Persistent Systems Limited

Twentieth Annual Report 2009-10

PERSISTENT

making  a mark

making a mark

A thumbprint is distinctive because no two thumbprints are alike. That is what makes it an interesting and irrefutable representation of a person. Symbolically, therefore, one can think of a thumbprint as the most concise impression of a person, or indeed, a company. Behind each thumbprint lies a story : unique, challenging, rewarding.

We believe that over the past two decades, Persistent Systems has left an indelible mark in the global IT industry and is recognised as a pioneer in the Outsourced Software Product Development (OPD) category.

In this Annual Report, we share this journey with you, so that you too can identify the success saga.

PERSISTENT

Dear Investors,

We are grateful

for your overwhelming response

to our

Initial Public Offering.

Thank you

for the trust reposed in us.

Dr. Anand Deshpande

Chairman and Managing Director

Great Moments, Great Debut : Listing Ceremony at NSE

April 6, 2010

Corporate Information

Board of Directors

- Dr. Anand Deshpande, Chairman and Managing Director
- Mr. S. P. Deshpande, Non-Executive Director
- Mr. Ram Gupta, Independent Director*
- Dr. Promod Haque, Non-Executive Director
- Mr. P. B. Kulkarni, Independent Director
- Prof. Krithivasan Ramamritham, Independent Director

Company Secretary and Head - Legal

- Mr. Vivek Sadhale

Auditors

- M/s. S. R. Batliboi & Co.
- M/s. Joshi Apte & Co.

Bankers

- Bank of India
- Bank of Tokyo-Mitsubishi
- Citibank N. A.
- HDFC Bank Ltd.
- State Bank of India
- Syndicate Bank

Registered Office

'Bhageerath', 402, Senapati Bapat Road,
Pune - 411 016, Maharashtra, India.

Contact Info

- URL : www.persistentsys.com
- Tel : +91 (20) 3024 2000
- Fax : +91 (20) 2567 8901
- E-mail : info@persistent.co.in

C O N T E N T S

*Ceased to be a Director with effect from June 8, 2010

From the Chairman's Desk

This year marks our twentieth year and it is my privilege to share with you our twentieth balance sheet and annual report. From a modest beginning in 1990, we have had an exciting journey of two decades culminating in we being listed on the Indian stock exchanges this year.

With our listing this year, we will start our third decade as a listed company. I take this opportunity to thank all the subscribers to our initial public offering. We were clearly overwhelmed by the response. Our listing has created added responsibility for us to deliver to the expectations of the market and we are well prepared.

As we mark our 20th year of incorporation on May 30, 2010, I am reminded of our journey over the last two decades. 1990-91 was a very difficult year for India and perhaps the most difficult year to start a business. As the first company established in the Software Technology Park in Pune and the first company to have exported software from any STP in India, we were the pioneers in offshore software product development. Those days were very challenging and none of us could have imagined the phenomenal growth we have experienced since.

Over the twenty years, we have been part of the liberalisation of India, the internet revolution, the dot-com boom-bust and revival, the mobile phone revolution and most recently, the financial crisis. Most importantly, we are very proud to have actively contributed to the greatest revolution in India - the software revolution. The phenomenal growth, international visibility and the participation of the young in the software industry has made us proud, and has created the confidence that soon India will be a nation where all our citizens can aspire and achieve their dreams.

We are very confident as we start our third decade. We are well-established as a leader in outsourced product development. We have excellent relationships with our customers, who are the leaders and are shaping the industry. The outsourced software product development market is ready for growth and we are well poised. Persistent Systems has an excellent team that has delivered and continues to be focused and persistent. It is their contribution, their hard work and their sacrifice that has got us here.

During the last eighteen months, as the market was slow, we met with more than 200 CEOs of our customers and discussed possible growth areas with them. It is clear that our customers value our contribution and want us to take on more responsibilities. They want us to become true partners.

We have made new investments in four thrust areas : cloud computing, analytics, enterprise mobility and enterprise collaboration. We believe that these areas will contribute significantly to the future growth of the Company.

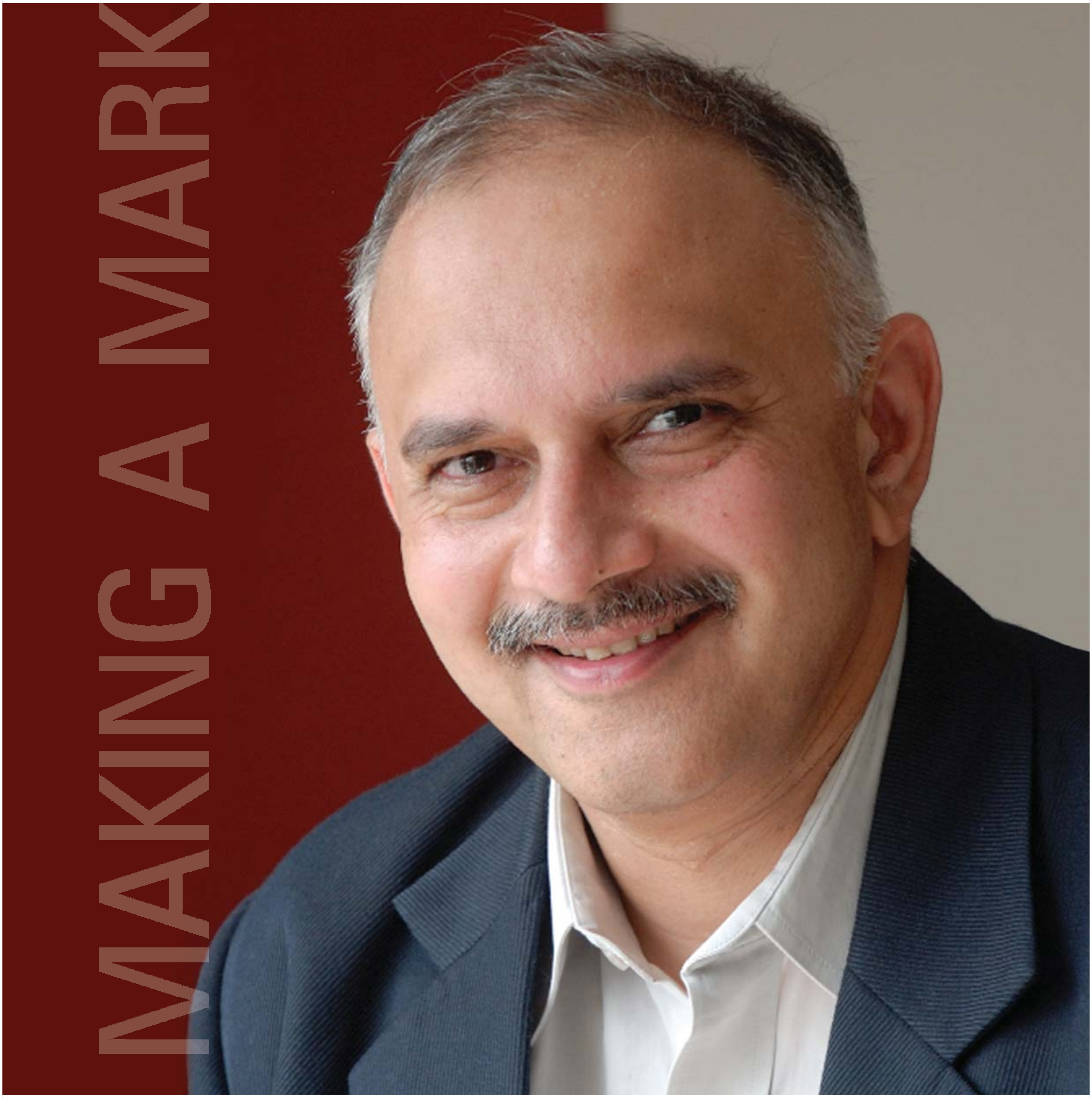
This was the first year of Persistent Foundation. With the support and enthusiasm of our employees, the Foundation has made a mark and will be our vehicle as we make a meaningful contribution to the society we belong to.

Finally, I welcome our new shareholders and thank our existing ones. As we start our 21st year, I am grateful for the continued support of our shareholders, our employees, our customers and our community.

