

NSE & BSE / 2021-22 / 98

October 26, 2021

The Manager,
Corporate Services,
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex,
Bandra (E), Mumbai 400 051

The Manager,
Corporate Services,
BSE Limited
14th Floor, P J Towers, Dalal Street,
Mumbai 400 001

Ref: Symbol: PERSISTENT

Ref: Scrip Code: 533179

Dear Sir/Madam,

Sub: Audited Financial Statements for the quarter and half year ended September 30, 2021

We wish to inform you that the Board of Directors at its meeting held on October 26, 2021 through tele-conferencing has approved the Audited Financial Statements for the quarter and half year ended September 30, 2021.

Accordingly, please find enclosed the following documents:

1. Audited Consolidated Financial Statements for the quarter and half year ended September 30, 2021;
2. Audited Unconsolidated Financial Statements for the quarter and half year ended September 30, 2021.

Please acknowledge the receipt.

Thanking you,

Yours Sincerely,
For **Persistent Systems Limited**

AMIT MURARI
ATRE

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AMIT MURARI ATRE
Date: 2021.10.26
20:26:43 +05'30'

Amit Atre
Company Secretary
ICSI Membership No.: A20507

Encl: As above

Walker ChandioK & Co LLP

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West Wing, Nyati Unitree
Nagar Road, Yerwada,
Pune - 411006
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Independent Auditor's Report

To the Members of Persistent Systems Limited

Report on the Audit of the Condensed Interim Consolidated Financial Statements

Opinion

1. We have audited the accompanying condensed interim consolidated financial statements of **Persistent Systems Limited** ('the Holding Company') and its subsidiaries (the Holding Company and its subsidiaries together referred to as 'the Group') and its associate, as listed in Annexure 1, which comprise the Condensed interim consolidated Balance Sheet as at **30 September 2021**, the Condensed interim consolidated Statement of Profit and Loss (including Other Comprehensive Income) for the quarter and half year ended 30 September 2021, the Condensed interim consolidated Cash Flow Statement and the Condensed interim consolidated Statement of Changes in Equity for the half year ended 30 September 2021, 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 and based on the consideration of the reports of the other auditors on separate condensed interim financial statements and on the other financial information of the subsidiaries, the aforesaid condensed interim consolidated 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, in accordance with Indian Accounting Standard 34, Interim Financial Reporting ('Ind AS 34') specified under Section 133 of the Act, of the consolidated state of affairs of the Group and its associate as at 30 September 2021, and its consolidated profit (including other comprehensive income) for the quarter and half year ended 30 September 2021, its consolidated cash flows and the consolidated changes in equity for the half year ended 30 September 2021.

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 condensed interim consolidated 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 condensed interim consolidated 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 and the audit evidence obtained by the other auditors in terms of their reports referred to in paragraph 11 of the Other Matters section below is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Condensed Interim Consolidated Financial Statements

4. The accompanying condensed interim consolidated financial statements have been approved by the Holding Company's Board of Directors. The Holding 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 condensed interim consolidated financial statements that give a true and fair view of the consolidated state of affairs (consolidated financial position), consolidated profit or loss (consolidated financial performance including other comprehensive income), consolidated changes in equity and consolidated cash flows of the Group including its associate in accordance with the accounting principles generally accepted in India, in accordance with Ind AS 34 specified under Section 133 of the Act. The Holding Company's Board of Directors is also responsible for ensuring accuracy of records including financial information considered necessary for the preparation of condensed interim consolidated Ind AS 34 financial statements. Further, in terms of the provisions of the Act, the respective Board of Directors /management of the companies included in the Group and its associate, covered under the Act are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets 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 condensed interim consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. These condensed interim consolidated financial statements have been used for the purpose of preparation of the condensed interim consolidated financial statements by the Directors of the Holding Company, as aforesaid.
5. In preparing the condensed interim consolidated financial statements, the respective Board of Directors of the companies included in the Group and of its associate are responsible for assessing the ability of the Group and its associate to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group and its associate or to cease operations, or has no realistic alternative but to do so.
6. The Board of Directors are also responsible for overseeing the financial reporting process of the companies included in the Group and its associate.

Auditor's Responsibilities for the Audit of the Condensed Interim Consolidated Financial Statements

7. Our objectives are to obtain reasonable assurance about whether the condensed interim consolidated 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 condensed interim consolidated financial statements.
8. 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 condensed interim consolidated 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.

Persistent Systems Limited
Independent Auditor's Report on the Audit of the Condensed Interim Consolidated Financial Statements

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Group and its associate have in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls.
 - 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 ability of the Group and its associate 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 condensed interim consolidated 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 Group and its associate to cease to continue as a going concern.
 - Evaluate the overall presentation, structure, and content of the condensed interim consolidated financial statements, including the disclosures, and whether the condensed interim consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
 - Obtain sufficient appropriate audit evidence regarding the financial information of the entities within the Group and its associate to express an opinion on the condensed interim consolidated financial statements. We are responsible for the direction, supervision, and performance of the audit of the condensed interim consolidated financial statements of such entities included in the condensed interim consolidated financial statements, of which we are the independent auditors. For the other entities included in the condensed interim consolidated financial statements, which have been audited by the other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.
9. 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.
10. 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.

Other Matters

11. We did not audit the condensed interim financial statements of nineteen subsidiaries, whose condensed interim financial statements (before eliminating intercompany balances/transactions) reflect total assets of ₹ 4,799.57 million and net assets of ₹ 1,859.32 million as at 30 September 2021, total revenues of ₹ 2,433.92 million and net cash inflows amounting to ₹ 66.21 million for the half year ended on that date, as considered in the condensed interim consolidated financial statements. These condensed interim financial statements have been audited by other auditors whose reports have been furnished to us by the management and our opinion on the condensed interim consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, is based solely on the reports of the other auditors.

Our opinion above on the condensed interim consolidated financial statements, is not modified in respect of the above matter with respect to our reliance on the work done by and the reports of the other auditors.

Persistent Systems Limited
Independent Auditor's Report on the Audit of the Condensed Interim Consolidated Financial Statements

12. The condensed interim consolidated financial statements also include the Group's share of net profit (including other comprehensive income) of ₹ Nil for the quarter and period ended 10 August 2021, as considered in the condensed interim consolidated financial statements, in respect of one associate, whose financial statements have not been audited by us. These condensed interim financial statements are unaudited and have been furnished to us by the management and our opinion on the condensed interim consolidated financial statements, in so far as it relates to the aforesaid associate is based solely on such unaudited condensed interim financial statements. In our opinion and according to the information and explanations given to us by the management, these condensed interim financial statements are not material to the Group and its associate.

Our opinion above on the condensed interim consolidated financial statements, is not modified in respect of the above matter with respect to our reliance on the financial statements certified by management.

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

SHASHI
TADWALKAR

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SHASHI TADWALKAR
Date: 2021.10.26
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Shashi Tadwalkar
Partner
Membership No:101797

UDIN:21101797AAAADQ3913

Place: Pune
Date: 26 October 2021

Persistent Systems Limited
Independent Auditor's Report on the Audit of the Condensed Interim Consolidated Financial Statements

Annexure 1

List of entities included

Sr. No.	Name of Entity	Relationship
1	Persistent Systems Limited (PSL)	Holding Company
2	Persistent Systems, Inc. (PSI)	Wholly owned subsidiary of PSL
3	Persistent Systems Pte Ltd.	Wholly owned subsidiary of PSL
4	Persistent Systems France SAS	Wholly owned subsidiary of PSL
5	Persistent Systems Malaysia Sdn. Bhd.	Wholly owned subsidiary of PSL
6	Persistent Systems Germany GmbH (PSGG)	Wholly owned subsidiary of PSL
7	Persistent Telecom Solutions Inc.	Wholly owned subsidiary of PSI
8	Aepona Group Limited (AGL)	Wholly owned subsidiary of PSI
9	Aepona Limited	Wholly owned subsidiary of AGL
10	Youperience GmbH (YGmbH)	Wholly owned subsidiary of PSGG
11	Youperience Limited	Wholly owned subsidiary of YGmbH
12	Persistent Systems Lanka (Private) Limited	Wholly owned subsidiary of AGL
13	Persistent Systems Mexico, S.A. de C.V.	Wholly owned subsidiary of PSI
14	Persistent Systems Israel Ltd	Wholly owned subsidiary of PSI
15	PARX Werk AG	Wholly owned subsidiary of PSGG
16	PARX Consulting GmbH	Wholly owned subsidiary of PARX Werk AG
17	Capiot Software Private Limited	Wholly owned subsidiary of PSL
18	Capiot Software Inc. (Capiot US)	Wholly owned subsidiary of PSI
19	Capiot Software Pty Limited	Wholly owned subsidiary of Capiot US
20	Capiot Software Pte Limited	Wholly owned subsidiary of Capiot US
21	Persistent Systems S.R.L.	Wholly owned subsidiary of PSI
22	Klisma e-Services Private Limited (Dissolved w.e.f. August 10, 2021)	Associate company of PSL

CONDENSED INTERIM CONSOLIDATED BALANCE SHEET AS AT SEPTEMBER 30, 2021

	Notes	As at		As at
		September 30, 2021	September 30, 2020	March 31, 2021
		In ₹ Million	In ₹ Million	In ₹ Million
ASSETS				
Non-current assets				
Property, plant and equipment	6.1	2,785.17	2,194.48	2,401.40
Capital work-in-progress		7.57	24.84	121.81
Right of use assets	6.2	1,054.83	642.25	852.58
Goodwill	6.3	108.79	86.70	85.94
Other Intangible assets	6.4	1,192.79	1,365.41	1,229.50
		5,149.15	4,313.68	4,691.23
Financial assets				
- Investments	7	3,871.73	3,882.21	3,621.27
- Loans	8	2,064.14	150.72	134.76
- Other non-current financial assets	9	41.35	143.66	25.76
Deferred tax assets (net)	10	1,065.25	1,031.30	1,037.57
Other non-current assets	11	1,513.36	324.72	441.52
		13,704.98	9,846.29	9,952.11
Current assets				
Financial assets				
- Investments	12	3,144.89	4,933.32	6,374.95
- Trade receivables (net)	13	6,515.21	5,776.88	5,708.97
- Cash and cash equivalents	14	5,176.54	1,297.50	2,419.30
- Other bank balances	15	6,469.83	6,675.93	7,389.70
- Loans	16	21.99	63.56	71.26
- Other current financial assets	17	3,193.00	2,151.83	2,467.23
Current tax assets (net)		283.09	165.77	188.00
Other current assets	18	1,851.23	1,709.39	2,083.72
		26,655.78	22,774.18	26,703.13
TOTAL		40,360.76	32,620.47	36,655.24
EQUITY AND LIABILITIES				
EQUITY				
Equity share capital	5	764.25	764.25	764.25
Other equity		30,170.18	24,927.49	27,192.41
		30,934.43	25,691.74	27,956.66
LIABILITIES				
Non-current liabilities				
Financial liabilities				
- Lease liabilities	20	897.95	438.24	716.17
- Borrowings	19	43.34	45.52	44.27
Provisions	21	268.22	254.12	240.94
		1,209.51	737.88	1,001.38
Current liabilities				
Financial liabilities				
- Lease liabilities	20	250.96	295.84	222.00
- Trade payables [(dues of micro and small enterprises ₹ 45.55 million (Corresponding period: ₹ 8.38 million/Previous year: ₹ 30.20 million)]	22	3,479.88	2,517.90	2,733.44
- Other financial liabilities	23	169.67	154.78	390.17
Other current liabilities	24	1,698.57	1,103.10	1,514.95
Provisions	25	2,278.68	1,793.34	2,477.79
Current tax liabilities (net)		339.06	325.89	358.85
		8,216.82	6,190.85	7,697.20
TOTAL		40,360.76	32,620.47	36,655.24

Summary of significant accounting policies 4

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

As per our report of even date

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

SHASHI TADWALKAR
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Date: 2021.10.26 21:08:34 +05'30'

Shashi Tadwalkar
Partner

Membership No. :- 101797

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

Anand Deshpande

Dr. Anand Deshpande
Chairman and Managing Director

DIN: 00005721

Place: Pune
Date : October 26, 2021

Sunil Sapre
Sunil Sapre (Oct 26, 2021 18:32 GMT+5.5)

Sunil Sapre
Executive Director and Chief Financial Officer

DIN: 06475949

Place: Pune
Date : October 26, 2021

Place: Mumbai
Date : October 26, 2021

Praveen Kadle (Oct 26, 2021 18:50 GMT+5.5)

Sandeep Kalra
Sandeep Kalra (Oct 26, 2021 18:34 GMT+5.5)

Sandeep Kalra
Executive Director and Chief Executive Officer

DIN: 02506494

Place: Mumbai
Date : October 26, 2021

Praveen Kadle
Independent Director

DIN: 00016814

Place: Mumbai
Date : October 26, 2021

Amit Atre

Amit Atre (Oct 26, 2021 18:26 GMT+5.5)
Company Secretary

Membership No. A20507

Place: Pune
Date : October 26, 2021

CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE QUARTER AND HALF YEAR ENDED SEPTEMBER 30, 2021

	Notes	For the quarter ended		For the half year ended		For the year ended
		September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020	March 31, 2021
		In ₹ Million	In ₹ Million	In ₹ Million	In ₹ Million	In ₹ Million
Income						
Revenue from operations (net)	26	13,512.49	10,077.47	25,811.75	19,991.32	41,878.88
Other income	27	324.15	164.97	712.18	377.24	1,077.72
Total income (A)		13,836.64	10,242.44	26,523.93	20,368.56	42,956.60
Expenses						
Employee benefits expense	28.1	8,092.37	6,096.84	15,416.06	11,881.91	25,157.99
Cost of professionals	28.2	1,999.54	1,351.40	3,803.79	2,701.87	5,563.68
Finance costs (refer note 37)		20.94	14.20	43.56	28.36	57.94
Depreciation and amortization expense	6.5	370.83	439.79	720.92	875.40	1,755.50
Other expenses	29	1,176.64	965.10	2,332.76	2,285.47	4,327.06
Total expenses (B)		11,660.32	8,867.33	22,317.09	17,773.01	36,862.17
Profit before tax (A - B)		2,176.32	1,375.11	4,206.84	2,595.55	6,094.43
Tax expense						
Current tax		538.63	436.17	1,085.99	866.93	1,774.01
Tax (credit)/charge in respect of earlier periods/ years		(3.88)	(0.87)	(17.61)	7.43	10.58
Deferred tax charge/(credit)		24.04	(80.05)	8.45	(198.75)	(196.93)
Total tax expense		558.79	355.25	1,076.83	675.61	1,587.66
Net profit for the period/ year (C)		1,617.53	1,019.86	3,130.01	1,919.94	4,506.77
Other comprehensive income						
Items that will not be reclassified to profit and loss (D)						
- Remeasurements of the defined benefit liabilities / asset (net of tax)		(38.37)	8.71	(100.09)	17.95	10.25
		(38.37)	8.71	(100.09)	17.95	10.25
Items that may be reclassified to profit and loss (E)						
- Effective portion of cash flow hedge (net of tax)		22.11	191.01	(72.99)	340.99	383.54
- Exchange differences in translating the financial statements of foreign operations		(13.58)	(532.06)	114.73	(455.01)	(20.07)
		8.53	(341.05)	41.74	(114.02)	363.47
Total other comprehensive income for the period/ year (D) + (E)		(29.84)	(332.34)	(58.35)	(96.07)	373.72
Total comprehensive income for the period/ year (C) + (D) + (E)		1,587.69	687.52	3,071.66	1,823.87	4,880.49
Earnings per equity share						
[Nominal value of share ₹10 (Corresponding period/ Previous year: ₹10)]	30					
Basic (In ₹)		21.16	13.34	40.96	25.12	58.97
Diluted (In ₹)		21.16	13.34	40.96	25.12	58.97
Summary of significant accounting policies						
	4					

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

As per our report of even date

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

SHASHI
TADWALKAR
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SHASHI TADWALKAR
Date: 2021.10.26
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Shashi Tadwalkar

Partner
Membership No. :- 101797

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

Sandeep Kalra
Sandeep Kalra (Oct 26, 2021 18:34 GMT+5.5)

Anand Deshpande

Praveen Kadle
Praveen Kadle (Oct 26, 2021 18:50 GMT+5.5)

Dr. Anand Deshpande
Chairman and Managing
Director

DIN: 00005721

Place: Pune
Date : October 26, 2021

Sandeep Kalra
Executive Director and
Chief Executive Officer

DIN: 02506494

Place: Mumbai
Date : October 26, 2021

Praveen Kadle
Independent Director

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Sunil Sapre (Oct 26, 2021 18:32 GMT+5.5)

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Place: Mumbai
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Amit Atre
Amit Atre (Oct 26, 2021 18:26 GMT+5.5)

Amit Atre
Company Secretary

Membership No. A20507

Place: Pune
Date : October 26, 2021

Place: Pune
Date : October 26, 2021

Persistent Systems Limited
CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT FOR THE HALF YEAR ENDED SEPTEMBER 30, 2021

	For the half year ended		For the year ended
	September 30, 2021	September 30, 2020	March 31, 2021
	In ₹ Million	In ₹ Million	In ₹ Million
Cash flow from operating activities			
Profit before tax	4,206.84	2,595.55	6,094.43
Adjustments for:			
Interest income	(254.60)	(256.86)	(558.70)
Finance costs	43.56	28.36	57.94
Depreciation and amortization expense	720.92	875.40	1,755.50
Unrealised exchange (gain)/loss (net)	(18.56)	116.66	139.55
Change in foreign currency translation reserve	66.62	(487.82)	(42.32)
Exchange loss / (gain) on derivative contracts	57.87	(66.75)	(169.80)
Exchange loss on translation of foreign currency cash and cash equivalents	3.46	18.51	11.50
Bad debts	-	-	90.30
Change in provision for expected credit loss (net)	(27.36)	105.62	31.32
Employee stock compensation expenses	364.80	107.24	290.44
Provision for diminution in value of investments	147.68	18.74	18.53
Remeasurements of the defined benefit liabilities / asset (before tax effects)	(132.97)	27.39	10.25
Impairment of loan	-	-	23.96
Excess provision in respect of earlier years/period (written back)	(32.55)	(6.57)	(41.79)
Profit on sale/ fair valuation of financial assets designated as FVTPL	(233.58)	(203.37)	(346.74)
Profit on sale of property, plant and equipment (net)	(4.72)	(3.65)	(1.34)
Operating profit before working capital changes	4,907.41	2,868.45	7,363.03
Movements in working capital :			
Increase in non-current and current loans	(0.11)	(0.16)	(40.03)
Increase in other non current assets	(109.05)	(5.83)	(76.81)
(Increase) / Decrease in other current financial assets	(881.19)	51.25	(104.23)
Decrease in other current assets	232.49	216.85	58.26
(Increase)/ Decrease in trade receivables	(749.25)	(45.56)	58.49
Increase/ (Decrease) in trade payables, current liabilities and non current liabilities	1,318.68	(263.11)	757.56
Increase/ (Decrease) in provisions	(171.83)	253.68	924.95
Operating profit after working capital changes	4,547.15	3,075.57	8,941.22
Direct taxes paid (net of refunds)	(1,150.38)	(691.91)	(1,581.97)
Net cash generated from operating activities (A)	3,396.77	2,383.66	7,359.25
Cash flows from investing activities			
Payment towards capital expenditure (including intangible assets, capital advances and capital creditors)	(2,325.90)	(451.63)	(1,281.04)
Proceeds from sale of property, plant and equipment	15.21	7.96	30.02
Acquisition of step-down subsidiary including cash and cash equivalents: Nil (Corresponding period: Nil / Previous year ₹ 30.90 million)	-	-	(448.47)
Purchase of bonds	(562.62)	(520.48)	(712.18)
Proceeds from sale/ maturity of bonds	239.35	172.84	350.53
Investments in mutual funds	(15,686.10)	(11,815.87)	(24,591.91)
Proceeds from sale / maturity of mutual funds	19,127.50	13,358.42	25,068.92
Maturity / (Investments) of bank deposits	740.08	(3,738.15)	(4,198.89)
Loan to ESOP Trust	(1,880.00)	-	-
Interest received	368.05	160.38	366.29
Net cash generated/(used in) investing activities (B)	35.57	(2,826.53)	(5,416.73)
Cash flows from financing activities			
Repayment of long term borrowings	(1.85)	(3.18)	(4.54)
Payment of lease liabilities	(167.57)	(145.25)	(319.11)
Specific project related grant received	-	9.00	9.00
Interest paid	(43.67)	(0.35)	(58.01)
Dividends paid	(458.55)	(1.33)	(1,069.95)
Net cash used in financing activities (C)	(671.64)	(141.11)	(1,442.61)

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT FOR THE HALF YEAR ENDED SEPTEMBER 30, 2021

	For the half year ended		For the year ended
	September 30, 2021	September 30, 2020	March 31, 2021
	In ₹ Million	In ₹ Million	In ₹ Million
Net increase/(decrease) in cash and cash equivalents (A + B + C)	2,760.70	(583.98)	499.91
Cash and cash equivalents at the beginning of the year	2,419.30	1,899.99	1,899.99
Cash and cash equivalents acquired on acquisition	-	-	30.90
Effect of exchange difference on translation of foreign currency cash and cash equivalents	(3.46)	(18.51)	(11.50)
Cash and cash equivalents at the end of the period / year	5,176.54	1,297.50	2,419.30
Components of cash and cash equivalents			
Cash on hand (refer note 14)	0.23	0.21	0.41
Cheques on hand (refer note 14)	1.34	-	-
Balances with banks			
On current accounts # (refer note 14)	4,682.35	1,105.90	1,583.20
On saving accounts (refer note 14)	8.46	0.48	1.33
On exchange earner's foreign currency accounts (refer note 14)	358.60	169.91	208.57
On deposit accounts with original maturity less than three months (refer note 14)	125.56	21.00	625.79
Cash and cash equivalents	5,176.54	1,297.50	2,419.30

Of the cash and cash equivalent balance as at September 30, 2021, the Group can utilise ₹ 170.21 million (Corresponding period: ₹ 0.12 Million/ Previous year: ₹ 154.39 million) only towards certain predefined activities specified in the agreement.

