the Company for acquiring new plant and machinery for the purpose of its business in accordance with Section 10AA(2) of the Income tax Act, 1961.

f) Cash flow hedge reserve

The cash flow hedge reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into towards highly probable transactions. Such gains or losses are subsequently recognised in the statement of profit and loss in the period in which the said transaction occurs / hedging instruments are cancelled.

1 Nature of operations

Persistent Systems Limited (the "Company") is a public Company domiciled in India and incorporated under the provisions of the Companies Act, 1956. The shares of the Company are listed on Bombay Stock Exchange and National Stock Exchange. The Company is a global company specializing in software products, services and technology innovation. The Company offers complete product life cycle services.

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 and equity settled employee stock options which have been measured at fair value. Historical cost is generally based on the fair value of consideration given in exchange of goods and services. The accounting policies are consistently applied by the Company during the year and are consistent with those used in previous year except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. These financial statements are prepared in accordance with Indian Accounting Standard (Ind AS), the provisions of the Companies Act, 2013 ("the Act") (to the extent notified) and guidelines issued by the Securities and Exchange Board of India (SEBI). The Ind AS are prescribed under Section 133 of the Act read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and relevant amendment rules issued thereafter.

All assets and liabilities have been classified as current or non-current as per the Company's operating cycle and other criteria set out in the Schedule III of the Companies Act, 2013 (the "Act"). Based on the nature of products/ services and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities.

3 Summary of significant accounting policies**(a) Use of estimates**

- A. The preparation of the financial statements in conformity with Ind AS requires the Management to make estimates, judgments and assumptions. These estimates, judgments and assumptions affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. The application of accounting policies that require critical accounting estimates involving complex and subjective judgments and the use of assumptions in these financial statements have been disclosed appropriately. Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as the Management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

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

The Company has evaluated the likely impact of COVID-19 on the overall business of the Company. 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 financial statements may differ from the estimate as on the date of the approval of the financial statements.

i. 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, COVID -19 using the forward looking approach prescribed by Ind AS 109.

ii. Impact on unhedged foreign currency exposure:

Based on its assessment, the Company believes that the probability of occurrence of its forecasted transactions are not likely to be impacted by COVID – 19. Hence, the Company continues to believe that there is no foreseeable impact on the effectiveness of its cash flow hedges due to this global pandemic.

iii. Carrying value of financial instruments:

Investments in mutual funds are classified as "Level 1" having fair value marked to an active market which factors in the uncertainties arising out of COVID – 19. These financial assets are mainly investments in liquid securities and no material permanent decline in their carrying value are expected.

iv. 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.

C. Critical accounting estimates**i. Revenue recognition**

The Company's contracts with customers include promises to transfer multiple products and services to a customer. Revenues from customer contracts are considered for recognition and measurement when the contract has been approved by the parties to the contract, the parties to the contract are committed to perform their respective obligations under the contract, and the contract is legally enforceable. The Company assesses the services promised in a contract and identifies distinct performance obligations in the contract. Identification of distinct performance obligations to determine the deliverables and the ability of the customer to benefit independently from such deliverables, and allocation of transaction price to these distinct performance obligations involves significant judgment.

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 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 India, though the Company also files tax returns in other overseas jurisdictions. 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.

v. 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.

(b) Property, Plant and Equipment

Property, Plant and Equipment are stated at cost, less accumulated depreciation and accumulated impairment losses, if any. The cost comprises the purchase price and directly 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 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 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 disposed.

(c) 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.

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.

(d) 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 |
|--|---------------------|
| Buildings* | 25 years |
| Computers | 3 years |
| Computers - Servers and networks* | 3 years |
| Office equipments | 5 years |
| Plant and equipment* | 5 years |
| Plant and equipment (Windmill)* | 20 years |
| Plant and equipment (Solar Energy System)* | 10 years |
| Furniture and fixtures* | 5 years |
| Vehicles* | 5 years |

*For these classes of assets, based on a technical evaluation, the management believes that the useful lives as given above best represent the period over which the management expects to use these assets.

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

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.

Where cost of a part of the asset ("asset component") is significant to total cost of the asset and useful life of that part is different from the useful life of the remaining asset, useful life of that significant part is determined separately and such asset component is depreciated over its separate useful life.

Depreciation methods, useful lives and residual values are reviewed periodically.

(e) Borrowing costs

Borrowing cost includes interest and amortization of ancillary costs incurred in connection with the arrangement 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 part of the cost of the respective asset. All other borrowing costs are expensed in the year they occur.

(f) Leases

The Company's lease asset classes primarily consist of leases for land and 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.

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 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. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. The Company recognises lease payments received under operating leases as income over the lease term on a straight line basis.

(g) Financial instruments

Initial recognition and measurement

The Company recognizes financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are recognized at fair value on initial recognition, except for trade receivables which are initially measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, which are not at fair value through profit or loss, are added to the fair value on initial recognition.

A. Non-derivative financial instruments

Subsequent measurement

i) Financial assets

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 asset at amortized cost or at FVTOCI, is classified as financial asset at FVTPL. Financial assets except derivative contracts 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**Financial liabilities at amortised cost**

Financial liabilities are subsequently carried at amortized cost using the effective interest method, except for contingent consideration recognized in a business combination which is subsequently measured at fair value through profit or loss. For trade and other payables maturing within one year from the Balance Sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

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 as FVTPL.

Investments in subsidiaries, associates and joint ventures

Investment in subsidiaries, associates and joint ventures are carried at cost.

B. Derivative financial instruments

The Company uses derivatives for economic hedging purposes. At the inception of hedging relationship, the Company documents the hedging relationship between the hedging instrument and hedged item including whether the changes in cash flows of the hedging instruments are expected to offset the changes in cash flows of the hedged items. The Company documents its objective and strategy for undertaking its hedging transactions.

Derivatives are initially recognised at fair value on the date a derivative contract is entered and are subsequently re-measured at fair value at each reporting date.

For cash flow hedges that qualify for hedge accounting, the effective portion of fair value of derivatives are recognised in cash flow hedging reserve within equity.

Gains or losses relating to the ineffective portion is immediately recognised in profit or loss.

Amounts accumulated in equity are reclassified to profit or loss in the period when the hedged item affects profit and loss or hedged future cash flows are no longer expected to occur.

Derivatives which do not qualify for hedge accounting are accounted as fair value through profit or loss.

C. Derecognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition under Ind AS 109. A financial liability (or a part of a financial liability) is derecognized from the Company's Balance Sheet when the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity, if any, is recognised in profit or loss, except in case of equity instruments classified as FVOCI, where such cumulative gain or loss is not recycled to statement of profit and loss.

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 profit or loss.

D. Fair value of financial instruments

In determining the fair value of its financial instruments, the Company uses a variety of methods and assumptions that are based on market conditions and risks existing at each reporting date. The methods used to determine fair value include discounted cash flow analysis, available quoted market prices, dealer quotes.

For equity instruments of unlisted companies, in limited circumstances, insufficient more recent information is available to measure fair value, or if there are a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range. The Company recognises such equity instruments at cost, which is considered as appropriate estimate of fair value.

All methods of assessing fair value result in general approximation of value, and such value may never actually be realized. Refer to the table on financial instruments by category below for the disclosure on carrying value and fair value of financial assets and liabilities. For financial assets and liabilities maturing within one year from the Balance Sheet date and which are not carried at fair value, the carrying amounts approximate fair value due to the short maturity of these instruments.

E. Impairment of 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.

F. Impairment of 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 unless the asset does not generate cash flows that are largely independent of those from other assets.

In such cases, 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.

(h) Revenue recognition

Revenues from customer contracts are considered for recognition and measurement when the contract has been approved by the parties to the contract, the parties to the contract are committed to perform their respective obligations under the contract, and the contract is legally enforceable. Revenue is recognized upon transfer of control of promised products or services ("performance obligations") to customers in an amount that reflects the consideration the Company has received or expects to receive in exchange for these products or services ("transaction price"). When there is uncertainty as to collectability, revenue recognition is postponed until such uncertainty is resolved. The Company assesses the services promised in a contract and identifies distinct performance obligations in the contract. The Company allocates the transaction price to each distinct performance obligation based on the relative standalone selling price. The price that is regularly charged for an item when sold separately is the best evidence of its standalone selling price. In the absence of such evidence, the primary method used to estimate standalone selling price is the expected cost plus a margin, under which the Company estimates the cost of satisfying the performance obligation and then adds an appropriate margin based on similar services. The Company's contracts may include variable consideration including rebates, volume discounts and penalties. The Company includes variable consideration as part of transaction price when there is a basis to reasonably estimate the amount of the variable consideration and when it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved.

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.

Arrangements with customers for software related services are either on a time-and-material or a fixed-price basis.

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 share is recognized in accordance with the terms of the relevant agreements.

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.

The Company collects Goods and Services Tax on behalf of the 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.

iii. Dividend

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.

(i) Government grants

Government grants are recognised at fair value when there is reasonable assurance that the Company will comply with the conditions attaching to them and the grants will be received. Grants related to purchase of assets are treated as deferred income and allocated to income statement over the useful lives of the related assets while grants related to expenses are deducted in reporting the related expenses in the income statement.

(j) Foreign currency translation***Foreign currency transactions and balances******Initial recognition***

Foreign currency transactions are recorded in the functional currency of 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.

Conversion

Foreign currency monetary items are converted 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.

Exchange differences

Exchange differences arising on conversion / settlement of foreign currency monetary items and on foreign currency liabilities relating to Property, Plant and Equipment acquisition are recognized as income or expenses in the period in which they arise.

Translation of foreign operations

The assets and liabilities of a foreign operation are translated into the reporting currency (INR) at the exchange rate prevailing at the reporting date.

(k) Retirement and other employee benefits**i. Provident fund**

Provident fund is a defined contribution plan covering eligible employees. The Company and the eligible employees make a monthly contribution to the provident fund maintained by the Regional Provident Fund Commissioner equal to the specified percentage of the eligible salary of the entitled employees as per the scheme. The contributions to the provident fund are charged to the statement of profit and loss for the year when the contributions are due. The Company has no obligation, other than the contribution payable to the provident fund.

ii. Gratuity

Gratuity is a defined benefit obligation plan operated by the Company for its employees covered under Company Gratuity Scheme. The cost of providing benefit under gratuity plan is determined on the basis of actuarial valuation using the projected unit credit method at the reporting date and are charged to the statement of profit and loss, except for the remeasurements, comprising of actuarial gains and losses which are recognized in full in the statement of other comprehensive income in the reporting period in which they occur. Remeasurements are not reclassified to profit and loss subsequently.

iii. Superannuation

Superannuation is a defined contribution plan covering eligible employees. The contribution to the superannuation fund managed by the insurer is equal to the specified percentage of the basic salary of the eligible employees as per the scheme. The contribution to this scheme is charged to the statement of profit and loss on an accrual basis. There are no other contributions payable other than contribution payable to the respective fund.

iv. Leave encashment

The expected cost of accumulating leave encashment is determined by actuarial valuation performed by an independent actuary at each Balance Sheet date using projected unit credit method on the additional amount expected to be paid / availed as a result of the unused entitlement that has accumulated at the Balance Sheet date. Expense on non-accumulating leave encashment is recognized in the period in which the absences occur.

v. Long service awards

Long service awards are other long term benefits to all eligible employees, as per Company's policy. The cost of providing benefit under long service awards scheme is determined on the basis of 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.

(l) 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 Income Tax Act, 1961 enacted in India and tax laws prevailing in the respective tax jurisdictions where the Company operates. 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.

In the situations where the Company is entitled to a tax holiday under the Income-tax Act, 1961 enacted in India or tax laws prevailing in the respective tax jurisdictions where it operates, no deferred tax (asset or liability) is recognized in respect of temporary differences which reverse during the tax holiday period, to the extent the Company's gross total income is subject to the deduction during the tax holiday period. Deferred tax in respect of temporary differences which reverse after the tax holiday period is recognized in the period in which the temporary differences originate.

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.

Minimum alternate tax (MAT) paid in a period is charged to the statement of profit and loss as current tax. MAT credit available is recognized as an asset only to the extent that there is convincing evidence that the Company will pay normal income tax during the period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Company recognizes MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the statement of profit and loss and shown as "MAT Credit Entitlement." The Company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

(m) Segment reporting

In accordance with para 4 of Notified Indian Accounting Standard 108 (Ind AS-108) "Operating Segments" the Company has disclosed segment information only in consolidated financial statements which are presented together with the standalone financial statements.

(n) Earnings per share (EPS)

Basic earnings per share are calculated by dividing the net profit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the reporting 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 year attributable to the equity shareholders and the weighted average number of equity shares outstanding during the year, 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.

(o) 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.

(p) 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.

(q) Cash and cash equivalents

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

(r) 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).

In accordance with Ind AS 102 – "Share Based Payments", the cost of equity-settled transactions is determined by the fair value of the options at the date of the grant 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 in the statement of profit and loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in employee benefits expense. 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 fair value of the share-based payment transaction or is otherwise beneficial to the employee as measured at the date of modification.

The employee stock option expenses in respect of the employees of the subsidiaries are charged to the respective subsidiary.

(s) Equity

Ordinary shares are classified as equity share capital. Incremental costs directly attributable to the issuance of new ordinary shares, share options and buyback are recognized as a deduction from equity, net of any tax effects

(t) Dividend

Final dividend on shares are recorded as a liability on the date of approval by the shareholders and interim dividends are recorded as a liability on the date of declaration by the Company's Board of Directors.

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Persistent Systems Limited

Notes forming part of financial statements

4. Share Capital

| | As at March 31, 2021 In ₹ Million | As at March 31, 2020 In ₹ Million |
|---|---|---|
| Authorized shares (No. in million) | | |
| 200 (Previous year:200) equity shares of ₹10 each | 2,000.00 | 2,000.00 |
| | 2,000.00 | 2,000.00 |
| Issued, subscribed and fully paid-up shares (No. in million) | | |
| 76.43 (Previous year: 76.43) equity shares of ₹10 each | 764.25 | 764.25 |
| Issued, subscribed and fully paid-up share capital | 764.25 | 764.25 |

a) Reconciliation of the shares outstanding at the beginning and at the end of the year

The reconciliation of the number of shares outstanding and the amount of share capital is set out below:

| | As at March 31, 2021 | | As at March 31, 2020 | |
|--|-------------------------|---------------|-------------------------|---------------|
| | No of Shares | Amount ₹ | No of Shares | Amount ₹ |
| Number of shares at the beginning of the year | 76.43 | 764.25 | 79.12 | 791.19 |
| Less: Shares bought back | - | - | 2.69 | 26.94 |
| Number of shares at the end of the year | 76.43 | 764.25 | 76.43 | 764.25 |

b) Terms / rights attached to equity shares

The Company has only one class of equity shares having a par value of ₹10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

The Board of Directors of Persistent Systems Limited, at its meeting held on January 28, 2021, declared an interim dividend of INR 14 per equity share of face value of INR 10 each for the Financial Year 2020-21.