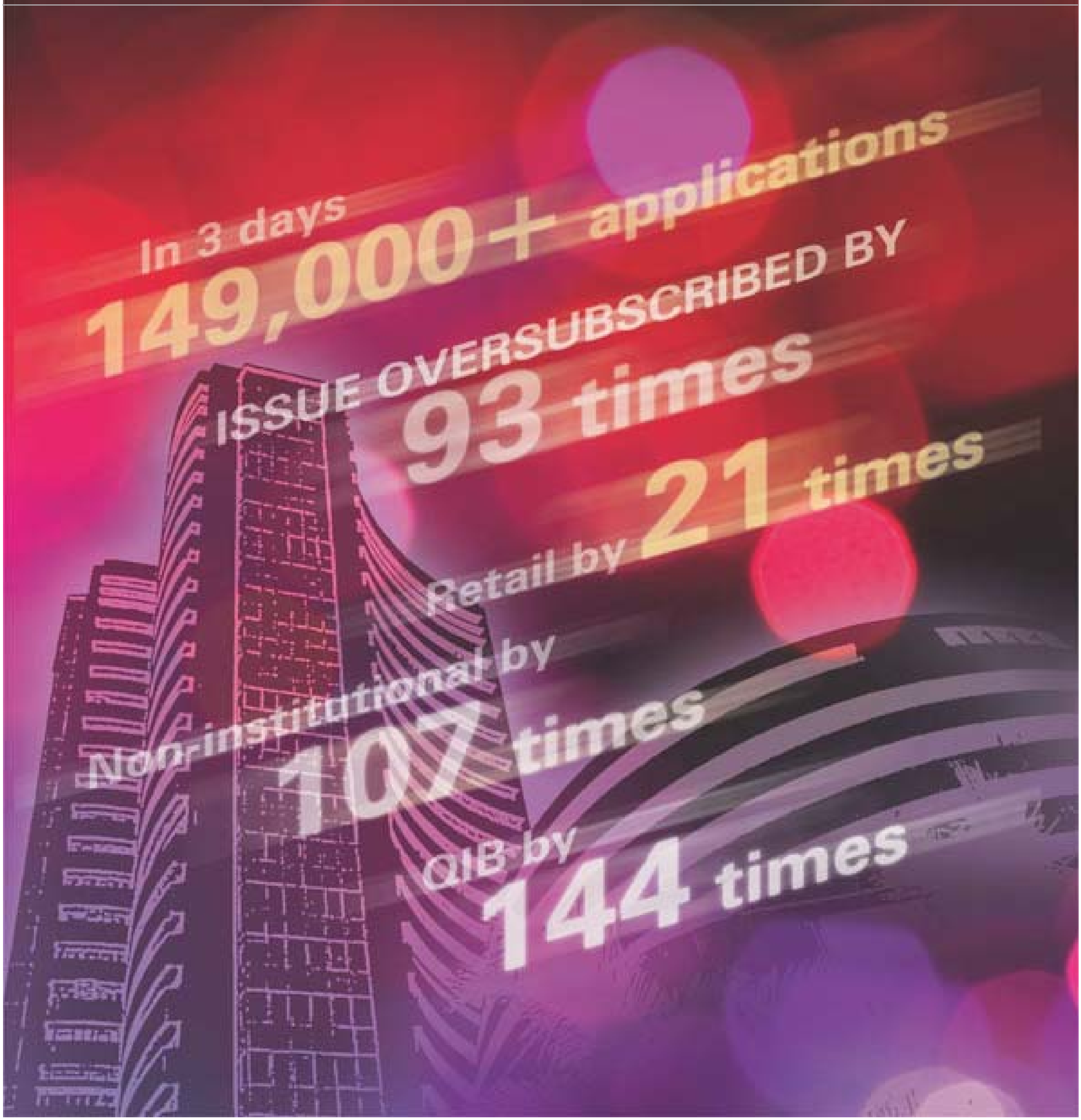
Persistent Systems has been making a mark for the past two decades. We are keen to continue to make a mark as we start our journey in the third decade.

Sincerely,

Anand Deshpande
Founder, Chairman and Managing Director


MAKING A MARK

Response given by the investor community to an Initial Public Offering (IPO) is testimony of the esteem in which they hold a company. If they believe the company has fundamental strengths and potential, they back it. We thank the investor community for their continued support.



PERSISTENT

Record Response !

The IPO of Persistent Systems which was open for subscription between March 17 and March 19, 2010 was oversubscribed by 93 times : by about 144 times in the Qualified Institutional Bidder category, by about 107 times in the Non-Institutional Bidder category and by about 21 times in the Retail Individual Bidder category. No other IPO issued in the last two years in India was oversubscribed by so many times.

Persistent Systems' IPO offered 5,419,706 equity shares of Rs. 10 each. In response, we received over 149,000 applications in all categories together. The scrip, which came to market with an issue price of Rs. 310 a share, not only opened at Rs. 400, but also rallied to Rs. 448, offering 44.52 per cent return on listing in the morning trade at BSE. Within the first hour of trading, about 10 Million shares changed hands. Within two months of being listed, the Company was included in the BSE 500 index.

The Company completed allotment and refund within 12 working days and listing within 18 days, although the Company had been granted 21 days to complete the process. On April 23, 2010, the day marking our first post-IPO board meeting, our ranking, based on market capitalisation on BSE, was at the 14th rank among 32 IT companies, and on NSE, it was 14th among 31 IT companies.

We are elated by your incredible response to the IPO. It demonstrates the faith you have in 'your' Company. Your enthusiastic response has given us the encouragement to do even better.

Excerpts from a post-IPO interview with Dr. Anand Deshpande, CMD

Would it be right to attribute good market response to the IPO to the factor that OPD is still a white space, relatively?

OPD is growing and new versions of software products as well as many disruptive technologies are redefining the market. With cloud computing, collaboration, analytics, etc. there would be some disruptive product development and that would require OPD partners for better, faster and cheaper product development.

How do you plan to use the growth capital being raised?

Mainly Rs. 128 crore would be raised, apart from Rs. 40 crore as secondary shares. The first lot has a well-defined plan. Rs. 76 crore would be pumped into establishing development facilities and completion of Hinjawadi and Nagpur facilities, Rs. 20 crore would go for hardware etc., Rs. 3 crore will go for a SEZ subsidiary, and the rest for general corporate reserves and some issue expenses.

Directors' Profile

Dr. Anand Deshpande
Founder, Chairman and Managing Director

Dr. Anand Deshpande is the founder, Chairman and Managing Director of Persistent Systems Limited. He earned a Bachelor's Degree (Hons.) in Technology in Computer Science and Engineering from the Indian Institute of Technology, Kharagpur in 1984. He earned a Master's Degree in Computer Science in 1986 and a doctorate in Computer Science in 1989, both from the Indiana University, Bloomington, Indiana (USA).

He worked at Hewlett-Packard Laboratories as a member of the technical staff in Palo Alto, California from 1989 to 1990 and has been a member of our Board since he founded our Company in 1990. He is a member of the Association for Computing Machinery, Institute of Electrical and Electronics Engineers, Computer Society of India, Institute of Engineers (India) and the Young Presidents' Organisation.

He was the Chairman of the Pune Zonal Council of the Confederation of Indian Industries. He is currently the Co-chair of the ACM India Council and currently serves on the executive committee of the Mahratta Chamber of Commerce, Industries and Agriculture. He has served on the executive committee of NASSCOM from 2004-2008. He has been the President of the Software Exporters' Association of Pune for 2005-06 and 2006-07 and Chairman of the Pune Chapter of the Computer Society of India for 2003-04 and 2004-05.

He is an active member of the database community and has served as the Industrial Program Committee Chairman for Very Large Data Bases 2007 in Vienna, and was responsible for organising the said conference in Mumbai, in 1996. He also served as the Industrial Program Committee Chairman for the International Conference on Data Engineering, 2005 in Tokyo and was actively involved in organising the 2003 edition of the above conference in Bengaluru, India. He was the Organising Chair of the Conference on Management of Data in 2005 at Goa, India. He was selected as the Technical Chair of the Conference on Database Systems for Advanced Applications held in January 2008, in New Delhi. He was awarded the Career Achievement Award of the School of Informatics at Indiana University, Bloomington in 2009, where he serves on the Dean's Advisory Council.

Married to Sonali, he has two children Ria and Arul.

S. P. Deshpande
Non-Executive Director

Mr. S. P. Deshpande is the founder and Non-Executive Director of Persistent Systems Limited. He earned a Bachelor's Degree in Electrical Engineering from Jabalpur Engineering College, India in 1958.

He joined Bharat Heavy Electricals Limited (BHEL), Bhopal, India as a graduate apprentice in 1958. He worked with BHEL for 23 years. During that period, he worked in a number of product and service departments, specialising in transportation systems and electronic control systems as applicable to transportation, in particular. He worked with Kirloskar Pneumatic Company Limited for a period of eight and a half years. He held important positions in materials division, quality analysis, manufacturing services and research and development. He joined as

Associate Vice President in March 1982 and retired from Kirloskar Pneumatic Company Limited as Vice President in October 1990.