Summary of significant accounting policies - refer note 4

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

As per our report of even date

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

SHASHI TADWALKAR
Digitally signed by SHASHI TADWALKAR
Date: 2021.10.26
21:09:20 +05'30'

Shashi Tadwalkar
Partner

Membership No. :- 101797

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

Anand Deshpande

Dr. Anand Deshpande
Chairman and Managing Director

DIN: 00005721

Place: Pune
Date : October 26, 2021

Sunil Sapre

Sunil Sapre (Oct 26, 2021 18:32 GMT+5.5)

Sunil Sapre
Executive Director and Chief Financial Officer
DIN: 06475949

Place: Mumbai
Date : October 26, 2021

Praveen Kadle
Praveen Kadle (Oct 26, 2021 18:50 GMT+5.5)

Sandeep Kalra
Sandeep Kalra (Oct 26, 2021 18:34 GMT+5.5)

Sandeep Kalra
Executive Director and Chief Executive Officer

DIN: 02506494

Place: Mumbai
Date : October 26, 2021

Amit Atre
Amit Atre (Oct 26, 2021 18:26 GMT+5.5)

Amit Atre
Company Secretary
Membership No. A20507

Place: Pune
Date : October 26, 2021

Praveen Kadle
Independent Director

DIN: 00016814

Place: Mumbai
Date : October 26, 2021

Persistent Systems Limited

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED SEPTEMBER 30, 2021

A. Share capital
(refer note 5)

(In ₹ Million)

Balance as at April 1, 2021	Changes in equity share capital during the period/ year	Balance as at September 30, 2021
764.25	-	764.25

(In ₹ Million)

Balance as at April 1, 2020	Changes in equity share capital during the period/ year	Balance as at September 30, 2020
764.25	-	764.25

(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

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Persistent Systems Limited
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED SEPTEMBER 30, 2021

B. Other equity

Particulars	Reserves and surplus				Items of other comprehensive income		Total
	General reserve	Share options outstanding reserve	Gain on bargain purchase	Capital redemption reserve	Effective portion of cash flow hedges	Exchange differences on translating the financial statements of foreign operations	
Balance as at April 1, 2021	14,356.53	470.70	57.31	35.75	139.45	568.25	27,192.41
Net profit for the period	-	-	-	-	-	-	3,190.01
Other comprehensive income for the period	-	-	-	-	(72.99)	114.73	(68.39)
Dividend	-	-	-	-	-	-	(458.55)
Employee stock compensation expenses	-	364.80	-	-	-	-	364.80
Other changes during the period	-	0.56	(0.70)	-	-	-	(0.14)
Balance at September 30, 2021	14,356.53	835.06	56.61	35.75	66.46	682.98	30,170.18
Particulars	Reserves and surplus				Items of other comprehensive income		Total
	General reserve	Share options outstanding reserve	Gain on bargain purchase	Capital redemption reserve	Effective portion of cash flow hedges	Exchange differences on translating the financial statements of foreign operations	Total
Balance as at April 1, 2020	12,227.41	290.51	57.71	35.75	(244.09)	588.32	23,093.30
Net profit for the period	-	-	-	-	-	-	1,919.94
Other comprehensive income for the period	-	-	-	-	340.99	(455.01)	(60.02)
Adjustments towards employees stock options	-	(95.46)	-	-	-	-	(95.46)
Employee stock compensation expenses	-	107.24	-	-	-	-	107.24
Other changes during the period	-	-	(1.46)	-	-	-	(1.46)
Balance at September 30, 2020	12,227.41	302.29	56.25	35.75	96.90	133.31	24,927.49
Particulars	Reserves and surplus				Items of other comprehensive income		Total
	General reserve	Share options outstanding reserve	Gain on bargain purchase	Capital redemption reserve	Effective portion of cash flow hedges	Exchange differences on translating the financial statements of foreign operations	Total
Balance as at April 1, 2020	12,227.41	290.51	57.71	35.75	(244.09)	588.32	23,093.30
Net profit for the period	-	-	-	-	-	-	4,506.77
Other comprehensive income for the year	-	-	-	-	383.54	(20.07)	373.72
Interim dividend	-	-	-	-	-	-	(1,069.95)
Transfer to retained earnings	-	-	-	-	-	-	-
Transfer to general reserve	2,020.34	-	-	-	-	-	-
Adjustments towards employees stock options	-	(106.78)	-	-	-	-	-
Employee stock compensation expenses	-	290.44	-	-	-	-	290.44
Other changes during the year	-	(1.47)	(0.40)	-	-	-	(1.87)
Balance at March 31, 2021	14,356.53	470.70	57.31	35.75	139.45	568.25	27,192.41

Summary of significant accounting policies - refer note 4

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

As per our report of even date

For Walker Chandniok & Co LLP
Chartered Accountants

Firm Registration No.: 001076NIN500013

SHASHI TADWALKAR
Partner
Digitally signed by SHASHI TADWALKAR
Date: 2021.10.26 21:09:44 +05'30'

Membership No. :- 101797

Place: Pune
Date : October 26, 2021

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

Anand Deshpande

Dr. Anand Deshpande
Chairman and Managing Director

DIN: 00005721
Place: Pune
Date : October 26, 2021

Praveen Kadle

Sandeep Kalra
Executive Director and Chief Executive Officer

DIN: 02506494
Place: Mumbai
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Company Secretary

DIN: 06475949
Membership No. A20507
Place: Pune
Date : October 26, 2021

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Amit Atre (Oct 26, 2021 18:26 GMT+5:5)

Praveen Kadle
Independent Director

DIN: 0016814
Place: Mumbai
Date : October 26, 2021

Praveen Kadle (Oct 26, 2021 18:50 GMT+5:5)

Nature and purpose of reserves

a) General reserve

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

b) 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 upon which such amount is transferred to General reserve.

c) Gain on bargain purchase

The excess of the Group's portion of equity of the acquired company over its cost is treated as gain on bargain purchase in the condensed interim financial statements.

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 is created out of the profit in accordance with the provisions of Section 10AA(1)(ii) of the Income tax Act, 1961. The reserve had been entirely utilised by the Group 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

When a derivative is designated as cashflow hedging instrument, the effective portion of changes in the fair value of derivative is recognised in Other comprehensive income (OCI) and accumulated in cashflow hedge reserve.

Cumulative gains or losses previously recognised in cashflow hedge reserve are recognised in the statement of profit and loss in the period in which such transaction occurs / hedging instruments are settled/ cancelled.

g) Foreign currency translation reserve

The foreign exchange differences arising from the translation of financial statements of foreign operations with functional currency other than Indian rupees is recognised in other comprehensive income and is presented under equity in the foreign currency translation reserve. The amount is transferred to retained earnings upon disposal of investment in foreign operation.

1. Nature of operations

Persistent Systems Limited (the "Parent Company" or "PSL") is a public Company domiciled in India and incorporated under the provisions of the Companies Act, 1956 (the "Act"). 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.

Persistent Systems, Inc. (PSI) based in the USA, a wholly owned subsidiary of PSL, is engaged in software product, services and technology innovation.

Persistent Systems Pte. Ltd. (PS Pte.) based in Singapore, a wholly owned subsidiary of PSL, is engaged in software development, professional and marketing services.

Persistent Systems France SAS (PSFS) based in France, a wholly owned subsidiary of PSL, is engaged in software products, services and technology innovation

Persistent Telecom Solutions, Inc. (PTSI) based in the USA, a wholly owned subsidiary of Persistent Systems, Inc., is engaged in software products, services and technology innovation in telecom and Product Lifecycle Management domains.

Persistent Systems Malaysia Sdn. Bhd. (PSM) based in Malaysia, a wholly owned subsidiary of PSL, is engaged in software products and services.

Aepona Group Limited, an Ireland based wholly owned subsidiary of Persistent Systems, Inc. (previously owned by Aepona Holdings Limited) operates as the holding Company of Aepona Limited.

Aepona Limited (a UK based wholly owned subsidiary of Aepona Group Limited) is engaged in the business of a telecommunication API gateway for defining, exposing, controlling and monetizing telecom services to partners and application developers and an Internet of Things service creation platform that allows enterprises to add a service layer (or "business logic") to the basic APIs exposed to by connected devices, and to expose and monetize these APIs.

Valista Limited (an Ireland based wholly owned subsidiary of Aepona Group Limited) has been dissolved with effect from June 24, 2020. Aepona Group Limited, its holding Company, took over all the assets and liabilities of Valista Limited on the date of dissolution.

Persistent Systems Lanka (Private) Limited (a Sri Lanka based wholly owned subsidiary of Aepona Group Limited) has adopted indirect sales model, with services revenue being billed to Aepona Limited. Sale of services are then contracted between Aepona Limited and customers.

Persistent Systems Mexico, S.A. de C.V. (a Mexico based wholly owned subsidiary of Persistent Systems Inc.) has adopted indirect sales model, with services revenue being billed to Persistent Systems Inc. Sale of services are then contracted between Persistent Systems Inc. and customers.

Persistent Systems Israel Ltd. (an Israel based wholly owned subsidiary of Persistent Systems Inc.) has adopted indirect sales model, with services revenue being billed to Persistent Systems Inc. Sale of services are then contracted between Persistent Systems Inc. and customers.

Persistent Systems Germany GmbH (wholly owned subsidiary of Persistent Systems Limited) operates as the holding Company of PARX Werk AG and Youperience GmbH.

PARX Werk AG (a Switzerland based wholly owned subsidiary of Persistent Systems Germany GmbH) is engaged in the business of software products, services and technology innovation in the digital practice.

PARX Consulting GmbH (a Germany based wholly owned subsidiary of PARX Werk AG) is engaged in the business of software products, services and technology innovation in the digital practice.

Youperience GmbH (a Germany based wholly owned subsidiary of Persistent Systems Germany GmbH) is engaged in Salesforce related implementation services.

Youperience Limited (a United Kingdom based wholly owned subsidiary of Youperience GmbH) is engaged in Salesforce related implementation services.

CAPIOT Software Private Limited (a India based wholly owned subsidiary of Persistent Systems Limited) is engaged in enterprise integration and modernization with expertise in MuleSoft, Red Hat and TIBCO.

CAPIOT Software Inc (a US based wholly owned subsidiary of Persistent Systems Inc) is engaged in enterprise and data integration services across platforms.

CAPIOT Software Pty Limited (an Australia based wholly owned subsidiary of CAPIOT Software Inc) is engaged in enterprise and data integration services across platforms.

CAPIOT Software Pte Limited (a Singapore based wholly owned subsidiary of CAPIOT Software Inc) is engaged in enterprise and data integration services across platforms.

Persistent Systems SRL is a subsidiary of Persistent Systems Inc.

Klisma e-Services Private Limited was engaged in the business of internet, telecommunications, mobile technology and other media enabling electronic commerce. The Company has been dissolved w.e.f. August 10, 2021.

2. Basis of preparation

The condensed interim consolidated financial statements of the Group have been prepared on an accrual basis and under the historical cost convention except for certain financial instruments, equity settled employee stock options and initial recognition of assets acquired under business combinations which have been measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange of goods and services. The accounting policies are consistently applied by the Group 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 condensed interim consolidated financial statements are prepared in accordance with Indian Accounting Standard (Ind AS 34: Interim Financial Reporting), 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.

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

3. Principles of consolidation

The condensed interim consolidated financial statements of the Parent Company and its subsidiaries ("the Group") for the half year ended September 30, 2021 are prepared in accordance with generally accepted accounting principles applicable in India, and the Indian Accounting Standard, 110 (Ind AS 110) on 'Consolidated Financial Statements', notified by Companies (Accounting Standards) Rules, 2015, ("Indian Accounting Standards") by and to the extent possible in the same format as that adopted by the Parent Company for its separate financial statements.

The Parent Company consolidates entities which it owns or controls. The condensed interim consolidated financial statements comprise the condensed interim financial statements of the Company and its subsidiaries as disclosed below. Control exists when the Parent Company has power over the entity, is exposed or has rights to variable returns from its involvement with the entity; and has the ability to affect those returns by using its power over the entity. Power is demonstrated through existing rights that give the ability to direct relevant activities, those which significantly affect the entity's returns. Subsidiaries are consolidated from the date control commences until the date control ceases.

The condensed interim consolidated financial statements of the Parent Company and its subsidiary companies have been combined on line by line basis by adding together the book values of like items of assets and liabilities, income and expenses after eliminating intra group balances and intra group transactions except where cost cannot be recovered. The unrealized profits or losses resulting from the intra group transactions and balances have been eliminated.

The condensed interim consolidated financial statements include the share of profit / loss of associate companies, which are accounted for under the 'Equity method'. The share of profit / loss of the associate company has been adjusted to the cost of investment in the associate, as per the 'Equity method'. An associate is an enterprise in which the investor has significant influence and which is neither a subsidiary nor a joint venture.

The excess of the cost to the Company of its investment in a subsidiary and the Company's portion of equity of subsidiary on the date at which investment in the subsidiary is made, is described as goodwill and recognized separately as an asset in the condensed interim consolidated financial statements. The excess of the Company's portion of equity of the acquired Company over its cost is treated as gain on bargain purchase in the condensed interim consolidated financial statements. Goodwill arising on consolidation is not amortized. It is tested for impairment on a periodic basis and written off if found impaired.

The condensed interim consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and necessary adjustments required for deviations, if any, are made in the condensed interim consolidated financial statements. The condensed interim consolidated financial statements are presented in the same manner as the Parent Company's separate condensed interim financial statements.

The financial statements of the subsidiary companies used in the consolidation are drawn up to the same reporting date as of the Parent Company.

The subsidiary and associate companies considered in condensed interim consolidated financial statements are as follows:

Name of the subsidiary/ associate	Ownership Percentage as at			Country of incorporation
	September 30, 2021	September 30, 2020	March 31, 2021	
Persistent Systems, Inc.	100%	100%	100%	USA
Persistent Systems Pte Ltd.	100%	100%	100%	Singapore
Persistent Systems France SAS	100%	100%	100%	France
Persistent Telecom Solutions Inc.	100%	100%	100%	USA
Persistent Systems Malaysia Sdn. Bhd.	100%	100%	100%	Malaysia
Aepona Group Limited	100%	100%	100%	Ireland
Aepona Limited	100%	100%	100%	UK
Persistent Systems Lanka (Private) Limited	100%	100%	100%	Sri Lanka
Persistent Systems Mexico, S.A. de C.V.	100%	100%	100%	Mexico
Persistent Systems Israel Ltd.	100%	100%	100%	Israel
Persistent Systems Germany GmbH	100%	100%	100%	Germany
PARX Werk AG	100%	100%	100%	Switzerland
PARX Consulting GmbH	100%	100%	100%	Germany
Youperience GmbH	100%	100%	100%	Germany
Youperience Limited	100%	100%	100%	United Kingdom
CAPIOT Software Private Limited	100%	-	100%	India
CAPIOT Software Inc.	100%	-	100%	USA
CAPIOT Software Pty Limited	100%	-	100%	Australia
CAPIOT Software Pte Limited	100%	-	100%	Singapore
Persistent Systems S.R.L.	100%	-	100%	Italy
Klisma e-Services India Pvt. Ltd. (Dissolved w.e.f August 10, 2021)	Nil	50%	50%	India

4. Summary of significant accounting policies

(a) Use of estimates

A. The preparation of the condensed interim consolidated 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 condensed interim consolidated 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 condensed interim consolidated financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the condensed interim consolidated financial statements.

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

The Group has evaluated likely impact of COVID - 19 on the overall business of the Group. The Group as at the date of the approval of these condensed interim consolidated financial statements, 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 Group's condensed interim consolidated financial statements may differ from the estimate as on the date of the approval of the condensed interim consolidated financial statements.

(i) Expected credit loss:

The Group has considered the current and anticipated future economic conditions relating to the industries the Group deals with and the countries where it operates. In calculating expected credit loss, the Group 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 hedged and unhedged foreign currency exposure:

Based on its assessment, the Group believes that the probability of occurrence of its forecasted transaction are not likely to be impacted by COVID - 19. Hence, the Group continues to believe that there is no foreseeable impact 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 Group 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 of the opinion that the customers could re-prioritise their discretionary spend in 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 Group 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 Group'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, in writing, 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 Group 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 Group uses the percentage-of-completion method in accounting for its fixed-price contracts. Use of the percentage-of-completion method requires the Group 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 Group 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 Group is required to use its judgement to ascertain the income from royalty on the basis of historical trends of customer revenue.

ii. Income taxes

The Group's two major tax jurisdictions are India and the United States, though the Group also files tax returns in other overseas jurisdictions. Significant judgements are involved in determining the provision for income taxes.

iii. Intangible assets and contingent consideration in business combinations

Business combinations are accounted for using Ind AS 103, Business Combinations. Ind AS 103 requires the identifiable intangible assets and contingent consideration to be fair valued in order to ascertain the net fair value of identifiable assets, liabilities and contingent liabilities of the acquiree. Significant estimates are required to be made in determining the value of contingent consideration and intangible assets. These valuations are conducted by independent valuation experts.

iv. Estimates related to useful life of property, plant and equipment and intangible assets

Property, plant and equipment represent a significant proportion of the asset base of the Group. 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 Group'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.

v. Impairment of Goodwill

Goodwill is tested for impairment on an annual basis and whenever there is an indication that the recoverable amount of a cash generating unit is less than its carrying amount based on a number of factors including operating results, business plans, future cash flows and economic conditions. The recoverable amount of cash generating units is determined based on higher of value-in-use and fair value less cost to sell. The goodwill impairment test is performed at the level of the cash-generating unit or groups of cash-generating units which are benefiting from the synergies of the acquisition and which represents the lowest level at which goodwill is monitored for internal management purposes. Market related information and estimates are used to determine the recoverable amount. Key assumptions on which management has based its determination of recoverable amount include estimated long term growth rates, weighted average cost of capital and estimated operating margins. Cash flow projections take into account past experience and represent management's best estimate about future developments.

vi. 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 best estimates of the amount required.

vii. Internally generated Intangible assets

The management assesses the recoverability of the Group's internally generated intangible assets including those under development. Based on the current revenue generated from these lines of business, expected future revenue and the basis of amortization followed, the management considers the carrying value of these intangible assets as recoverable.

viii. 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 Group 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 Group 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 Group 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 Group 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 Group. 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.

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.

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 Group 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) Business combinations

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

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

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

Acquisition-related costs are expensed as incurred

The excess of the:

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

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

Business Combinations – common control transactions

Business combinations involving entities that are controlled by the group are accounted for using the pooling of interest method as follows:

- The asset and liabilities of the combining entities are reflected at their carrying amounts. Adjustments are only made to harmonise accounting policies.
- The financial information in the condensed interim financial statements in respect of prior periods is restated as if the business combination had occurred from the beginning of the preceding period in the financial statements, irrespective of the actual date of the combination. However, where the business combination had occurred after that date, the prior period information restated only from that date.
- The balance of the retained earnings appearing in the financial statement of the transferor is aggregated with the corresponding balance appearing in the financial statement of the transferee or is adjusted against general reserve.
- The identity of the reserves are preserved and the reserves of the transferor become the reserves of the transferee.
- The difference, if any, between the accounts recorded as share capital issued plus any additional consideration in the form of cash or other assets and the amount of share capital of transferor is transferred to capital reserve and is presented separately from other capital reserves.

(e) Goodwill/ Gain on bargain purchase

Goodwill represents the cost of business acquisition in excess of the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities of the acquiree. When the net fair value of the identifiable assets, liabilities and contingent liabilities acquired exceeds the cost of business acquisition, a gain is recognized in the other comprehensive income as gain on bargain purchase. Goodwill is measured at cost less accumulated impairment losses.