The Company declares and pays dividends in Indian rupees. The Finance Act, 2020 in India has repealed Dividend Distribution Tax (DDT). The Companies are now required to pay/ distribute dividend after deducting applicable taxes. The remittance of dividends outside India is governed by Indian law on foreign exchange and is also subject to withholding tax at applicable rates as per Finance Act, 2020.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

c) Aggregate number of bonus shares issued, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date

| | For the period of five years ended March 31, 2021 No in Million | For the period of five years ended March 31, 2020 No in Million |
|--|--|--|
| Equity shares allotted on March 12, 2015 as fully paid bonus shares by capitalization of securities premium ₹400 million | - | 40.000 |
| Equity shares bought back | 3.575 | 3.575 |

d) Buyback of Equity Shares of the Company:

The Board of Directors, at its meeting in January 2019, had approved the buyback of the Company's fully paid-up equity shares of the face value of ₹10 each from its shareholders/beneficial owners excluding promoters, promoter group and persons who are in control of the Company, via the "open market" route through the stock exchanges, for a total amount not exceeding ₹ 2,250 million ("Maximum Buyback Size"), and at a price not exceeding ₹ 750 per Equity Share ("Maximum Buyback Price").

The buyback was offered to all eligible equity shareholders of the Company (other than the Promoters, the Promoter Group and Persons in Control of the Company) under the open market route through the stock exchanges. The buyback of equity shares through the stock exchange commenced on February 8, 2019 and was completed on June 27, 2019. During this buyback period the Company had purchased and extinguished a total of 3,575,000 equity shares from the stock exchange at an average buy back price of ₹628.93/- per equity share comprising 4.47% of the pre buyback paid-up equity share capital of the Company. The buyback resulted in a cash outflow of ₹2,248.42 million (excluding transaction costs). The Company funded the buyback from utilization of its securities premium and free reserves. The total number of equity shares outstanding post buyback stands at 76,425,000.

e) Details of shareholders holding more than 5% shares in the Company

| Name of the shareholder* | As at March 31, 2021 | | As at March 31, 2020 | |
|--|-------------------------|-----------|-------------------------|-----------|
| | No. in million | % Holding | No. in million | % Holding |
| Dr. Anand Deshpande jointly with Mrs. Sonali Anand Deshpande | 22.96 | 30.04 | 22.96 | 30.04 |
| Schemes of HDFC Mutual Fund | 5.37 | 7.03 | 6.53 | 8.54 |

* The shareholding information is based on legal ownership of shares and has been extracted from the records of the Company including register of shareholders / members.

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Persistent Systems Limited

Notes forming part of financial statements

5.1 Property, plant and equipment

| | Freehold land | Buildings* | Computers | Office equipments | Plant and equipment | Leasehold improvements | Furniture and fixtures | Vehicles | Total |
|---------------------------------|---------------|-----------------|-----------------|-------------------|---------------------|------------------------|------------------------|-------------|-----------------|
| | | | | | | | | | (In ₹ Million) |
| Gross block (at cost) | | | | | | | | | |
| As at April 1, 2020 | 206.92 | 2,387.06 | 1,851.34 | 53.58 | 1,377.38 | 21.12 | 521.31 | 7.24 | 6,425.95 |
| Additions | - | 0.67 | 536.13 | 6.28 | 55.45 | - | 33.50 | - | 632.03 |
| Disposals | - | - | 56.18 | 2.02 | 25.79 | 0.33 | 27.49 | - | 111.81 |
| As at March 31, 2021 | 206.92 | 2,387.73 | 2,331.29 | 57.84 | 1,407.04 | 20.79 | 527.32 | 7.24 | 6,946.17 |
| Accumulated depreciation | | | | | | | | | |
| As at April 1, 2020 | - | 1,061.11 | 1,548.74 | 50.93 | 1,190.54 | 19.32 | 502.49 | 4.05 | 4,377.18 |
| Charge for the year | - | 96.38 | 228.33 | 2.84 | 50.87 | 1.12 | 17.86 | 0.93 | 398.33 |
| Disposals | - | - | 44.17 | 2.02 | 25.76 | 0.25 | 27.38 | - | 99.58 |
| As at March 31, 2021 | - | 1,157.49 | 1,732.90 | 51.75 | 1,215.65 | 20.19 | 492.97 | 4.98 | 4,675.93 |
| Net block | | | | | | | | | |
| As at March 31, 2021 | 206.92 | 1,230.24 | 598.39 | 6.09 | 191.39 | 0.60 | 34.35 | 2.26 | 2,270.24 |
| As at March 31, 2020 | 206.92 | 1,325.95 | 302.60 | 2.65 | 186.84 | 1.80 | 18.82 | 3.19 | 2,048.77 |

* Note: Building includes those constructed on leasehold land:

- a) Gross block as on March 31, 2021 ₹ 1,454.60 million (Previous year ₹ 1,454.30 million)
- b) Depreciation charge for the year ₹ 59.04 million (Previous year ₹ 59.07 million)
- c) Accumulated depreciation as on March 31, 2021 ₹ 558.07 million (Previous year ₹ 499.03 million)
- d) Net block value as on March 31, 2021 ₹ 896.53 million (Previous year ₹ 955.27 million)

5.2 Right of use assets

| | Office premises | Leasehold land | Total |
|---------------------------------|-----------------|----------------|----------------|
| | | | (In ₹ Million) |
| Gross block (at cost) | | | |
| As at April 1, 2020 | 358.91 | 37.50 | 396.41 |
| Additions | 176.95 | - | 176.95 |
| Disposals | 92.69 | - | 92.69 |
| As at March 31, 2021 | 443.17 | 37.50 | 480.67 |
| Accumulated depreciation | | | |
| As at April 1, 2020 | 126.41 | 0.60 | 127.01 |
| Charge for the year | 111.12 | 0.58 | 111.70 |
| Disposals | 72.66 | - | 72.66 |
| As at March 31, 2021 | 164.87 | 1.18 | 166.05 |
| Net block | | | |
| As at March 31, 2021 | 278.30 | 36.32 | 314.62 |
| As at March 31, 2020 | 232.50 | 36.90 | 269.40 |

Persistent Systems Limited**Notes forming part of financial statements****5.1 Property, plant and equipment**

| | (In ₹ Million) | | | | | | | | |
|---------------------------------|----------------|-----------------|-----------------|-------------------|---------------------|------------------------|------------------------|-------------|-----------------|
| | Freehold land | Buildings* | Computers | Office equipments | Plant and equipment | Leasehold improvements | Furniture and fixtures | Vehicles | Total |
| Gross block (at cost) | | | | | | | | | |
| As at April 1, 2019 | 206.92 | 2,387.00 | 1,684.93 | 53.22 | 1,376.04 | 21.12 | 515.09 | 8.44 | 6,252.76 |
| Additions | - | 0.06 | 248.42 | 0.39 | 25.29 | - | 9.06 | - | 283.22 |
| Disposals | - | - | 82.01 | 0.03 | 23.95 | - | 2.84 | 1.20 | 110.03 |
| As at March 31, 2020 | 206.92 | 2,387.06 | 1,851.34 | 53.58 | 1,377.38 | 21.12 | 521.31 | 7.24 | 6,425.95 |
| Accumulated depreciation | | | | | | | | | |
| As at April 1, 2019 | - | 964.75 | 1,460.02 | 48.77 | 1,144.38 | 17.88 | 482.47 | 4.23 | 4,122.50 |
| Charge for the year | - | 96.36 | 170.46 | 2.19 | 66.30 | 1.44 | 22.86 | 1.02 | 360.63 |
| Disposals | - | - | 81.74 | 0.03 | 20.14 | - | 2.84 | 1.20 | 105.95 |
| As at March 31, 2020 | - | 1,061.11 | 1,548.74 | 50.93 | 1,190.54 | 19.32 | 502.49 | 4.05 | 4,377.18 |
| Net block | | | | | | | | | |
| As at March 31, 2020 | 206.92 | 1,325.95 | 302.60 | 2.65 | 186.84 | 1.80 | 18.82 | 3.19 | 2,048.77 |
| As at March 31, 2019 | 206.92 | 1,422.25 | 224.91 | 4.45 | 231.66 | 3.24 | 32.62 | 4.21 | 2,130.26 |

5.2 Right of use assets

| | (In ₹ Million) | | |
|---|-----------------|----------------|---------------|
| | Office premises | Leasehold land | Total |
| Gross block (at cost) | | | |
| As at April 1, 2019 | - | - | - |
| Additions (transitional impact on adoption of Ind AS 116) | 358.91 | 37.50 | 396.41 |
| As at March 31, 2020 | 358.91 | 37.50 | 396.41 |
| Accumulated depreciation | | | |
| As at April 1, 2019 | - | - | - |
| Charge for the year | 126.41 | 0.60 | 127.01 |
| As at March 31, 2020 | 126.41 | 0.60 | 127.01 |
| Net block | | | |
| As at March 31, 2020 | 232.50 | 36.90 | 269.40 |
| As at March 31, 2019 | - | - | - |

Persistent Systems Limited

Notes forming part of financial statements

5.3 Other Intangible assets

| | (In ₹ Million) | | |
|---------------------------------|----------------|-----------------------------|-----------------|
| | Software | Acquired contractual rights | Total |
| Gross block | | | |
| As at April 1, 2020 | 743.67 | 261.74 | 1,005.41 |
| Additions | 181.44 | - | 181.44 |
| As at March 31, 2021 | 925.11 | 261.74 | 1,186.85 |
| Accumulated Amortization | | | |
| As at April 1, 2020 | 696.70 | 261.74 | 958.44 |
| Charge for the year | 56.76 | - | 56.76 |
| As at March 31, 2021 | 753.46 | 261.74 | 1,015.20 |
| Net block | | | |
| As at March 31, 2021 | 171.65 | - | 171.65 |
| As at March 31, 2020 | 46.97 | - | 46.97 |

| | (In ₹ Million) | | |
|---------------------------------|----------------|-----------------------------|-----------------|
| | Software | Acquired contractual rights | Total |
| Gross block | | | |
| As at April 1, 2019 | 713.08 | 261.74 | 974.82 |
| Additions | 30.59 | - | 30.59 |
| As at March 31, 2020 | 743.67 | 261.74 | 1,005.41 |
| Accumulated Amortization | | | |
| As at April 1, 2019 | 629.22 | 261.74 | 890.96 |
| Charge for the year | 67.48 | - | 67.48 |
| As at March 31, 2020 | 696.70 | 261.74 | 958.44 |
| Net block | | | |
| As at March 31, 2020 | 46.97 | - | 46.97 |
| As at March 31, 2019 | 83.86 | - | 83.86 |

5.4 Depreciation and amortization expense

| | (In ₹ Million) | |
|----------------------------------|--------------------|----------------|
| | For the year ended | |
| | March 31, 2021 | March 31, 2020 |
| On Property, plant and equipment | 398.33 | 360.63 |
| On Right of use assets | 111.70 | 127.01 |
| On Other intangible assets | 56.76 | 67.48 |
| | 566.79 | 555.12 |

Persistent Systems Limited**Notes forming part of financial statements****6. Non-current financial assets : Investments (refer note 32)**

| | As at March 31, 2021 In ₹ Million | As at March 31, 2020 In ₹ Million |
|---|---|---|
| Investments carried at cost | | |
| Unquoted investments | | |
| Investments in equity instruments | | |
| - In wholly owned subsidiary companies (Refer note 34) | | |
| Persistent Systems, Inc. | | |
| 402 million (Previous year: 402 million) shares of USD 0.10 each, fully paid up | 2,478.01 | 2,478.01 |
| | 2,478.01 | 2,478.01 |
| Persistent Systems Pte Ltd. | | |
| 0.50 million (Previous year: 0.50 million) shares of SGD 1 each, fully paid up | 15.50 | 15.50 |
| | 15.50 | 15.50 |
| Persistent Systems France SAS | | |
| 1.50 million (Previous year: 1.50 million) shares of EUR 1 each, fully paid up | 97.47 | 97.47 |
| | 97.47 | 97.47 |
| Persistent Systems Malaysia Sdn. Bhd. | | |
| 5.45 million (Previous year: 5.45 million) shares of MYR 1 each, fully paid up | 102.25 | 102.25 |
| | 102.25 | 102.25 |
| Persistent Systems Germany GmbH | | |
| 11.6527 million (Previous year: 11.6527 million) shares of EUR 1 each, fully paid up | 1,265.91 | 1,265.91 |
| | 1,265.91 | 1,265.91 |
| CAPIOT Software Private Limited | | |
| 0.1867 million (Previous year: Nil) shares of Rs. 10 each, fully paid up | 376.61 | - |
| | 376.61 | - |
| -In associates | | |
| Kisma e-Services Private Limited [Holding 50% (Previous year: 50%)] | | |
| 0.005 million (Previous year : 0.005 million) shares of ₹ 10 each, fully paid up | 0.05 | 0.05 |
| Less : Impairment | (0.05) | (0.05) |
| | - | - |
| Total investments carried at cost (A) | 4,335.75 | 3,959.14 |
| Investments carried at amortised cost | | |
| Quoted Investments | | |
| In bonds | 2,557.92 | 2,171.52 |
| [Market value ₹ 2,727.32 million (Previous year ₹ 2,236.81 million)] | | |
| Add: Interest accrued on bonds | 72.88 | 68.69 |
| Total investments carried at amortised cost (B) | 2,630.80 | 2,240.21 |
| Designated as fair value through profit and loss | | |
| Quoted Investments | | |
| - Investments in mutual funds | | |
| Fair value of long term mutual funds (Refer Note 6 (a)) | 806.99 | 2,174.51 |
| | 806.99 | 2,174.51 |
| Unquoted Investments | | |
| -Others* | | |
| Altizon Systems Private Limited | | |
| 3,766 equity shares (Previous year : 3,766 equity shares) of ₹ 10 each, fully paid up | 6.00 | 6.00 |
| | 6.00 | 6.00 |
| Total investments carried at fair value (C) | 812.99 | 2,180.51 |
| Total investments (A) + (B) + (C) | 7,779.54 | 8,379.86 |
| Aggregate provision for diminution in value of investments | 0.05 | 0.05 |
| Aggregate amount of quoted investments | 3,437.79 | 4,414.72 |
| Aggregate amount of unquoted investments | 4,341.80 | 3,965.19 |

* Investments, where the Company does not have joint-control or significant influence including situations where such joint-control or significant influence is intended to be temporary, are classified as "investments in others"

Persistent Systems Limited**Notes forming part of financial statements****6 (a) Details of fair value of non current investment in mutual funds (Quoted)**

| | As at March 31, 2021 In ₹ Million | As at March 31, 2020 In ₹ Million |
|---|---|---|
| Axis Mutual Fund | 400.50 | 898.93 |
| IDFC Mutual Fund | 370.31 | 630.06 |
| Sundaram Mutual Fund | 36.18 | 33.15 |
| ICICI Prudential Mutual Fund | - | 141.38 |
| Kotak Mutual Fund | - | 105.86 |
| UTI Mutual Fund | - | 105.73 |
| Aditya Birla Sun Life Mutual Fund | - | 82.65 |
| SBI Mutual Fund | - | 71.06 |
| HDFC Mutual Fund | - | 35.66 |
| PGIM India Mutual Fund (formerly known as DHFL Pramerica Mutual Fund) | - | 35.03 |
| DSP Mutual Fund | - | 35.00 |
| | 806.99 | 2,174.51 |

7. Non-current financial assets : Loans (refer note 32)

| | As at March 31, 2021 In ₹ Million | As at March 31, 2020 In ₹ Million |
|----------------------------------|---|---|
| Carried at amortised cost | | |
| Security deposits | | |
| Unsecured, considered good | 52.23 | 123.57 |
| | 52.23 | 123.57 |
| Other loans and advances | | |
| Unsecured, considered good | - | - |
| | 0.58 | 0.58 |
| Less: Impairment | (0.58) | (0.58) |
| | - | - |
| | 52.23 | 123.57 |