As an Executive Director of the Company since inception of the Company until October 2009, he headed the administrative functions of our Company, which include general administration, human resource, accounts, finance, corporate secretarial, legal and facilities functions. He retired from the day-to-day administration of the Company effective from November 1, 2009 (end of working hours of October 31, 2009) and currently is on the Board of Directors of the Company as a Non-Executive Director. He founded the Software Exporters' Association of Pune in 1998 to foster better interaction among software export units in Pune and help them resolve their problems in operations.

He has been a member of the Board of Directors since the inception of the Company except for the period from April 1991 to October 1991.

Dr. Promod Haque

Non-Executive Director

Dr. Promod Haque is a Non-Executive Director on our Board and was appointed as a Nominee Director for Norwest. Dr. Haque earned a Bachelor's Degree in Science in Electrical Engineering from the University of Delhi, India in 1969. He earned a Doctorate in Electrical Engineering from Northwestern University in 1974 and a Master's Degree in Business and Administration from Northwestern's Kellogg Graduate School of Management in 1976, where he serves on the advisory board.

He has over 19 years of experience in the venture capital industry and currently serves as Managing Partner at Norwest Venture Partners, which he joined in 1990. Prior to joining Norwest Venture Partners, he spent 18 years in various operational roles, ranging from product development to marketing, and as Chief Operating Officer and Chief Executive Officer at various companies which included EMI Medical, Inc., from 1976 to 1981, Emergent Corporation from 1981 to 1983 and Dimensional Medicine, Inc., from 1983 to 1988.

He has been ranked as a top dealmaker on the annual Forbes Midas List from 2002 to 2007, and in 2004, Forbes named him as the number one venture capitalist, based on his performance over the last decade. In 2006, he was presented with a Global Leadership Award from the National Association of Software and Services Companies. He has been a member of our Board since 2005.

P. B. Kulkarni

Independent Director

Mr. P. B. Kulkarni is an Independent Director on our Board. He earned Bachelor's Degrees in Commerce and Arts in 1955 and 1956, respectively, and a Post-Graduate Degree in Commerce from Pune University in 1957. He is also a Certified Associate of the Indian Institute of Bankers and is a fellow of the Economic Development Institute of the World Bank, Washington D.C. He worked with the Reserve Bank of India from 1957 to 1993 in various positions including as an Executive Director.

During this time, he served on deputation with the Asian Development Bank, Manila from 1967 to 1970 as operations officer, the Bangladesh Shilpa Bank intermittently for the period 1974 to 1977 as a consultant, the Myanmar Economic Bank, Yangon from 1978 to 1979 as chief of mission.

He was the Chairman and Managing Director of the Bank of Maharashtra from 1993 to 1995. He has also served as the Chairman of the local advisory board for the Bank of Bahrain & Kuwait, B.S.C from 1997 to 2005. He has been a Director on the boards of the Punjab and Sind Bank, Bank of India and Central Bank of India, and was an alternate Director on the Board of Asian Clearing Union. He has over fifty years of experience in the fields of banking and finance.

He has served as a Chairman of the finance sector sub-committee of the Mahratta Chamber of Commerce, Industries and Agriculture from 1996 to 2003 and is a past member of the editorial board of the journal of the National Institute of Bank Management.

He is a member of the Centre for Advanced Strategic Studies, Pune and the English Speaking Union, Pune. He was a member of the Vision Committee of Pune University. He is the Chief Trustee of the Suparn Charitable Trust and a Founder Trustee of Persistent Foundation. He has been a member of our Board since 2001.

Prof. Krithivasan Ramamritham
Independent Director

Prof. Krithivasan Ramamritham is an Independent Director on our Board. Prof. Ramamritham earned a Bachelor's Degree in Technology in Electrical Engineering from the Indian Institute of Technology, Madras in 1976, a Master's Degree in Technology in Computer Science from the Indian Institute of Technology, Madras in 1978 and a Doctorate in Computer Science from the University of Utah in 1981. He was the Dean of Research and Development at the Indian Institute of Technology, Bombay from 2006 to 2009 and holds the Vijay and Sita Vashee Chair in its computer science department. He was a professor at the University of Massachusetts from 1981 to 2001. He has been a visiting fellow at the Science and Engineering Research Council, UK from September 1987 to June 1988 at the University of Newcastle-upon-Tyne, UK and has also held visiting positions at the Technical University of Vienna, Austria from June 1988 to August 1988, and at the Indian Institute of Technology, Madras from September 1987 to June 1988.

He is a fellow of the Association for Computing Machinery and the Institute of Electrical and Electronics Engineers. He is a member of the board of the Very Large Databases Foundation, and is an advisory board member to TTTech Computertechnik AG, Vienna, Austria, Microsoft Research India, Bengaluru, India, the Technology Board of Tata Consultancy Services Limited. He is a member of the Advisory Council of the Indian Institute of Information Technology, Hyderabad and Association for Computing Machinery Special Interest Group on Management of Data, New York, USA (ACM Sigmod).

He received the Distinguished Alumnus Award from the Indian Institute of Technology, Madras in 2006 and has received the Doctor of Science (Honoris Causa) from the University of Sydney, Australia in May 2007. He has been a member of our Board since 2001.

Awards and Achievements*

2010

- Won Samsung India Software Operations (SISO) as 'Most Preferred Outsourcing Business Partner' award for the year 2009.
- Won the Institute of Chartered Accountants of India (ICAI) 'Award for excellence in financial reporting' for the Annual Report 2008-09.
- 'Bhageerath', our registered office at Pune, was ranked amongst 25 other buildings all over India by the Bureau of Energy Efficiency (Government of India) in 2009, and awarded a 2-star rating for being 'most efficient in energy efficiency'.
- Featured in the Deloitte Technology Fast 500 Asia Pacific 2009 Ranking.

2009

- Won the NASSCOM Innovation Award for 2008, in the 'Market Facing - Business Process and Business Model' category.
- Won the Institute of Chartered Accountants of India (ICAI) 'Award for excellence in financial reporting' for the Annual Report 2007-08.
- Ranked 9th on Fast Company's Fast 50 Readers Favorites of 2008 in the companies using 'business as a force of positive change and helping its customers'.
- Ranked as a Top Twelve IT Outsourcing Vendor of manufacturing and supply chain services to the life sciences market.

2008

- Ranked 40th as per total income, in Dun and Bradstreet's India's Top IT Companies.

2007

- Received Maharashtra Information Technology Award for the year 2007 in IT Enterprise (Special Awards) category from the Government of Maharashtra for our Nagpur unit.
- Featured in the Deloitte Technology Fast 500 Asia Pacific 2007 Ranking.
- Winner of the 'Red Herring 100 Global' award 2007.
- Won Market Growth Strategy Award for OPD Market for the FY 2007 for Mid-market.
- Ranked 84th in 'Electronics For You Top 100 Companies' based on revenue.

2006

- Ranked 37th among the top 50 fastest growing Indian technology companies by Deloitte Touché, Asia Pacific, 2006.
- Featured in the Deloitte Technology Fast 500 Asia Pacific 2006 Ranking.

2005

- Ranked as the 22nd fastest growing Indian technology company as per 'Technology Fast 500 Asia Pacific Ranking and CEO Survey 2005 Report' by Deloitte.

2004

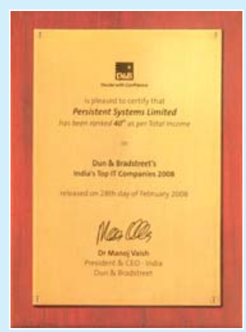
- Ranked as the 11th fastest growing Indian company in the 'Technology Fast 500 Asia Pacific 2004 Winner Report' of Deloitte.

*Select Awards and Achievements.