(f) Depreciation and amortization

Depreciation on Property, plant and equipment is provided using the Straight Line Method ('SLM') over the useful lives of the assets estimated by the management.

The management estimates the useful lives for the Property, plant and equipment as follows:

	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.

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.

Intangible assets are amortized on a straight-line basis over their estimated useful lives ranging from 2 to 6 years from the day the asset is made available for use.

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

(g) 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.

(h) Leases

The Group's lease asset classes primarily consist of leases for land and office premises. The Group 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 Group assesses whether:

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

Where the Group is a lessee

The Group 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 Group 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 Group 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 Group 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 Group 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 in-substance fixed lease payments.

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

The Group 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.

Group as a lessor

At the inception of the lease, the Group 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 Group recognises lease payments received under operating leases as income over the lease term on a straight line basis.

(i) 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 Group 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 FVTOCI, 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.

(j) 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 Group 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.

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

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

(k) 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 sharing arrangements is recognized in accordance with the terms of the relevant agreements.

In cases where company acts as an agent, the revenue is recognised in form of a commission on delivery of the software licenses.

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 Group collects VAT, Goods and Services Tax and other Indirect taxes 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 Group's right to receive dividend is established. Dividend income is included under the head 'Other income' in the statement of profit and loss.

(l) Government grants

Government grants are recognised at fair value when there is reasonable assurance that the Group 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 period when the related expenses are recognised in the income statement.

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

Foreign currency transactions are recorded in the respective functional currencies of the entities in the Group, by applying to the foreign currency amount the exchange rate between the functional currency of each individual entity 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.

The Group presents the condensed interim financial statements in INR which is the functional currency of the Parent Company.

The assets and liabilities of a foreign operation are translated into the reporting currency (INR) at the exchange rate prevailing at the reporting date. Their statement of profit and loss are translated at exchange rates prevailing at the dates of transactions or weighted average rates, where such rates approximate the exchange rate at the date of transaction. The exchange differences arising on translation are accumulated in the foreign currency translation reserve under other comprehensive income. On disposal of a foreign operation, the accumulated foreign currency translation reserve relating to that foreign operation is recognized in the statement of profit and loss.

(n) Retirement and other employee benefits

(i) Provident fund

Provident fund is a defined contribution plan covering eligible employees. The Parent 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 basic salary of the eligible 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 Parent Company has no obligation, other than the contribution payable to the provident fund.

(ii) Gratuity

Gratuity is a defined benefit obligation plan operated by Persistent Systems Limited and Persistent Systems Lanka (Private) Limited for their employees covered under Group's 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 of the Parent Company. 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 Group'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.

(o) 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 Group 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 Group 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 Group'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 year 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.

Notes forming part of Condensed Interim condensed interim consolidated financial statements

Minimum alternate tax (MAT) paid in a year 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 Group 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 Group 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 Group reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the Group does not have convincing evidence that it will pay normal tax during the specified period.

(p) Segment reporting

(i) Identification of segment

The Group's operations predominantly relate to providing software products, services and technology innovation covering full life cycle of product to its customers.

The components of the Group that engage in business activities from which they earn revenue and incur expenses, whose operating results are regularly reviewed by the Group's Chief Operating Decision Makers are identified as operating segments.

(ii) Allocation of income and direct expenses

Income and direct expenses allocable to segments are classified based on items that are individually identifiable to that segment such as salaries, project related travel expenses etc. The remainder is considered as un-allocable expense and is charged against the total income.

(iii) Unallocated items

Unallocated items include general corporate income and expense items which are not allocated to any business segment.

Segregation of assets, liabilities, depreciation and amortization and other non-cash expenses into various reportable segments have not been presented except for trade receivables and unbilled revenue as these items are used interchangeably among segments and the Group is of the view that it is not practical to reasonably allocate these items to individual segments and an ad-hoc allocation will not be meaningful.

(iv) Inter-segment transfers

There are no inter-segments transactions.

(v) Segment accounting policies

The Group prepares its segment information in conformity with accounting policies for preparing and presenting the condensed interim financial statements of the Group as a whole.

(q) 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 condensed interim financial statements by the Board of Directors.

(r) Provisions

A provision is recognized when the Group has a present obligation as a result of past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are determined based on the best estimate of the amount required to settle the obligation at the reporting date. If the effect of time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. These estimates are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

(s) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group 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.

(t) 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.

(u) Employee stock compensation expenses

Employees of the Group 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 Group’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 year represents the movement in cumulative expense recognized as at the beginning and end of that year 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.

(v) 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.

(w) 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 Group’s Board of Directors.

(x) Recent pronouncements

On June 18, 2021, MCA through a notification has notified Companies (Indian Accounting Standards) Amendment Rules, 2021. The notification has made amendments to various Ind AS. Some of the key amendments are:

Ind AS 116 – COVID-19-Related Rent Concessions

The economic challenges presented by the COVID-19 pandemic have persisted longer than anticipated, and therefore the practical expedient relating to rent concessions arising as a consequence of COVID-19 has been modified. Accordingly, lessees are now exempted from assessing whether a COVID-19-related rent concession is a lease modification, if the reduction in lease payments affects only payments originally due on or before June 30, 2022. Earlier the practical expedient was allowed only for lease payments originally due on or before June 30, 2021. A lessee should apply the amendments for annual reporting periods beginning on or after April 1, 2021. The Company does not expect any impact on its financial statements due to this amendment.

Interest Rate Benchmark Reform – Phase 2

This amendment relates to ‘Interest Rate Benchmark Reform — Phase 2 (Amendments to Ind AS 104, Ind AS 107, Ind AS 109 and Ind AS 116)’ which addresses issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. Some of the key amendments arising from the interest rate benchmark are:

Ind AS 109: New guidance has been included on changes in the basis for determining the contractual cashflows as a result of interest rate benchmark reform. An entity should apply the amendments for annual reporting periods beginning on or after April 1, 2021.

Ind AS 107: Additional disclosures related to nature and extent of risks to which the entity is exposed from financial instruments subject to interest rate benchmark reform and how the entity manages these risks. An entity should apply the amendments when it applies amendments to Ind AS 109, Ind AS 104 or Ind AS 116. The Company does not expect the amendments to have any significant impact in its financial statements.

Amendments to Ind AS consequential to Conceptual Framework under Ind AS

The amendments relating to Ind AS 102, Share-based Payment; Ind AS 103, Business Combinations; Ind AS 1, Presentation of Financial Statements; Ind AS 8, Accounting Policies, Changes in Accounting Estimates and Errors; Ind AS 34, Interim Financial Reporting; Ind AS 37, Provisions, Contingent Liabilities and Contingent Assets; Ind AS 38, Intangible Assets, are consequential due to changes in the Conceptual Framework under Ind AS, made in August 2020. The revised Conceptual Framework introduced some new concepts and clarifications. The amendments relating to Ind AS 102, Share-based Payment; Ind AS 103, Business Combinations; Ind AS 1, Presentation of Financial Statements; Ind AS 8, Accounting Policies, Changes in Accounting Estimates and Errors; Ind AS 34, Interim Financial Reporting; Ind AS 37, Provisions, Contingent Liabilities and Contingent Assets; Ind AS 38, Intangible Assets, are consequential due to changes in the Conceptual Framework under Ind AS, made in August 2020. The revised Conceptual Framework introduced some new concepts and clarifications along with revision in definitions and changes in recognition criteria of assets and liabilities under Ind AS. The Company does not expect the consequential amendments to have any significant impact in its financial statements.

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5 Equity share capital

	As at September 30, 2021 In ₹ Million	As at September 30, 2020 In ₹ Million	As at March 31, 2021 In ₹ Million
Authorized shares (No. in million)			
200 (Corresponding period/ Previous year: 200) equity shares of ₹ 10 each	2,000.00	2,000.00	2,000.00
	<u>2,000.00</u>	<u>2,000.00</u>	<u>2,000.00</u>
Issued, subscribed and fully paid-up shares (No. in million)			
76.43 (Corresponding period/ Previous year: 76.43) equity shares of ₹ 10 each	764.25	764.25	764.25
Issued, subscribed and fully paid-up share capital	<u>764.25</u>	<u>764.25</u>	<u>764.25</u>

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

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

	(In Million)					
	As at September 30, 2021		As at September 30, 2020		As at March 31, 2021	
	No of shares	Amount ₹	No of shares	Amount ₹	No of shares	Amount ₹
Number of shares at the beginning of the period/ year	76.425	764.25	76.425	764.25	76.425	764.25
Less: Changes during the period	-	-	-	-	-	-
Number of shares at the end of the period/ year	<u>76.425</u>	<u>764.25</u>	<u>76.43</u>	<u>764.25</u>	<u>76.425</u>	<u>764.25</u>

b) Terms / rights attached to equity shares

The Parent 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 Parent Company declares and pays dividends in Indian rupees after deducting applicable taxes.

In the event of liquidation of the Parent Company, the holders of equity shares will be entitled to receive remaining assets of the Parent Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders. However, no such preferential amounts exist currently.

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 September 30, 2021 No in Million	For the period of five years ended September 30, 2020 No in Million	For the period of five years ended March 31, 2021 No in Million
Equity shares bought back	3.575	3.575	3.575

d) Details of shareholders holding more than 5% shares in the Group

Name of the shareholder*	As at September 30, 2021		As at September 30, 2020		As at March 31, 2021	
	No. in million	% Holding	No. in million	% Holding	No. in million	% Holding
Dr. Anand Deshpande jointly with Mrs. Sonali Anand Deshpande	22.96	30.04	22.95	30.04	22.96	30.04
Schemes of HDFC Mutual Fund	4.42	5.78	5.79	7.58	5.37	7.03

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

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Persistent Systems Limited

Notes forming part of Condensed Interim Consolidated Financial Statements

6.1 Property, plant and equipment

	(In ₹ Million)								
	Land - Freehold	Buildings*	Computers	Office equipments	Plant and equipment	Leasehold improvements	Furniture and fixtures	Vehicles	Total
Gross block (At cost)									
As at April 1, 2021	221.91	2,455.09	2,943.59	96.51	1,416.28	44.29	699.80	7.24	7,884.71
Additions	-	1.34	593.51	4.14	57.40	-	26.02	-	682.41
Disposals	-	-	0.77	-	68.20	-	4.94	-	73.91
Effect of foreign currency translation from functional currency to reporting currency	0.06	0.25	6.03	0.53	0.23	0.34	2.23	-	9.67
As at September 30, 2021	221.97	2,456.68	3,542.36	101.18	1,405.71	44.63	723.11	7.24	8,502.88
Accumulated depreciation									
As at April 1, 2021	-	1,183.45	2,289.84	86.41	1,224.51	39.84	654.28	4.98	5,483.31
Charge for the period	-	49.69	204.58	2.93	24.07	2.56	17.21	0.47	301.51
Disposals	-	-	0.61	-	68.05	-	4.94	-	73.60
Effect of foreign currency translation from functional currency to reporting currency	-	0.07	5.85	0.46	0.18	0.22	(0.29)	-	6.49
As at September 30, 2021	-	1,233.21	2,499.66	89.80	1,180.71	42.62	666.26	5.45	5,717.71
Net block									
As at September 30, 2021	221.97	1,223.47	1,042.70	11.38	225.00	2.01	56.85	1.79	2,785.17
As at March 31, 2021	221.91	1,271.64	653.75	10.10	191.77	4.45	45.52	2.26	2,401.40

* Note: Building includes those constructed on leasehold land.

a) Gross block as on September 30, 2021 ₹ 1,455.94 million (Corresponding period ₹ 1,454.48 Million / Previous year ₹ 1,454.60 million)

b) Depreciation charge for the year ₹ 29.61 million (Corresponding period ₹ 29.59 million / Previous year ₹ 59.04 million)

c) Accumulated depreciation as on September 30, 2021 ₹ 587.68 million (Corresponding period ₹ 528.62 million / Previous year ₹ 558.07 million)

d) Net block value as on September 30, 2021 ₹ 868.26 million (Corresponding period ₹ 925.86 million / Previous year ₹ 896.53 million)

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Persistent Systems Limited

Notes forming part of Condensed Interim Consolidated Financial Statements

6.1 Property, plant and equipment

	Land - Freehold	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	221.37	2,452.04	2,457.77	93.20	1,399.41	45.92	693.12	7.24	7,370.07
Additions	-	0.54	144.68	5.94	17.22	-	30.59	-	198.97
Disposals	-	-	11.92	-	4.99	0.33	0.90	-	18.14
Effect of foreign currency translation from functional currency to reporting currency	0.64	2.82	(15.45)	(1.03)	0.15	0.57	(0.91)	-	(13.21)
As at September 30, 2020	222.01	2,455.40	2,575.08	98.11	1,411.79	46.16	721.90	7.24	7,537.69
Accumulated depreciation									
As at April 1, 2020	-	1,083.58	2,092.05	80.57	1,206.20	35.51	643.51	4.05	5,145.47
Charge for the period	-	49.68	119.96	4.33	27.70	3.01	19.44	0.46	224.58
Disposals	-	-	7.87	-	4.95	0.25	0.76	-	13.83
Effect of foreign currency translation from functional currency to reporting currency	-	0.95	(13.25)	(0.32)	0.42	0.34	(1.15)	-	(13.01)
As at September 30, 2020	-	1,134.21	2,190.89	84.58	1,229.37	38.61	661.04	4.51	5,343.21
Net block									
As at September 30, 2020	222.01	1,321.19	384.19	13.53	182.42	7.55	60.86	2.73	2,194.48
As at March 31, 2020	221.37	1,368.46	365.72	12.63	193.21	10.41	49.61	3.19	2,224.60

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Persistent Systems Limited

Notes forming part of Condensed Interim Consolidated Financial Statements

6.1 Property, plant and equipment

	Land - Freehold	Buildings*	Computers	Office equipments	Plant and equipment	Leasehold improvements	Furniture and fixtures	Vehicles	Total
Gross block (At cost)									
As at April 1, 2020	221.37	2,452.04	2,457.77	93.20	1,399.41	45.92	693.12	7.24	7,370.07
Additions	-	0.67	559.91	6.17	56.41	-	36.27	-	659.43
Additions through business combination	-	-	27.32	0.69	0.12	-	7.20	-	35.33
Disposals	-	-	80.29	2.23	39.87	3.81	35.39	-	161.59
Effect of foreign currency translation from functional currency to reporting currency	0.54	2.38	(21.12)	(1.32)	0.21	2.18	(1.40)	-	(18.53)
As at March 31, 2021	221.91	2,455.09	2,943.59	96.51	1,416.28	44.29	699.80	7.24	7,884.71
Accumulated depreciation									
As at April 1, 2020	-	1,083.58	2,092.05	80.57	1,206.20	35.51	643.51	4.05	5,145.47
Additions through business combination	-	-	25.64	0.34	0.05	-	2.30	-	28.33
Charge for the year	-	99.10	258.53	8.38	54.40	5.79	41.53	0.93	468.66
Disposals	-	-	67.10	2.02	36.56	2.94	31.23	-	139.85
Effect of foreign currency translation from functional currency to reporting currency	-	0.77	(19.28)	(0.86)	0.42	1.48	(1.83)	-	(19.30)
As at March 31, 2021	-	1,183.45	2,289.84	86.41	1,224.51	39.84	654.28	4.98	5,483.31
Net block									
As at March 31, 2021	221.91	1,271.64	653.75	10.10	191.77	4.45	45.52	2.26	2,401.40
As at March 31, 2020	221.37	1,368.46	365.72	12.63	193.21	10.41	49.61	3.19	2,224.60

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Persistent Systems Limited

Notes forming part of Condensed Interim Consolidated Financial Statements

6.2 Right-of-use assets

	(In ₹ Million)		
	Leasehold Land	Office premises	Total
Gross block (At cost)			
As at April 1, 2021	37.50	1,208.13	1,245.63
Additions during the period	-	332.50	332.50
Disposals	-	148.96	148.96
Effect of foreign currency translation of foreign operations from functional currency to reporting currency	-	7.58	7.58
As at September 30, 2021	37.50	1,399.25	1,436.75
Accumulated amortisation			
As at April 1, 2021	1.18	391.87	393.05
Charge for the period	0.29	135.12	135.41
Disposals	-	148.96	148.96
Effect of foreign currency translation of foreign operations from functional currency to reporting currency	-	2.42	2.42
As at September 30, 2021	1.47	380.45	381.92
Net block			
As at September 30, 2021	36.03	1,018.80	1,054.83
As at March 31, 2021	36.32	816.26	852.58

	(In ₹ Million)		
	Leasehold Land	Office premises	Total
Gross block (At cost)			
As at April 1, 2020	37.50	796.75	834.25
Additions during the period	-	241.54	241.54
Disposals	-	164.97	164.97
Effect of foreign currency translation of foreign operations from functional currency to reporting currency	-	(2.10)	(2.10)
As at September 30, 2020	37.50	871.22	908.72
Accumulated depreciation			
As at April 1, 2020	0.60	266.84	267.44
Charge for the period	0.29	121.76	122.05
Disposals	-	122.10	122.10
Effect of foreign currency translation of foreign operations from functional currency to reporting currency	-	(0.92)	(0.92)
As at September 30, 2020	0.89	265.58	266.47
Net block			
As at September 30, 2020	36.61	605.64	642.25
As at March 31, 2020	36.90	529.91	566.81

	(In ₹ Million)		
	Leasehold Land	Office premises	Total
Gross block (At cost)			
As at April 1, 2020	37.50	796.75	834.25
Additions during the period	-	584.67	584.67
Acquisition	-	2.52	2.52
Disposals	-	165.16	165.16
Effect of foreign currency translation of foreign operations from functional currency to reporting currency	-	(10.65)	(10.65)
As at March 31, 2021	37.50	1,208.13	1,245.63
Accumulated depreciation			
As at April 1, 2020	0.60	266.84	267.44
Acquisition	-	0.10	0.10
Charge for the year	0.58	250.88	251.46
Disposals	-	121.83	121.83
Effect of foreign currency translation of foreign operations from functional currency to reporting currency	-	(4.12)	(4.12)
As at March 31, 2021	1.18	391.87	393.05
Net block			
As at March 31, 2021	36.32	816.26	852.58
As at March 31, 2020	36.90	529.91	566.81

6.3 Goodwill

	(In ₹ Million)		
	As at September 30, 2021	As at September 30, 2020	As at March 31, 2021
Cost			
Balance at beginning of period/ year	85.94	88.94	88.94
Additional amounts recognised from business combinations	21.53	-	-
Effect of foreign currency translation of foreign operations from functional currency to reporting currency	1.32	(2.24)	(3.00)
Balance at end of period/ year	108.79	86.70	85.94

Persistent Systems Limited

Notes forming part of Condensed Interim Consolidated Financial Statements

6.4 Other Intangible assets

	(In ₹ Million)		
	Software	Acquired contractual rights	Total
Gross block			
As at April 1, 2021	2,912.77	5,744.93	8,657.70
Additions	37.64	180.25	217.89
Effect of foreign currency translation from functional currency to reporting currency	17.51	79.94	97.45
As at September 30, 2021	2,967.92	6,005.12	8,973.04
Accumulated amortization			
As at April 1, 2021	2,736.80	4,691.40	7,428.20
Charge for the period	33.85	250.15	284.00
Effect of foreign currency translation from functional currency to reporting currency	17.53	50.52	68.05
As at September 30, 2021	2,788.18	4,992.07	7,780.25
Net block			
As at September 30, 2021	179.74	1,013.05	1,192.79
As at March 31, 2021	175.97	1,053.53	1,229.50

	(In ₹ Million)		
	Software	Acquired contractual rights	Total
Gross block			
As at April 1, 2020	2,779.57	5,214.42	7,993.99
Additions	158.60	75.68	234.28
Additions through business combination	-	178.76	178.76
Effect of foreign currency translation from functional currency to reporting currency	(231.56)	33.79	(197.77)
As at September 30, 2020	2,706.61	5,502.65	8,209.26
Accumulated amortization			
As at April 1, 2020	2,732.72	3,826.34	6,559.06
Charge for the period	27.17	501.60	528.77
Effect of foreign currency translation from functional currency to reporting currency	(232.03)	(11.95)	(243.98)
As at September 30, 2020	2,527.86	4,315.99	6,843.85
Net block			
As at September 30, 2020	178.75	1,186.66	1,365.41
As at March 31, 2020	46.85	1,388.08	1,434.93

	(In ₹ Million)		
	Software	Acquired contractual rights	Total
Gross block			
As at April 1, 2020	2,779.57	5,214.42	7,993.99
Additions	185.76	256.64	442.40
Additions through business combination	-	363.16	363.16
Disposals	2.94	-	2.94
Effect of foreign currency translation from functional currency to reporting currency	(49.62)	(89.29)	(138.91)
As at March 31, 2021	2,912.77	5,744.93	8,657.70
Accumulated amortization			
As at April 1, 2020	2,732.72	3,826.34	6,559.06
Charge for the year	59.74	975.64	1,035.38
Disposals	2.89	-	2.89
Effect of foreign currency translation from functional currency to reporting currency	(52.77)	(110.58)	(163.35)
As at March 31, 2021	2,736.80	4,691.40	7,428.20
Net block			
As at March 31, 2021	175.97	1,053.53	1,229.50
As at March 31, 2020	46.85	1,388.08	1,434.93