8. Other non-current financial assets (refer note 32)

| | As at March 31, 2021 In ₹ Million | As at March 31, 2020 In ₹ Million |
|--|---|---|
| Non-current bank balances (refer note 14) | 24.42 | 344.55 |
| Add: Interest accrued but not due on non-current bank deposits | 1.34 | 14.38 |
| Non-current deposits with banks (carried at amortised cost) | 25.76 | 358.93 |
| Deposit with financial institutions | 430.00 | 430.00 |
| Add: Interest accrued but not due on deposit with financial institutions | 0.98 | 0.98 |
| Less: Credit impaired | (430.98) | (430.98) |
| Non-current deposits with financial institutions (carried at amortised cost) | - | - |
| | 25.76 | 358.93 |

9. Deferred tax assets (net)

| | As at March 31, 2021 In ₹ Million | As at March 31, 2020 In ₹ Million |
|--|---|---|
| Deferred tax liabilities | | |
| Differences in book values and tax base values of block of Property, plant and equipment and other intangible assets | 41.87 | 24.30 |
| Capital gains (net) | 61.06 | 76.67 |
| | 102.93 | 100.97 |
| Deferred tax assets | | |
| Provision for leave encashment | 95.76 | 47.15 |
| Provision for long service awards | 64.97 | 51.38 |
| Provision for expected credit loss | 28.85 | 33.45 |
| Tax credit | 62.37 | 67.69 |
| Right of use asset and lease liability | 26.36 | 31.86 |
| Others | 70.36 | 186.79 |
| | 348.67 | 418.32 |
| Deferred tax assets (net) | 245.74 | 317.35 |

Persistent Systems Limited**Notes forming part of financial statements****10. Other non current assets**

| | As at March 31, 2021 In ₹ Million | As at March 31, 2020 In ₹ Million |
|--|---|---|
| Capital advances (Unsecured, considered good) | 38.75 | 27.14 |
| Advances recoverable in cash or kind or for value to be received | 84.43 | 5.70 |
| Balances with government authorities (refer note 36 (c)) | 296.55 | 296.55 |
| | 419.73 | 329.39 |

11. Current financial assets : Investments (refer note 32)

| | As at March 31, 2021 In ₹ Million | As at March 31, 2020 In ₹ Million |
|---|---|---|
| Designated as fair value through profit and loss | | |
| - Quoted investments | | |
| Investments in mutual funds | | |
| Fair value of current mutual funds (refer note 'a' below) | 6,374.95 | 5,164.77 |
| Total carrying amount of investments | 6,374.95 | 5,164.77 |
| Aggregate amount of quoted investments | 6,374.95 | 5,164.77 |
| Aggregate amount of unquoted investments | - | - |

11(a) Details of fair value of current investment in mutual funds (Quoted)

| | As at March 31, 2021 In ₹ Million | As at March 31, 2020 In ₹ Million |
|---|---|---|
| Aditya Birla Sun Life Mutual Fund | 1,011.03 | 973.04 |
| HDFC Mutual Fund | 963.10 | 185.88 |
| IDFC Mutual Fund | 911.72 | 640.78 |
| Axis Mutual Fund | 824.68 | 396.02 |
| UTI Mutual Fund | 723.19 | 809.46 |
| ICICI Prudential Mutual Fund | 710.33 | 940.50 |
| L&T Mutual Fund | 511.71 | 734.90 |
| Kotak Mutual Fund | 478.21 | 421.51 |
| SBI Mutual Fund | 166.36 | - |
| DSP Mutual Fund | 37.38 | - |
| PGIM India Mutual Fund (formerly known as DHFL Pramerica Mutual Fund) | 37.24 | - |
| Nippon India Mutual Fund (formerly known as Reliance Mutual Fund) | - | 62.68 |
| | 6,374.95 | 5,164.77 |

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Persistent Systems Limited**Notes forming part of financial statements****12. Trade receivables (refer note 32)**

| | As at March 31, 2021 In ₹ Million | As at March 31, 2020 In ₹ Million |
|---|---|---|
| Unsecured, considered good* | 2,966.26 | 2,883.09 |
| Unsecured, credit impaired | 118.29 | 132.91 |
| | 3,084.55 | 3,016.00 |
| Less : Allowance for expected credit loss | (118.29) | (132.91) |
| | 2,966.26 | 2,883.09 |
| | 2,966.26 | 2,883.09 |

*Includes dues from related parties (refer note 34)

13. Cash and cash equivalents (refer note 32)

| | As at March 31, 2021 In ₹ Million | As at March 31, 2020 In ₹ Million |
|--|---|---|
| Cash and cash equivalents as presented in cash flow statement | | |
| Cash on hand | 0.10 | 0.15 |
| Balances with banks | | |
| On current accounts# | 360.22 | 198.79 |
| On saving accounts | 1.33 | 0.36 |
| On Exchange Earner's Foreign Currency accounts | 208.57 | 261.86 |
| On Deposit accounts with original maturity less than three months | 292.50 | 71.47 |
| | 862.72 | 532.63 |

Out of the cash and cash equivalent balance as at March 31, 2021, the Company can utilise ₹ 154.39 million (Previous year: ₹ 6.62 million) only towards certain predefined activities specified in the agreement.

14. Other bank balances (refer note 32)

| | As at March 31, 2021 In ₹ Million | As at March 31, 2020 In ₹ Million |
|---|---|---|
| Deposits with banks* | 7,108.47 | 2,643.65 |
| Add: Interest accrued but not due on deposits with banks | 301.29 | 116.55 |
| Deposits with banks (carried at amortised cost) | 7,409.76 | 2,760.20 |
| Less: Deposit with maturity more than twelve months from the Balance Sheet date disclosed under non-current financial assets (refer note 8) | (24.42) | (344.55) |
| Less: Interest accrued but not due on non-current deposits with banks (refer note 8) | (1.34) | (14.38) |
| | 7,384.00 | 2,401.27 |
| Balances with banks on unpaid dividend accounts** | 3.00 | 4.05 |
| | 7,387.00 | 2,405.32 |

* Out of the balance, fixed deposits of ₹ 675.89 million (Previous year : ₹ 71.10 million) have been earmarked against credit facilities and bank guarantees availed by the Company.

** The Company can utilize these balances only towards settlement of the respective unpaid dividend.

Persistent Systems Limited**Notes forming part of financial statements****15. Current financial assets : Loans (refer note 32)**

| | As at March 31, 2021 In ₹ Million | As at March 31, 2020 In ₹ Million |
|--|---|---|
| Carried at amortised cost | | |
| Loan to related parties (Refer note 34 and note 43) | | |
| Unsecured, credit impaired | | |
| - Klisma e-Services Private Limited | 27.43 | 27.43 |
| | 27.43 | 27.43 |
| Less: Impairment | (27.43) | (27.43) |
| | - | - |
| Security deposits | | |
| Unsecured, considered good | 49.33 | 4.76 |
| | 49.33 | 4.76 |
| | 49.33 | 4.76 |

16. Other current financial assets (refer note 32)

| | As at March 31, 2021 In ₹ Million | As at March 31, 2020 In ₹ Million |
|---|---|---|
| Fair value of derivatives designated as hedging instruments | | |
| Forward contracts receivable | 294.46 | - |
| Advances to related parties (Unsecured, considered good) (refer note 34) | | |
| Persistent Systems, Inc. | 18.72 | 63.08 |
| Persistent Systems France SAS | 0.38 | 6.71 |
| Persistent Telecom Solutions Inc. | 0.01 | 3.05 |
| Persistent Systems Malaysia Sdn. Bhd. | - | 0.15 |
| Persistent Systems Lanka (Private) Limited | 0.02 | 2.67 |
| Aepona Limited | 2.34 | - |
| PARX Consulting GmbH | - | 0.04 |
| Persistent Systems Israel Ltd. | - | 1.05 |
| Persistent Systems Mexico, S.A. de C.V | - | 1.12 |
| Youperience GmbH | - | 0.05 |
| PARX Werk AG | - | 1.79 |
| Persistent Systems Germany GmbH | - | 0.31 |
| | 21.47 | 80.02 |
| Advances to related parties (Unsecured, credit impaired) (refer note 34) | | |
| Klisma e-Services Private Limited | 0.81 | 0.81 |
| Less: Impairment of current financial assets | (0.81) | (0.81) |
| | - | - |
| Other advances | 21.79 | - |
| Unbilled revenue | 1,726.07 | 2,000.05 |
| | 2,063.79 | 2,080.07 |

17. Other current assets

| | As at March 31, 2021 In ₹ Million | As at March 31, 2020 In ₹ Million |
|---|---|---|
| Advances to suppliers (Unsecured, considered good) | | |
| Advances recoverable in cash or kind or for value to be received | 388.32 | 460.97 |
| Excess fund balance with Life Insurance Corporation (Refer Note 30) | 113.08 | 128.54 |
| Other advances (Unsecured, considered good) | | |
| VAT receivable (net) | 23.44 | 31.50 |
| Service tax and GST receivable (net) (refer note 36) | 1,132.09 | 864.36 |
| | 1,155.53 | 895.86 |
| | 1,656.93 | 1,485.37 |

Persistent Systems Limited**Notes forming part of financial statements****18. Non-current financial liabilities : Borrowings (refer note 32)**

| | As at March 31, 2021 In ₹ Million | As at March 31, 2020 In ₹ Million |
|--|---|---|
| Unsecured Borrowings carried at amortised cost | | |
| Term loans | | |
| Indian rupee loan from others | 7.39 | 11.93 |
| Interest accrued but not due on term loans | 0.11 | 0.18 |
| | 7.50 | 12.11 |
| Less: Current maturity of long-term borrowings transferred to other current financial liabilities (Refer note 22) | (1.85) | (4.85) |
| Less: Current maturity of interest accrued but not due on term loan transferred to other current financial liabilities (Refer note 22) | (0.11) | (0.18) |
| | (1.96) | (5.03) |
| | 5.54 | 7.08 |

The term loans from Government departments have the following terms and conditions:

Loan I - amounting to ₹ 7.39 million (Previous year ₹ 9.24 million) with Interest payable @ 3% per annum repayable in ten equal annual installments over a period of ten years commencing from October 2015.

Loan II - amounting to Nil (Previous year ₹ 2.69 million) with interest payable @ 2% per annum has been guaranteed by a bank guarantee by the Company and was repayable in ten equal semi annual installments over a period of five years commencing from September 2016. The loan has been fully repaid in current year.

19. Non current liabilities : Provisions

| | As at March 31, 2021 In ₹ Million | As at March 31, 2020 In ₹ Million |
|---------------------------------|---|---|
| Provision for employee benefits | | |
| - Long service awards | 240.94 | 182.79 |
| | 240.94 | 182.79 |

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Persistent Systems Limited**Notes forming part of financial statements****20. Lease liabilities (refer note 32)**

| | As at March 31, 2021 In ₹ Million | As at March 31, 2020 In ₹ Million |
|--|---|---|
| Lease liabilities | 378.54 | 356.64 |
| Less: Current portion of lease liabilities | (73.82) | (165.38) |
| | 304.72 | 191.26 |

Movement of lease liabilities

| | For the year ended March 31, 2021 In ₹ Million | March 31, 2020 In ₹ Million |
|--|--|--------------------------------|
| Opening balance | 356.64 | - |
| Additions | 176.95 | 501.15 |
| Deletions | (20.03) | - |
| Add: Interest recognised during the year | 38.09 | 43.86 |
| Less: Payments made | (173.11) | (188.37) |
| Closing balance | 378.54 | 356.64 |

21. Trade payables (refer note 32)

| | As at March 31, 2021 In ₹ Million | As at March 31, 2020 In ₹ Million |
|--|---|---|
| Trade payables for goods and services* | 938.40 | 972.49 |
| [(dues of micro and small enterprises ₹ 30.20 million (Previous year: ₹ 5.15 million)] | 938.40 | 972.49 |

*Includes dues payable to related parties (refer note 34)

Disclosure of payable to vendors as defined under the "Micro, Small and Medium Enterprise Development Act, 2006" is based on the information available with the Company regarding the status of registration of such vendors under the said Act, as per the intimation received from them on requests made by the Company. There are no overdue principal amounts / interest payable amounts for delayed payments to such vendors at the Balance Sheet date. There are no delays in payment made to such suppliers during the period or for any earlier years and accordingly there is no interest paid or outstanding interest in this regard in respect of payment made during the period or on balance brought forward from previous year.

22. Other current financial liabilities (refer note 32)

| | As at March 31, 2021 In ₹ Million | As at March 31, 2020 In ₹ Million |
|--|---|---|
| Capital creditors | 237.83 | 36.23 |
| Current maturity of long term-borrowings (refer note 18) | 1.85 | 4.85 |
| Current maturity of interest on long-term borrowings (refer note 18) | 0.11 | 0.18 |
| Accrued employee liabilities | 154.58 | 105.64 |
| Unpaid dividend * | 3.00 | 4.05 |
| Other liabilities | 0.05 | 4.40 |
| Fair value of derivatives designated as hedging instruments | | |
| Forward contracts payable | - | 387.89 |
| Advance from related parties (Unsecured, considered good) (refer note 34) | | |
| Persistent Systems Pte Ltd | - | 2.77 |
| PARX Werk AG | - | 2.55 |
| Aepona Limited | - | 1.17 |
| | - | 6.49 |
| | 397.42 | 549.73 |

* Unpaid dividend is credited to Investor Education and Protection Fund as and when due.

Persistent Systems Limited

Notes forming part of financial statements

23. Other current liabilities

| | As at March 31, 2021 In ₹ Million | As at March 31, 2020 In ₹ Million |
|-------------------------|---|---|
| Unearned revenue | 260.40 | 135.88 |
| Advance from customers | 1,023.53 | 558.34 |
| Other payables | | |
| - Statutory liabilities | 228.03 | 146.89 |
| - Other liabilities* | 167.05 | 9.91 |
| | 1,679.01 | 851.02 |

*Includes balance of ₹ 154.16 million (previous year: Nil) to be utilised against certain predefined activities specified in the agreement.

24. Current liabilities : Provisions

| | As at March 31, 2021 In ₹ Million | As at March 31, 2020 In ₹ Million |
|---------------------------------|---|---|
| Provision for employee benefits | | |
| - Leave encashment | 380.49 | 187.35 |
| - Long service awards | 17.19 | 21.35 |
| - Other employee benefits | 747.91 | 381.68 |
| | 1,145.59 | 590.38 |

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25. Revenue from operations (net) (refer note 34)

| | For the year ended | |
|-------------------|--------------------|------------------|
| | March 31, 2021 | March 31, 2020 |
| | In ₹ Million | In ₹ Million |
| Software services | 24,270.63 | 20,775.56 |
| Software licenses | 525.45 | 305.66 |
| | 24,796.08 | 21,081.22 |

The table below presents disaggregated revenues from contracts with customers by segments, geography and type. The Company believes that this disaggregation best depicts how the nature, amount, timing and uncertainty of our revenues and cash flows are affected by industry, market and other economic factors.

| | For the year ended | |
|--|--------------------|------------------|
| | March 31, 2021 | March 31, 2020 |
| | In ₹ Million | In ₹ Million |
| Revenue by industry segments | | |
| Banking, Financial Services and Insurance (BFSI) | 4,070.00 | 3,404.15 |
| Healthcare & Life Sciences | 3,525.00 | 2,676.62 |
| Technology Companies and Emerging Verticals | 17,201.08 | 15,000.45 |
| Total | 24,796.08 | 21,081.22 |
| Geographical disclosure | | |
| India | 3,392.01 | 2,682.26 |
| North America | 19,844.83 | 16,700.22 |
| Rest of the World | 1,559.24 | 1,698.74 |
| Total | 24,796.08 | 21,081.22 |
| Onsite / offshore / IP Led | | |
| IP Led | 1,447.06 | 1,686.48 |
| Offshore | 22,597.95 | 18,481.33 |
| Onsite | 751.07 | 913.41 |
| Total | 24,796.08 | 21,081.22 |

The remaining performance obligation disclosure provides the aggregate amount of the transaction price yet to be recognized as at the end of the reporting period and an explanation as to when the Company expects to recognize these amounts in revenue. Applying the practical expedient as given in Ind AS 115, the Company has not disclosed the remaining performance obligation-related disclosures for contracts where the revenue recognized corresponds directly with the value to the customer of the entity's performance completed to date, typically those contracts where invoicing is on time and material and unit of work-based contracts. Remaining performance obligation estimates are subject to change and are affected by several factors, including terminations, changes in the scope of contracts, periodic revalidations, adjustment for revenue that has not materialized and adjustments for currency.