'Most Preferred Outsourcing Business Partner' Award from SISO

NASSCOM Innovation Award

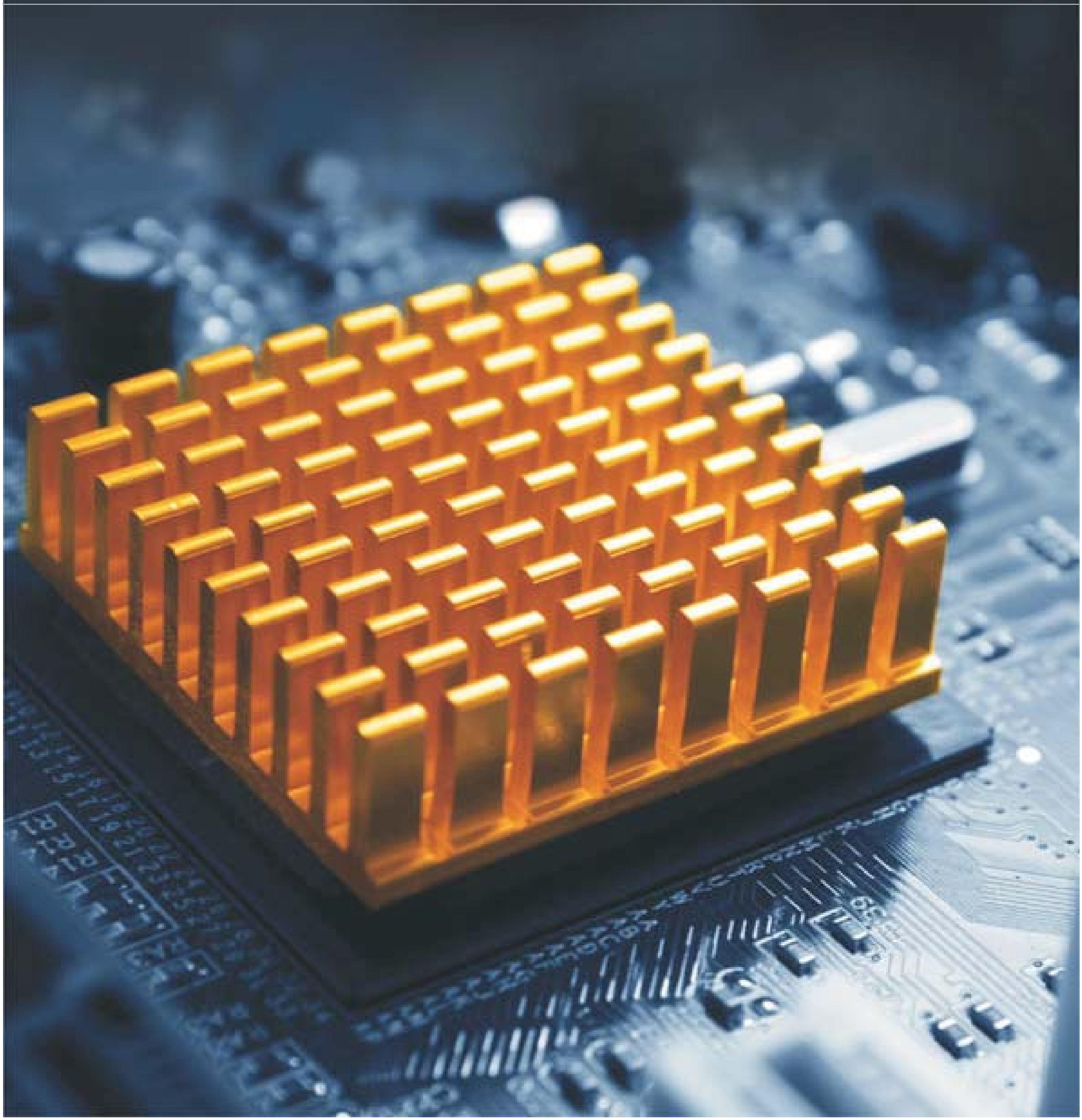
ICAI Award for Excellence in Financial Reporting



Dun and Bradstreet's India's Top IT Companies Certification

'Deloitte Technology Fast 500 Asia Pacific 2007' Certification

In 1991, one year after Persistent Systems got incorporated, the Company started its operations in a 300 sq. ft. leased office space. Today, the Company has four fully-owned state-of-the-art premises at Pune, and several more in different parts of India and the world; and the tradition continues. Going from strength to strength, Persistent Systems is building additional facilities in Nagpur and in the IT park at Hinjawadi, Pune.



Solid Foundation

In some way, our infrastructural expansion is doubtless a reflection of our growth. But more importantly, it is a measure of the value we place on creating state-of-the-art infrastructure and laying a solid foundation. At Persistent Systems, we put great emphasis on creating good working conditions and efficient work spaces for our personnel. The result is high efficiency, timely delivery and an atmosphere of cheerful bonhomie.

'Panini' (1999) is located on Senapati Bapat Road in Pune. The same road also houses 'Bhageerath' (2001), our registered office and 'Kapilvastu' (1995), our first owned premises. 'Aryabhata-Pingala' (2006) are the modern twin towers dotting the Pune skyline. Our choice of names for these buildings is our way of paying homage to great ancient scholars.

To cite just two examples : Panini, the great Sanskrit grammarian is credited with having derived a comprehensive and scientific theory of phonetics, phonology, and morphology. Aryabhata was the great astronomer whose masterpiece the 'Aryabhatiya' covers arithmetic, algebra, plane trigonometry and spherical trigonometry.

The latest expansion in our state-of-the-art infrastructure is happening at Hinjawadi (Pune) and Parsodi (Nagpur). Together, all these structures will provide a seating capacity for more than 8,000 persons.

How we acquired our first premises

An interesting story shared by Dr. Anand Deshpande, CMD, Persistent Systems Limited

"In March 1990, the Department of Electronics (DoE), Government of India, decided to set up Software and Technology Parks (STP). The STP scheme had promised to simplify import / export processes for the software industry, and hence it was important for us to be there. Though we were promised space, it had still not been sanctioned till 1991. A year had passed!

"Waiting endlessly, I finally got very frustrated, and on Sunday, March 10, 1991, I wrote a letter to Mr. N. Vittal, Secretary, DoE. He must have received it on Tuesday. Imagine my surprise when, that very same evening, we actually heard from a Senior Director at DoE asking us for details. I was invited to Bhosari on Friday afternoon to collect the keys."

Pune was the first city in the country to be awarded space for an STP, and Persistent Systems was the first IT company to actually begin operations there.

Historical Financials (Based on consolidated figures)

Balance Sheet

(In Rs. Million)

Particulars	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
Share Capital	400.00	358.61	358.61	102.45	102.43	89.33
Stock Options Outstanding	32.02	20.73	5.89	-	37.63	27.74
Reserves & Surplus	5,957.90	3,568.60	2,927.11	2,414.27	1,950.02	922.56
Secured loans	-	-	-	-	-	211.24
Deferred payment liabilities	45.11	-	-	-	-	-
Deferred tax liabilities	-	-	2.55	0.57	6.14	4.04
	6,435.03	3,947.94	3,294.16	2,517.29	2,096.22	1,254.91
Fixed Assets (Net Book Value)	2,318.39	2,177.26	1,973.26	1,744.95	1,458.14	785.40
Investments	1,561.73	880.12	691.71	246.91	115.22	101.38
Deferred Tax Assets	6.82	20.47	-	-	-	-
Net Current Assets	2,548.09	870.09	629.19	525.43	522.86	368.13
	6,435.03	3,947.94	3,294.16	2,517.29	2,096.22	1,254.91

Profit And Loss Account

(In Rs. Million)

Particulars	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
Income						
Revenue	6,011.56	5,938.31	4,248.50	3,156.28	2,164.89	1,468.67
Other Income	112.33	68.16	256.16	20.60	23.16	19.75
Total	6,123.89	6,006.47	4,504.66	3,176.88	2,188.05	1,488.42
Personnel expenses	3,687.42	3,324.25	2,711.45	1,743.37	1,167.76	747.78
Operating and other expenses	860.49	1,700.15	624.05	607.24	416.47	272.38
Operating Profit (PBIDT)	1,575.98	982.07	1,169.16	826.27	603.82	468.26
Interest	-	-	-	1.12	8.95	0.47
Depreciation & amortization	335.24	296.77	279.99	269.92	187.08	124.91
Provision for taxation	90.50	9.65	22.25	18.19	8.60	1.64
PAT from ordinary activities	1,150.24	675.65	866.92	537.04	399.19	341.24
Exceptional / prior period items	-	(14.73)	(35.18)	18.13	(8.50)	(7.87)
Profit after exceptional and prior period items	1,150.24	660.92	831.74	555.17	390.69	333.37
Dividend (including tax on dividend)	114.57	41.95	50.34	35.04	25.35	19.61

Balance Sheet (Ratios)

Particulars	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
Debt-equity ratio (%)	-	-	-	-	-	20.32
Debtors revenue (days)	82.77	63.57	64.00	60.47	65.21	71.22
Current ratio	2.49	1.95	1.87	2.22	3.64	3.29
Cash and cash equivalents* / Total assets (%)	42.72	21.32	20.04	12.18	6.74	11.43
Cash and cash equivalents* / Total revenue (%)	57.88	17.45	18.94	11.38	7.14	11.02

Profit and Loss Account (Ratios)

Particulars	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
Personnel expenses / Total revenue (%)	60.21	55.34	60.19	54.88	53.37	50.24
Operating and other expenses / Total revenue (%)	14.05	28.31	13.85	19.11	19.03	18.30
Operating Profit (PBIDT) / Total revenue (%)	25.73	16.35	25.95	26.01	27.60	31.46
Interest / Total revenue (%)	-	-	-	0.04	0.41	0.03
Depreciation and amortization / Total revenue (%)	5.47	4.94	6.22	8.50	8.55	8.39
Tax / Total revenue (%)	1.48	0.16	0.49	0.57	0.39	0.11
PAT from ordinary activities / Total revenue (%)	18.78	11.25	19.24	16.90	18.24	22.93
ROCE (%)	18.00	17.11	26.34	21.34	19.10	32.82

*Cash & cash equivalents includes cash & bank balances, deposits with bank & investment in mutual funds.