6.5 Depreciation and amortization

	(In ₹ Million)				
	For the Quarter Ended		For the half year ended		For the year ended
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020	March 31, 2021
On Property, Plant and Equipment	168.12	114.78	301.51	224.58	468.66
On Right of Use assets	67.91	60.56	135.41	122.05	251.46
On Other Intangible assets	134.80	264.45	284.00	528.77	1,035.38
	370.83	439.79	720.92	875.40	1,755.50

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Persistent Systems Limited

Notes forming part of Condensed Interim Consolidated Financial Statements

7. Non-current financial assets : Investments (refer note 31)

	As at September 30, 2021 In ₹ Million	As at September 30, 2020 In ₹ Million	As at March 31, 2021 In ₹ Million
Investments carried under equity accounting method			
Unquoted Investments			
Investments in equity instruments			
In associate			
Klisma e-Services Private Limited [Holding Nil. (Corresponding period/ Previous year 50%)] #			
Nil (Corresponding period/ Previous year: 0.005 million) shares of ₹10 each, fully paid up	-	0.05	0.05
Less : Change in fair value of investment	-	(0.05)	(0.05)
	-	-	-
Total investments carried equity accounting method (A)	-	-	-
Investments carried at amortised cost			
Quoted investments			
In bonds			
[Market value ₹ 3,082.55 million (Corresponding period: ₹ 2,778.64 million /Previous year ₹ 2,727.32 million)]	2,898.99	2,530.55	2,557.92
Add: Interest accrued on bonds	123.49	113.52	72.88
Total investments carried at amortised cost (B)	3,022.48	2,644.07	2,630.80
Designated as fair value through profit and loss			
Quoted investments			
- Investments in mutual funds			
Fair value of long term mutual funds (refer Note 7a)	796.05	1,055.39	806.99
	796.05	1,055.39	806.99
Unquoted investments			
Investments in Common Stocks / Preferred Stocks			
- Others*			
Ciquai Limited [Holding 2.38% (Corresponding period/ Previous year 2.38%)]			
0.04 million (Corresponding period/ Previous year : 0.04 million) shares of GBP 0.01 each, fully paid up	14.77	14.58	14.73
Less : Change in fair value of investment	(14.77)	(14.58)	(14.73)
	-	-	-
Alltizon Systems Private Limited	6.00	6.00	6.00
3,766 equity shares (Corresponding period/ Previous year : 3,766 equity shares) of ₹ 10 each, fully paid up	6.00	6.00	6.00
Hygenx Inc.	14.85	14.75	14.62
0.25 million (Corresponding period/ Previous year : 0.25 million) Preferred stock of \$ 0.001 each, fully paid up			
Less : Change in fair value of investment	(14.85)	(14.75)	(14.62)
	-	-	-
OpsDataStore Inc.	-	14.75	14.62
Nil (Corresponding period/ Previous year : 0.20 million) Preferred stock of \$ 0.001 each, fully paid up			
Less : Change in fair value of investment	-	(14.75)	(14.62)
	-	-	-
Trunomi Inc.	18.56	18.44	18.28
0.28 million (Corresponding period/ Previous year : 0.28 million) Preferred stock of \$ 0.0002 each, fully paid up			
Ampool Inc.	18.56	18.44	18.28
0.55 million (Corresponding period/ Previous year : 0.55 million) Preferred stock of \$ 0.4583 each, fully paid up			
Add / (less) : Change in fair value of investment	(15.73)	(18.44)	(18.28)
	2.83	-	-
Cazena Inc. ^			
Nil (Corresponding period/ Previous year: 0.59 million Common Stock of \$ 0.0001 each), fully paid up	-	147.51	146.22
Add / (less) : Change in fair value of investment	-	-	-
	-	147.51	146.22
	21.39	165.95	164.50

Klisma e-Services Private Limited ('Klisma'), an Associate of the Company has been dissolved w.e.f. August 10, 2021 vide dissolution order passed by the Hon'ble National Company Law Tribunal, Mumbai Bench.

^ Cazena Inc. has been acquired by another corporation during the quarter. Accordingly, based on the communication received from Cazena Inc. regarding the realisable value, the company has written off the entire amount of investment of Rs. 148.46 million in the half year ended September 30, 2021 .

Persistent Systems Limited

Notes forming part of Condensed Interim Consolidated Financial Statements

7. Non-current financial assets : Investments (refer note 31) (contd)

	As at September 30, 2021 In ₹ Million	As at September 30, 2020 In ₹ Million	As at March 31, 2021 In ₹ Million
DxNow 0.17 million Preferred Shares fully paid up (Corresponding period: 1 convertible note of USD 125,000 each, fully paid up / Previous year: 0.17 million Preferred Shares fully paid up)	9.28	9.22	9.14
Less : Change in fair value of investment	(9.28)	(9.22)	(9.14)
	-	-	-
Akumina Inc. 0.40 million Preference shares of \$ 0.443 each (Corresponding period: 1 convertible note of USD 146,429 each, fully paid up/ Previous year 0.40 million Preference shares of \$ 0.443 each)	13.18	10.80	12.98
	13.18	10.80	12.98
- Investments in Convertible Notes			
Ustyme 1 (Corresponding period/ Previous year : 1) convertible note of USD 250,000 each, fully paid up	18.56	18.44	18.28
Add / (less) : Change in fair value of investment	(5.93)	(18.44)	(18.28)
	12.63	-	-
Total Investments carried at Fair Value (C)	849.25	1,238.14	990.47
Total investments (A) + (B) + (C)	3,871.73	3,882.21	3,621.27
Aggregate amount of impairment in value / change in fair value of investments	60.56	90.23	89.72
Aggregate amount of quoted investments	3,818.53	3,699.46	3,437.79
Aggregate amount of unquoted investments	113.76	272.98	273.20

* Investments, where the Group 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".

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Persistent Systems Limited

Notes forming part of Condensed Interim Consolidated Financial Statements

7 a) Details of fair value of investment in long term mutual funds (Quoted)

	As at September 30, 2021 In ₹ Million	As at September 30, 2020 In ₹ Million	As at March 31, 2021 In ₹ Million
Axis mutual fund	437.05	537.74	400.50
IDFC mutual fund	359.00	409.29	370.31
Sundaram mutual fund	-	35.21	36.18
Kotak mutual fund	-	36.42	-
UTI mutual fund	-	36.73	-
	796.05	1,055.39	806.99

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Persistent Systems Limited

Notes forming part of Condensed Interim Consolidated Financial Statements

8. Non-current financial assets : Loans (refer note 31)

	As at September 30, 2021 In ₹ Million	As at September 30, 2020 In ₹ Million	As at March 31, 2021 In ₹ Million
Carried at amortised cost			
Security deposits			
Unsecured, considered good	184.14	150.72	134.76
	184.14	150.72	134.76
Other loans and advances			
Unsecured, considered good - Loan to ESOP trust	1,880.00	-	-
Unsecured, credit impaired	0.58	0.58	23.63
	1,880.58	0.58	23.63
Less: Impairment of non-current loans	(0.58)	(0.58)	(23.63)
	1,880.00	-	-
	2,064.14	150.72	134.76

9. Other non-current financial assets (refer note 31)

	As at September 30, 2021 In ₹ Million	As at September 30, 2020 In ₹ Million	As at March 31, 2021 In ₹ Million
Non-current bank balances (refer note 15)	41.26	132.96	24.42
Add: Interest accrued but not due on non-current bank deposits (refer note 15)	0.09	10.70	1.34
Non-current deposits with banks (Carried at amortised cost)	41.35	143.66	25.76
Deposits with financial institutions	430.00	430.00	430.00
Add: Interest accrued on deposit with financial institutions	0.98	0.98	0.98
Less: Credit impaired (refer note 38)	(430.98)	(430.98)	(430.98)
Non-current deposits with financial institutions (Carried at amortised cost)	-	-	-
	41.35	143.66	25.76

10. Deferred tax asset (net) *

	As at September 30, 2021 In ₹ Million	As at September 30, 2020 In ₹ Million	As at March 31, 2021 In ₹ Million
Deferred tax liabilities			
Differences in book values and tax base values of block of property, plant and equipment and intangible assets	118.41	41.03	-
Capital gains	37.93	57.14	61.06
Provision for shared based payments to employees	0.15	-	-
Others	42.99	42.64	66.47
	199.48	140.81	127.53
Deferred tax assets			
Provision for leave encashment	192.68	159.28	184.65
Provision for long service awards	121.71	89.44	117.05
Allowance for expected credit loss	67.82	86.34	93.49
Provision for gratuity	-	-	-
Differences in book values and tax base values of block of property, plant and equipment and intangible assets	89.16	80.45	63.43
Brought forward and current year losses	62.44	68.05	43.77
Tax credits	450.03	335.65	435.71
ROU asset and lease liability	34.10	33.86	31.74
Provision for shared based payments to employees	63.28	-	40.28
Others	183.51	319.04	154.98
	1,264.73	1,172.11	1,165.10
Deferred tax liabilities after set off	-	-	-
Deferred tax assets after set off	1,065.25	1,031.30	1,037.57

* Deferred tax assets and deferred tax liabilities have been offset wherever the Group has a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority. In all other cases the same have been separately disclosed.

11. Other non-current assets

	As at September 30, 2021 In ₹ Million	As at September 30, 2020 In ₹ Million	As at March 31, 2021 In ₹ Million
Capital advances (unsecured, considered good)	1,023.33	14.72	60.54
Balances with government authorities (refer note 34 (c))	296.55	296.55	296.55
Advances recoverable in cash or kind or for value to be received	193.48	13.45	84.43
	1,513.36	324.72	441.52

Persistent Systems Limited

Notes forming part of Condensed Interim Consolidated Financial Statements

12. Current financial assets : Investments (refer note 31)

	As at September 30, 2021 In ₹ Million	As at September 30, 2020 In ₹ Million	As at March 31, 2021 In ₹ Million
Designated as fair value through profit and loss			
- Quoted investments			
Investments in mutual funds			
Fair value of current mutual funds (refer Note 12a)	3,144.89	4,933.32	6,374.95
	3,144.89	4,933.32	6,374.95
Total carrying amount of investments	3,144.89	4,933.32	6,374.95
Aggregate amount of quoted investments	3,144.89	4,933.32	6,374.95
Aggregate amount of unquoted investments	-	-	-

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

	As at September 30, 2021 In ₹ Million	As at September 30, 2020 In ₹ Million	As at March 31, 2021 In ₹ Million
Aditya Birla Sun Life mutual fund	866.55	864.50	1,011.03
Kotak mutual fund	453.70	488.31	478.21
Axis mutual fund	346.21	716.06	824.68
IDFC mutual fund	345.98	444.61	911.72
ICICI Prudential mutual fund	276.40	919.68	710.33
Tata mutual fund	201.85	-	-
SBI mutual fund	191.27	74.07	166.36
UTI mutual fund	144.65	634.87	723.19
HDFC mutual fund	119.99	441.44	963.10
Sundaram mutual fund	57.98	-	-
DSP mutual fund	50.22	261.27	37.38
Nippon India mutual fund (formerly known as Reliance Mutual Fund)	50.09	-	-
L&T mutual fund	40.00	52.04	511.71
PGIM India mutual fund (formerly known as DHFL Pramerica Mutual Fund)	-	36.47	37.24
	3,144.89	4,933.32	6,374.95

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Persistent Systems Limited

Notes forming part of Condensed Interim Consolidated Financial Statements

13. Trade receivables (refer note 31)

	As at September 30, 2021 In ₹ Million	As at September 30, 2020 In ₹ Million	As at March 31, 2021 In ₹ Million
Unsecured, considered good	6,515.21	5,776.88	5,708.97
Unsecured, credit impaired	244.30	344.38	271.64
	6,759.51	6,121.26	5,980.61
Less : Allowance for expected credit loss	(244.30)	(344.38)	(271.64)
	6,515.21	5,776.88	5,708.97
	6,515.21	5,776.88	5,708.97

14. Cash and cash equivalents (refer note 31)

	As at September 30, 2021 In ₹ Million	As at September 30, 2020 In ₹ Million	As at March 31, 2021 In ₹ Million
Cash and cash equivalents as presented in cash flow statement			
Cash in hand	0.23	0.21	0.41
Cheques on hand	1.34	-	-
Balances with banks			
On current accounts #	4,682.35	1,105.90	1,583.20
On saving accounts	8.46	0.48	1.33
On exchange earner's foreign currency accounts	358.60	169.91	208.57
On deposit accounts with original maturity less than three months	125.56	21.00	625.79
	5,176.54	1,297.50	2,419.30

Of the cash and cash equivalent balance as at September 30, 2021, the Group can utilise ₹ 170.21 million (Corresponding period: ₹ 0.12 Million/ Previous year: ₹ 154.39 million) only towards certain predefined activities specified in the agreement.

15. Other bank balances (refer note 31)

	As at September 30, 2021 In ₹ Million	As at September 30, 2020 In ₹ Million	As at March 31, 2021 In ₹ Million
Deposits with banks*	6,368.39	6,647.73	7,108.47
Add: Interest accrued but not due on deposits with banks	139.90	169.14	303.99
Deposits with banks (carried at amortised cost)	6,508.29	6,816.87	7,412.46
Less: Deposits with maturity more than twelve months from the balance sheet date disclosed under other non-current financial assets (refer note 9)	(41.26)	(132.96)	(24.42)
Less: Interest accrued but not due on non-current deposits with banks (refer note 9)	(0.09)	(10.70)	(1.34)
	6,466.94	6,673.21	7,386.70
Balances with banks on unpaid dividend accounts**	2.89	2.72	3.00
	6,469.83	6,675.93	7,389.70

* Of the balance, fixed deposits of ₹ 646.58 million (Corresponding period: ₹ 673.71 million /Previous year : ₹ 675.89 million) have been earmarked against credit facilities and bank guarantees availed by the Group.

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

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Persistent Systems Limited

Notes forming part of Condensed Interim Consolidated Financial Statements

16. Current financial assets : Loans (refer note 31)

	As at September 30, 2021 In ₹ Million	As at September 30, 2020 In ₹ Million	As at March 31, 2021 In ₹ Million
Carried at amortised cost			-
Loan to related parties (Unsecured, credit impaired) (refer note 33)			
Klisma e-Services Private Limited	-	27.43	27.43
	-	27.43	27.43
Less: Write off / impairment	-	(27.43)	(27.43)
	-	-	-
Loan to others (Unsecured, considered good)			
LHS Solution Inc.	22.25	23.78	21.90
Interest accrued but not due at amortised cost	1.75	-	1.72
Less: Impairment	(24.00)	-	(23.62)
	-	23.78	-
Other advances	16.09	-	21.79
Security deposits			
Unsecured, considered good	5.90	39.78	49.47
	21.99	63.56	71.26

17. Other current financial assets (refer note 31)

	As at September 30, 2021 In ₹ Million	As at September 30, 2020 In ₹ Million	As at March 31, 2021 In ₹ Million
Fair value of derivatives designated as hedging instruments			
Forward contracts receivable	139.04	134.54	294.46
Advances to related parties (Unsecured, credit impaired)			
Unsecured, credit impaired	-	0.81	0.81
Less: Write off / impairment	-	(0.81)	(0.81)
	-	-	-
Unbilled revenue	3,053.96	2,017.29	2,172.77
	3,193.00	2,151.83	2,467.23

18. Other current assets

	As at September 30, 2021 In ₹ Million	As at September 30, 2020 In ₹ Million	As at March 31, 2021 In ₹ Million
Advances to suppliers (Unsecured, considered good)			
Advances recoverable in cash or kind or for value to be received	900.76	530.46	815.19
Excess fund balance with Life Insurance Corporation of India	1.82	129.57	113.08
Other advances (Unsecured, considered good)			
VAT receivable (net)	11.94	49.59	97.19
Service tax and GST receivable (net) (refer note 34 (a))	936.71	999.77	1,058.26
	948.65	1,049.36	1,155.45
	1,851.23	1,709.39	2,083.72

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Persistent Systems Limited**Notes forming part of Condensed Interim Consolidated Financial Statements****19. Non-current financial liabilities : Borrowings (refer note 31)**

	As at September 30, 2021 In ₹ Million	As at September 30, 2020 In ₹ Million	As at March 31, 2021 In ₹ Million
Unsecured borrowings carried at amortised cost			
Term loans			
Indian rupee loan from others	5.54	8.75	7.39
Interest accrued but not due on term loans	-	0.01	0.11
Foreign currency loan from others	39.65	39.98	38.73
	45.19	48.74	46.23
Less: Current maturity of long-term borrowings transferred to other current financial liabilities (refer note 23)	(1.85)	(3.21)	(1.85)
Less: Current maturity of interest accrued but not due on term loan transferred to other current financial liabilities (refer note 23)	-	(0.01)	(0.11)
	(1.85)	(3.22)	(1.96)
	43.34	45.52	44.27

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

Loan I - amounting to ₹ 5.54 million (Corresponding period ₹ 7.41 million / Previous year ₹ 7.39 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 ₹ 39.65 million (Corresponding period ₹ 39.98 million/ Previous year ₹ 38.73 million). The interest free loan is given under a Covid-19 scheme for medium and small scale Industries by the Government of Switzerland to a subsidiary company with a repayment period of five years from March 2020.

Loan III - amounting to Nil (Corresponding period ₹ 1.34 million / Previous year: Nil) with interest payable @ 2% per annum has been guaranteed by a bank guarantee by the Group and was repayable in ten equal semi annual installments over a period of five years commencing from September 2016.

20. Lease liabilities

	As at September 30, 2021 In ₹ Million	As at September 30, 2020 In ₹ Million	As at March 31, 2021 In ₹ Million
Lease liabilities	1,148.91	734.08	938.17
Less: Current portion of lease liabilities	(250.96)	(295.84)	(222.00)
	897.95	438.24	716.17

Movement of lease liabilities

	For the half year ended		For the year ended
	September 30, 2021 In ₹ Million	September 30, 2020 In ₹ Million	March 31, 2021 In ₹ Million
Opening balance	938.17	662.42	662.42
Additions	332.50	239.37	587.19
Deletions	-	(50.65)	(43.33)
Add: Interest recognised during the period/ year	43.50	28.19	57.53
Less: Payments made	(167.57)	(145.25)	(319.11)
Translation differences	2.31	-	(6.53)
Closing balance	1,148.91	734.08	938.17

21. Non current liabilities : Provisions

	As at September 30, 2021 In ₹ Million	As at September 30, 2020 In ₹ Million	As at March 31, 2021 In ₹ Million
Provision for employee benefits			
- Gratuity	15.63	28.32	-
- Long service awards	252.59	225.80	240.94
	268.22	254.12	240.94

22. Trade payables (refer note 31)

	As at September 30, 2021 In ₹ Million	As at September 30, 2020 In ₹ Million	As at March 31, 2021 In ₹ Million
Trade payables for goods and services [(dues of micro and small enterprises ₹ 45.55 million (Corresponding period: ₹ 8.38 million/Previous year: ₹ 30.20 million)]	3,479.88	2,517.90	2,733.44
	3,479.88	2,517.90	2,733.44

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 Parent 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 Parent 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.

Persistent Systems Limited**Notes forming part of Condensed Interim Consolidated Financial Statements****23. Other current financial liabilities (refer note 31)**

	As at September 30, 2021 In ₹ Million	As at September 30, 2020 In ₹ Million	As at March 31, 2021 In ₹ Million
Capital creditors	28.72	25.46	237.83
Current maturity of long-term borrowings (refer note 19)	1.85	3.21	1.85
Current maturity of interest on long-term borrowings (refer note 19)	-	0.01	0.11
Accrued employee liabilities	124.55	120.22	127.50
Unpaid dividend*	2.89	2.72	3.00
Other liabilities	-	3.16	7.96
Payable to selling shareholders	11.66	-	11.92
	169.67	154.78	390.17

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

24. Other current liabilities

	As at September 30, 2021 In ₹ Million	As at September 30, 2020 In ₹ Million	As at March 31, 2021 In ₹ Million
Unearned revenue	807.26	824.56	966.07
Advance from customers	252.73	82.86	93.67
Other payables			
- Statutory liabilities	458.73	192.38	296.20
- Other liabilities*	179.85	3.30	159.01
	1,698.57	1,103.10	1,514.95

*Includes balance of ₹ 170.21 million (corresponding period: Nil/ previous year: ₹ 154.16 million) to be utilised against certain predefined activities specified in the agreement.