During the year, ₹ 1,856.43 million (Previous year - ₹ 1,464.33 million) of opening unbilled revenue has been reclassified to trade receivables upon billing to customers on completion of milestones. In addition to that, ₹ 113.49 million (Previous year - Nil) has been reversed in to revenue from operations in current year.

During the year, the Company recognised revenue of ₹ 105.56 million (Previous year - ₹ 117.87 million) arising from opening unearned revenue.

In respect of the contracts wherein the transaction price is in the form of revenue share, the estimated revenue for the customer is considered based on the historical trends and management judgement with respect to customer business. The estimated revenue from these contracts included in the total revenue for the year is ₹ 209.30 million (Previous year - ₹ 245.80 million).

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26. Other income

| | For the year ended | |
|---|--------------------|-----------------|
| | March 31, 2021 | March 31, 2020 |
| | In ₹ Million | In ₹ Million |
| Interest income | | |
| On deposits carried at amortised cost | 381.66 | 373.29 |
| On bonds | 167.16 | 152.47 |
| Foreign exchange gain (net) | 67.12 | 274.26 |
| Profit on sale of Property, plant and equipment (net) | 8.10 | - |
| Dividend income from investments | 131.45 | 410.72 |
| Profit on sale of investments (net) | 478.13 | 164.81 |
| Net gain/(loss) arising on financial assets designated as FVTPL | (133.70) | 119.02 |
| Miscellaneous income | 76.24 | 104.47 |
| | 1,176.16 | 1,599.04 |

27. Personnel expenses

| | For the year ended | |
|---|--------------------|------------------|
| | March 31, 2021 | March 31, 2020 |
| | In ₹ Million | In ₹ Million |
| 27.1 Employee benefits expense | | |
| Salaries, wages and bonus | 12,806.57 | 10,178.10 |
| Contribution to provident and other funds (refer note 30) | 666.24 | 372.96 |
| Staff welfare and benefits | 384.07 | 417.99 |
| Share based payments to employees (refer note 35) | 236.33 | 60.01 |
| | 14,093.21 | 11,029.06 |
| 27.2 Cost of professionals | | |
| - Related parties (refer note 34) | 1,323.73 | 1,565.67 |
| - Others | 451.34 | 259.70 |
| | 1,775.07 | 1,825.37 |
| | 15,868.28 | 12,854.43 |

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28. Other expenses*

| | For the year ended | |
|---|--------------------|-----------------|
| | March 31, 2021 | March 31, 2020 |
| | In ₹ Million | In ₹ Million |
| Travelling and conveyance | 39.58 | 338.29 |
| Electricity expenses (net) | 69.09 | 97.02 |
| Internet link expenses | 50.14 | 48.83 |
| Communication expenses | 73.17 | 72.52 |
| Recruitment expenses | 75.40 | 69.43 |
| Training and seminars | 23.97 | 22.82 |
| Purchase of software licenses and support expenses | 908.00 | 852.77 |
| Bad debts | 46.96 | - |
| Provision for expected credit loss (net) | (20.20) | 47.31 |
| Rent (refer note 33) | 77.50 | 68.33 |
| Insurance | 31.37 | 25.91 |
| Rates and taxes | 52.57 | 49.17 |
| Legal and professional fees | 196.13 | 187.49 |
| Repairs and maintenance | | |
| - Plant and Machinery | 94.92 | 109.12 |
| - Buildings | 19.26 | 21.32 |
| - Others | 15.20 | 18.21 |
| Selling and marketing expenses | 739.82 | 660.03 |
| Fees for sales enablement services | - | 627.90 |
| Advertisement, conference and sponsorship fees | 3.54 | 23.02 |
| Computer consumables | 3.14 | 4.47 |
| Auditors' remuneration (refer note 38) | 9.00 | 10.26 |
| Donations | 163.93 | 86.11 |
| Books, memberships, subscriptions | 12.69 | 22.42 |
| Provision for doubtful deposits (refer note 44) | - | 248.48 |
| Loss on sale of Property, Plant and Equipment (net) | - | 5.50 |
| Directors' sitting fees | 4.84 | 6.58 |
| Directors' commission | 10.22 | 14.85 |
| Miscellaneous expenses | 118.52 | 158.98 |
| | 2,818.76 | 3,897.14 |

* Includes expenses incurred with related parties (refer note 34)

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29. Earnings per share

| | | For the year ended | |
|--|-------|--------------------|-------------------|
| | | March 31, 2021 | March 31, 2020 |
| <u>Numerator for Basic and Diluted EPS</u> | | | |
| Net Profit after tax (In ₹ Million) | (A) | 5,050.86 | 4,077.23 |
| <u>Denominator for Basic EPS</u> | | | |
| Weighted average number of equity shares | (B) | 76,425,000 | 76,684,672 |
| <u>Denominator for Diluted EPS</u> | | | |
| Number of equity shares | (C) | 76,425,000 | 76,684,672 |
| Basic Earnings per share of face value of ₹ 10 each (In ₹) | (A/B) | 66.09 | 53.17 |
| Diluted Earnings per share of face value of ₹ 10 each (In ₹) | (A/C) | 66.09 | 53.17 |
| | | | |
| | | For the year ended | |
| | | March 31, 2021 | March 31, 2020 |
| Number of shares considered as basic weighted average shares outstanding | | 76,425,000 | 76,684,672 |
| Add: Effect of dilutive issues of stock options | | - | - |
| Number of shares considered as weighted average shares and potential shares outstanding | | 76,425,000 | 76,684,672 |

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Persistent Systems Limited**Notes forming part of financial statements****30. Gratuity plan:**

The Company has a defined benefit gratuity plan. Each employee is eligible for gratuity on completion of minimum five years of service at 15 days basic salary (last drawn basic salary) for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

The following tables summarize the components of net benefit expense recognized in the statement of profit and loss and the funded status and amounts recognized in the Balance Sheet for the respective plans.

Statement of profit and loss

Net employee benefit expense (recognized in statement of profit and loss)

| | (In ₹ Million) | |
|--|--------------------|-------------------|
| | For the year ended | |
| | March 31, 2021 | March 31, 2020 |
| Current service cost | 167.38 | 192.44 |
| Interest cost on benefit obligation | 56.48 | 68.74 |
| Expected return on plan assets | (70.85) | (68.89) |
| Curtailement effect* | - | (272.59) |
| Others | (0.02) | (0.02) |
| Net benefit (income) / expense | 152.99 | (80.32) |
| Net actuarial (gain) / loss recognized in the year | (32.37) | 32.79 |

Balance sheet

Changes in the fair value of plan assets (recognized in the Balance Sheet) are as follows:

| | (In ₹ Million) | |
|--|--------------------|-------------------|
| | For the year ended | |
| | March 31, 2021 | March 31, 2020 |
| Opening fair value of plan assets | 985.61 | 831.31 |
| Expected return on plan assets | 70.85 | 68.89 |
| Adjustment to expected return | (10.85) | (8.88) |
| Contribution by employer | 116.03 | 184.25 |
| Benefits paid | (110.85) | (89.96) |
| Closing fair value of plan assets | 1,050.79 | 985.61 |

Changes in the present value of the defined benefit obligation (recognized in Balance Sheet) are as follows:

| | (In ₹ Million) | |
|---|--------------------|-------------------|
| | For the year ended | |
| | March 31, 2021 | March 31, 2020 |
| Opening defined benefit obligation | 857.07 | 925.65 |
| Interest cost | 56.48 | 68.74 |
| Current service cost | 167.38 | 192.44 |
| Benefits paid | (110.85) | (89.96) |
| Curtailements* | - | (272.59) |
| Actuarial (gain) / losses on obligation | (32.37) | 32.79 |
| Closing defined benefit obligation | 937.71 | 857.07 |

Benefit asset/ (liability)

| | (In ₹ Million) | |
|--------------------------------------|-------------------|-------------------|
| | As at | |
| | March 31, 2021 | March 31, 2020 |
| Fair value of plan assets | 1,050.79 | 985.61 |
| (Less) : Defined benefit obligations | (937.71) | (857.07) |
| Plan asset / (liability) | 113.08 | 128.54 |

The major categories of plan assets as a percentage of the fair value of total plan assets:

| | As at | |
|---|-------------------|-------------------|
| | March 31, 2021 | March 31, 2020 |
| | 2021 | 2020 |
| Investments with insurer including accrued interest | 100% | 100% |

Persistent Systems Limited

Notes forming part of financial statements

The principal assumptions used in determining gratuity for the Company's plans are shown below:

| | As at | |
|----------------|--|--|
| | March 31, 2021 | March 31, 2020 |
| Discount rate | 6.70% | 6.77% |
| Mortality | IALM (2012-14) Ult. | IALM (2012-14) Ult. |
| Attrition rate | PS: 0 to 1 : 17% PS: 1 to 3 : 14% PS: 3 to 4 : 10% PS: 4 to 7 : 5% PS: 7 to 10 : 3% PS:10 to 47 :1% | PS: 0 to 1 : 17% PS: 1 to 3 : 14% PS: 3 to 4 : 10% PS: 4 to 7 : 5% PS: 7 to 10 : 3% PS:10 to 47 :1% |
| Increment rate | 5.50% | 5.50% |

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Every percentage point increase / decrease in discount rate will change the gratuity benefit obligation to approximately ₹ 82.00 million / ₹ 108.01 million (previous year: ₹ 94.85 million / ₹ 113.66 million) respectively.

Every percentage point increase / decrease in rate of increase in compensation levels will change the gratuity benefit obligation to approximately ₹ 99.64 million / ₹ 88.74 million (previous year: ₹ 106.54 million / ₹ 90.35 million) respectively.

Amounts for the current and previous year are as follows:

| | (In ₹ Million) | |
|---|-------------------|-------------------|
| | March 31, 2021 | March 31, 2020 |
| Plan assets | 1,050.79 | 985.61 |
| Defined benefit obligation | (937.71) | (857.07) |
| Surplus / (Deficit) | 113.08 | 128.54 |
| Experience adjustments on plan liabilities - Loss | (32.37) | 32.79 |

Maturity Profile of defined benefit obligations:

| | (In ₹ Million) | |
|---------------|-------------------|-------------------|
| | March 31, 2021 | March 31, 2020 |
| Within 1 year | 36.45 | 45.52 |
| 1-2 years | 32.91 | 42.59 |
| 2-3 years | 33.66 | 33.43 |
| 3-4 years | 36.11 | 31.94 |
| 4-5 years | 36.29 | 34.70 |
| 5-10 years | 222.48 | 174.92 |

Superannuation Fund

The Company contributed ₹ 43.55 million and ₹ 41.12 million to superannuation fund during the years ended March 31, 2021 and March 31, 2020 respectively and the same is recognised in the Statement of profit and loss under the head employee benefit expenses.

Defined contribution plan - Provident Fund

The Company has certain defined contribution plans. Contributions are made to provident fund for employees @ 12% of Basic salary as per regulation. The contributions are made to registered provident fund administered by the government. The obligation of the company is limited to the amount contributed and it has no further contractual nor any constructive obligation. The expense recognised during the period towards defined contribution plan (provident fund) is ₹ 484.36 million (Previous year - ₹ 404.90 million).

*The gratuity scheme had an element in its structure which caps the basic salary beyond a certain amount. Giving effect to that in valuation of benefit obligation had resulted into curtailment of benefits to the extent of ₹ 272.59 million which was reflected in the report for previous financial year 2019-20.

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Persistent Systems Limited**Notes forming part of financial statements****31. Income taxes**

The reconciliation of estimated income tax expense at Indian statutory income tax rate to income tax expense reported in statement of profit and loss is as follows:

| | For the year ended | |
|---|--------------------|-----------------|
| | March 31, 2021 | March 31, 2020 |
| | In ₹ million | In ₹ million |
| Profit before tax | 6,680.20 | 5,329.06 |
| Enacted tax rate in India | 25.17% | 25.17% |
| Computed tax expense at enacted tax rate | 1,681.27 | 1,341.22 |
| Effect of exempt income | (90.04) | (69.20) |
| Effect of non-deductible expenses | 30.01 | 12.62 |
| Effect of concessions (R&D allowance) | 5.32 | (21.95) |
| Tax (credit) / charge in respect of earlier years | 2.74 | (1.60) |
| Effect of different tax rates for different heads of income | (2.06) | (31.80) |
| Effect of Change in tax rate in current year (refer note below) | - | 24.76 |
| Others | 2.10 | (2.22) |
| Income tax expense | 1,629.34 | 1,251.83 |

Note:

In previous year, The Company has decided to opt for the new tax regime announced by the Government of India and avail the benefit of Section 115BAA of the Income Tax Act. This provides for the concessional tax rate of 22% plus applicable surcharge and cess (totalling to 25.17%) from April 1, 2019, without claiming the following major tax exemptions / incentives which were availed till earlier financial year.

(i) Tax holiday under section 10AA of the Income Tax Act available for units set up under the Special Economic Zone Act, 2005 (SEZ units).

(ii) Weighted Deduction under section 35 (2AB) of the Income Tax Act on the expenditure on scientific research carried out in in-house research and development facility as approved by the prescribed authority under Income Tax Act.

The Income Tax expense and deferred tax expense for the year ended March 31, 2021 include the effect of the net benefit of section 115BAA opted for by the Company from April 1, 2019.