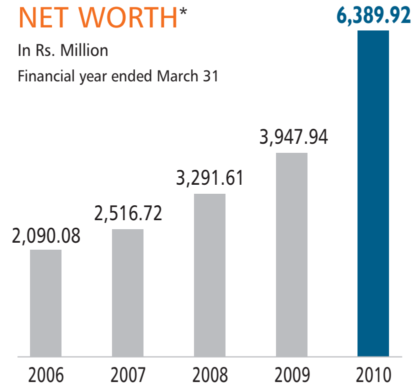
Highlights

(Based on consolidated figures)

NET WORTH*

In Rs. Million

Financial year ended March 31

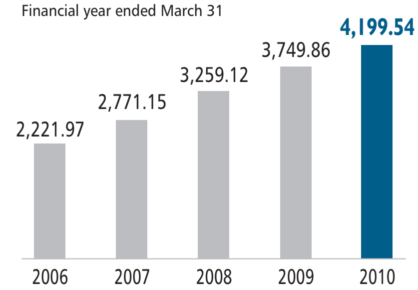


FIXED ASSETS

(Gross block, including Capital work-in-progress)

In Rs. Million

Financial year ended March 31

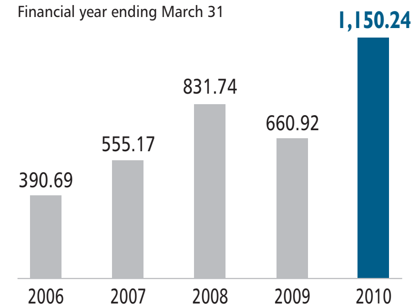


PROFIT AFTER TAX

(After extraordinary items)

In Rs. Million

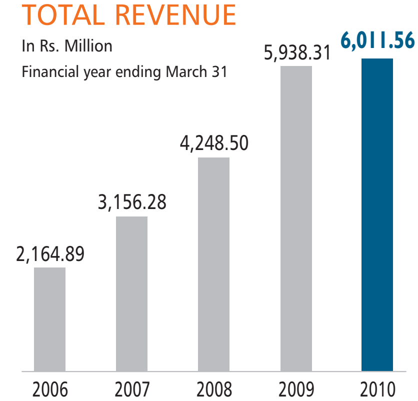
Financial year ending March 31



TOTAL REVENUE

In Rs. Million

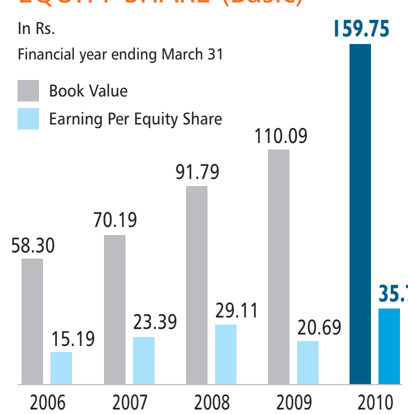
Financial year ending March 31



BOOK VALUE#* & EARNING PER EQUITY SHARE (Basic)#⅄

In Rs.

Financial year ending March 31

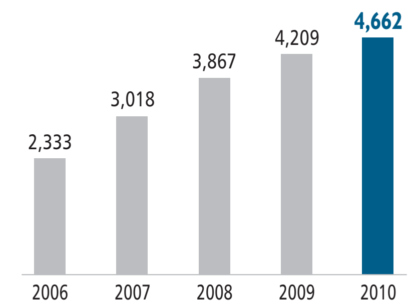


HUMAN RESOURCE STRENGTH

(Including trainees and associates)

Numbers

Financial year ended March 31

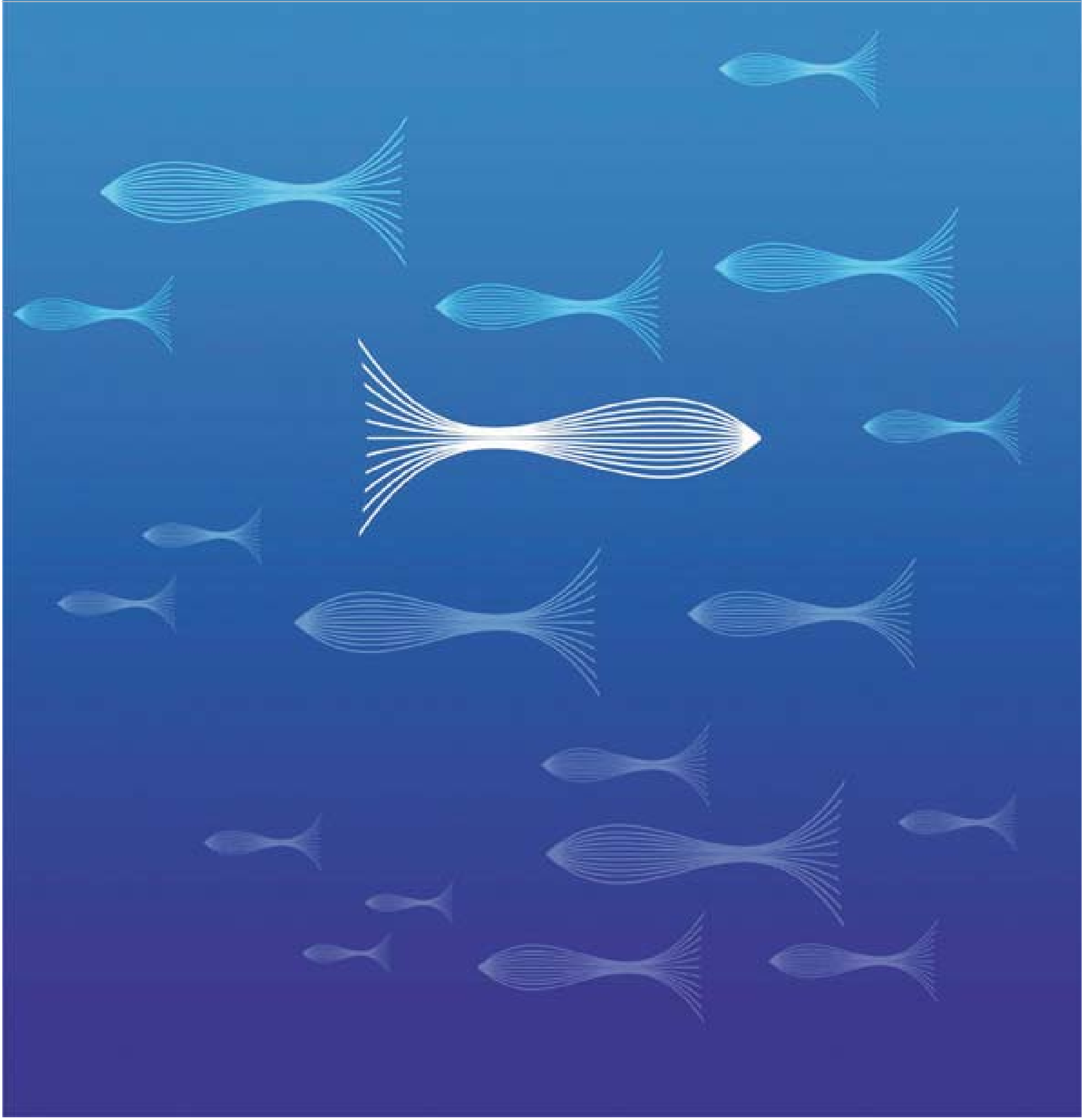


*Equity Share Capital, Reserves and Surplus (including hedge reserve) and Stock Options Outstanding are considered for the purpose of computing Net Worth and Book Value per share.

#Adjusted effective 2005, to issue of bonus shares and conversion of preference shares into equity shares in 2008.

⅄ Basic EPS is computed after including exceptional and prior period items.

Outsourced Software Product Development (OPD) is different from IT services. Unlike a typical IT services project, where requirements are fixed while time and money are variable, a software product development project starts with fixed time and money, thus leaving requirements as the only variable. Essentially, the product development team's task is to produce the best set of requirements within a fixed time and budget. Persistent Systems has emerged as a leader in the OPD segment - a segment which is fast growing.