25. Current liabilities : Provisions

	As at September 30, 2021 In ₹ Million	As at September 30, 2020 In ₹ Million	As at March 31, 2021 In ₹ Million
Provision for employee benefits			
- Gratuity	13.02	0.80	37.78
- Leave encashment	854.48	761.92	815.28
- Long service awards	20.97	18.35	17.19
- Other employee benefits	1,390.21	1,012.27	1,607.54
	2,278.68	1,793.34	2,477.79

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Persistent Systems Limited

Notes forming part of Condensed Interim Consolidated Financial Statements

26. Revenue from operations (net)

	For the quarter ended		For the half year ended		For the year ended
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020	March 31, 2021
	In ₹ Million	In ₹ Million	In ₹ Million	In ₹ Million	In ₹ Million
Software services	13,146.78	9,910.97	25,122.72	19,543.60	40,158.83
Software licenses	365.71	166.50	689.03	447.72	1,720.05
	13,512.49	10,077.47	25,811.75	19,991.32	41,878.88

27. Other income

	For the quarter ended		For the half year ended		For the year ended
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020	March 31, 2021
	In ₹ Million	In ₹ Million	In ₹ Million	In ₹ Million	In ₹ Million
Interest income					
On deposits carried at amortised cost	77.97	88.03	151.30	175.72	388.77
On Others	56.61	41.73	103.30	81.14	169.93
Foreign exchange gain (net)/loss	10.33	(50.59)	119.36	(138.22)	33.81
Profit on sale of property, plant and equipment (net)	4.69	3.63	4.72	3.65	1.34
Net profit on sale/ fair valuation of financial assets designated as FVTPL	124.89	67.80	233.58	203.37	346.74
Excess provision in respect of earlier years written back	21.82	0.14	32.55	6.57	41.79
Miscellaneous income	27.84	14.23	67.37	45.01	95.34
	324.15	164.97	712.18	377.24	1,077.72

28. Personnel expenses

	For the quarter ended		For the half year ended		For the year ended
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020	March 31, 2021
	In ₹ Million	In ₹ Million	In ₹ Million	In ₹ Million	In ₹ Million
28.1 Employee benefits expense					
Salaries, wages and bonus	7,317.47	5,614.00	13,840.16	10,848.07	22,852.56
Contribution to provident and other funds	473.69	339.92	974.16	728.22	1,528.58
Staff welfare and benefits	112.30	92.84	236.94	198.38	486.41
Share based payments to employees	188.91	50.08	364.80	107.24	290.44
	8,092.37	6,096.84	15,416.06	11,881.91	25,157.99
28.2 Cost of professionals	1,999.54	1,351.40	3,803.79	2,701.87	5,563.68
	10,091.91	7,448.24	19,219.85	14,583.78	30,721.67

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Persistent Systems Limited

Notes forming part of Condensed Interim Consolidated Financial Statements

29. Other expenses

	For the quarter ended		For the half year ended		For the year
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020	March 31, 2021
	In ₹ Million	In ₹ Million	In ₹ Million	In ₹ Million	In ₹ Million
Travelling and conveyance	61.12	35.45	179.70	114.80	173.62
Electricity expenses (net)	21.25	22.25	34.93	40.73	82.58
Internet link expenses	16.50	10.63	35.28	37.39	70.86
Communication expenses	19.04	39.28	42.76	66.00	102.18
Recruitment expenses	113.09	25.82	187.61	46.58	135.10
Training and seminars	18.33	6.88	35.74	18.26	57.36
Royalty expenses	26.46	29.71	39.09	39.36	94.83
Purchase of software licenses	397.56	317.10	802.06	948.70	1,855.62
Bad debts	-	-	-	-	90.30
Allowance for expected credit loss (net)	(6.67)	52.52	(27.36)	105.62	31.32
Rent	28.76	32.56	51.23	72.27	140.89
Insurance	10.91	9.43	23.25	19.86	40.01
Rates and taxes	22.57	28.82	45.12	48.04	87.86
Legal and professional fees	190.96	129.81	328.80	241.29	514.81
Repairs and maintenance					
- Plant and machinery	30.81	20.01	59.46	51.90	113.88
- Buildings	5.21	7.06	9.81	12.15	21.63
- Others	6.96	8.80	13.73	14.94	18.69
Selling and marketing expenses	2.49	1.03	4.05	4.60	10.43
Advertisement, conference and sponsorship fees	18.08	21.40	32.11	35.40	140.01
Computer consumables	1.43	1.37	3.76	1.82	5.54
Auditors' remuneration	4.73	4.68	9.53	7.83	21.73
Donations	20.10	71.57	55.10	167.00	204.05
Books, memberships, subscriptions	12.69	4.03	16.15	11.21	20.66
Directors' sitting fees	1.77	1.67	4.05	2.66	4.84
Directors' commission	4.38	2.54	11.44	5.50	10.22
Debit balances written off	2.27	-	2.27	-	-
Impairment of loan	-	-	-	-	23.96
Loss / Impairment of non current investments	74.15	(0.18)	147.68	18.74	18.53
Miscellaneous expenses	71.69	80.86	185.41	152.82	235.55
	1,176.64	965.10	2,332.76	2,285.47	4,327.06

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Persistent Systems Limited

Notes forming part of Condensed Interim Consolidated Financial Statements

30. Earnings per share

		For the quarter ended		For the half year ended		For the year
		September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020	March 31, 2021
<u>Numerator for Basic and Diluted EPS</u>						
Net Profit after tax (In ₹ Million)	(A)	1,617.53	1,019.86	3,130.01	1,919.94	4,506.77
<u>Denominator for Basic EPS</u>						
Weighted average number of equity shares	(B)	76,425,000	76,425,000	76,425,000	76,425,000	76,425,000
<u>Denominator for Diluted EPS</u>						
Number of equity shares	(C)	76,425,000	76,425,000	76,425,000	76,425,000	76,425,000
Basic earnings per share of face value of ₹ 10 each (In ₹)	(A/B)	21.16	13.34	40.96	25.12	58.97
Diluted earnings per share of face value of ₹ 10 each (In ₹)	(A/C)	21.16	13.34	40.96	25.12	58.97
<hr/>						
		For the quarter ended		For the half year ended		For the year
		September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020	March 31, 2021
Number of shares considered as basic weighted average shares outstanding		76,425,000	76,425,000	76,425,000	76,425,000	76,425,000
Add: Effect of dilutive shares		-	-	-	-	-
Number of shares considered as weighted average shares and potential shares outstanding		76,425,000	76,425,000	76,425,000	76,425,000	76,425,000

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Persistent Systems Limited

Notes forming part of Condensed Interim Consolidated Financial Statements

31. Financial assets and liabilities

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

Financial assets/ financial liabilities	Basis of measurement	(In ₹ million)						Fair value hierarchy
		As at September 30, 2021		As at September 30, 2020		As at March 31, 2021		
		Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	
Assets:								
Investments in associate (net)	Equity accounting	-	-	-	-	-	-	
Investments in equity instruments, preferred stock and convertible notes	Fair value	40.57	40.57	182.75	182.75	183.48	183.48	Level 3
Investments in bonds*	Amortised cost	3,022.48	3,082.55	2,644.07	2,778.64	2,630.80	2,727.32	
Investments in mutual funds	Fair value	3,940.94	3,940.94	5,988.71	5,988.71	7,181.94	7,181.94	Level 1
Loans	Amortised cost	2,086.13	2,086.13	214.28	214.28	206.02	206.02	
Deposit with banks and financial institutions (net)	Amortised cost	6,508.29	6,508.29	6,816.87	6,816.87	7,412.46	7,412.46	
Cash and cash equivalents (including unpaid dividend)	Amortised cost	5,179.43	5,179.43	1,300.22	1,300.22	2,422.30	2,422.30	
Trade receivables (net)	Amortised cost	6,515.21	6,515.21	5,776.88	5,776.88	5,708.97	5,708.97	
Unbilled revenue	Amortised cost	3,053.96	3,053.96	2,017.29	2,017.29	2,172.77	2,172.77	
Forward contracts receivables	Fair value	139.04	139.04	134.54	134.54	294.46	294.46	Level 2
Total		30,486.05	30,546.12	25,075.61	25,210.18	28,213.20	28,309.72	
Liabilities:								
Borrowings (including accrued interest)	Amortised cost	45.19	45.19	48.74	48.74	46.23	46.23	
Lease liabilities	Amortised cost	1,148.91	1,148.91	-	-	938.17	938.17	
Trade payables	Amortised cost	3,479.88	3,479.88	2,517.90	2,517.90	2,733.44	2,733.44	
Other financial liabilities (excluding borrowings)	Amortised cost	167.82	167.82	151.56	151.56	388.21	388.21	
Other long term financial liabilities	Amortised cost			438.24	438.24			
Total		4,841.80	4,841.80	3,156.44	3,156.44	4,106.05	4,106.05	

* 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 levels:

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 Group 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 Condensed Interim Consolidated Financial Statements
32. Segment information

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

The operating segments are:

- Banking, Financial Services and Insurance (BFSI)
- Healthcare & Life Sciences
- Technology Companies and Emerging Verticals

Particulars			BFSI	Healthcare & Life Sciences	Technology Companies and Emerging Verticals	Total
Revenue	Quarter ended	September 30, 2021	4,141.95	2,868.95	6,501.59	13,512.49
	Quarter ended	September 30, 2020	3,217.36	1,941.90	4,918.21	10,077.47
	Half Year ended	September 30, 2021	7,933.98	5,384.71	12,493.06	25,811.75
	Half Year ended	September 30, 2020	6,370.47	3,899.37	9,721.48	19,991.32
	Year ended	March 31, 2021	12,857.05	8,104.24	20,917.59	41,878.88
Identifiable expense	Quarter ended	September 30, 2021	2,576.98	1,406.74	4,474.13	8,457.85
	Quarter ended	September 30, 2020	2,060.23	1,014.49	3,163.40	6,238.12
	Half Year ended	September 30, 2021	5,020.76	2,583.12	8,544.22	16,148.10
	Half Year ended	September 30, 2020	4,164.29	2,072.53	6,378.73	12,615.55
	Year ended	March 31, 2021	8,038.67	4,121.77	14,468.19	26,628.63
Segmental result	Quarter ended	September 30, 2021	1,564.97	1,462.21	2,027.46	5,054.64
	Quarter ended	September 30, 2020	1,157.13	927.41	1,754.81	3,839.35
	Half Year ended	September 30, 2021	2,913.22	2,801.59	3,948.84	9,663.65
	Half Year ended	September 30, 2020	2,206.18	1,826.84	3,342.75	7,375.77
	Year ended	March 31, 2021	4,818.38	3,982.47	6,449.40	15,250.25
Unallocable expenses	Quarter ended	September 30, 2021				3,202.47
	Quarter ended	September 30, 2020				2,629.21
	Half Year ended	September 30, 2021				6,168.99
	Half Year ended	September 30, 2020				5,157.46
	Year ended	March 31, 2021				10,233.54
Operating income	Quarter ended	September 30, 2021				1,852.17
	Quarter ended	September 30, 2020				1,210.14
	Half Year ended	September 30, 2021				3,494.66
	Half Year ended	September 30, 2020				2,218.31
	Year ended	March 31, 2021				5,016.71
Other income (net of expenses)	Quarter ended	September 30, 2021				324.15
	Quarter ended	September 30, 2020				164.97
	Half Year ended	September 30, 2021				712.18
	Half Year ended	September 30, 2020				377.24
	Year ended	March 31, 2021				1,077.72
Profit before taxes	Quarter ended	September 30, 2021				2,176.32
	Quarter ended	September 30, 2020				1,375.11
	Half Year ended	September 30, 2021				4,206.84
	Half Year ended	September 30, 2020				2,595.55
	Year ended	March 31, 2021				6,094.43
Tax expense	Quarter ended	September 30, 2021				558.79
	Quarter ended	September 30, 2020				355.25
	Half Year ended	September 30, 2021				1,076.83
	Half Year ended	September 30, 2020				675.61
	Year ended	March 31, 2021				1,587.66
Profit after tax	Quarter ended	September 30, 2021				1,617.53
	Quarter ended	September 30, 2020				1,019.86
	Half Year ended	September 30, 2021				3,130.01
	Half Year ended	September 30, 2020				1,919.94
	Year ended	March 31, 2021				4,506.77

(In ₹ Million)

Particulars			BFSI	Healthcare & Life Sciences	Technology Companies and Emerging Verticals	Total
Segmental trade receivables (net)	As at	September 30, 2021	1,165.94	1,643.47	3,705.80	6,515.21
	As at	September 30, 2020	1,803.95	1,397.89	2,575.04	5,776.88
	As at	March 31, 2021	1,355.88	1,363.40	2,989.69	5,708.97
Segmental Unbilled revenue	As at	September 30, 2021	1,205.09	355.38	1,493.49	3,053.96
	As at	September 30, 2020	523.75	230.01	1,263.53	2,017.29
	As at	March 31, 2021	594.57	162.29	1,415.91	2,172.77
Unallocated assets	As at	September 30, 2021				30,791.59
	As at	September 30, 2020				24,826.30
	As at	March 31, 2021				28,773.50
Unallocated liabilities	As at	September 30, 2021				40,360.76
	As at	September 30, 2020				32,620.47
	As at	March 31, 2021				36,655.24

Segregation of assets (other than trade receivables and unbilled revenue), liabilities, depreciation and amortization and other non-cash expenses into various reportable segments have not been presented as the assets are used interchangeably among segments and the Group is of the view that it is not practical to reasonably allocate the other assets, liabilities and other non-cash expenses to individual segments and an ad-hoc allocation will not be meaningful.

Persistent Systems Limited**Notes forming part of Condensed Interim Consolidated Financial Statements****32. Segment information****Geographical Information**

The following table shows the distribution of the Group's consolidated sales by geographical market regardless of from where the services were rendered

Particulars					(In ₹ Million)	
		India	North America	Rest of the World	Total	
Revenue	Quarter ended	September 30, 2021	1,414.05	10,571.17	1,527.27	13,512.49
	Quarter ended	September 30, 2020	816.07	8,356.06	905.34	10,077.47
	Half year ended	September 30, 2021	2,613.60	20,278.90	2,919.25	25,811.75
	Half year ended	September 30, 2020	1,595.65	16,327.75	2,067.92	19,991.32
	Year ended	March 31, 2021	3,512.59	33,861.61	4,504.68	41,878.88

The revenue from individual customers in excess of ten percent of total revenue of the Group is ₹ 2,281.27 million for the quarter ended September 30, 2021 (Corresponding period: ₹ 3,428.99 million), Rs. 4,371.45 million for the half year ended September 30, 2021 (Corresponding period: ₹ 6,369.54 million/ Previous year : ₹ 12,146.55 million).

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33 Related party transactions

Refer to the Company's Annual Report for the year ended March 31, 2021 for the full names and other details of the Company's subsidiaries and associates.

During the period, the Parent Company has granted loan to ESOP Trust amounting to ₹ 2,000 million. Outstanding balance relating to same was ₹ 1,880 Million as at September 30, 2021. (Corresponding period/ previous year: Nil).

During the period, the Parent Company has paid Share Application Money to Persistent Systems, Inc. amounting to ₹ 2,969.60 million and same is pending for allotment as at September 30, 2021. (Corresponding period/ previous year: Nil).

Klisma e-Services Private Limited ('Klisma'), an Associate Company of the Company has been dissolved w.e.f. August 10, 2021 vide dissolution order passed by the Hon'ble National Company Law Tribunal, Mumbai Bench. Consequently the balances appearing in non-current financial assets, current financial assets, other current financial assets have been written off.

34 Contingent liabilities

- (a) Persistent Systems Limited ("the Parent Company") had received a show cause notice from 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 Parent Company to its overseas customers for the period 2011-12 to 2014-15.

Post representations made by the Parent 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 Parent 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 Group, 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 condensed interim consolidated financial statements. If the appeal filed as mentioned above results in a demand, there will be no impact on the profitability as the Group 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 Parent 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 Parent 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 September 30, 2021, the pending litigations in respect of direct taxes amount to ₹ 463.61 million (Corresponding period ₹ 220.30 million / Previous year: ₹ 478.79 million) and in respect of indirect taxes amount to ₹ 28.13 million (Corresponding period ₹ 25.94 million / Previous year: ₹ 27.33 million) (excluding the show cause 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 Parent 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 (Corresponding period / previous year ₹ 255.52 million), which have been refunded under protest with interest of ₹ 41.03 million (Corresponding period / previous year ₹ 41.03 million), the Parent Company filed an application with Directorate General of Foreign Trade (DGFT). The Parent 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 Parent Company understands from NASSCOM that they have also taken up the matter with concerned authorities. The Parent Company in the previous year 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 the Parent company to seek the incentives. The Parent 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 Parent Company believes that its position is most likely be upheld on ultimate resolution and accordingly, no provision is necessary to be made against such claims in these financial statements.

Persistent Systems Limited**Notes forming part of Condensed Interim Consolidated Financial Statements**

- (d) Persistent Systems Limited has given a performance guarantee upto \$ 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 (Corresponding period/ Previous year: \$10 million). Persistent Systems Limited has also given performance guarantee upto \$ 5 million to Citibank USA (Corresponding period / Previous year: \$ 5 million) in respect of working capital facilities for Persistent Systems, Inc. and \$ 0.17 million (Corresponding period / Previous year: \$ 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.
- (e) Persistent Systems, Inc., has given commercial guarantee of Euro 30 million (Corresponding period / Previous year: Euro 30 Million) to Tech Data Europe GmbH on behalf of Persistent Systems France S.A.S. For the said guarantee, Persistent Systems, Inc. has charged guarantee fees of 0.25% of the guarantee amount.
- (f) Persistent Systems, Inc. has also given a performance guarantee of upto \$ 3 million (Corresponding period / Previous year: \$ 3 Million) to United States Cellular Corporation (USCC) Services & its affiliates towards trade payable of Aepona Limited.

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35 Business Combination**a) Entities acquisition ("CAPIOT Group") :**

The Group acquired 100% share capital of CAPIOT Software Private Limited, a company based in India, with effect from October 29, 2020 and 100% share capital of CAPIOT Software Inc, a company based in USA, along with its wholly owned subsidiaries CAPIOT Software Pty Limited, a company based in Australia and CAPIOT Software Pte Limited, a company based in Singapore, with effect from November 7, 2020. The acquisition of the said business is accounted for using the acquisition method of accounting on provisional basis availing the exemption under Ind AS 103.

b) The Company has entered into an Asset Purchase Agreement with Shree Infosoft Pvt. Ltd., India ("Shree Infosoft") on September 29, 2021 to acquire its business. Along with this transaction, the Company, through its wholly owned subsidiary, Persistent Systems Inc., USA, has acquired certain assets from Shree Partners LLC, USA, (Shree Partners) Parent company of Shree Infosoft.

c) Persistent Systems Inc., a wholly owned Subsidiary of the Company acquired Software Corporation International, USA and its affiliate Fusion360 LLC, USA on October 5, 2021.

36 The Indian Parliament has approved the Code on Social Security, 2020 which would impact the contributions by the company towards Provident Fund and Gratuity. The Ministry of Labour and Employment has released draft rules for the Code on Social Security, 2020 on November 13, 2020, and has invited suggestions from stakeholders which are under active consideration by the Ministry. The Company will assess the impact and its evaluation once the subject rules are notified and will give appropriate impact in its financial statements in the period in which, the Code becomes effective and the related rules to determine the financial impact are published.

37 The Group has recognized notional interest on lease liability of ₹ 43.50 million (Corresponding period ₹ 28.19 million / previous year: ₹ 57.53 million) under finance cost as required by Ind AS 116: Leases.

38 The Parent 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 Parent 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 Parent Company continues to monitor developments in the matter and is committed to take steps including legal action that may be necessary to ensure full recovery of the said deposits.

39 Previous year's /period's figures have been regrouped where necessary to conform to current period's classification.

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

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Date: 2021.10.26
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Shashi Tadwalkar
Partner
Membership No. :- 101797

Place: Pune
Date : October 26, 2021

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

Anand Deshpande

Dr. Anand Deshpande
Chairman and Managing
Director
DIN: 00005721

Place: Pune
Date : October 26, 2021

Praveen Kadle
Praveen Kadle (Oct 26, 2021 18:50 GMT+5.5)

Sandeep Kalra
Sandeep Kalra (Oct 26, 2021 18:34 GMT+5.5)

Sandeep Kalra
Executive Director and
Chief Executive Officer
DIN: 02506494

Place: Mumbai
Date : October 26, 2021

Praveen Kadle
Independent Director
DIN: 00016814

Place: Mumbai
Date : October 26, 2021

Sunil Sapre
Sunil Sapre (Oct 26, 2021 18:32 GMT+5.5)

Sunil Sapre
Executive Director and Chief
Financial Officer
DIN: 06475949

Place: Mumbai
Date : October 26, 2021

Amit Atre
Amit Atre (Oct 26, 2021 18:26 GMT+5.5)

Amit Atre
Company Secretary
Membership No. A20507

Place: Pune
Date : October 26, 2021

Walker Chandniok & Co LLP

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West Wing, Nyati Unitree
Nagar Road, Yerwada,
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Independent Auditor's Report

To the Members of Persistent Systems Limited

Report on the Audit of the Condensed Interim Standalone Financial Statements

Opinion

1. We have audited the accompanying condensed interim standalone financial statements of Persistent Systems Limited ('the Company'), which comprise the condensed interim Balance Sheet as at 30 September 2021, the condensed interim Statement of Profit and Loss (including Other Comprehensive Income) for the quarter and half year ended 30 September 2021, the condensed interim Cash Flow Statement and the Statement of condensed interim Changes in Equity for the half year ended 30 September 2021, 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 condensed interim 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 in accordance with Indian Accounting Standard, 34 , Interim Financial Reporting (Ind As 34) specified under section 133 of the Act, of the state of affairs of the Company as at 30 September 2021, and its profit (including other comprehensive income) for the quarter and half year ended 30 September 2021, its cash flows and the changes in equity for the half 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 Condensed 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.