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Persistent Systems Limited

Notes forming part of financial statements

32. Financial assets and liabilities

The carrying values and fair values of financial instruments by categories are as follows:

| (In ₹ million) | | | | | | |
|---|----------------------|----------------------|------------------|----------------------|------------------|----------------------|
| Financial assets/ financial liabilities | Basis of measurement | As at March 31, 2021 | | As at March 31, 2020 | | Fair value hierarchy |
| | | Carrying value | Fair value | Carrying value | Fair value | |
| Assets: | | | | | | |
| Investments in subsidiaries and associates | Cost | 4,335.75 | 4,335.75 | 3,959.14 | 3,959.14 | Level 3 |
| Investments in equity instruments | Fair value | 6.00 | 6.00 | 6.00 | 6.00 | |
| Investments in bonds* | Amortised cost | 2,630.80 | 2,727.32 | 2,240.21 | 2,236.81 | |
| Investments in mutual funds | Fair value | 7,181.94 | 7,181.94 | 7,339.28 | 7,339.28 | Level 1 |
| Loans | Amortised cost | 101.56 | 101.56 | 128.33 | 128.33 | |
| Deposit with banks and financial institutions (including interest accrued but not due on deposits with banks) | Amortised cost | 7,409.76 | 7,409.76 | 2,760.20 | 2,760.20 | |
| Cash and cash equivalents (including unpaid dividend) | Amortised cost | 865.72 | 865.72 | 536.68 | 536.68 | Level 2 |
| Trade receivables (net) | Amortised cost | 2,966.26 | 2,966.26 | 2,883.09 | 2,883.09 | |
| Forward contracts receivable | Fair value | 294.46 | 294.46 | - | - | |
| Unbilled revenue | Amortised cost | 1,726.07 | 1,726.07 | 2,000.05 | 2,000.05 | |
| Other current financial assets | Amortised cost | 43.26 | 43.26 | 80.02 | 80.02 | |
| Total | | 27,561.58 | 27,658.10 | 21,933.00 | 21,929.60 | |
| Liabilities: | | | | | | |
| Borrowings (including accrued interest) | Amortised cost | 7.50 | 7.50 | 12.11 | 12.11 | Level 2 |
| Trade payables | Amortised cost | 938.40 | 938.40 | 972.49 | 972.49 | |
| Lease liabilities | Amortised cost | 378.54 | 378.54 | 356.64 | 356.64 | |
| Other financial liabilities (excluding borrowings) | Amortised cost | 395.46 | 395.46 | 156.81 | 156.81 | |
| Forward contracts payable | Fair value | - | - | 387.89 | 387.89 | |
| Total | | 1,719.90 | 1,719.90 | 1,885.94 | 1,885.94 | |

* Fair value includes interest accrued.

Fair value hierarchy:

The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable and consists of the following three

Level 1 — Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 — Inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 — Inputs are not based on observable market data (unobservable inputs). Fair values are determined in whole or in part using a valuation model based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. In respect of equity instruments of unlisted companies, in limited circumstances, insufficient more recent information is available to measure fair value, or if there are a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range. The Company recognises such equity instruments at cost, which is considered as appropriate estimate of fair value.

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Persistent Systems Limited

Notes forming part of financial statements

Financial risk management

Financial risk factors and risk management objectives

The Company's activities expose it to a variety of financial risks: market risk, 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 primary market risk to the Company is foreign exchange risk. The Company uses derivative financial instruments to mitigate foreign exchange related risk exposures. The use of financial derivatives is governed by the Company's policies approved by the Board of Directors which provide written principles on foreign exchange hedging. The Company's exposure to credit risk is mainly for receivables that are overdue for more than 90 days. The Credit Task Force is responsible for credit risk management. Investment of excess liquidity is governed by the Investment policy of the Company. The Company's Risk Management Committee monitors risks and policies implemented to mitigate risk exposures.

Market risk

The Company operates globally with its operations spread across various geographies and consequently the Company is exposed to foreign exchange risk. Around 80% to 90% of the Company's foreign currency exposure is in USD. The Company holds plain vanilla forward contracts against expected receivables in USD to mitigate the risk of changes in exchange rates.

The following table analyses unhedged foreign currency risk from financial instruments as of March 31, 2021.

| | USD | EUR | GBP | Other currencies | (In ₹ million) Total |
|---|----------|----------|--------|------------------|-------------------------|
| Trade receivables | 131.51 | 112.91 | 268.36 | 87.52 | 600.30 |
| Cash and cash equivalents and bank balances | 314.92 | 6.02 | 13.05 | 15.32 | 349.31 |
| Investments | 2,939.02 | 1,460.83 | - | 123.39 | 4,523.25 |
| Other financial assets (including loans and interest accrued) | 0.29 | 0.26 | 7.58 | 9.38 | 17.52 |
| Trade and other payables | 234.12 | 14.01 | 44.12 | 2.37 | 294.63 |
| Other liabilities | 324.19 | 0.57 | 0.58 | 2.82 | 328.16 |

The following table analyses unhedged foreign currency risk from financial instruments as of March 31, 2020.

| | USD | EUR | GBP | Other currencies | (In ₹ million) Total |
|---|----------|----------|--------|------------------|-------------------------|
| Trade receivables | 233.54 | 121.73 | 125.08 | 135.39 | 615.74 |
| Cash and cash equivalents and bank balances | 297.77 | 5.26 | 11.45 | 30.47 | 344.95 |
| Investments | 3,041.63 | 1,409.40 | - | 121.97 | 4,573.00 |
| Other financial assets (including loans and interest accrued) | 66.13 | 5.58 | 8.67 | 8.30 | 88.68 |
| Trade and other payables | 423.83 | 32.30 | 59.04 | 10.00 | 525.17 |
| Other liabilities | 400.81 | - | 1.17 | 5.32 | 407.30 |

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Persistent Systems Limited**Notes forming part of financial statements****Foreign currency sensitivity analysis**

For the year ended March 31, 2021 and March 31, 2020 every percentage point depreciation / appreciation in the exchange rate between the Indian rupee and foreign currencies on foreign currency exposure would affect the Company's profit before tax margin (PBT) by approximately 0.20 % and 0.22% respectively.

Derivative financial instruments

The Company holds derivative foreign currency forward contracts to mitigate the risk of changes in exchange rates on foreign currency exposures. These derivative financial instruments are valued based on quoted prices for similar assets in active markets or inputs that are directly or indirectly observable in the marketplace. The Company has designated foreign exchange forward contracts as cash flow hedges to mitigate the risk of foreign exchange exposure on highly probable forecast sales transactions.

The following table gives details in respect of outstanding foreign currency forward contracts:

| | As at March 31, 2021 | | | As at March 31, 2020 | | |
|---|-------------------------------|-------------------|-------------|-------------------------------|-------------------|-------------|
| | Foreign currency (million) | Average rate ₹ | ₹ (million) | Foreign currency (million) | Average rate ₹ | ₹ (million) |
| Derivatives designated as cash flow hedges | | | | | | |
| Forward contracts | | | | | | |
| USD | 135.00 | 77.11 | 10,410.34 | 125.00 | 74.03 | 9,253.21 |

The foreign exchange forward contracts mature within a maximum period of twelve months. The table below analyses the derivative financial instruments into relevant maturity groupings based on the remaining period as of the balance sheet date:

| | As at March 31, 2021 | | | As at March 31, 2020 | | |
|--|-------------------------------|-------------------|------------------|-------------------------------|-------------------|-----------------|
| | Foreign currency (million) | Average rate ₹ | ₹ (million) | Foreign currency (million) | Average rate ₹ | ₹ (million) |
| Not later than 3 months | 31.00 | 78.48 | 2,432.98 | 30.00 | 72.74 | 2,182.07 |
| Later than 3 months and not later than 6 months | 34.50 | 77.08 | 2,659.11 | 32.00 | 73.70 | 2,358.34 |
| Later than 6 months and not later than 9 months | 34.50 | 76.63 | 2,643.64 | 30.00 | 74.16 | 2,224.70 |
| Later than 9 months and not later than 12 months | 35.00 | 76.42 | 2,674.61 | 33.00 | 75.40 | 2,488.10 |
| Total | 135.00 | | 10,410.34 | 125.00 | | 9,253.21 |

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Persistent Systems Limited**Notes forming part of financial statements****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 ₹ 3,084.55 million and ₹3,016.00 million as at March 31, 2021 and March 31, 2020, respectively. Trade receivables are typically unsecured and are derived from revenue earned from customers primarily located in the United States. 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. The policy takes into account available external and internal credit risk factors and the Company's historical experience for customers.

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:

| | As at | |
|---|----------------|----------------|
| | March 31, 2021 | March 31, 2020 |
| Receivables overdue for more than 90 days (₹ million)* | 215.02 | 402.06 |
| Total receivables (gross) (₹ million) | 3,084.55 | 3,016.00 |
| Overdue for more than 90 days as a % of total receivables | 7.0% | 13.3% |

* Out of this amount, ₹ 118.29 million (March 31, 2020: ₹ 132.91 million) have been provided for.

Ageing of trade receivables

| | (In ₹ million) | |
|------------------------------|-----------------|-----------------|
| | March 31, 2021 | March 31, 2020 |
| Within the credit period | 2,356.35 | 1,819.49 |
| 1 to 30 days past due | 210.40 | 406.33 |
| 31 to 60 days past due | 219.92 | 213.28 |
| 61 to 90 days past due | 82.86 | 174.84 |
| 91 to 120 days past due | 36.02 | 119.81 |
| 121 and above past due | 179.00 | 282.25 |
| Less: Expected credit loss | (118.29) | (132.91) |
| Net trade receivables | 2,966.26 | 2,883.09 |

Movement in expected credit loss allowance

| | (In ₹ million) | |
|--|----------------|----------------|
| | March 31, 2021 | March 31, 2020 |
| Opening balance | 132.91 | 73.66 |
| Movement in expected credit loss allowance | (20.20) | 47.31 |
| Translation differences | 5.58 | 11.94 |
| Closing balance | 118.29 | 132.91 |

Credit risk on cash and cash equivalents is limited as the Company generally invests in deposits with banks and financial institutions with high credit ratings. Investments primarily include investment in debits mutual funds, quoted bonds.

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Persistent Systems Limited

Notes forming part of financial statements

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 no outstanding bank borrowings. The investment of surplus funds is governed by the Company's investment policy approved by the Board of Directors. The Company believes that the working capital is sufficient to meet its current fund requirements. Accordingly, no liquidity risk is perceived. As at March 31, 2021, the Company had a working capital of ₹ 16,814.60 million including cash and cash equivalents and current fixed deposits of ₹ 7,946.77 million and current investments of ₹ 6,374.95 million. As at March 31, 2020, the Company had a working capital of ₹ 11,306.80 million including cash and cash equivalents and current fixed deposits of ₹ 2,831.73 million and current investments of ₹ 5,164.77 million.

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

| | (In ₹ million) | | | |
|--|------------------|------------------|------------------|------------------|
| | March 31, 2021 | | As at | |
| | Less than 1 year | More than 1 year | Less than 1 year | More than 1 year |
| Borrowings (including accrued interest) | 1.96 | 5.54 | 5.03 | 7.08 |
| Trade payables and deferred payment liabilities | 938.40 | - | 972.49 | - |
| Lease liabilities | 73.82 | 304.72 | 165.38 | 191.26 |
| Other financial liabilities (excluding borrowings) | 395.46 | - | 544.70 | - |

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Persistent Systems Limited

Notes forming part of financial statements

32. (b) Derivative instruments and un-hedged foreign currency exposures
(i) Forward contracts outstanding at the end of the year:

| | (In ₹ Million) | |
|---|-------------------------|-------------------------|
| | As at March 31, 2021 | As at March 31, 2020 |
| Forward contracts to sell USD: Hedging of expected receivables of USD 135 Million (Previous year USD 125 Million) | 10,410.34 | 9,253.21 |

(ii) Details of un-hedged foreign currency exposures at the end of the year:

| | As at March 31, 2021 | | | As at March 31, 2020 | | |
|------------------------------------|-------------------------|-------------------------------------|------------------------|-------------------------|-------------------------------------|------------------------|
| | In ₹ million | Foreign currency (In million) | Conversion rate (₹) | In ₹ million | Foreign currency (In million) | Conversion rate (₹) |
| Bank balances | 1.33 | JPY 2.01 | 0.66 | 0.34 | JPY 0.49 | 0.70 |
| | 314.92 | USD 4.31 | 73.11 | 297.77 | USD 3.93 | 75.66 |
| | 13.05 | GBP 0.13 | 100.69 | 11.45 | GBP 0.12 | 93.49 |
| | 8.81 | CAD 0.15 | 58.02 | 6.10 | CAD 0.11 | 53.06 |
| | 6.02 | EUR 0.07 | 85.78 | 5.26 | EUR 0.06 | 82.76 |
| | 2.41 | AUD 0.04 | 55.67 | 6.19 | AUD 0.13 | 46.07 |
| | 2.77 | ZAR 0.56 | 4.94 | 17.84 | ZAR 4.20 | 4.25 |
| Investments | 2,939.02 | USD 40.20 | 73.11 | 3,041.63 | USD 40.20 | 75.66 |
| | 27.20 | SGD 0.50 | 54.40 | 26.52 | SGD 0.50 | 53.03 |
| | 1,460.83 | EUR 17.03 | 85.78 | 1,409.40 | EUR 17.03 | 82.76 |
| | 96.19 | MYR 5.45 | 17.65 | 95.45 | MYR 5.45 | 17.51 |
| Trade and other payables | 0.10 | SGD 0.002 | 54.40 | 0.32 | SGD 0.01 | 53.03 |
| | 234.12 | USD 3.2 | 73.11 | 423.83 | USD 5.60 | 75.66 |
| | 44.12 | GBP 0.44 | 100.69 | 59.04 | GBP 0.63 | 93.49 |
| | 0.81 | CAD 0.01 | 58.02 | 8.53 | CAD 0.16 | 53.06 |
| | 14.01 | EUR 0.16 | 85.78 | 32.30 | EUR 0.39 | 82.76 |
| | 0.03 | AUD 0.001 | 55.67 | 0.42 | AUD 0.01 | 46.07 |
| | 0.85 | CHF 0.01 | 77.46 | 0.10 | CHF0.001 | 78.28 |
| | 0.15 | ZAR 0.03 | 4.94 | 0.63 | ZAR 0.15 | 4.25 |
| | 0.43 | JPY 0.65 | 0.66 | - | - | - |
| Advances given and deposits placed | 0.29 | USD 0.004 | 73.11 | 66.13 | USD 0.87 | 75.66 |
| | 7.58 | GBP 0.08 | 100.69 | 8.67 | GBP 0.10 | 93.49 |
| | 0.26 | EUR 0.01 | 85.78 | 5.58 | EUR 0.07 | 82.76 |
| | 0.01 | MXN 0.002 | 3.56 | 1.12 | MXN 0.35 | 3.20 |
| | 0.16 | MYR 0.01 | 17.65 | 0.16 | MYR 0.01 | 17.51 |
| | 1.46 | CAD 0.03 | 58.02 | 1.40 | CAD 0.03 | 53.06 |
| | 0.04 | JPY 0.07 | 0.66 | 0.04 | JPY 0.06 | 0.70 |
| | 0.71 | ILS 0.03 | 21.89 | 0.75 | ILS 0.04 | 21.28 |
| | - | - | - | 0.01 | ZAR 0.002 | 4.25 |
| | 3.97 | AUD 0.07 | 55.67 | 0.36 | AUD 0.01 | 46.07 |
| | 3.04 | LKR 8.3 | 0.37 | 2.67 | LKR 6.68 | 0.40 |
| | - | - | - | 1.79 | CHF 0.02 | 78.28 |
| Advances received | - | - | - | 2.55 | CHF 0.03 | 78.28 |
| | 2.82 | SGD 0.05 | 54.40 | 2.77 | SGD 0.05 | 53.03 |
| | 324.19 | USD 4.43 | 73.11 | 400.81 | USD 5.30 | 75.66 |
| | 0.58 | GBP 0.01 | 100.69 | 1.17 | GBP 0.01 | 93.49 |
| | 0.57 | EUR 0.01 | 85.78 | - | - | - |
| Trade receivables | 131.51 | USD 1.79 | 73.11 | 233.54 | USD 3.09 | 75.66 |
| | 112.91 | EUR 1.32 | 85.78 | 121.73 | EUR 1.47 | 82.76 |
| | 268.36 | GBP 2.67 | 100.69 | 125.08 | GBP 1.34 | 93.49 |
| | 53.35 | AUD 0.96 | 55.67 | 41.01 | AUD 0.89 | 46.07 |
| | 2.71 | SGD 0.05 | 54.40 | 8.42 | SGD 0.16 | 53.03 |
| | 29.74 | ZAR 6.02 | 4.94 | 29.45 | ZAR 6.93 | 4.25 |
| | 0.21 | CAD 0.004 | 58.02 | 0.04 | CAD 0.001 | 53.06 |
| | 1.51 | CHF 0.02 | 77.46 | - | - | - |
| | - | - | - | 56.47 | MYR 3.22 | 17.51 |

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33. Leases

The table below provides details regarding the contractual maturities of lease liabilities on an undiscounted basis:

| | As at March 31, 2021 In ₹ Million | As at March 31, 2020 In ₹ Million |
|------------------------|---|---|
| - Less than one year | 108.09 | 165.38 |
| - One to five years | 358.48 | 218.84 |
| - More than five years | 17.37 | 68.11 |

The company does not face a significant liquidity risk with regard to its lease liabilities as the current assets are sufficient to meet the obligations related to lease liabilities as and when they fall due.