Distinct Path

3,000 plus product releases in the last five years and around 300 customers, of which about 37 companies have USD 1Bn+ revenue. That is Persistent Systems' creditable achievement. Persistent Systems is a clear leader in the world of OPD, an emerging category in the outsourced software industry. Ever since its incorporation in 1990, the Company has been a pioneer on a road less traveled.

In response to the recent global crisis, when some of the customers were cash-strapped and uncertain, the Company came up with an innovative approach : partner with customers to invest in product development, share risks with the customer, co-own the intellectual property, share profits from product sales. Another imaginative involvement has been to act as an integrator, by introducing little-known start-ups who have some niche competence to the world's leading software and other companies, and vouching for their ability to deliver.

Persistent Systems' core competence in very large database warehousing was a logical extension of the work its founder, Anand Deshpande, did for his PhD between 1984-1989 at the Indiana University, focusing on nested rational databases, followed by his eighteen-month stint with Hewlett-Packard.

Persistent Systems got its first major break in 1992, in the form of a small Microsoft project to migrate graphics libraries from 16 bit assembly to 32 bit. It proved a turning point. Thereafter, whenever someone asked about its offshore capability, the Company showed them the letter from Microsoft commending it. From then on, the revenue graph only moved upward.

OPD and outsourced IT services : the difference

How is OPD different from outsourced IT services is an oft asked question. In IT services, projects start with well-defined requirements, and vendors use time and money as variables to arrive at a reasonable cost estimate for the project. After completion, the project goes into maintenance mode.

In product development, requirements are less clearly defined. Instead, most product developers are given ship-dates for the product that are typically determined by external factors. Once the ship-dates are identified, the budgets for the product are frozen. In product development projects, all requirements can never be completely fulfilled in a particular version. As a result, most product companies plan multiple product versions for their product. Every team member must contribute not only to building features for the current release but must also contribute enhancements and provide feedback for future releases of the product.

Milestones

1990-91

- Incorporated on May 30, 1990.
- Started operations in Software Technology Park, Pune.

1992-93

Declared maiden dividend and consistently paying dividend since then.

1993-94

Annual turnover crossed Rs. 5 Million.

1994-95

'Kapilvastu', the first owned development center of the Company became operational.

1995-96

Annual turnover crossed Rs. 10 Million.

1998-99

- Started operations at 'Panini', owned premises at Pune, India.
- Human resource strength crossed 100 mark.

1999-00

Annual turnover crossed Rs. 100 Million.

- Introduced employees stock option plan.

2000-01

- Investment by Intel 64 Fund LLC, a venture capital fund.
- Formed 'Persistent eBusniess Solutions Private Limited', a virtually 100% subsidiary in India.

2001-02

- Started operations at 'Bhageerath', state-of-the-art owned premises at Pune, India.
- Formed 'Persistent Systems, Inc.', a wholly-owned subsidiary in U.S.A.
- Appointed Independent Directors on the Board.

2002-03

Annual consolidated turnover crossed Rs. 500 Million.

- Human resource strength of the Group crossed 500 mark.

2003-04

- Development center at Nagpur, India became operational.
- Set up a branch office at Edinburgh, Scotland, UK.

2004-05

Annual consolidated turnover crossed Rs. 1,000 Million.

- Set up a branch office at Tokyo, Japan.
- Human resource strength of the Group crossed 1,000 mark.

2005-06

Annual consolidated turnover crossed Rs. 2,000 Million.

- Started operations at 'Pingala-Aryabhata', new owned premises at Pune, India.
- Human resource strength crossed 2,000 mark.
- Acquired Goa-based ControlNet (India) Private Limited.
- Joint investment by Norwest Venture Partners (NVP) and Gabriel Venture Partners (GVP).

2006-07

Annual consolidated turnover crossed Rs. 3,000 Million.

- Human resource strength of the Group crossed 3,000 mark.

2007-08

Annual consolidated turnover crossed Rs. 4,000 Million.

- Development centre at IT Park, Hinjawadi, Pune, India became operational.
- Converted into a public limited company.
- Formed 'Persistent Systems Pte. Ltd.', a wholly-owned subsidiary, in Singapore.
- Opened a branch office at Rotterdam, The Netherlands.
- Set up branch offices at Ottawa and Vancouver, Canada.
- Acquired certain assets of Metrikus (India) Private Limited, Hyderabad, India.
- Set up a branch office at Hyderabad.
- Received BS27001 Security ISO Certification.

2008-09

Annual consolidated turnover crossed Rs. 5,000 Million.

- Formed Persistent Systems and Solutions Limited, a wholly-owned subsidiary in India.
- Set up a branch office at Quebec, Canada.
- Formed a public charitable trust, 'Persistent Foundation' to institutionalise our corporate social responsibility initiative.
- Human resource strength of the Group crossed 4,000 mark.

2009-10

Annual consolidated turnover crossed Rs. 6,000 Million.

Completed Initial Public Offering.

- Acquired certain assets of Paxonix, Inc., a subsidiary of MeadWestvaco Corporation through 'Persistent Systems, Inc.', a wholly-owned subsidiary of the Company.
- Received ISO 9001:2008 Certification for software product design, development, testing, enhancement and support including enabling functions.
- Legal, Corporate Secretarial and Investor Relations Department are recommended for ISO 9001:2008 Certification.

Report of the Directors

Your Directors are pleased to present the Twentieth Annual Report of your Company along with the audited statement of accounts for the financial year ended March 31, 2010.

Initial public offering (IPO) of your Company

Initial Public Offer (IPO) was the most significant achievement of the financial year 2009-10. The IPO comprised of 5,419,706 equity shares of Rs. 10 each for cash consisting of a fresh issue of 4,139,000 equity shares and an offer for sale of 1,280,706 equity shares by the selling shareholders. The issue opened from March 17, 2010 to March 19, 2010 at a price band of Rs. 290 to Rs. 310 per Equity Share. The IPO was subscribed 93.58 times of the Issue size. It was a record subscription in last 26 months in the Indian capital market. The allotment of 4,139,000 Equity Shares and the transfer of 1,280,706 Equity Shares was made on March 30, 2010 at Rs. 310 per share, the upper end of the price band. The Equity Shares were listed on the National Stock Exchange of India Limited and the Bombay Stock Exchange Limited on April 6, 2010.

Your Board would like to record its sincere thanks to the investors for the overwhelming response to the IPO of your Company.

Business overview

The business during the initial parts of the financial year 2009-10 was very challenging. After two quarters with negative growth to close the financial year 2008-09, the year began in April 2009 with market uncertainties. Due to the difficult and challenging business situation, many customers of your Company had reduced their budgets and your Company had to provide discounts to help customers during their difficult period. During this period, the senior executives of your management team met with more than 200 CEOs and used the opportunity to validate business model of your Company and to explore possible challenges that customers of your Company would like to address. Gesture of the Senior Executives of your Company of helping customers during the difficult period will strengthen the relationships with customers. After two difficult quarters, the business improved during the second half of the year.

After having interacted with the customers of your Company, the management team is convinced that your Company must continue to focus on outsourced software product development. During the last two years, your Company has invested in developing business in four thrust areas - Cloud Computing, Analytics, Enterprise Collaboration and Enterprise Mobility.

Due to adverse conditions in the global financial markets, the consolidated revenue in USD terms was flat at USD 127.31 Million during the year, in comparison with USD 127.84 Million in the previous year. However, in Rupee terms, it has gone up from Rs. 5,938.31 Million in financial year 2008-09 to Rs. 6,011.56 Million in financial year 2009-10.

Your Company continues to invest in the sales team and has staffed the team with experienced people during the year to ensure that your Company's focus on exports continues. During the year under report, your Company has expanded its activities in Europe and Canada.

Your Directors continued to focus on margin costs and improving operational parameters. Even in this challenging year, your Company continues to be debt free with a cash and cash equivalents (including investments in mutual funds) of Rs. 3,333.60 Million as at March 31, 2010.

Financial results

During the financial year 2009-10, your Company recorded small growth in revenue in Rupee terms, on a consolidated basis, despite challenging business environment for most part of the year under report. The growth, albeit small, was able to allow the Company to maintain the track record of year-on-year growth for the 20th successive year.

The total income of your Company amounted to Rs. 5,161.14 Million (USD 109.30 Million) registering a marginal drop of 2% over the previous year (in Rupee terms). The net profit after tax and extra ordinary items grew to Rs. 1,170.52 Million (USD 24.79 Million), a growth of 100% over the previous year (in Rupee terms).