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

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

4. The accompanying condensed interim 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 condensed interim 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, in accordance with Ind AS 34 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 condensed interim financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.
5. In preparing the condensed interim standalone 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.
6. Those Board of Directors is also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Condensed Interim Financial Statements

7. Our objectives are to obtain reasonable assurance about whether the condensed interim standalone 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 condensed interim standalone financial statements.
8. 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, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls;
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

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

- 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 condensed interim standalone 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 condensed interim standalone financial statements, including the disclosures, and whether the condensed interim standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
9. 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.
10. 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.

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

SHASHI
TADWALKAR

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Date: 2021.10.26
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Shashi Tadwalkar
Partner
Membership No:101797

UDIN:21101797AAAADP6481

Place: Pune
Date: 26 October 2021

Persistent Systems Limited

CONDENSED INTERIM BALANCE SHEET AS AT SEPTEMBER 30, 2021

	Notes	As at September 30, 2021 In ₹ Million	As at September 30, 2020 In ₹ Million	As at March 31, 2021 In ₹ Million
ASSETS				
Non-current assets				
Property, plant and equipment	5.1	2,601.22	2,040.34	2,270.24
Capital work-in-progress		7.15	23.63	112.33
Right of use assets	5.2	556.78	347.20	314.62
Other intangible assets	5.3	176.27	174.53	171.65
		3,341.42	2,585.70	2,868.84
Financial assets				
- Investments	6	8,165.99	7,664.60	7,779.54
- Loans	7	1,987.70	101.45	52.23
- Other non current financial assets	8	3,010.95	143.66	25.76
Deferred tax assets (net)	9	222.47	266.74	245.74
Other non-current assets	10	1,417.97	319.71	419.73
		18,146.50	11,081.86	11,391.84
Current assets				
Financial assets				
- Investments	11	3,144.87	4,933.32	6,374.95
- Trade receivables (net)	12	3,383.92	2,642.65	2,966.26
- Cash and cash equivalents	13	638.75	497.51	862.72
- Other bank balances	14	6,308.38	6,431.04	7,387.00
- Loans	15	6.00	7.16	49.33
- Other current financial assets	16	2,756.01	2,122.70	2,063.79
Other current assets	17	1,535.35	1,661.95	1,656.93
		17,773.28	18,296.33	21,360.98
TOTAL		35,919.78	29,378.19	32,752.82
EQUITY AND LIABILITIES				
EQUITY				
Equity share capital	4	764.25	764.25	764.25
Other equity		29,811.43	24,989.27	26,890.99
		30,575.68	25,753.52	27,655.24
LIABILITIES				
Non-current liabilities				
Financial liabilities				
- Lease liabilities	20	518.87	254.94	304.72
- Borrowings	18	3.69	5.54	5.54
Provisions	19	252.59	225.80	240.94
		775.15	486.28	551.20
Current liabilities				
Financial liabilities				
- Lease liabilities	20	112.83	162.34	73.82
- Trade payables [(dues of micro and small enterprises ₹ 45.55 million (Corresponding period: ₹ 8.38 million/ Previous year: ₹ 30.20 million)]	21	902.14	824.85	938.40
- Other financial liabilities	22	167.97	146.82	397.42
Other current liabilities	23	1,961.69	872.53	1,679.01
Provisions	24	1,168.02	824.21	1,145.59
Current tax liabilities (net)		256.30	307.64	312.14
		4,568.95	3,138.39	4,546.38
TOTAL		35,919.78	29,378.19	32,752.82
Summary of significant accounting policies	3			

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

As per our report of even date

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

**SHASHI
TADWALKAR**
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SHASHI TADWALKAR
Date: 2021.10.26
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Shashi Tadwalkar
Partner

Membership No.: 101797

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

Anand Deshpande

Mk
Praveen Kadle (Oct 26, 2021 19:08 GMT+5.5)

Sandeep Kalra
Sandeep Kalra (Oct 26, 2021 18:37 GMT+5.5)

Dr. Anand Deshpande
Chairman and Managing
Director

DIN: 00005721

Place: Pune
Date : October 26, 2021

Sandeep Kalra
Executive Director and
Chief Executive Officer

DIN: 02506494

Place: Mumbai
Date : October 26, 2021

Praveen Kadle
Independent Director

DIN: 00016814

Place: Mumbai
Date : October 26, 2021

Sunil Sapre
Sunil Sapre (Oct 26, 2021 18:34 GMT+5.5)

Sunil Sapre
Executive Director and
Chief Financial Officer

DIN: 06475949

Place: Mumbai
Date : October 26, 2021

Amit Atre
Amit Atre (Oct 26, 2021 18:32 GMT+5.5)

Amit Atre
Company Secretary

Membership No. A20507

Place: Pune
Date : October 26, 2021

Place: Pune
Date : October 26, 2021

Persistent Systems Limited

CONDENSED INTERIM STATEMENT OF PROFIT AND LOSS FOR THE QUARTER AND HALF YEAR ENDED SEPTEMBER 30, 2021

	Notes	For the quarter ended		For the half year ended		For the year ended
		September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020	March 31, 2021
		In ₹ Million	In ₹ Million	In ₹ Million	In ₹ Million	In ₹ Million
Income						
Revenue from operations (net)	25	8,469.85	5,961.78	16,118.19	11,523.16	24,796.08
Other income	26	281.65	207.22	626.33	500.98	1,176.16
Total income (A)		8,751.50	6,169.00	16,744.52	12,024.14	25,972.24
Expenses						
Employee benefits expense	27.1	5,109.82	3,265.09	9,551.36	6,322.35	14,093.21
Cost of professionals	27.2	472.67	483.76	809.92	861.46	1,775.07
Finance costs (refer note 34)		17.19	9.80	35.89	18.59	38.21
Depreciation and amortization expense	5.4	197.79	139.06	360.50	270.87	566.79
Other expenses	28	875.13	677.00	1,698.28	1,381.10	2,818.76
Total expenses (B)		6,672.60	4,574.71	12,455.75	8,854.37	19,292.04
Profit before tax (A - B)		2,078.90	1,594.29	4,288.77	3,169.77	6,680.20
Tax expense						
Current tax		518.83	430.03	1,056.05	840.00	1,684.00
Tax charge in respect of earlier periods / years		-	-	-	2.74	2.74
Deferred tax charge / (credit)		36.12	(12.09)	47.82	(64.08)	(57.40)
Total tax expense		554.95	417.94	1,103.87	778.66	1,629.34
Net profit for the period / year (C)		1,523.95	1,176.35	3,184.90	2,391.11	5,050.86
Other comprehensive income						
Items that will not be reclassified to profit and loss (D)						
- Remeasurements of the defined benefit liabilities / asset (net of tax)		(39.47)	6.53	(97.77)	24.26	15.93
		(39.47)	6.53	(97.77)	24.26	15.93
Items that may be reclassified to profit and loss (E)						
- Effective portion of cash flow hedge (net of tax)		22.11	191.01	(73.00)	340.99	383.55
		22.11	191.01	(73.00)	340.99	383.55
Total other comprehensive income for the period / year (D) + (E)		(17.36)	197.54	(170.77)	365.25	399.48
Total comprehensive income for the period / year (C) + (D) + (E)		1,506.59	1,373.89	3,014.13	2,756.36	5,450.34
Earnings per equity share						
[Nominal value of share ₹10 (Corresponding period/ previous year: ₹10)]	29					
Basic (In ₹)		19.94	15.39	41.67	31.29	66.09
Diluted (In ₹)		19.94	15.39	41.67	31.29	66.09
Summary of significant accounting policies						
	3					

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

As per our report of even date

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

SHASHI TADWALKAR
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Shashi Tadwalkar
Partner

Membership No.: 101797

Praveen Kadle
Praveen Kadle (Oct 26, 2021 19:08 GMT+5.5)

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

Anand Deshpande

Sandeep Kalra
Sandeep Kalra (Oct 26, 2021 18:37 GMT+5.5)

Dr. Anand Deshpande Chairman and Managing Director DIN: 00005721 Place: Pune Date : October 26, 2021	Sandeep Kalra Executive Director and Chief Executive Officer DIN: 02506494 Place: Mumbai Date : October 26, 2021	Praveen Kadle Independent Director DIN: 00016814 Place: Mumbai Date : October 26, 2021
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Sunil Sapre
Sunil Sapre (Oct 26, 2021 18:34 GMT+5.5)

Amit Atre
Amit Atre (Oct 26, 2021 18:32 GMT+5.5)

Sunil Sapre Executive Director and Chief Financial Officer DIN: 06475949 Place: Mumbai Date : October 26, 2021	Amit Atre Company Secretary Membership No. A20507 Place: Pune Date : October 26, 2021
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Place: Pune
Date : October 26, 2021

Persistent Systems Limited

CONDENSED INTERIM CASH FLOW STATEMENT FOR THE HALF YEAR ENDED SEPTEMBER 30, 2021

	For the half year ended		For the year ended
	September 30, 2021	September 30, 2020	March 31, 2021
	In ₹ Million	In ₹ Million	In ₹ Million
Cash flows from operating activities			
Profit before tax	4,288.77	3,169.77	6,680.20
Adjustments for:			
Interest income	(251.23)	(251.57)	(548.82)
Finance cost	35.69	18.59	38.21
Dividend income	-	(94.56)	(131.45)
Depreciation and amortization expense	360.50	270.87	566.79
Unrealised exchange loss (net)	30.66	0.85	151.02
Exchange loss / (gain) on derivative contracts	57.87	(66.75)	(169.80)
Exchange (gain) / loss on translation of foreign currency cash and cash equivalents	(3.59)	0.41	23.15
Bad debts	-	-	46.96
Change in provision for expected credit loss (net)	(4.75)	47.56	(20.20)
Employee stock compensation expenses	277.34	73.01	236.33
Remeasurements of the defined benefit liabilities / asset (before tax effects)	(64.89)	30.94	15.93
Profit on sale/ fair valuation of financial assets designated as FVTPL	(218.20)	(203.37)	(344.43)
(Profit) / loss on sale of Property, Plant and Equipment (net)	(4.72)	(3.25)	8.10
Operating profit before working capital changes	4,503.45	2,992.50	6,551.99
Movements in working capital :			
(Increase) / Decrease in non-current and current loans	(16.99)	19.31	37.02
(Increase) in other non current assets	(13.63)	(2.74)	(78.73)
(Increase) / Decrease in other current financial assets	(765.82)	126.14	363.88
Decrease/ (Increase) in other current assets	120.82	(176.58)	(171.56)
(Increase) / Decrease in trade receivables	(440.16)	192.55	(312.65)
Increase in trade payables, current liabilities and non current liabilities	566.79	16.83	1,059.46
Increase in provisions	34.08	276.84	613.36
Operating profit after working capital changes	3,988.54	3,444.85	8,062.77
Direct taxes paid (net of refunds)	(1,144.77)	(661.99)	(1,494.81)
Net cash generated from operating activities	(A) 2,843.77	2,782.86	6,567.96
Cash flows from investing activities			
Payment towards capital expenditure (including intangible assets, capital advances and capital creditors)	(2,027.12)	(328.08)	(707.24)
Proceeds from sale of Property, Plant and Equipment	5.05	7.59	4.13
Share application money paid	(2,969.60)	-	-
Investment in wholly owned subsidiaries	-	-	(376.61)
Loan to ESOP trust	(1,880.00)	-	-
Purchase of bonds	(562.62)	(520.48)	(712.18)
Proceeds from sale of bonds	239.35	172.84	350.53
Investments in mutual funds	(15,686.10)	(11,815.87)	(24,591.91)
Proceeds from sale / maturity of mutual funds	19,127.50	13,358.42	25,068.92
Maturity / (Investments) in bank deposits having original maturity over three months	900.50	(3,759.80)	(4,464.82)
Interest received	363.04	154.76	359.89
Dividend received	-	-	131.45
Net cash used in investing activities	(B) (2,490.00)	(2,730.62)	(4,937.84)
Cash flows from financing activities			
Repayment of long term borrowings	(1.85)	(3.18)	(4.54)
Specific project related grant received	-	9.00	9.00
Payment of lease liabilities	(85.13)	(91.11)	(173.11)
Dividend paid	(458.55)	(1.33)	(1,069.95)
Interest paid	(35.80)	(0.33)	(38.28)
Net cash used in financing activities	(C) (581.33)	(86.95)	(1,276.88)

Persistent Systems Limited

CONDENSED INTERIM CASH FLOW STATEMENT FOR THE HALF YEAR ENDED SEPTEMBER 30, 2021

	For the half year ended		For the year ended
	September 30, 2021	September 30, 2020	March 31, 2021
	In ₹ Million	In ₹ Million	In ₹ Million
Net (decrease)/ increase in cash and cash equivalents (A + B + C)	(227.56)	(34.71)	353.24
Cash and cash equivalents at the beginning of the year	862.72	532.63	532.63
Effect of exchange differences on translation of foreign currency cash and cash equivalents	3.59	(0.41)	(23.15)
Cash and cash equivalents at the end of the period/ year	638.75	497.51	862.72
Components of cash and cash equivalents			
Cash on hand (refer note 13)	0.07	0.15	0.10
Balances with banks			
On current accounts # (refer note 13)	271.62	305.97	360.22
On saving accounts (refer note 13)	8.46	0.48	1.33
On deposit account with maturity of less than three months (Refer note 13)	-	21.00	292.50
On exchange earner's foreign currency accounts (refer note 13)	358.60	169.91	208.57
Cash and cash equivalents	638.75	497.51	862.72

Of the cash and cash equivalent balance as at September 30, 2021, the Company can utilise ₹ 170.21 million (Corresponding period: ₹ 0.12 million/ Previous year: ₹ 154.39 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 condensed interim financial statements.

As per our report of even date

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

**SHASHI
TADWALKAR**

Digitally signed by
SHASHI TADWALKAR
Date: 2021.10.26
20:30:32 +05'30'

Shashi Tadwalkar
Partner

Membership No.: 101797

Place: Pune
Date : October 26, 2021

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

Anand Deshpande

Dr. Anand Deshpande
Chairman and
Managing Director
DIN: 00005721

Place: Pune
Date : October 26, 2021

Sunil Sapre

Sunil Sapre (Oct 26, 2021 18:34 GMT+5.5)

Sunil Sapre
Executive Director and
Chief Financial Officer
DIN: 06475949

Place: Mumbai
Date : October 26, 2021

Praveen Kadle
Praveen Kadle (Oct 26, 2021 19:08 GMT+5.5)

Sandeep Kalra

Sandeep Kalra (Oct 26, 2021 18:37 GMT+5.5)

Sandeep Kalra
Executive Director and
Chief Executive Officer
DIN: 02506494

Place: Mumbai
Date : October 26, 2021

Praveen Kadle
Independent Director
DIN: 00016814

Place: Mumbai
Date : October 26, 2021

Amit Atre
Amit Atre (Oct 26, 2021 18:32 GMT+5.5)

Amit Atre
Company Secretary
Membership No. A20507

Place: Pune
Date : October 26, 2021

Persistent Systems Limited**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR HALF YEAR ENDED SEPTEMBER 30, 2021****A. Equity share capital**

(Refer note 4)

(In ₹ Million)

Balance as at April 1, 2021	Changes in equity share capital during the period	Balance as at September 30, 2021
764.25	-	764.25

(In ₹ Million)

Balance as at April 1, 2020	Changes in equity share capital during the period	Balance as at September 30, 2020
764.25	-	764.25

(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

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Persistent Systems Limited

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED SEPTEMBER 30, 2021

B. Other equity

Particulars	Reserves and surplus							Items of other comprehensive income	(In ₹ Million)
	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	Total	
Balance as at April 1, 2021	-	14,356.35	471.20	35.75	-	11,888.23	139.46	26,890.99	
Net profit for the period	-	-	-	-	-	3,184.90	-	3,184.90	
Other comprehensive income for the period	-	-	-	-	-	(97.77)	(73.00)	(170.77)	
Dividend	-	-	-	-	-	(458.55)	-	(458.55)	
Employee stock compensation expenses	-	-	277.34	-	-	-	-	277.34	
Employee stock compensation expenses of subsidiaries	-	-	87.52	-	-	-	-	87.52	
Balance as at September 30, 2021	-	14,356.35	836.06	35.75	-	14,516.81	66.46	29,811.43	

Particulars	Reserves and surplus							Items of other comprehensive income	(In ₹ Million)
	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	Total	
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 period	-	-	-	-	-	2,391.11	-	2,391.11	
Other comprehensive income for the period	-	-	-	-	-	24.26	340.99	365.25	
Employee stock compensation expenses	-	-	73.01	-	-	-	-	73.01	
Employee stock compensation expenses of subsidiaries	-	-	34.23	-	-	-	-	34.23	
Adjustments towards employees stock options	-	-	(95.46)	-	-	-	-	(95.46)	
Balance as at September 30, 2020	-	12,227.23	302.29	35.75	49.95	12,277.15	96.90	24,989.27	

Particulars	Reserves and surplus							Items of other comprehensive income	(In ₹ Million)
	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	Total	
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	

Summary of significant accounting policies - Refer note 3

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

As per our report of even date

For Walker Chandiook & Co LLP
Chartered Accountants
Firm Registration No.: 001076N/N500013
SHASHI TADWALKAR
Date: 2021.10.26
20:31:05 +05'30'

Shashi Tadwalkar
Partner

Membership No.: 101797

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

Anand Deshpande

Praveen Kadle (Oct 26, 2021 19:08 GMT+5.5)

Sandeep Kalra
Sandeep Kalra (Oct 26, 2021 18:37 GMT+5.5)

Dr. Anand Deshpande Chairman and Managing Director DIN: 00005721 Place: Pune Date : October 26, 2021	Sandeep Kalra Executive Director and Chief Executive Officer DIN: 02506494 Place: Mumbai Date : October 26, 2021	Praveen Kadle Independent Director DIN: 00016814 Place: Mumbai Date : October 26, 2021
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Sunil Sapre
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Amit Atre
Amit Atre (Oct 26, 2021 18:32 GMT+5.5)

Sunil Sapre Executive Director and Chief Financial Officer DIN: 06475949 Place: Mumbai Date : October 26, 2021	Amit Atre Company Secretary Membership No. A20507 Place: Pune Date : October 26, 2021
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Place: Pune
Date : October 26, 2021

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

Securities premium is used to record the premium on issue of shares. The securities premium 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/loss for the year and the amounts from Share options outstanding reserve to the extent they relate to 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 is created out of the profit in terms of the provisions of Section 10AA(1)(ii) of the Income tax Act, 1961. The reserve has been 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

When a derivative is designated as cashflow hedging instrument the effective portion of changes in the fair value of derivative is recognised in Other comprehensive income (OCI) and accumulated in cashflow hedge reserve.

Cumulative gains or losses previously recognised in cashflow hedge reserve are recognised in the statement of profit and loss in the period in which such transaction occurs / hedging instruments are settled /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 condensed interim 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 period 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 condensed interim financial statements are prepared in accordance with Indian Accounting Standard (Ind AS) 34, Interim Financial Reporting, 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.

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

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

A. The preparation of the condensed interim 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 condensed interim 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 condensed interim 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 condensed interim financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the condensed interim financial statements.

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

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

(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 relating to COVID -19 using the forward looking approach prescribed by Ind AS 109.

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

v. 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 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 2 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 period / 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 in-substance fixed lease payments.

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

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

Company as a lessor

At the inception of the lease, the Company classifies each of its leases as either an operating lease or a finance lease. 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 amortized 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 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.

In cases where company acts as an agent, the revenue is recognised in form of a commission on delivery of the software licenses.

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 recognized 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 operations 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 basic salary of the eligible employees as per the scheme. The contributions to the provident fund are charged to the statement of profit and loss for the period / 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 the statement of 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 / year 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 / year 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 period / 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.