Rental expense recorded for short-term leases was ₹ 77.50 million for the year ended March 31, 2021 (Previous year ₹68.33 million).

Effective April 1, 2019, the company has adopted Ind AS 116, Leases; and has recognized interest on lease liability of ₹ 38.09 million under finance costs for year ended March 31, 2021 (Previous year ₹ 43.86 Million).

The aggregate depreciation on ROU assets has been included under depreciation and amortisation expense in the Statement of Profit and Loss. (Refer note 5.4)

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Persistent Systems Limited

Notes forming part of financial statements

34. Related party disclosures**(i) Names of related parties and related party relationship**

| Related parties where control exists | |
|--|---|
| Subsidiaries | <ul style="list-style-type: none"> i. Persistent Systems, Inc. ii. Persistent Systems Pte Ltd. iii. Persistent Systems France SAS iv. Persistent Systems Malaysia Sdn. Bhd. v. Persistent Systems Germany GmbH vi. CAPIOT Software Private Limited vii. Persistent Telecom Solutions Inc. (wholly owned subsidiary of Persistent Systems, Inc.) viii. CAPIOT Software Inc. (wholly owned subsidiary of Persistent Systems, Inc.) ix. CAPIOT Software Pty Limited (wholly owned subsidiary of CAPIOT Software Inc.) x. CAPIOT Software Pte Limited (wholly owned subsidiary of CAPIOT Software Inc.) xi. Persistent Systems S.R.L. (Incorporated with effect from March 23, 2021) (wholly owned subsidiary of Persistent Systems, Inc.) xii. Aepona Holdings Limited (wholly owned subsidiary of Persistent Systems, Inc.) (Dissolved with effect from October 24, 2019) xiii. Aepona Group Limited (wholly owned subsidiary of Persistent Systems, Inc.) xiv. Aepona Limited (wholly owned subsidiary of Aepona Group Limited) xv. Valista Limited (wholly owned subsidiary of Aepona Group Limited) (Dissolved with effect from June 24, 2020) xvi. Persistent Systems Lanka (Private) Limited (Formerly known as Aepona Software (Private) Limited) (wholly owned subsidiary of Aepona Group Limited) xvii. Persistent Systems Mexico, S.A. de C.V. (wholly owned subsidiary of Persistent Systems Inc.) xviii. Persistent Systems Israel Ltd. (wholly owned subsidiary of Persistent Systems Inc.) xix. PARX Werk AG (wholly owned subsidiary of Persistent Systems Germany GmbH) xx. PARX Consulting GmbH (wholly owned subsidiary of PARX Werk AG) xxi. Herald Technologies Inc (wholly owned subsidiary of Persistent Systems, Inc.) (Dissolved with effect from June 24, 2019) xxii. Youperience GmbH (wholly owned subsidiary of Persistent Systems Germany GmbH) xxiii. Youperience Limited (wholly owned subsidiary of Youperience GmbH) |
| Related parties with whom transactions have taken place | |
| Associate | <ul style="list-style-type: none"> i. Klisma e-Services Private Limited |
| Key management personnel | <ul style="list-style-type: none"> i. Dr. Anand Deshpande, Chairman and Managing Director ii. Mr. Christopher O' Connor (Resigned wef 9 August 2020) @ iii. Mr Sandeep Kalra, Executive Director and Chief Executive Officer * iv. Mr. Sunil Sapre, Executive Director and Chief Financial Officer v. Mr. Amit Atre, Company Secretary vi. Ms. Roshini Bakshi, Independent Director vii. Mr. Pradeep Bhargava, Independent Director viii. Mr. Sanjay Bhattacharya*, Independent Director (Resigned Wef July 1, 2019) ix. Dr. Anant Jhingran, Independent Director x. Mr. Thomas Kendra, Non executive non independent director xi. Mr. Prakash Telang, Independent Director (Retired wef July 24, 2020) xii. Mr. Kiran Umrootkar, Independent Director (Retired wef July 24, 2020) xiii. Mr. Guy Eiferman, Independent Director xiv. Dr. Deepak Phatak, Independent Director |
| Relatives of Key management personnel | <ul style="list-style-type: none"> i. Mr. Suresh Deshpande (Father of the Chairman and Managing Director) ii. Mrs. Sulabha Deshpande (Mother of the Chairman and Managing Director) iii. Mrs. Sonali Anand Deshpande (Wife of the Chairman and Managing Director) iv. Dr. Mukund Deshpande \$ % (Brother of the Chairman and Managing Director) v. Mrs. Chitra Buzruk \$ % (Sister of the Chairman and Managing Director) vi. Mr. Arul Deshpande** (Son of the Chairman and Managing Director) |
| Members of Promoter Group | <ul style="list-style-type: none"> i. Rama Purushottam Foundation |
| Entities over which a key management personnel has significant influence | <ul style="list-style-type: none"> i. Deazzle Services Private Limited ii. Azure Associates, LLC iii. Persistent Foundation |

Persistent Systems Limited

Notes forming part of financial statements

(ii) Related party transactions

(In ₹ Million)

| | Name of the related party and nature of relationship | For the year ended | |
|--|---|--------------------|-----------------|
| | | March 31, 2021 | March 31, 2020 |
| Sale of software services | Subsidiaries | | |
| | Persistent Systems, Inc. | 8,456.81 | 6,917.59 |
| | Persistent Systems Malaysia Sdn. Bhd. | 97.44 | 100.90 |
| | Persistent Systems Pte Ltd | - | 0.01 |
| | Persistent Systems France SAS | 43.97 | 37.10 |
| | Persistent Telecom Solutions Inc. | 166.69 | 167.58 |
| | Persistent Systems Germany GmbH | 42.26 | 28.35 |
| | Aepona Limited | 12.52 | 28.66 |
| | PARX Werk AG | 2.88 | - |
| | PARX Consulting GmbH | - | 17.08 |
| | Youperience Limited | 48.67 | - |
| | CAPIOT Software Private Limited | 73.10 | - |
| | Entity over which a key management personnel has significant influence | | |
| | Deazzle Services Private Limited | - | 7.47 |
| | Total | 8,944.34 | 7,304.74 |
| Fees for sales & marketing services | Subsidiaries | | |
| | Aepona Limited | - | 6.92 |
| | Persistent Systems France SAS | - | 7.74 |
| | Persistent Systems Malaysia Sdn. Bhd. | - | 6.11 |
| | Total | - | 20.77 |
| Legal and professional fees | Entity over which a key management personnel has significant influence | | |
| | Azure Associates, LLC | - | 10.63 |
| | Subsidiaries | | |
| | PARX Werk AG | - | 0.34 |
| | Total | - | 10.97 |
| Recovery of cost of assets | Subsidiaries | | |
| | Persistent Systems, Inc. | 18.93 | 17.29 |
| | Total | 18.93 | 17.29 |
| Investment in wholly owned subsidiary | Subsidiaries | | |
| | Persistent Systems Germany GmbH | - | 552.72 |
| | CAPIOT Software Private Limited | 376.61 | - |
| | Total | 376.61 | 552.72 |
| Payment of liability on behalf of | Subsidiaries | | |
| | Persistent Systems, Inc. | 42.42 | 67.60 |
| | Total | 42.42 | 67.60 |
| Interest income | Subsidiaries | | |
| | CAPIOT Software Private Limited | 1.45 | - |
| | Total | 1.45 | - |
| Dividend Income | Subsidiaries | | |
| | Persistent Systems Pte Ltd | 70.33 | 180.37 |
| | Persistent Systems Malaysia Sdn. Bhd. | 61.12 | 220.31 |
| | Total | 131.45 | 400.68 |
| Cost of professionals | Subsidiaries | | |
| | Persistent Systems, Inc. | 1,011.10 | 1,175.54 |
| | Persistent Systems France SAS | 36.72 | 35.63 |
| | Persistent Systems Malaysia Sdn. Bhd. | 98.36 | 83.15 |
| | Persistent Telecom Solutions Inc. | 41.19 | 79.32 |
| | Aepona Limited | 26.00 | 30.94 |
| | Persistent Systems Lanka (Private) Limited | 54.50 | 93.72 |
| | Persistent Systems Mexico, S.A. de C.V. | 34.03 | 46.47 |
| | Parx Werk AG | 3.62 | 13.82 |
| | Persistent Systems Pte Ltd | 4.40 | 7.08 |
| | Youperience GmbH | 0.56 | - |
| | Youperience Limited | 9.15 | - |
| | CAPIOT Software Private Limited | 4.10 | - |
| | Total | 1,323.73 | 1,565.67 |

Persistent Systems Limited

Notes forming part of financial statements

(ii) Related party transactions

(In ₹ Million)

| | Name of the related party and nature of relationship | For the year ended | |
|--|---|--------------------|----------------|
| | | March 31, 2021 | March 31, 2020 |
| Reimbursement of expenses received | Subsidiary | | |
| | Persistent Systems, Inc. | - | 19.44 |
| | Persistent Telecom Solutions Inc. | - | 0.03 |
| | Total | - | 19.47 |
| Purchase of Software | Subsidiary | | |
| | Persistent Systems, Inc. | 52.21 | 17.94 |
| | Persistent Telecom Solutions Inc. | 4.10 | 3.54 |
| | Total | 56.31 | 21.48 |
| Selling and marketing expenses | Subsidiaries | | |
| | Persistent Systems, Inc. | 737.83 | 627.44 |
| | Aepona Limited | - | 4.74 |
| | Persistent Telecom Solutions Inc. | - | 26.26 |
| | Persistent Systems Pte Ltd | 1.99 | - |
| | Total | 739.82 | 658.44 |
| Fees for sales enablement services | Subsidiaries | | |
| | Persistent Systems, Inc. | - | 614.52 |
| | Parx Werk AG | - | 13.39 |
| | Total | - | 627.91 |
| Commission received on corporate guarantee | Subsidiary | | |
| | Persistent Systems, Inc. | 2.61 | 2.80 |
| | Total | 2.61 | 2.80 |
| Travelling and conveyance | Subsidiary | | |
| | Persistent Systems, Inc. | - | 1.08 |
| | PARX Werk AG | - | 0.46 |
| | Total | - | 1.54 |
| Remuneration # (Salaries, bonus and contribution to PF) | Key Management Personnel | | |
| | Dr. Anand Deshpande | 26.26 | 23.88 |
| | Mr. Christopher O'Connor@ | 0.71 | 1.60 |
| | Mr. Sunil Sapre (including value of perquisites for stock options exercised ₹ 31.72 million during the year 2020-21 (Previous year: Nil) | 46.42 | 13.31 |
| | Mr. Amit Atre | 3.40 | 3.38 |
| | Mr Sandeep Kalra* | 1.21 | - |
| | Independent directors: | | |
| | Ms. Roshini Bakshi | 2.09 | 2.48 |
| | Mr. Pradeep Bhargava | 2.26 | 3.13 |
| | Mr. Sanjay Bhattacharyya | - | 0.78 |
| | Dr. Anant Jhingran | 1.83 | 2.23 |
| | Mr. Thomas Kendra | 1.69 | 2.33 |
| | Mr. Prakash Telang | 0.74 | 3.00 |
| | Mr. Kiran Umrootkar | 0.74 | 3.05 |
| | Mr. Praveen Kadle | 2.08 | - |
| | Mr. Guy Eiferman | 1.79 | 2.28 |
| | Dr. Deepak Phatak | 1.81 | 2.40 |
| | Relatives of Key Management Personnel | | |
| | Mrs. Chitra Buzruk \$ | - | 2.10 |
| | Dr. Mukund Deshpande (including value of perquisites for stock options exercised ₹ 2.87 million during the year (₹ 9.80 million during the year 2019-20) \$ | 2.87 | 14.20 |
| | Mr. Arul Deshpande ** | 0.03 | - |
| | Total | 95.93 | 80.15 |
| Dividend paid | Key Management Personnel | | |
| | Dr. Anand Deshpande | 319.90 | 342.71 |
| | Mr. Sunil Sapre | 0.06 | 0.07 |
| | Mr Sandeep Kalra | 0.56 | - |
| | Independent directors: | | |
| | Pradeep Bhargava | 0.18 | 0.20 |
| | Sanjay Bhattacharyya | - | 0.04 |
| | Prakash Telang | - | 0.27 |
| | Kiran Umrootkar | - | 0.09 |
| | Roshini Bakshi | 0.07 | - |
| | Relatives of Key Management Personnel | | |
| | Mr. Suresh Deshpande | 0.07 | 0.08 |
| | Mrs. Chitra Buzruk \$ | 6.57 | 7.04 |
| | Dr. Mukund Deshpande \$ | 5.60 | 5.65 |
| | Mrs. Sonali Anand Deshpande | 1.57 | 1.68 |
| | Mrs. Sulabha Suresh Deshpande | 0.64 | 2.49 |
| | Rama Purushottam Foundation | - | 4.92 |
| | Mr. Arul Deshpande ** | 0.14 | - |
| | Total | 335.36 | 365.24 |

Persistent Systems Limited

Notes forming part of financial statements

(ii) Related party transactions

(In ₹ Million)

| | Name of the related party and nature of relationship | For the year ended | |
|--------------------------------------|---|--------------------|----------------|
| | | March 31, 2021 | March 31, 2020 |
| Employee stock compensation - | Subsidiaries | | |
| | Persistent Systems Inc. | 53.14 | 179.82 |
| | Total | 53.14 | 179.82 |
| Advance given | Subsidiaries | | |
| | PARX Consulting GmbH | - | 0.04 |
| | Persistent Systems Lanka (Private) Limited | 2.34 | - |
| | PARX Werk AG | - | 1.79 |
| | Youperience GmbH | - | 0.05 |
| | Total | 2.34 | 1.87 |
| Advance received | Subsidiaries | | |
| | PARX Werk AG | 1.79 | 2.55 |
| | PARX Consulting GmbH | 0.04 | - |
| | Persistent Systems Israel Ltd. | 1.05 | - |
| | Persistent Systems Mexico, S.A. de C.V | 1.12 | - |
| | Persistent Systems, Inc. | 44.36 | - |
| | Persistent Systems Pte Ltd. | 6.33 | - |
| | Persistent Systems France SAS | 3.04 | - |
| | Persistent Telecom Solutions Inc. | 0.15 | - |
| | Persistent Systems Malaysia Sdn. Bhd. | 2.65 | - |
| | Youperience GmbH | 0.05 | - |
| | Persistent Systems Germany GmbH | 0.31 | - |
| | Persistent Systems Pte Ltd | - | 2.77 |
| | Aepona Limited | - | 1.17 |
| | Total | 60.89 | 6.49 |
| Donation given | Entity over which a key management personnel has significant influence | | |
| | Persistent Foundation | 140.00 | 79.21 |
| | | 140.00 | 79.21 |

Notes

* Mr. Sandeep Kalra, Executive Director and Unit President was appointed as the Chief Executive Officer ('CEO') of the Company with effect from October 23, 2020. Amount of remuneration represents remuneration paid through Persistent Systems Limited only, for the entire financial year 2020-21.