The highlights of the financial performance for the year ended March 31, 2010 are as under

Particulars	(Amount in USD Million except EPS and Book Value) 2009-10	2008-09	(Amount in Rs. Million except EPS and Book Value) 2009-10	2008-09	% Change
Total income	109.30	113.47	5,161.14	5,270.68	(2)
Profit before interest, depreciation and taxes	33.16	19.53	1,565.63	907.05	73
Depreciation	6.88	6.34	324.95	294.72	10
Provision for income tax	1.49	0.25	70.16	11.56	507
Net profit for the year before exceptional and prior period items	24.79	12.94	1,170.52	600.77	95
Net profit for the year after exceptional and prior period items	24.79	12.62	1,170.52	586.04	100
Transfer to general reserve	9.92	5.05	468.20	234.40	100
Net worth*	143.03	77.85	6,423.58	3,946.77	63
Earnings per share (basic) (EPS)					
after exceptional and prior period items	0.77	0.39	36.37	18.34	98
before exceptional and prior period items	0.77	0.40	36.37	18.80	93
Earnings per share (diluted) (EPS)					
after exceptional and prior period items	0.69	0.35	32.62	16.34	100
before exceptional and prior period items	0.69	0.36	32.62	16.75	95
Book value per equity share	3.40	2.37	160.59	110.06	46

[Conversion Rate USD 1 = Rs. 47.22 for Profit and Loss items; USD 1 = Rs. 44.91 for Balance Sheet items (financial year 2009-10) and USD 1 = Rs. 46.45 for Profit and Loss items; USD 1 = Rs. 50.70 for Balance Sheet items (financial year 2008-09)]

*Networth means Equity Share Capital + Reserves and Surplus (including Hedge reserve) + Stock options outstanding.

On a consolidated basis, the total revenue of your Company and its subsidiaries amounted to Rs. 6,011.56 Million (USD 127.31 Million) [previous year Rs. 5,938.31 Million (USD 127.84 Million)] and the net profit after tax and exceptional items amounted to Rs. 1,150.24 Million (USD 24.36 Million) [previous year Rs. 660.92 Million (USD 14.24 Million)].

Liquidity

Your Company continues to be a debt free company and maintains sufficient cash to meet your Company's strategic objectives. Your Company has ensured a balance between earning adequate returns on liquid assets and the need to cover financial and business risks. As at March 31, 2010, your Company had cash and cash equivalents amounting to Rs. 3,333.60 Million as against Rs. 940.02 Million as at March 31, 2009, which include investments in liquid mutual funds of Rs. 1,561.73 Million as against Rs. 871.09 Million as at March 31, 2009.

Dividend

The Board of Directors recommended that as a policy, the dividend payout ratio be maintained in the range of 10% to 30% of the consolidated net profit after tax.

Your Directors declared Interim Dividend twice during the financial year 2009-10. First Interim Dividend was declared in November 2009 at Re. 0.50 per share on the paid up equity share capital. Your Directors declared second interim dividend in April 2010 at Rs. 1.50 per share on the paid up share capital. The total interim dividend declared by your Directors for the financial year 2009-10 was Rs. 2.00 per share amounting to Rs. 77.93 Million and dividend tax paid was Rs. 13.24 Million. Total outflow on account of interim dividend payout including dividend tax was Rs. 91.17 Million out of the net profits of your Company during the year under report.

Your Directors recommend a final dividend of Re. 0.50 per share for the financial year 2009-10. The tax on final dividend provided in books is Rs. 3.40 Million. The payment of final dividend of Re. 0.50 per share is subject to the approval of the shareholders. Thus, including the proposed final dividend, the total dividend recommended for the financial year 2009-10 would be Rs. 2.50 per share [previous year Re. 1 per share]. Out of the second interim dividend declared in April 2010, Rs. 165,700.50 was remained unpaid as on June 4, 2010.

Employee stock option plans

Your Company has various stock option plans for its employees. Details of the stock options granted under various employee stock option schemes are annexed to this Report as Annexure A.

No employee has been granted stock options, during the year under review, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.

In line with the guidance note on "Accounting for employee share based payments" issued by the Institute of Chartered Accountants of India and the SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999 issued by the Securities and Exchange Board of India, your Company has calculated the employee compensation cost using the intrinsic value of stock options. Had compensation been determined under the fair value approach described in the guidance note, the Company's net income and basic and diluted earnings per share would have reduced to the proforma amounts as under

(In Rs. Million)

Particulars	March 31, 2010	March 31, 2009
Profit after tax and exceptional items as reported	1,170.52	586.04
Add: Employee stock compensation under intrinsic value method	19.45	14.83
Less: Employee stock compensation under fair value method	(36.06)	(44.08)
Proforma profit	1,153.91	556.79
Earnings Per Share		
Basic		
- As reported	36.37	18.34
- Proforma	35.85	17.43
Diluted		
- As reported	32.62	16.34
- Proforma	32.16	15.53

Weighted average exercise prices and weighted average fair values of options

The weighted average fair value of stock options granted during the year was Rs. 48.93. The Binomial tree valuation model has been used for computing the weighted average fair value considering the following inputs

	March 31, 2010	
Particulars	Scheme IV and VII	Scheme IX
Weighted average share price (Rs.)	129.50	137.05
Exercise price (Rs.)	122.24	109.48
Expected volatility	61.52%	61.52%
Historical volatility	31.52% - 61.52%	31.52% - 61.52%
Life of the options granted (vesting and exercise period)	14-15 years	12.50-15 years
Dividend yield	1.64	1.64
Average risk-free interest rate	5.90%	5.90%
Expected dividend rate	58.00%	58.00%

Shares held by Independent Directors of the Company as on March 31, 2010 are as under

Name of the Director	No. of Shares held
Mr. Ram Gupta#	NIL
Mr. P. B. Kulkarni	10,800 (*)
Prof. Krithivasan Ramamritham	10,500 (**)

Ceased to be a Director with effect from June 8, 2010

(*) Out of these shares, 7,300 shares are held jointly with Mrs. Sudha Prabhakar Kulkarni

(**) Out of these shares, 7,000 shares are held jointly with Mrs. Saraswathi Krithivasan

During the year under review, pursuant to the resolutions passed by the Compensation Committee of the Board of Directors by way of circulation, 699 employees, including ex-employees and Independent Directors of your Company exercised their stock options for shares that were already vested in the month of February 2010. During this exercise, 2,200,984 (Twenty Two Lakh Nine Hundred and Eighty Four) Equity shares were transferred from PSPL ESOP Management Trust to the eligible employees, ex-employees and Independent Directors at an aggregate value of Rs. 103.64 Million under various ESOP Schemes of the Company.

Your Company has nine ESOP Schemes under which shares were granted to various permanent employees Independent Directors and the employees of its Subsidiary Companies, details of which are given elsewhere in this Annual Report.

Subsidiary companies

As on March 31, 2010, your Company has four subsidiaries all of which are wholly owned subsidiaries viz. Persistent eBusiness Solutions Limited, India, Persistent Systems, Inc., USA, Persistent Systems Pte. Ltd., Singapore and Persistent Systems and Solutions Limited, India.

Persistent eBusiness Solutions Limited

Persistent eBusiness Solutions Limited (PeBS) is an India based wholly owned subsidiary of your Company formed in May 2000. PeBS was formed mainly to provide software development, consultancy and system integration services to India based customers.

During the financial year 2009-10, PeBS recorded a total income of Rs. 63.79 Million (USD 1.35 Million) [previous year Rs. 85.09 Million (USD 1.83 Million)] and a net profit of Rs. 1.67 Million (USD 0.04 Million) [previous year Rs. 4.53 Million (USD 0.10 Million)].

Persistent Systems, Inc.

Persistent Systems, Inc., (PSI) is a California C-Corp., a US based wholly owned subsidiary of your Company formed in October 2001. PSI is engaged in providing services to the US based customers.

During the financial year 2009-10, PSI recorded a total income of Rs. 1,621.54 Million (USD 34.34 Million) [previous year Rs. 1,226.17 Million (USD 26.40 Million)] and a net loss of Rs. 18.98 Million (USD 0.40 Million) [previous year net profit of Rs. 61.65 Million (USD 1.33 Million)].

Persistent Systems Pte. Ltd.

Persistent Systems Pte. Ltd. (Co. Reg. No. 200706736G) is a Singapore based wholly owned subsidiary of your Company formed in April 2007. Persistent Systems Pte. Ltd., was primarily formed to concentrate on the business opportunities in ASEAN region.

During the financial year 2009-10, Persistent Systems Pte. Ltd., recorded a total income of Rs. 0.98 Million (USD 0.02 Million) [previous year Rs. 2.56 Million (USD 0.06 Million)] and a net loss of Rs. 9.98 Million (USD 0.21 Million) [previous year net profit of Rs. 0.39 Million (USD 0.01 Million)].