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(n) Earnings per share (EPS)

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

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 condensed interim 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 / year represents the movement in cumulative expense recognized as at the beginning and end of that period / year 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

(u) Recent pronouncements

On June 18, 2021, MCA through a notification has notified Companies (Indian Accounting Standards) Amendment Rules, 2021. The notification has made amendments to various Ind AS. Some of the key amendments are:

Ind AS 116 – COVID-19-related rent concessions

The economic challenges presented by the COVID-19 pandemic have persisted longer than anticipated, and therefore the practical expedient relating to rent concessions arising as a consequence of COVID-19 has been modified. Accordingly, lessees are now exempted from assessing whether a COVID-19-related rent concession is a lease modification, if the reduction in lease payments affects only payments originally due on or before June 30, 2022. Earlier the practical expedient was allowed only for lease payments originally due on or before June 30, 2021. A lessee should apply the amendments for annual reporting periods beginning on or after April 1, 2021. The Company does not expect any impact on its financial statements due to this amendment.

Interest rate benchmark reform – Phase 2

This amendment relates to 'Interest Rate Benchmark Reform — Phase 2 (Amendments to Ind AS 104, Ind AS 107, Ind AS 109 and Ind AS 116)' which addresses issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. Some of the key amendments arising from the interest rate benchmark are:

Ind AS 109: New guidance has been included on changes in the basis for determining the contractual cashflows as a result of interest rate benchmark reform. An entity should apply the amendments for annual reporting periods beginning on or after April 1, 2021.

Ind AS 107: Additional disclosures related to nature and extent of risks to which the entity is exposed from financial instruments subject to interest rate benchmark reform and how the entity manages these risks. An entity should apply the amendments when it applies amendments to Ind AS 109, Ind AS 104 or Ind AS 116. The Company does not expect the amendments to have any significant impact in its financial statements.

Amendments to Ind AS consequential to Conceptual Framework under Ind AS

The amendments relating to Ind AS 102, Share-based Payment; Ind AS 103, Business Combinations; Ind AS 1, Presentation of Financial Statements; Ind AS 8, Accounting Policies, Changes in Accounting Estimates and Errors; Ind AS 34, Interim Financial Reporting; Ind AS 37, Provisions, Contingent Liabilities and Contingent Assets; Ind AS 38, Intangible Assets, are consequential due to changes in the Conceptual Framework under Ind AS, made in August 2020. The revised Conceptual Framework introduced some new concepts and clarifications. The amendments relating to Ind AS 102, Share-based Payment; Ind AS 103, Business Combinations; Ind AS 1, Presentation of Financial Statements; Ind AS 8, Accounting Policies, Changes in Accounting Estimates and Errors; Ind AS 34, Interim Financial Reporting; Ind AS 37, Provisions, Contingent Liabilities and Contingent Assets; Ind AS 38, Intangible Assets, are consequential due to changes in the Conceptual Framework under Ind AS, made in August 2020. The revised Conceptual Framework introduced some new concepts and clarifications along with revision in definitions and changes in recognition criteria of assets and liabilities under Ind AS. The Company does not expect the consequential amendments to have any significant impact in its financial statements.

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Persistent Systems Limited

Notes forming part of Condensed Interim Financial Statements

4. Equity share capital

	As at September 30, 2021 In ₹ Million	As at September 30, 2020 In ₹ Million	As at March 31, 2021 In ₹ Million
Authorized shares (No. in million)			
200 (Corresponding period/ Previous year:200) equity shares of ₹10 each	2,000.00	2,000.00	2,000.00
	2,000.00	2,000.00	2,000.00
Issued, subscribed and fully paid-up shares (No. in million)			
76.43 (Corresponding period/ Previous year: 76.43) equity shares of ₹10 each	764.25	764.25	764.25
Issued, subscribed and fully paid-up share capital	764.25	764.25	764.25

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

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

	As at		As at		As at	
	September 30, 2021		September 30, 2020		March 31, 2021	
	No of Shares	Amount ₹	No of Shares	Amount ₹	No of Shares	Amount ₹
Number of shares at the beginning of the period/ year	76.43	764.25	76.43	764.25	76.425	764.25
Less: Changes during the period/ Year	-	-	-	-	-	-
Number of shares at the end of the period/ year	76.43	764.25	76.43	764.25	76.425	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 after deducting applicable taxes.

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. However, no such preferential amounts exists currently.

c) Aggregate number shares bought back during the period of five years immediately preceding the reporting date

	For the period of five years ended September 30, 2021 No in Million	For the period of five years ended September 30, 2020 No in Million	For the period of five years ended March 31, 2021 No in Million
Equity shares bought back	3.575	3.575	3.575

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

Name of the shareholder*	As at		As at		As at	
	September 30, 2021		September 30, 2020		March 31, 2021	
	No. in million	% Holding	No. in million	% Holding	No. in million	% Holding
Dr. Anand Deshpande jointly with Mrs. Sonali Anand Deshpande	22.96	30.04	22.95	30.04	22.96	30.04
Schemes of HDFC Mutual Fund	4.42	5.78	5.79	7.58	5.37	7.03

* 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 Condensed Interim Financial Statements

5.1 Property, plant and equipment

	Freehold land	Buildings*	Computers	Office equipments	Plant and equipment	Leasehold improvements	Furniture and fixtures	Vehicles	Total
Gross block (at cost)									
As at April 1, 2021	206.92	2,387.73	2,331.29	57.84	1,407.04	20.79	527.32	7.24	6,946.17
Additions	-	1.34	511.51	3.19	57.10	-	25.18	-	598.32
Disposals	-	-	0.58	-	68.21	-	4.94	-	73.73
As at September 30, 2021	206.92	2,389.07	2,842.22	61.03	1,395.93	20.79	547.56	7.24	7,470.76
Accumulated depreciation									
As at April 1, 2021	-	1,157.49	1,732.90	51.75	1,215.65	20.19	492.97	4.98	4,675.93
Charge for the period	-	48.31	181.35	1.39	23.67	0.40	11.43	0.47	267.02
Disposals	-	-	0.42	-	68.05	-	4.94	-	73.41
As at September 30, 2021	-	1,205.80	1,913.83	53.14	1,171.27	20.59	499.46	5.45	4,869.54
Net block									
As at September 30, 2021	206.92	1,183.27	928.39	7.89	224.66	0.20	48.10	1.79	2,601.22
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

* Note: Building includes those constructed on leasehold land.

- a) Gross block as on September 30, 2021 ₹ 1,455.94 million (Corresponding period ₹ 1,454.48 Million / Previous year ₹ 1,454.60 million)
b) Depreciation charge for the year ₹ 29.61 million (Corresponding period ₹ 29.59 million / Previous year ₹ 59.04 million)
c) Accumulated depreciation as on September 30, 2021 ₹ 587.68 million (Corresponding period ₹ 528.62 million/ Previous year ₹ 558.07 million)
d) Net block value as on September 30, 2021 ₹ 868.26 million (Corresponding period ₹ 925.86 million /Previous year ₹ 896.53 million)

5.2 Right of use assets

	Office premises	Leasehold land	Total
Gross block (at cost)			
As at April 1, 2021	443.17	37.50	480.67
Additions	302.65	-	302.65
Disposals	110.28	-	110.28
As at September 30, 2021	635.54	37.50	673.04
Accumulated depreciation			
As at April 1, 2021	164.87	1.18	166.05
Charge for the period	60.20	0.29	60.49
Disposals	110.28	-	110.28
As at September 30, 2021	114.79	1.47	116.26
Net block			
As at September 30, 2021	520.75	36.03	556.78
As at March 31, 2021	278.30	36.32	314.62

Persistent Systems Limited

Notes forming part of Condensed Interim 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, 2020	206.92	2,387.06	1,851.34	53.58	1,377.38	21.12	521.31	7.24	6,425.95
Additions	-	0.54	131.09	5.94	16.49	-	27.20	-	181.26
Disposals	-	-	6.64	-	4.99	0.33	0.87	-	12.83
As at September 30, 2020	206.92	2,387.60	1,975.79	59.52	1,388.88	20.79	547.64	7.24	6,594.38
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 period	-	48.33	100.80	1.50	25.67	0.71	7.87	0.47	185.35
Disposals	-	-	2.59	-	4.89	0.25	0.76	-	8.49
As at September 30, 2020	-	1,109.44	1,646.95	52.43	1,211.32	19.78	509.60	4.52	4,554.04
Net block									
As at September 30, 2020	206.92	1,278.16	328.84	7.09	177.56	1.01	38.04	2.72	2,040.34
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

5.2 Right of use assets

	(In ₹ Million)		
	Office premises	Leasehold land	Total
Gross block (at cost)			
As at April 1, 2020	358.91	37.50	396.41
Additions	156.55	-	156.55
Disposals	55.04	-	55.04
As at September 30, 2020	460.42	37.50	497.92
Accumulated depreciation			
As at April 1, 2020	126.41	0.60	127.01
Charge for the period	58.43	0.29	58.72
Disposals	35.01	-	35.01
As at September 30, 2020	149.83	0.89	150.72
Net block			
As at September 30, 2020	310.59	36.61	347.20
As at March 31, 2020	232.50	36.90	269.40

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, 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

5.2 Right of use assets

	(In ₹ Million)		
	Office premises	Leasehold land	Total
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 Condensed Interim Financial Statements

5.3 Other intangible assets

	(In ₹ Million)		
	Software	Acquired contractual rights	Total
Gross block			
As at April 1, 2021	925.11	261.74	1,186.85
Additions	37.61	-	37.61
As at September 30, 2021	962.72	261.74	1,224.46
Accumulated amortization			
As at April 1, 2021	753.46	261.74	1,015.20
Charge for the period	32.99	-	32.99
As at September 30, 2021	786.45	261.74	1,048.19
Net block			
As at September 30, 2021	176.27	-	176.27
As at March 31, 2021	171.65	-	171.65

	(In ₹ Million)		
	Software	Acquired contractual rights	Total
Gross block			
As at April 1, 2020	743.67	261.74	1,005.41
Additions	154.36	-	154.36
As at September 30, 2020	898.03	261.74	1,159.77
Accumulated amortization			
As at April 1, 2020	696.70	261.74	958.44
Charge for the period	26.80	-	26.80
As at September 30, 2020	723.50	261.74	985.24
Net block			
As at September 30, 2020	174.53	-	174.53
As at March 31, 2020	46.97	-	46.97

	(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

5.4 Depreciation and amortization expense

	(In ₹ Million)					
	For the quarter ended		For the Half year ended		For the year ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020	March 31, 2021	
On Property, plant and equipment	150.19	95.51	267.02	185.35	398.33	
On Right of use assets	31.31	28.99	60.49	58.72	111.70	
On Other intangible assets	16.29	14.56	32.99	26.80	56.76	
	197.79	139.06	360.50	270.87	566.79	

Persistent Systems Limited

Notes forming part of Condensed Interim Financial Statements

6. Non-current financial assets : Investments (refer note 30)

	As at September 30, 2021 In ₹ Million	As at September 30, 2020 In ₹ Million	As at March 31, 2021 In ₹ Million
Investments carried at cost			
Unquoted investments			
Investments in equity instruments			
- In wholly owned subsidiary companies (Refer note 31)			
Persistent Systems, Inc. 402 million (Corresponding period/ 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	2,478.01	2,478.01
Persistent Systems Pte Ltd. 0.50 million (Corresponding period/ Previous year: 0.50 million) shares of SGD 1 each, fully paid up	15.50	15.50	15.50
	15.50	15.50	15.50
Persistent Systems France SAS 1.50 million (Corresponding period/ Previous year: 1.50 million) shares of EUR 1 each, fully paid up	97.47	97.47	97.47
	97.47	97.47	97.47
Persistent Systems Malaysia Sdn. Bhd. 5.45 million (Corresponding period/ Previous year: 5.45 million) shares of MYR 1 each, fully paid up	102.25	102.25	102.25
	102.25	102.25	102.25
Persistent Systems Germany GmbH 11.6527 million (Corresponding period/ 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	1,265.91	1,265.91
CAPIOT Software Private Limited 0.1867 million (Corresponding period Nil / Previous year: 0.1867) shares of Rs. 10 each, fully paid up	382.31	-	376.61
	382.31	-	376.61
- In associates			
Klisma e-Services Private Limited [Holding Nil (Corresponding period/ Previous year: 50%)] #			
Nil (Corresponding period/ 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)	4,341.45	3,959.14	4,335.75
Investments carried at amortised cost			
Quoted investments			
In bonds	2,898.99	2,530.55	2,557.92
[Market value ₹ 3,082.55 million (Corresponding period: ₹ 2,778.64 million /Previous year ₹ 2,727.32 million)]			
Add: Interest accrued on bonds	123.49	113.52	72.88
Total investments carried at amortised cost (B)	3,022.48	2,644.07	2,630.80
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))	796.06	1,055.39	806.99
	796.06	1,055.39	806.99
Unquoted investments			
-Others*			
Altizon Systems Private Limited 3,766 equity shares (Corresponding period / Previous year : 3,766 equity shares) of ₹ 10 each, fully paid up	6.00	6.00	6.00
	6.00	6.00	6.00
Total investments carried at fair value (C)	802.06	1,061.39	812.99
Total investments (A) + (B) + (C)	8,165.99	7,664.60	7,779.54
Aggregate provision for diminution in value of investments	-	0.05	0.05
Aggregate amount of quoted investments	3,818.54	3,699.46	3,437.79
Aggregate amount of unquoted investments	4,347.45	3,965.19	4,341.80

Klisma e-Services Private Limited ('Klisma'), an Associate Company of the Company has been dissolved w.e.f. August 10, 2021 vide dissolution order passed by the Hon'ble National Company Law Tribunal, Mumbai Bench.

* 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 Condensed Interim Financial Statements

6 (a) Details of fair value of investment in long term mutual funds (Quoted)

	As at September 30, 2021 In ₹ Million	As at September 30, 2020 In ₹ Million	As at March 31, 2021 In ₹ Million
Axis mutual fund	437.05	537.74	400.50
IDFC mutual fund	359.01	409.29	370.31
Sundaram mutual fund	-	35.21	36.18
ICICI Prudential mutual fund	-	-	-
Kotak mutual fund	-	36.42	-
UTI mutual fund	-	36.73	-
Aditya Birla Sun Life mutual fund	-	-	-
PGIM India mutual fund (formerly known as DHFL Pramerica mutual fund)	-	-	-
DSP mutual fund	-	-	-
	796.06	1,055.39	806.99

7. Non-current financial assets : Loans (refer note 30)

	As at September 30, 2021 In ₹ Million	As at September 30, 2020 In ₹ Million	As at March 31, 2021 In ₹ Million
Carried at amortised cost			
Security deposits			
Unsecured, considered good	107.70	101.45	52.23
	107.70	101.45	52.23
Other loans and advances			
Unsecured, considered good			
Loan to ESOP trust	1,880.00	-	-
Unsecured, credit impaired	0.58	0.58	0.58
	0.58	0.58	0.58
Less: Impairment	(0.58)	(0.58)	(0.58)
	-	-	-
	1,987.70	101.45	52.23

8. Other non-current financial assets (refer note 30)

	As at September 30, 2021 In ₹ Million	As at September 30, 2020 In ₹ Million	As at March 31, 2021 In ₹ Million
Non-current bank balances (refer note 14)	41.26	132.96	24.42
Add: Interest accrued but not due on non-current bank deposits (refer note 14)	0.09	10.70	1.34
Non-current deposits with banks (carried at amortised cost)	41.35	143.66	25.76
Deposit with financial institutions	430.00	430.00	430.00
Add: Interest accrued but not due on deposit with financial institutions	0.98	0.98	0.98
Less: Credit impaired	(430.98)	(430.98)	(430.98)
Non-current deposits with financial institutions (carried at amortised cost)	-	-	-
Investment in Persistent Systems Inc. (shares pending allotment)	2,969.60	-	-
	3,010.95	143.66	25.76

9. Deferred tax assets (net)

	As at September 30, 2021 In ₹ Million	As at September 30, 2020 In ₹ Million	As at March 31, 2021 In ₹ Million
Deferred tax liabilities			
Differences in book values and tax base values of block of property, plant and equipment and other intangible assets	118.41	25.44	41.87
Capital gains (net)	37.93	57.14	61.06
	156.34	82.58	102.93
Deferred tax assets			
Provision for leave encashment	101.60	70.83	95.76
Provision for long service awards	68.85	61.45	64.97
Allowance for expected credit loss	27.65	45.55	28.85
Tax credit	56.61	59.43	62.37
Right of use asset and lease liability	29.18	27.36	26.36
Others	94.92	84.70	70.36
	378.81	349.32	348.67
Deferred tax assets (net)	222.47	266.74	245.74

Persistent Systems Limited

Notes forming part of Condensed Interim Financial Statements

10. Other non-current assets

	As at September 30, 2021 In ₹ Million	As at September 30, 2020 In ₹ Million	As at March 31, 2021 In ₹ Million
Capital advances (unsecured, considered good)	1,023.36	14.72	38.75
Advances recoverable in cash or kind or for value to be received	98.06	8.44	84.43
Balances with government authorities (refer note 32 (c))	296.55	296.55	296.55
	1,417.97	319.71	419.73

11. Current financial assets : Investments (refer note 30)

	As at September 30, 2021 In ₹ Million	As at September 30, 2020 In ₹ Million	As at March 31, 2021 In ₹ Million
Designated as fair value through profit and loss			
- Quoted investments			
Investments in mutual funds			
Fair value of current mutual funds (refer note '11(a)' below)	3,144.87	4,933.32	6,374.95
Total carrying amount of investments	3,144.87	4,933.32	6,374.95
Aggregate amount of quoted investments	3,144.87	4,933.32	6,374.95
Aggregate amount of unquoted investments	-	-	-

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

	As at September 30, 2021 In ₹ Million	As at September 30, 2020 In ₹ Million	As at March 31, 2021 In ₹ Million
Aditya Birla Sun Life mutual fund	866.55	864.50	1,011.03
Kotak mutual fund	453.70	488.31	478.21
Axis mutual fund	346.21	716.06	824.68
IDFC mutual fund	345.98	444.61	911.72
ICICI Prudential mutual fund	276.40	919.68	710.33
Tata mutual fund	201.85	-	-
SBI mutual fund	191.27	74.07	166.36
UTI mutual fund	144.65	634.87	723.19
HDFC mutual fund	119.99	441.44	963.10
Sundaram mutual fund	57.98	-	-
DSP mutual fund	50.22	261.27	37.38
Nippon India mutual fund (formerly known as Reliance mutual fund)	50.07	-	-
L&T mutual fund	40.00	52.04	511.71
PGIM India mutual fund (formerly known as DHFL Pramerica mutual fund)	-	-	37.24
DHFL Pramerica mutual fund	-	36.47	-
	3,144.87	4,933.32	6,374.95

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Persistent Systems Limited

Notes forming part of Condensed Interim Financial Statements

12. Trade receivables (refer note 30)

	As at September 30, 2021 In ₹ Million	As at September 30, 2020 In ₹ Million	As at March 31, 2021 In ₹ Million
Unsecured, considered good*	3,383.92	2,642.65	2,966.26
Unsecured, credit impaired	109.87	180.99	118.29
	3,493.79	2,823.64	3,084.55
Less : Allowance for expected credit loss	(109.87)	(180.99)	(118.29)
	3,383.92	2,642.65	2,966.26
	3,383.92	2,642.65	2,966.26

*Includes dues from related parties (refer note 31)

13. Cash and cash equivalents (refer note 30)

	As at September 30, 2021 In ₹ Million	As at September 30, 2020 In ₹ Million	As at March 31, 2021 In ₹ Million
Cash and cash equivalents as presented in cash flow statement			
Cash on hand	0.07	0.15	0.10
Balances with banks			
On current accounts#	271.62	305.97	360.22
On saving accounts	8.46	0.48	1.33
On exchange earner's foreign currency accounts	358.60	169.91	208.57
On deposit accounts with original maturity less than three months	-	21.00	292.50
	638.75	497.51	862.72

Of the cash and cash equivalent balance as at September 30, 2021, the Company can utilise ₹ 170.21 million (Corresponding period: ₹ 0.12 million/ Previous year: ₹ 154.39 million) only towards certain predefined activities specified in the agreement.