@ Amount of remuneration for Mr. Christopher O' Connor represents remuneration paid through Persistent Systems Limited only. He has resigned wef August 9, 2020.

\$ Dr. Mukund Deshpande and Mrs. Chitra Buzruk and have resigned w.e.f. Apr 28, 2020 and May 29, 2020 respectively.

** Mr. Arul Deshpande has joined with effect from March 8, 2021

The remuneration to the key managerial personnel does not include the provisions made for gratuity, long service awards and leave benefits, as they are determined on an actuarial basis for the Company as a whole.

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Persistent Systems Limited

Notes forming part of financial statements

(iii) Outstanding balances

(In ₹ Million)

| | Name of the related party and nature of relationship | As at | |
|---|--|----------------|----------------|
| | | March 31, 2021 | March 31, 2020 |
| Advances given | Subsidiaries | | |
| | Persistent Systems, Inc. | 18.72 | 63.08 |
| | Persistent Systems France SAS | 0.38 | 4.74 |
| | Persistent Telecom Solutions Inc. | 0.01 | 3.05 |
| | Persistent Systems Israel Ltd. | - | 0.75 |
| | Persistent Systems Lanka (Private) Limited | 0.02 | 2.67 |
| | Persistent Systems Malaysia Sdn. Bhd | - | 0.15 |
| | Persistent Systems México, S.A. de C.V. | - | 1.12 |
| | Persistent Systems Germany GmbH | - | 0.61 |
| | PARX Consulting GmbH | - | 0.04 |
| | PARX Werk AG | - | 1.79 |
| | Youperience GmbH | - | 0.05 |
| | Aepona Limited | 2.34 | - |
| | Associate | | |
| | Klisma e-Services Private Limited @ | 0.81 | 0.81 |
| | Total | 22.28 | 78.86 |
| Advances received inclusive of Advances from customers | Subsidiaries | | |
| | PARX Werk AG | 0.17 | 2.55 |
| | Persistent Systems Pte Ltd | - | 2.77 |
| | Aepona Limited | 1.64 | 1.17 |
| | Persistent Systems Israel Ltd. | 1.28 | - |
| | CAPIOT Software Private Limited | 15.00 | - |
| | Persistent Systems France SAS | 3.57 | - |
| | Persistent Systems, Inc. | 976.15 | 400.81 |
| | Total | 997.81 | 407.30 |
| Trade payables | Subsidiaries | | |
| | Persistent Systems France SAS | - | 23.52 |
| | Persistent Systems, Inc. | 165.68 | 244.13 |
| | Persistent Systems Malaysia Sdn. Bhd. | 22.21 | 43.04 |
| | Persistent Telecom Solutions Inc. | 3.41 | 39.27 |
| | Persistent Systems Pte Ltd | 2.83 | 7.10 |
| | Aepona Limited | 8.77 | 24.12 |
| | Youperience GmbH | 0.05 | - |
| | Youperience Limited | 1.30 | - |
| | Persistent Systems Lanka (Private) Limited | - | 42.79 |
| | Persistent Systems Mexico, S.A. de C.V. | 3.39 | 16.16 |
| | PARX Werk AG | 0.60 | 9.86 |
| | Total | 208.24 | 449.99 |
| Trade receivables | Subsidiaries | | |
| | Persistent Systems France SAS | - | 28.01 |
| | Persistent Systems, Inc. | - | 216.89 |
| | Persistent Telecom Solutions Inc. | 36.37 | 1.89 |
| | Persistent Systems Malaysia Sdn. Bhd. | 26.41 | 56.47 |
| | Persistent Systems Germany GmbH | 6.43 | 24.66 |
| | PARX Consulting GmbH | 18.82 | 15.49 |
| | Aepona Limited | - | 1.59 |
| | Persistent Systems Lanka (Private) Limited | 3.67 | - |
| | Total | 91.70 | 345.00 |
| Unbilled Receivable | Subsidiaries | | |
| | Persistent Systems, Inc. | 712.44 | 950.65 |
| | Persistent Telecom Solutions Inc. | 14.00 | 18.56 |
| | Persistent Systems Malaysia Sdn. Bhd. | 10.09 | 8.66 |
| | Aepona Limited | 0.60 | 8.30 |
| | Persistent Systems Germany GmbH | 14.04 | 4.42 |
| | Persistent Systems France SAS | 13.17 | 2.08 |
| | Youperience Limited | 6.43 | 0.26 |
| | CAPIOT Software Private Ltd. | 73.10 | - |
| | Total | 843.87 | 992.93 |
| Loans given | Associate | | |
| | Klisma e-Services Private Limited @ | 27.43 | 27.43 |
| | Total | 27.43 | 27.43 |

Persistent Systems Limited

Notes forming part of financial statements

(iii) Outstanding balances**(In ₹ Million)**

| | Name of the related party and nature of relationship | As at | |
|--------------------|--|-----------------|-----------------|
| | | March 31, 2021 | March 31, 2020 |
| Investments | Subsidiaries | | |
| | Persistent Systems, Inc. | 2,478.01 | 2,478.01 |
| | Persistent Systems Pte Ltd | 15.50 | 15.50 |
| | Persistent Systems France SAS | 97.47 | 97.47 |
| | Persistent Systems Malaysia Sdn. Bhd. | 102.25 | 102.25 |
| | Persistent Systems Germany GmbH | 1,265.91 | 1,265.91 |
| | CAPIOT Software Private Ltd. | 376.61 | - |
| | Associates | | |
| | Klisma eService Private Limited @ | 0.05 | 0.05 |
| | Total | 4,335.80 | 3,959.19 |

@ These balances are fully provided for.

(iv) Guarantee given on behalf of subsidiary

Persistent Systems Ltd has given a performance guarantee up to \$ 10 million to HSBC Bank USA in respect of payment obligations under the Receivables Purchase agreement entered into by Persistent Systems Inc with HSBC Bank, USA (Previous year: \$10 million). Persistent Systems Ltd. has also given performance guarantee up to \$ 5 million to Citibank USA (Previous year: \$ 5 million) in respect of working capital facilities for Persistent Systems Inc. and \$ 0.17 million to Sun Life Assurance Company of Canada for timely payment of rent instalments and damages, in respect of office rented to Persistent Systems Inc.

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Persistent Systems Limited

Notes forming part of financial statements

35. Employees stock option plans (ESOP)

Certain information in this note relating to number of shares, options and per share/option price has been disclosed in full and is not rounded off.

a) Details of Employee stock option plans

The Company has framed various share-based payment schemes for its employees. The details of various equity-settled employee stock option plan ('ESOP') schemes adopted by the Board of Directors are as follows:

| ESOP scheme | No. of options granted # | Date of adoption by the Board/Members | Initial Grant date | Exercise period |
|----------------|--------------------------|--|-----------------------|-----------------|
| Scheme I | 4,560,500 | 11-Dec-99 | 11-Dec-99 | * |
| Scheme II | 753,200 | 23-Apr-04 | 23-Apr-04 | 10 Years |
| Scheme III | 2,533,300 | 23-Apr-04 | 23-Apr-04 | * |
| Scheme IV | 6,958,250 | 23-Apr-06 | 23-Apr-06 | 10 Years |
| Scheme V | 1,890,525 | 23-Apr-06 | 23-Apr-06 | * |
| Scheme VI | 1,216,250 | 31-Oct-06 | 31-Oct-06 | 10 Years |
| Scheme VII | 1,784,975 | 30-Apr-07 | 30-Apr-07 | 10 Years |
| Scheme VIII | 42,000 | 24-Jul-07 | 24-Jul-07 | 3 Years |
| Scheme IX | 1,374,462 | 29-Jun-09 | 29-Jun-09 | 10 Years |
| Scheme X | 3,062,272 | 10-Jun-10 | 29-Oct-10 | 2-3 Years |
| Scheme XI ** | 1,357,000 | 26-Jul-14 | 3-Nov-14 | 1 Year |
| Scheme XII *** | 67,300 | 4-Feb-16 | 8-Apr-16 | 2.5 Months |
| Scheme XIII | 2,922,500 | 27-Jul-17 | 1-Aug-19 | 4 Years |
| Scheme XIV | 80,000 | 27-Jul-17 | 1-May-19 | 3 Years |

Adjusted for bonus issue of shares.

*No contractual life is defined in the scheme.

**The options under Scheme XI, which is a performance based ESOP scheme will vest after 2-3 years in proportion of credit points earned by the employees every quarter based on performance. The maximum options which can be granted under this scheme are 2,000,000.

***The options under Scheme XII, ESOP scheme would vest after 1 year. The maximum options which are granted under this scheme are 50 per employee.

The vesting period and conditions of the above ESOP schemes is as follows:

All the above ESOP schemes have service condition (other than scheme XI which is based on performance criteria), which require the employee to complete a specified period of service, as a vesting condition. The vesting pattern of various schemes has been provided below:

(i) Scheme I to V, VII, VIII, X, XIII and XIV

| Service period from the date of grant | % of Options vesting | | | |
|--|----------------------|------------|--------------------|------------|
| | Scheme I to V & X | Scheme VII | Scheme VIII & XIII | Scheme XIV |
| 12 Months | 10% | 20% | 25% | 0.00% |
| 24 Months | 30% | 40% | 50% | 33.33% |
| 36 Months | 60% | 60% | 75% | 66.66% |
| 48 Months | 100% | 80% | 100% | 100% |
| 60 Months | NA | 100% | NA | NA |

(ii) Scheme VI

| Service period from the date of grant | % of Options vesting |
|---------------------------------------|----------------------|
| 18 Months | 30% |
| Every quarter thereafter | 5% |

(iii) Scheme IX

| Service period from the date of grant | % of Options vesting |
|---|----------------------|
| 30– 60 Months varying from employee to employee | 100% |

(iv) Scheme XI

| Service period from the date of grant | % of Options vesting |
|---|-------------------------------|
| 2-3 years varying from employee to employee | Based on credit points earned |

(v) Scheme XII:

| Service period from the date of grant | % of Options vesting |
|---------------------------------------|----------------------|
| 1 year | 100% |

Persistent Systems Limited

Notes forming part of financial statements

b) Details of activity of the ESOP schemes

Movement for the year ended March 31, 2021 and March 31, 2020:

| ESOP Scheme | Particulars | Year Ended | Outstanding at the beginning of the Year | Granted during the Year | Forfeited during the Year | Exercised during the Year | Outstanding at the end of the Year | Exercisable at the end of the Year |
|-------------|------------------------|------------|--|-------------------------|---------------------------|---------------------------|------------------------------------|------------------------------------|
| Scheme I | Number of Option | 31-Mar-21 | 17 | - | 4 | - | 13 | 13 |
| | Weighted Average Price | 31-Mar-21 | 4.42 | - | 4.58 | - | 4.37 | 4.37 |
| | Number of Option | 31-Mar-20 | 18 | - | - | 1 | 17 | 17 |
| | Weighted Average Price | 31-Mar-20 | 4.42 | - | - | 5.05 | 4.42 | 4.42 |
| Scheme II | Number of Option | 31-Mar-21 | - | - | - | - | - | - |
| | Weighted Average Price | 31-Mar-21 | - | - | - | - | - | - |
| | Number of Option | 31-Mar-20 | 3 | - | 3 | - | - | - |
| | Weighted Average Price | 31-Mar-20 | 24.18 | - | 24.18 | - | - | - |
| Scheme III | Number of Option | 31-Mar-21 | 147,835 | - | - | 20,473 | 127,362 | 127,362 |
| | Weighted Average Price | 31-Mar-21 | 31.94 | - | - | 30.22 | 32.07 | 32.07 |
| | Number of Option | 31-Mar-20 | 158,625 | - | - | 10,790 | 147,835 | 147,835 |
| | Weighted Average Price | 31-Mar-20 | 31.89 | - | - | 31.20 | 31.94 | 31.94 |
| Scheme IV | Number of Option | 31-Mar-21 | 406,348 | - | - | 80,050 | 326,298 | 326,298 |
| | Weighted Average Price | 31-Mar-21 | 53.07 | - | - | 46.70 | 54.83 | 54.83 |
| | Number of Option | 31-Mar-20 | 499,773 | - | - | 93,425 | 406,348 | 406,348 |
| | Weighted Average Price | 31-Mar-20 | 52.37 | - | - | 48.66 | 53.07 | 53.07 |
| Scheme V | Number of Option | 31-Mar-21 | 60,332 | - | - | 8,641 | 51,691 | 51,691 |
| | Weighted Average Price | 31-Mar-21 | 27.58 | - | - | 28.99 | 27.22 | 27.22 |
| | Number of Option | 31-Mar-20 | 62,793 | - | - | 2,461 | 60,332 | 60,332 |
| | Weighted Average Price | 31-Mar-20 | 27.37 | - | - | 22.23 | 27.58 | 27.58 |
| Scheme VI | Number of Option | 31-Mar-21 | - | - | - | - | - | - |
| | Weighted Average Price | 31-Mar-21 | - | - | - | - | - | - |
| | Number of Option | 31-Mar-20 | - | - | - | - | - | - |
| | Weighted Average Price | 31-Mar-20 | - | - | - | - | - | - |
| Scheme VII | Number of Option | 31-Mar-21 | 6,961 | - | - | 3,620 | 3,341 | 3,201 |
| | Weighted Average Price | 31-Mar-21 | 58.18 | - | - | 56.83 | 59.65 | 61.12 |
| | Number of Option | 31-Mar-20 | 34,996 | - | - | 28,035 | 6,961 | 6,961 |
| | Weighted Average Price | 31-Mar-20 | 33.55 | - | - | 27.44 | 58.18 | 58.18 |
| Scheme VIII | Number of Option | 31-Mar-21 | - | - | - | - | - | - |
| | Weighted Average Price | 31-Mar-21 | - | - | - | - | - | - |
| | Number of Option | 31-Mar-20 | - | - | - | - | - | - |
| | Weighted Average Price | 31-Mar-20 | - | - | - | - | - | - |
| Scheme IX | Number of Option | 31-Mar-21 | 135,920 | - | - | 6,216 | 129,704 | 129,704 |
| | Weighted Average Price | 31-Mar-21 | 54.74 | - | - | 54.74 | 54.74 | 54.74 |
| | Number of Option | 31-Mar-20 | 142,120 | - | - | 6,200 | 135,920 | 135,920 |
| | Weighted Average Price | 31-Mar-20 | 54.74 | - | - | 54.74 | 54.74 | 54.74 |
| Scheme X | Number of Option | 31-Mar-21 | 125,062 | - | 92,955 | 32,107 | - | - |
| | Weighted Average Price | 31-Mar-21 | 188.75 | - | 183.38 | 204.30 | - | - |
| | Number of Option | 31-Mar-20 | 155,650 | - | - | 30,588 | 125,062 | 125,062 |
| | Weighted Average Price | 31-Mar-20 | 206.73 | - | - | 221.47 | 188.75 | 188.75 |
| Scheme XI | Number of Option | 31-Mar-21 | 570,000 | 295,000 | 300,000 | 119,000 | 446,000 | 6,000 |
| | Weighted Average Price | 31-Mar-21 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 |
| | Number of Option | 31-Mar-20 | - | 570,000 | - | - | 570,000 | - |
| | Weighted Average Price | 31-Mar-20 | - | 10.00 | - | - | 10.00 | - |
| Scheme XII | Number of Option | 31-Mar-21 | - | - | - | - | - | - |
| | Weighted Average Price | 31-Mar-21 | - | - | - | - | - | - |
| | Number of Option | 31-Mar-20 | - | - | - | - | - | - |
| | Weighted Average Price | 31-Mar-20 | - | - | - | - | - | - |
| Scheme XIII | Number of Option | 31-Mar-21 | 920,000 | 1,947,500 | - | 121,275 | 2,746,225 | 98,850 |
| | Weighted Average Price | 31-Mar-21 | 451.65 | 1,008.29 | - | 442.47 | 846.80 | 442.47 |
| | Number of Option | 31-Mar-20 | - | 975,000 | 55,000 | - | 920,000 | - |
| | Weighted Average Price | 31-Mar-20 | - | 451.13 | 442.47 | - | 451.65 | - |
| Scheme XIV | Number of Option | 31-Mar-21 | 80,000 | - | 40,000 | - | 40,000 | 10,000 |
| | Weighted Average Price | 31-Mar-21 | 540.82 | - | 540.82 | - | 540.82 | 540.82 |
| | Number of Option | 31-Mar-20 | - | 80,000 | - | - | 80,000 | - |
| | Weighted Average Price | 31-Mar-20 | - | 540.82 | - | - | 540.82 | - |
| Total | Number of Option | 31-Mar-21 | 2,452,475 | 2,242,500 | 432,959 | 391,382 | 3,870,634 | 753,119 |
| | Number of Option | 31-Mar-20 | 1,053,978 | 1,625,000 | 55,003 | 171,500 | 2,452,475 | 882,475 |