14. Other bank balances (refer note 30)

	As at September 30, 2021 In ₹ Million	As at September 30, 2020 In ₹ Million	As at March 31, 2021 In ₹ Million
Deposits with banks*	6,207.97	6,403.45	7,108.47
Add: Interest accrued but not due on deposits with banks	138.87	168.53	301.29
Deposits with banks (carried at amortised cost)	6,346.84	6,571.98	7,409.76
Less: Deposit with maturity more than twelve months from the balance sheet date disclosed under non-current financial assets (refer note 8)	(41.26)	(132.96)	(24.42)
Less: Interest accrued but not due on non-current deposits with banks (refer note 8)	(0.09)	(10.70)	(1.34)
	6,305.49	6,428.32	7,384.00
Balances with banks on unpaid dividend accounts**	2.89	2.72	3.00
	6,308.38	6,431.04	7,387.00

* Out of the balance, fixed deposits of ₹ 646.58 million (Corresponding period: ₹ 673.71 million/ Previous year : ₹ 675.89 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 Condensed Interim Financial Statements

15. Current financial assets : Loans (refer note 30)

	As at September 30, 2021 In ₹ Million	As at September 30, 2020 In ₹ Million	As at March 31, 2021 In ₹ Million
Carried at amortised cost			
Loan to related parties (Refer note 31)			
Unsecured, credit impaired			
- Klisma e-Services Private Limited	-	27.43	27.43
	-	27.43	27.43
Less: Write off / impairment	-	(27.43)	(27.43)
	-	-	-
Security deposits			
Unsecured, considered good	6.00	7.16	49.33
	6.00	7.16	49.33
	6.00	7.16	49.33

16. Other current financial assets (refer note 31)

	As at September 30, 2021 In ₹ Million	As at September 30, 2020 In ₹ Million	As at March 31, 2021 In ₹ Million
Fair value of derivatives designated as hedging instruments			
Forward contracts receivable	139.04	134.54	294.46
Advances to related parties (Unsecured, considered good) (refer note 31)			
Persistent Systems, Inc.	-	13.40	18.72
Persistent Systems France SAS	0.50	6.04	0.38
Persistent Telecom Solutions Inc.	0.12	3.18	0.01
Persistent Systems Malaysia Sdn. Bhd.	0.07	0.22	-
Persistent Systems Lanka (Private) Limited	0.15	3.00	0.02
Aepona Limited	3.86	-	2.34
Aepona Group Limited	0.04	-	-
PARX Consulting GmbH	0.06	0.10	-
Persistent Systems Israel Ltd.	-	0.92	-
Persistent Systems Mexico, S.A. de C.V	0.08	1.43	-
Youperience GmbH	0.04	0.08	-
PARX Werk AG	0.09	1.88	-
Persistent Systems Pte. Ltd.	0.10	-	-
Persistent Systems Germany GmbH	0.01	0.65	-
Youperience Limited	0.04	1.96	-
	5.16	32.86	21.47
Advances to related parties (Unsecured, credit impaired) (refer note 31)			
Klisma e-Services Private Limited	-	0.81	0.81
Less: Impairment	-	(0.81)	(0.81)
	-	-	-
Other advances	16.09	-	21.79
Unbilled revenue	2,595.72	1,955.30	1,726.07
	2,756.01	2,122.70	2,063.79

17. Other current assets

	As at September 30, 2021 In ₹ Million	As at September 30, 2020 In ₹ Million	As at March 31, 2021 In ₹ Million
Advances to suppliers (Unsecured, considered good)			
Advances recoverable in cash or kind or for value to be received	579.69	463.32	388.32
Excess fund balance with Life Insurance Corporation of India	1.82	129.57	113.08
Other advances (Unsecured, considered good)			
VAT receivable (net)	28.40	14.50	23.44
Service tax and GST receivable (net) (refer note 32(a))	925.44	1,054.56	1,132.09
	953.84	1,069.06	1,155.53
	1,535.35	1,661.95	1,656.93

Persistent Systems Limited**Notes forming part of Condensed Interim Financial Statements****18. Non-current financial liabilities : Borrowings (refer note 30)**

	As at September 30, 2021 In ₹ Million	As at September 30, 2020 In ₹ Million	As at March 31, 2021 In ₹ Million
Unsecured borrowings carried at amortised cost			
Term loans			
Indian rupee loan from others	5.54	8.75	7.39
Interest accrued but not due on term loans	-	0.01	0.11
	<u>5.54</u>	<u>8.76</u>	<u>7.50</u>
Less: Current maturity of long-term borrowings transferred to other current financial liabilities (Refer note 22)	(1.85)	(3.21)	(1.85)
Less: Current maturity of interest accrued but not due on term loan transferred to other current financial liabilities (Refer note 22)	-	(0.01)	(0.11)
	<u>(1.85)</u>	<u>(3.22)</u>	<u>(1.96)</u>
	<u><u>3.69</u></u>	<u><u>5.54</u></u>	<u><u>5.54</u></u>

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

Loan I - amounting to ₹ 5.54 million (Corresponding period ₹ 7.41 / Previous year ₹ 7.39 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 (Corresponding period ₹ 1.34 million / Previous year Nil) 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 previous year.

19. Non current liabilities : Provisions

	As at September 30, 2021 In ₹ Million	As at September 30, 2020 In ₹ Million	As at March 31, 2021 In ₹ Million
Provision for employee benefits			
- Long service awards	252.59	225.80	240.94
	<u>252.59</u>	<u>225.80</u>	<u>240.94</u>

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Persistent Systems Limited

Notes forming part of Condensed Interim Financial Statements

20. Lease liabilities (refer note 30)

	As at September 30, 2021 In ₹ Million	As at September 30, 2020 In ₹ Million	As at March 31, 2021 In ₹ Million
Lease liabilities	631.70	417.28	378.54
Less: Current portion of lease liabilities	(112.83)	(162.34)	(73.82)
	518.87	254.94	304.72

Movement of lease liabilities

	For the half year ended		For the year ended
	September 30, 2021 In ₹ Million	September 30, 2020 In ₹ Million	March 31, 2021 In ₹ Million
Opening balance	378.54	356.64	356.64
Additions	302.65	156.55	176.95
Deletions	-	23.23	(20.03)
Add: Interest recognised during the period / year	35.64	18.43	38.09
Less: Payments made	(85.13)	(91.11)	(173.11)
Closing balance	631.70	417.28	378.54

21. Trade payables (refer note 30)

	As at September 30, 2021 In ₹ Million	As at September 30, 2020 In ₹ Million	As at March 31, 2021 In ₹ Million
Trade payables for goods and services* [[dues of micro and small enterprises ₹ 45.55 million (Corresponding period: ₹ 8.38 million/ Previous year: ₹ 30.20 million)]	902.14	824.85	938.40
	902.14	824.85	938.40

*Includes dues payable to related parties (refer note 31)

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 30)

	As at September 30, 2021 In ₹ Million	As at September 30, 2020 In ₹ Million	As at March 31, 2021 In ₹ Million
Capital creditors	28.72	26.06	237.83
Current maturity of long term-borrowings (refer note 18)	1.85	3.21	1.85
Current maturity of interest on long-term borrowings (refer note 18)	-	0.01	0.11
Accrued employee liabilities	119.88	109.16	154.58
Unpaid dividend *	2.89	2.72	3.00
Other liabilities	8.41	-	0.05
Advance from related parties (Unsecured, considered good) (refer note 31)			
Persistent Systems Pte Ltd	-	2.68	-
Persistent Systems, Inc.	5.08	-	-
PARX Werk AG	-	2.82	-
Aepona Limited	-	0.16	-
Persistent Systems Israel Ltd.	1.14	-	-
	6.22	5.66	-
	167.97	146.82	397.42

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

Persistent Systems Limited**Notes forming part of Condensed Interim Financial Statements****23. Other current liabilities**

	As at September 30, 2021 In ₹ Million	As at September 30, 2020 In ₹ Million	As at March 31, 2021 In ₹ Million
Unearned revenue	231.77	171.02	260.40
Advance from customers	1,170.12	524.60	1,023.53
Other payables			
- Statutory liabilities	382.58	176.91	228.03
- Other liabilities*	177.22	-	167.05
	1,961.69	872.53	1,679.01

*Includes balance of ₹ 170.21 million (Corresponding period: Nil / previous year: ₹ 154.16 million) to be utilised against certain predefined activities specified in the agreement.

24. Current liabilities : Provisions

	As at September 30, 2021 In ₹ Million	As at September 30, 2020 In ₹ Million	As at March 31, 2021 In ₹ Million
Provision for employee benefits			
- Leave encashment	403.68	281.44	380.49
- Long service awards	20.97	18.35	17.19
- Other employee benefits	743.37	524.42	747.91
	1,168.02	824.21	1,145.59

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Persistent Systems Limited

Notes forming part of Condensed Interim Financial Statements

25. Revenue from operations (net) (refer note 31)

	For the quarter ended		For the half year ended		For the year ended
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020	March 31, 2021
	In ₹ Million	In ₹ Million	In ₹ Million	In ₹ Million	In ₹ Million
Software services	8,389.11	5,845.65	15,954.07	11,394.82	24,270.63
Software licenses	80.74	116.13	164.12	128.34	525.45
	8,469.85	5,961.78	16,118.19	11,523.16	24,796.08

26. Other income

	For the quarter ended		For the half year ended		For the year ended
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020	March 31, 2021
	In ₹ Million	In ₹ Million	In ₹ Million	In ₹ Million	In ₹ Million
Interest income					
On deposits carried at amortised cost	76.93	86.59	148.64	171.27	381.66
On others	56.61	41.06	102.59	80.30	167.16
Foreign exchange (loss) / gain (net)	9.22	(3.16)	91.43	(83.44)	67.12
Profit on sale of property, plant and equipment (net)	4.69	3.23	4.72	3.25	8.10
Dividend income from investments*	-	-	-	94.56	131.45
Net profit on sale/ fair valuation of financial assets designated as FVTPL	109.51	67.80	218.20	203.37	344.43
Miscellaneous income	24.69	11.70	60.75	31.67	76.24
	281.65	207.22	626.33	500.98	1,176.16

*includes dividend received from investment in wholly owned subsidiaries. (Refer note 31)

27. Personnel expenses

	For the quarter ended		For the half year ended		For the year ended
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020	March 31, 2021
	In ₹ Million	In ₹ Million	In ₹ Million	In ₹ Million	In ₹ Million
27.1 Employee benefits expense					
Salaries, wages and bonus	4,638.98	2,985.82	8,628.67	5,810.89	12,806.57
Contribution to provident and other funds	250.18	159.63	477.01	291.30	666.24
Staff welfare and benefits	73.39	69.24	168.34	147.15	384.07
Share based payments to employees	147.27	50.40	277.34	73.01	236.33
	5,109.82	3,265.09	9,551.36	6,322.35	14,093.21
27.2 Cost of professionals					
- Related parties (refer note 31)	209.24	404.77	356.03	735.88	1,323.73
- Others	263.43	78.99	453.89	125.58	451.34
	472.67	483.76	809.92	861.46	1,775.07
	5,582.49	3,748.85	10,361.28	7,183.81	15,868.28

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Persistent Systems Limited

Notes forming part of Condensed Interim Financial Statements

28. Other expenses*

	For the quarter ended		For the half year ended		For the year ended
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020	March 31, 2021
	In ₹ Million	In ₹ Million	In ₹ Million	In ₹ Million	In ₹ Million
Travelling and conveyance	34.95	8.01	75.80	34.74	39.58
Electricity expenses (net)	17.77	18.98	29.25	33.25	69.09
Internet link expenses	11.59	6.34	25.16	27.61	50.14
Communication expenses	14.37	31.02	28.40	52.63	73.17
Recruitment expenses	98.01	12.79	153.44	20.43	75.40
Training and seminars	16.91	6.20	28.10	12.57	23.97
Purchase of software licenses and support expenses	204.82	184.79	481.53	373.75	908.00
Bad debts	-	-	-	-	46.96
Allowance for expected credit loss (net)	1.62	12.34	(4.75)	47.56	(20.20)
Rent	19.19	19.86	34.82	42.32	77.50
Insurance	8.90	7.63	19.56	15.95	31.37
Rates and taxes	10.22	21.71	17.63	28.64	52.57
Legal and professional fees	66.70	35.99	123.62	78.59	196.13
Repairs and maintenance	-	-	-	-	-
- Plant and Machinery	26.27	16.84	49.21	45.37	94.92
- Buildings	5.15	6.19	9.75	10.70	19.26
- Others	4.44	7.97	9.84	13.51	15.20
Selling and marketing expenses	270.93	175.33	476.15	332.49	739.82
Advertisement, conference and sponsorship fees	0.47	1.20	1.46	1.54	3.54
Computer consumables	0.84	0.66	2.38	0.76	3.14
Auditors' remuneration	1.16	1.99	2.21	3.24	9.00
Donations	20.00	65.00	55.00	126.91	163.93
Books, memberships, subscriptions	8.04	2.75	9.64	6.65	12.69
Directors' sitting fees	1.77	1.67	4.05	2.66	4.84
Directors' commission	4.38	2.54	11.44	5.50	10.22
Loss on receivables and investment in associate	28.29	-	28.29	-	-
Reversal of provision for receivables and investment in associate	(28.29)	-	(28.29)	-	-
Miscellaneous expenses	26.63	29.20	54.59	63.73	118.52
	875.13	677.00	1,698.28	1,381.10	2,818.76

* Includes expenses incurred with related parties (refer note 31)

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Persistent Systems Limited

Notes forming part of Condensed Interim Financial Statements

29. Earnings per share

		For the quarter ended		For the half year ended		For the year ended
		September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020	March 31, 2021
<u>Numerator for Basic and Diluted EPS</u>						
Net profit after tax (In ₹ Million)	(A)	1,523.95	1,176.35	3,184.90	2,391.11	5,050.86
<u>Denominator for Basic EPS</u>						
Weighted average number of equity shares	(B)	76,425,000	76,425,000	76,425,000	76,425,000	76,425,000
<u>Denominator for Diluted EPS</u>						
Number of equity shares	(C)	76,425,000	76,425,000	76,425,000	76,425,000	76,425,000
Basic earnings per share of face value of ₹ 10 each (In ₹)	(A/B)	19.94	15.39	41.67	31.29	66.09
Diluted earnings per share of face value of ₹ 10 each (In ₹)	(A/C)	19.94	15.39	41.67	31.29	66.09

	For the quarter ended		For the half year ended		For the year ended
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020	March 31, 2021
Number of shares considered as basic weighted average shares outstanding	76,425,000	76,425,000	76,425,000	76,425,000	76,425,000
Add: Effect of dilutive issues of stock options	-	-	-	-	-
Number of shares considered as weighted average shares and potential shares outstanding	76,425,000	76,425,000	76,425,000	76,425,000	76,425,000

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30. Financial assets and liabilities

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

Financial assets/ financial liabilities	Basis of measurement	(In ₹ million)						Fair value hierarchy
		As at September 30, 2021		As at September 30, 2020		As at March 31, 2021		
		Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	
Assets:								
Investments in subsidiaries and associates (net)	Cost	4,341.45	4,341.45	3,959.14	3,959.14	4,335.75	4,335.75	
Investments in equity instruments	Fair value	6.00	6.00	6.00	6.00	6.00	6.00	Level 3
Investments in bonds*	Amortised cost	3,022.48	3,082.55	2,644.07	2,778.64	2,630.80	2,727.32	
Investments in mutual funds	Fair value	3,940.93	3,940.93	5,988.71	5,988.71	7,181.94	7,181.94	Level 1
Loans	Amortised cost	1,993.70	1,993.70	108.61	108.61	101.56	101.56	
Deposit with banks and financial institutions (including interest accrued but not due on deposits with banks)	Amortised cost	6,346.84	6,346.84	6,571.98	6,571.98	7,409.76	7,409.76	
Cash and cash equivalents (including unpaid dividend)	Amortised cost	641.64	641.64	500.23	500.23	865.72	865.72	
Trade receivables (net)	Amortised cost	3,383.92	3,383.92	2,642.65	2,642.65	2,966.26	2,966.26	
Forward contracts receivable	Fair value	139.04	139.04	134.54	134.54	294.46	294.46	Level 2
Unbilled revenue	Amortised cost	2,595.72	2,595.72	1,955.30	1,955.30	1,726.07	1,726.07	
Other current financial assets	Amortised cost	21.25	21.25	32.86	32.86	43.26	43.26	
Other non-current financial assets (share application money paid)	Cost	2,969.60	2,969.60	-	-	-	-	
Total		29,402.57	29,462.64	24,544.09	24,678.66	27,561.58	27,658.10	
Liabilities:								
Borrowings (including accrued interest)	Amortised cost	5.54	5.54	8.76	8.76	7.50	7.50	
Trade payables	Amortised cost	902.14	902.14	824.85	824.85	938.40	938.40	
Lease liabilities	Amortised cost	631.70	631.70	-	-	378.54	378.54	
Other financial liabilities (excluding borrowings)	Amortised cost	166.12	166.12	398.54	398.54	395.46	395.46	
Forward contracts payable	Fair value	-	-	-	-	-	-	Level 2
Total		1,705.50	1,705.50	1,232.15	1,232.15	1,719.90	1,719.90	

* 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 levels:

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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31. Related Party Transactions

Refer to the Company's Annual Report for the year ended March 31, 2021 for the full names and other details of the Company's related parties.

The Company's significant related party transactions during the period ended and outstanding balances as at September 30, 2021, September 30, 2020 and March 31, 2021 are with its related parties with whom the Company generally enters into transactions which are at arms length and in the ordinary course of business.

During the period, the Company has granted loan to ESOP Trust amounting to ₹ 2,000 million. Outstanding balance relating to same was ₹ 1,880 Million as at September 30, 2021. (Corresponding period/ previous year: Nil).

During the period, the Company has paid Share Application Money to Persistent Systems, Inc. amounting to ₹ 2,969.60 million and same is pending for allotment as at September 30, 2021. (Corresponding period/ previous year: Nil).

The Company acquired 100% share capital of CAPIOT Software Private Limited, a company based in India, with effect from October 29, 2020. (Refer note 6)

Klisma e-Services Private Limited ('Klisma'), an Associate Company of the Company has been dissolved w.e.f. August 10, 2021 vide dissolution order passed by the Hon'ble National Company Law Tribunal, Mumbai Bench. Consequently the balances appearing in non-current financial assets, current financial assets, other current financial assets have been written off.

32. 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 September 30, 2021, the pending litigations in respect of direct taxes amount to ₹ 463.61 million (Corresponding period ₹ 220.30 million / Previous year: ₹ 478.79 million) and in respect of indirect taxes amount to ₹ 28.13 million (Corresponding period ₹ 25.94 million / Previous year: ₹ 27.33 million) (excluding the show cause notice received from Commissioner of Service Tax on May 29, 2017 of ₹ 173.78 million (corresponding period/ previous year ₹ 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 (Corresponding period / previous year ₹ 255.52 million) , which have been refunded under protest with interest of ₹ 41.03 million (Corresponding period / previous year ₹ 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. The Company in the previous year 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 the company to seek the incentives. Based on the documents filed with relevant authorities and based on the consultations with subject matter specialists, the Company believes that its position is most likely be upheld on ultimate resolution and accordingly, no provision is necessary to be made against such claims in these condensed interim 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 (Corresponding period/ Previous year: \$10 million). Persistent Systems Ltd. has also given performance guarantee up to \$ 5 million to Citibank USA (Corresponding period/ 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 Condensed Interim Financial Statements**

- 33 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.
- 34 The Company has recognized notional interest on lease liability of ₹ 35.64 million (Corresponding period ₹ 18.43 million / previous year: ₹ 38.09 million) under finance cost as required by Ind AS 116: Leases.
- 35 The Indian Parliament has approved the Code on Social Security, 2020 which would impact the contributions by the company towards Provident Fund and Gratuity. The Ministry of Labour and Employment has released draft rules for the Code on Social Security, 2020 on November 13, 2020, and has invited suggestions from stakeholders which are under active consideration by the Ministry. The Company will assess the impact and its evaluation once the subject rules are notified and will give appropriate impact in its financial statements in the period in which, the Code becomes effective and the related rules to determine the financial impact are published.
- 36 Previous period's / year's figures have been regrouped where necessary to conform with the current year's classification.

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

**SHASHI
TADWALKAR**

Digitally signed by
SHASHI TADWALKAR
Date: 2021.10.26
20:31:52 +05'30'

Shashi Tadwalkar

Partner
Membership No.: 101797

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

Anand Deshpande

Praveen Kadle
Praveen Kadle (Oct 26, 2021 19:08 GMT+5.5)

Sandeep Kalra
Sandeep Kalra (Oct 26, 2021 18:37 GMT+5.5)

Dr. Anand Deshpande
Chairman and Managing
Director
DIN: 00005721

Sandeep Kalra
Executive Director and
Chief Executive Officer
DIN: 02506494

Praveen Kadle
Independent Director
DIN: 00016814

Place: Pune
Date : October 26, 2021

Place: Mumbai
Date : October 26, 2021

Place: Mumbai
Date : October 26, 2021

Sunil Sapre

Sunil Sapre (Oct 26, 2021 18:34 GMT+5.5)

Amit Atre

Amit Atre (Oct 26, 2021 18:32 GMT+5.5)

Sunil Sapre
Executive Director and
Chief Financial Officer
DIN: 06475949

Amit Atre
Company Secretary
Membership No. A20507

Place: Pune
Date : October 26, 2021

Place: Mumbai
Date : October 26, 2021

Place: Pune
Date : October 26, 2021