The weighted average share price for the period over which stock options were exercised was ₹ 1,131.43 (previous year ₹ 623.69).

c) Details of exercise price for stock options outstanding at the end of the year

| Scheme | Range of exercise price | As at March 31, 2021 | | As at March 31, 2020 | |
|-------------|-------------------------|-----------------------------|--|----------------------------|--|
| | | No. of Options outstanding* | Weighted average remaining contractual | No. of Options outstanding | Weighted average remaining contractual |
| Scheme I | 2.04 – 9.57 | 13 | Note (i) | 17 | Note (i) |
| Scheme II | 12.96 – 48.21 | - | - | - | - |
| Scheme III | 12.96 – 48.21 | 127,362 | Note (i) | 147,835 | Note (i) |
| Scheme IV | 22.23 – 61.12 | 326,298 | 2.02 | 406,348 | 3.02 |
| Scheme V | 22.23 – 44.14 | 51,691 | Note (i) | 60,332 | Note (i) |
| Scheme VI | 22.23 – 30.67 | - | - | - | - |
| Scheme VII | 24.17 – 61.12 | 3,341 | 2.73 | 6,961 | 3.52 |
| Scheme VIII | 48.21 – 48.21 | - | - | - | - |
| Scheme IX | 54.74 – 54.74 | 129,704 | 2.24 | 135,920 | 3.24 |
| Scheme X | 157.58 – 279.70 | - | - | 125,062 | 5.55 |
| Scheme XI | 10 | 446,000 | 2.25 | 570,000 | 2.3 |
| Scheme XII | 10 | - | - | - | - |
| Scheme XIII | 442.47 – 1295.62 | 2,746,225 | 5.59 | 920,000 | 4.36 |
| Scheme XIV | 540.82 – 540.82 | 40,000 | 3.08 | 80,000 | 4.08 |

Note (i) No contractual life is defined in the scheme.

d) Effect of the employee share-based payment plans on the statement of profit and loss and on its financial position

Compensation expense arising from equity-settled employee share-based payment plans for the year ended March 31, 2021 amounted to ₹ 236.33 million (Previous year ₹ 60.01 million). The liability for employee stock options outstanding as at March 31, 2021 is ₹ 471.20 million (Previous year ₹ 290.51 million).

e) Weighted average exercise prices and weighted average fair values of options

The Binomial tree and Black-Scholes valuation models have been used for computing the weighted average fair value of the stock options granted during the financial year 2020-21:

| Particulars | March 31, 2021 | | | March 31, 2020 | | |
|---|----------------|------------------|----------------|----------------|------------------|----------------|
| | RSU Scheme XI | ESOP Scheme XIII | ESOP Scheme IV | RSU Scheme XI | ESOP Scheme XIII | ESOP Scheme IV |
| Weighted average share price (Rs.) | 948.4 | 1182.97 | - | 637.32 | 620.86 | 636.25 |
| Weighted Exercise Price (Rs.) | 10 | 1008 | - | 10 | 451.13 | 540.82 |
| Weighted Average Fair Value (Rs.) | 838.75 | 424.39 | - | 446.15 | 202.78 | 171.45 |
| Expected Volatility | 31.7 | 29.09 | - | 26.54 | 26.54 | 26.54 |
| Life of the options granted (Vesting and exercise period) | 4 yrs | 4 yrs | - | 4 yrs | 5 yrs | 5 yrs |
| Dividend Yield | 2.00% | 2.00% | - | 2.00% | 2.00% | 2.00% |
| Average risk-free interest rate | 5.56% | 5.49% | - | 6.80% | 6.24% | 7.10% |

36. Contingent liabilities

- (a) Persistent Systems Limited ("the Company") had received a show cause notice from the Commissioner of Service Tax on December 19, 2016 for non-payment of service tax of ₹ 452.15 million under import of services on reverse charge basis, excluding interest and penalty, if applicable. The issue relates to the professional and technical services rendered by overseas subsidiaries on behalf of the Company to its overseas customers for the period 2011-12 to 2014-15.

Post representations made by the Company, the Learned Principal Commissioner of Service Tax, Pune, adjudicated the aforesaid show-cause notice and issued an order on May 29, 2017, reducing the demand to ₹173.78 million based on the period of limitation and as a result of that, the said demand now covers financial year 2014-15. The Company has filed an appeal against the order passed by Learned Principal Commissioner of Service Tax, Pune with the Hon'ble Central Excise and Service Tax Appellate Tribunal (CESTAT) on September 23, 2017.

The Company, based on independent legal opinion obtained in respect of issues related to this matter, believes that the liability is not likely to arise and therefore, no provision is considered necessary in the financial statements. If the appeal filed as mentioned above results in a demand, there will be no impact on the profitability as the Company will be eligible to claim credit/refund for the amount paid.

The GST department has filed an appeal on October 11, 2017 with appellate authorities against the Order passed by Learned Principal Commissioner of Service Tax, Pune. Though the GST department has acknowledged the ground of revenue neutrality, the said appeal mainly questions non-application of extended period of limitation. The Company has filed reply to this appeal on December 18, 2017.

Considering the view of the Service Tax Authorities, based on legal advice and due prudence, the Company has deposited, an amount of ₹ 647.36 million towards service tax in respect of the above matter, for the period from April 01, 2014 to June 30, 2017, under protest. This balance, post adjustment of service tax liability of ₹17.76 million for the month of June 2017 (i.e. net amount of ₹ 629.60 million) was considered as transitional credit under GST Regime and recorded accordingly as GST receivable. The disputed demand currently stands at ₹ 173.78 million towards which ₹ 165.58 million was paid under protest and forms part of the aforementioned GST receivable balance.

- (b) As on March 31, 2021, the pending litigations in respect of direct taxes amount to ₹ 478.70 million and in respect of indirect taxes amount to ₹ 27.33 million (excluding the show cause notice received from Commissioner of Service Tax on May 29, 2017 of ₹ 173.78 million under import of services on reverse charge basis as mentioned above). Based on the advice obtained and judgments in favour of the Company at the first appellate authority in the earlier years, management does not expect any outflow in respect of these litigations.
- (c) In respect of export incentives pertaining to previous periods amounting to ₹ 255.52 million, which have been refunded under protest with interest of ₹ 41.03 million, the Company filed an application with Directorate General of Foreign Trade (DGFT). The Company has also represented with industrial association, The National Association of Software and Service Companies (NASSCOM), to ensure continued applicability of such incentives to the eligible information technology companies. The Company understands from NASSCOM that they have also taken up the matter with concerned authorities. During the year, the Company has received a Show Cause Notice from the Directorate Of Revenue Intelligence (DRI), in which the DRI has raised certain additional matters with applicable penalties which relates to eligibility of company to seek the incentives. During the quarter the Company has submitted a reply to the notice. Based on the documents filed with relevant authorities and based on the consultations with subject matter specialists, the Company believes that its position is likely be upheld on ultimate resolution and accordingly, no provision is necessary to be made against such claims in these financial statements.
- (d) Persistent Systems Ltd has given a performance guarantee up to \$ 10 million to HSBC Bank USA in respect of payment obligations under the Receivables Purchase agreement entered into by Persistent Systems Inc with HSBC Bank, USA (Previous year: \$10 million). Persistent Systems Ltd. has also given performance guarantee up to \$ 5 million to Citibank USA (Previous year: \$ 5 million) in respect of working capital facilities for Persistent Systems Inc. and \$ 0.17 million to Sun Life Assurance Company of Canada for timely payment of rent instalments and damages, in respect of office rented to Persistent Systems Inc.

37. Capital and other commitments

| | (In ₹ Million) | |
|--|----------------|----------------|
| | As at | |
| | March 31, 2021 | March 31, 2020 |
| Capital commitments | | |
| Estimated amount of contracts remaining to be executed on capital account and not provided for | 41.03 | 67.71 |
| Other commitments | | |
| Forward contracts | 10,410.34 | 9,253.21 |

For commitments relating to lease agreements, please refer note 33.

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Persistent Systems Limited

Notes forming part of financial statements

38. Auditors' remuneration

| | For the year ended | |
|---------------------------|--------------------|----------------|
| | March 31, 2021 | March 31, 2020 |
| | In ₹ Million | In ₹ Million |
| As auditor: | | |
| - Audit fee | 7.58 | 8.50 |
| In other capacity: | | |
| - Other services | 1.22 | 1.53 |
| Reimbursement of expenses | 0.20 | 0.23 |
| | 9.00 | 10.26 |

39. Research and development expenditure

The particulars of expenditure incurred on in-house research and development are as follows:

| | For the year ended | |
|---------|--------------------|----------------|
| | March 31, 2021 | March 31, 2020 |
| | In ₹ Million | In ₹ Million |
| Capital | - | 1.04 |
| Revenue | 196.72 | 243.05 |
| | 196.72 | 244.09 |

40. The Company was required to spend an amount of ₹ 94.49 million during the financial year 2020-21 (Previous year ₹ 85.05 million) on Corporate Social Responsibility in accordance with section 135(5) of the Companies Act, 2013.

The Company has spent ₹ 150.00 million during the financial year 2020-21 (Previous year ₹ 86.11 million) on purposes other than construction / acquisition of any asset.

41. Details of dues to micro and small enterprises as defined under MSMED Act, 2006

There are no defaults and overdue amounts payable to suppliers, who have intimated about their status as Micro and Small Enterprises as per the provisions of Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act, 2006).

42. Net dividend remitted in foreign exchange

| (In USD Million) | | | | | |
|------------------|----------------------------------|----------------------------------|---|--------------------|----------------|
| Particulars | Period to which dividend relates | No. of non-resident shareholders | No. of equity shares held on which dividend was due | For the year ended | |
| | | | | March 31, 2021 | March 31, 2020 |
| | | | (in million) | | |
| Interim dividend | 2020-21 | 4 | 0.37 | 0.06 | - |
| Final dividend | 2018-19 | 3 | 0.37 | - | 0.02 |
| Interim dividend | 2019-20 | 3 | 0.37 | - | 0.05 |

43. Loans and advances in the nature of loans given to subsidiaries and associates and firms / companies in which directors are interested

a) Loan to Klisma e-Service Private Limited

- Balance as at March 31, 2021 ₹ 27.43 million (Previous year: ₹ 27.43 million)
- Maximum amount outstanding during the year ₹ 27.43 million (Previous year: ₹ 27.43 million)
- Principal is receivable at the end of twelve months and interest is receivable quarterly @ 12 % p.a. This amount is utilized for meeting business requirements. The outstanding balance has been fully provided for.

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44. The Company has deposits of ₹ 430 million with the financial institutions viz. Infrastructure Leasing & Financial Services Ltd. (IL&FS) and IL&FS Financial Services Ltd. (referred to as "IL&FS Group") as on the balance sheet date. These were due for maturity from January 2019 to June 2019. In view of the uncertainty prevailing with respect to recovery of outstanding balances from IL&FS Group, Management of the Company has fully provided for these deposits along with interest accrued thereon till the date the deposits had become doubtful of recovery. The Management is hopeful of recovery though with a time lag. The 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.

45. The code on Social security, 2020 relating to employee benefits has been approved by the Parliament and has also been published in Official Gazette of India. However, the date on which it comes into effect has not been notified and the rules are yet to be framed. The Company will complete its evaluation and will give appropriate impact in its financial statements in the period in which, the Code becomes effective and the related rules are published.

46. Ministry of Corporate Affairs (MCA), vide its notification dated March 24, 2021, amended Schedule III of the Companies Act, 2013 with effect from April 1, 2021. Management is of the view that since the changes are applicable from April 1, 2021, those are applicable for the financial year commencing from April 1, 2021 and are applicable to Financial statements issued in respect of accounting years commencing on or after April 1, 2021. Therefore, related disclosures are not considered in these financial statements for the year ended on March 31, 2021, although issued after April 1, 2021.

47. The financial statements are presented in ₹ Million and decimal thereof except for per share information or as otherwise stated.

48. Previous year's figures have been regrouped where necessary to conform with the current year's classification.

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

**SHASHI
TADWALKAR**

Shashi Tadwalkar

Partner
Membership No.: 101797

Digitally signed by
SHASHI TADWALKAR
Date: 2021.04.29
23:12:34 +05'30'

Anand Deshpande

**For and on behalf of the Board of Directors of
Persistent Systems Limited**

Dr. Anand Deshpande
Chairman and Managing
Director
DIN: 00005721

Place: Pune

Date : April 29, 2021

Sandeep Kalra
Praveen Kadle
Sandeep Kalra (Apr 29, 2021 10:27 EDT)

Sandeep Kalra
Executive Director and
Chief Executive Officer
DIN: 02506494

Place: New Jersey, USA Place: Mumbai

Date : April 29, 2021 Date : April 29, 2021

Sunil Sapre
Sunil Sapre (Apr 29, 2021 19:46 GMT+5.5)

Sunil Sapre
Executive Director and
Chief Financial Officer
DIN: 06475949

Place: Mumbai

Date : April 29, 2021

Amit Atre
Amit Atre (Apr 29, 2021 19:19 GMT+5.5)
Amit Atre
Company Secretary
Membership No. A20507

Place: Pune

Date : April 29, 2021

Place: Pune
Date : April 29, 2021