Persistent Systems and Solutions Limited

Persistent Systems and Solutions Limited (PSSL) is an India based wholly owned subsidiary of your Company formed in May 2008. PSSL was formed mainly to provide software development services as a unit in SEZ.

During the financial year 2009-10, PSSL recorded a total income of Rs. 66.96 Million (USD 1.42 Million) [previous year Rs. 35.25 Million (USD 0.76 Million)] and a net profit of Rs. 7.04 Million (USD 0.15 Million) [previous year Rs. 8.33 Million (USD 0.18 Million)].

Consolidated financial statements

Consolidated financial statements of your Company and its subsidiaries as at March 31, 2010 are prepared in accordance with the Accounting Standard 21 (AS – 21) on 'Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India, and form part of this Annual Report.

Particulars required as per section 212 of the Companies Act, 1956

As per Section 212 of the Companies Act, 1956, your Company is required to attach the Directors' Report, Auditors' Report, Balance Sheet, Profit and Loss Account, Schedules to Accounts and Notes to Accounts of subsidiaries of your Company along with the Balance Sheet of your Company. Your Directors believe that the consolidated financial statements present a more comprehensive picture as compared to standalone financial statements. Your Company, therefore, applied to the Ministry of Corporate Affairs, Government of India for an exemption from such attachment as your Company presents the audited consolidated financial statements in the Annual Report.

The Ministry of Corporate Affairs, Government of India, vide its letter No. 47 / 13 / 2010–CL–III dated March 26, 2010 granted an exemption to your Company from attaching full financial statements of its four subsidiaries under Section 212 of the Companies Act, 1956.

Accordingly, the Annual Report does not contain full financial statements of the subsidiary companies. Your Company will make available the audited annual accounts and related information of subsidiary companies, upon request by any shareholder of your Company. These documents will also be available for inspection during the business hours at the registered office of your Company and the respective subsidiary companies. A statement showing financial highlights of the subsidiary companies is attached to the consolidated financial statements.

Key recruitments

In order to be aligned with the market demands and to help grow the business of your Company, the Company effected the following organizational changes at senior level with effect from April 1, 2010

1. Dr. Srikanth Sundararajan, previously Chief Operating Officer and based out of Pune, will now lead the key account managers for relationships with strategic customers. In addition, he will track technology and will be responsible for potential strategic acquisition activities that the Company would consider in future. He will be based in New York, USA.

2. Mr. Nitin Kulkarni, previously Executive Vice President – Operations, has taken over as the Chief Operating Officer of your Company in place of Dr. Srikanth Sundararajan.

3. Mr. T. M. Vijayaraman, previously Chief Technology Officer and based in San Jose, California, will lead the newly created Persistent Laboratories to head the research and will be based in Pune, India.

4. Dr. Hemant Pande, previously Executive Vice President – Operations will be responsible for planning, ERP implementation and MIS, in place of Mr. Prashant Raje.

Significant events in the year 2009-10 apart from Initial Public Offering of the Company

1. Your Company acquired certain assets of Paxonix, Inc., a subsidiary of MeadWestvaco Corporation through the wholly owned subsidiary of your Company viz. Persistent Systems, Inc.

2. Your Company received DIN EN ISO 9001:2008 certification for ChemLMS-LIMS product development processes.

3. Your Company and its wholly owned subsidiary, Persistent Systems and Solutions Limited ('PSSL') received ISO 9001:2008 certificate post certification audits by M/s. TUV Nord. The scope of certification was 'Software Product Design, Development, Testing, Enhancement and Support; including Enabling Functions'.

Awards and recognitions

Your Directors are glad to report that the Company continued its tradition of winning the following awards during the financial year 2009-10.

1. Awarded as 'Most Preferred Outsourcing Business Partner' for the year 2009 by Samsung India Software Operations (SISO).

2. Your Company featured in the Deloitte Technology Fast 500 Asia Pacific 2009 Ranking.

3. Your Company ranked amongst Top Twelve IT Outsourcing Vendor of manufacturing and supply chain services to the life sciences market.

4. Your Company won the ICAI Award for Excellence in Financial Reporting for second consecutive year. The Annual Report of the Company for the year ended March 31, 2009, was adjudicated as a commendable entry amongst the entries received under the Category 'Information Technology, Communication and Entertainment enterprises'.

Directors

During the year under review, Mr. S. P. Deshpande, Founder Director retired from the day-to-day activities of the Company effective from November 1, 2009 (end of working hours of October 31, 2009). Mr. Deshpande continues to act as a Non-Executive Director of your Company. The Board places on record its sincere appreciation of the valuable contribution to the growth of the Company made by Mr. Deshpande during his tenure as an Executive Director of your Company ever since inception.

Mr. S. P. Deshpande and Dr. Promod Haque, Directors are liable to retire by rotation at the Twentieth Annual General Meeting and they have confirmed their eligibility and willingness to accept office of Directorship of your Company, if reappointed. A brief profile of Mr. Deshpande and Dr. Haque forms part of the notice of the ensuing Annual General Meeting.

In the opinion of your Directors, Mr. Deshpande and Dr. Haque have the requisite qualifications and experience which would be useful to your Company and would enable them to contribute effectively to your Company in their respective capacity as directors of your Company.

It is, therefore, considered prudent that your Company should continue to avail of the services of Mr. Deshpande and Dr. Haque as Directors and recommends that the proposed resolution relating to the reappointment of Mr. Deshpande and Dr. Haque as Directors of your Company be passed.

Mr. Ram Gupta resigned as a member of the Board on June 8, 2010. The Board places on record its appreciation of the services rendered by Mr. Ram Gupta.

Committees of the Board

During the year under review, in addition to the existing Committees of the Board, the Board of Directors of your Company had constituted the IPO Committee of the Board and the Selection Committee for the special purpose.

The IPO Committee was mainly formed for IPO related matters which include decision on the timing, the terms and conditions of the issue of equity shares in the IPO, appointment of all intermediaries in relation to the IPO and finalise all the agreements in relation to the IPO.

The details of the membership and meetings held during the year are given in the report on Corporate Governance forming part of this Annual Report.

After successful completion of the IPO, this Committee was dissolved.

Further, in terms of Director's Relatives (Office or Place of Profit) Rules, 2003, the Board of Directors constituted the Selection Committee to consider the proposal for enhancement in the limits for payment of remuneration within which the Board of Directors may grant increments from time to time to Mrs. Chitra Buzruk, relative of Dr. Anand Deshpande, Chairman and Managing Director and Mr. S. P. Deshpande, Director for her holding and continuing to hold office or place of profit.

The details of the membership and meetings held during the year under review are given in the report on Corporate Governance forming part of this Annual Report.

Corporate governance

A separate section on "Corporate Governance" with a detailed compliance report thereon forms part of this Annual Report.

Voluntary secretarial compliance certificate

Your Company annually obtains a certificate from the whole time Practicing Company Secretary on a voluntary basis for compliance of the provisions of the Companies Act, 1956. The same forms part of this Annual Report. The Institute of Company Secretaries of India, vide its e-mail dated September 30, 2009, appreciated the initiative taken by your Company, for obtaining the Voluntary Secretarial Compliance Certificate.

Management discussion and analysis

Report on Management Discussion and Analysis based on audited, consolidated financial statements for the financial year 2009-10 forms part of this Annual Report.

Outlook

Business outlook for your Company continues to be strong. The thrust areas that we are working in Cloud Computing, Analytics, Enterprise Mobility and Enterprise Collaboration continue to be important in the market. Your Company has established partnerships with most of the prominent vendors in these areas and this should help for growing your Company's business in these areas.

Your Company continues to explore end-of-life opportunities from existing customers.

Human resource management

Your Company continues to attract the best talent available in the industry. Your Company recruits from various engineering colleges in India for fresh talent. During the financial year 2009-10, your Company recruited about 1,511 employees on a consolidated basis (1,313 employees on standalone basis) consisting of Regular employees, Trainees/ Interns, Consultants, Business consultants, Contract consultants consisting of (technical and nontechnical) professionals as a part of growth plan during the financial year ended March 31, 2010, including several qualified and experienced professionals returning from USA. This steady stream of US returning professionals has provided a very strong middle management group to your Company.

Your Company crossed the strength of 4,662 personnel (including trainees and associates) on a consolidated basis (4,323 personnel on standalone basis) during the year under report. The technical strength at present is 4,346 employees which comprises 2,968 graduates (Engineers and Technicians), 1,361 post graduates and 17 PhDs on a consolidated basis.

Your Company considers training as an important activity towards human resource development. In this endeavour, several courses, seminars and conferences in technical and domain specific areas were conducted. Your Company also conducted training courses for the benefit of the employees in different areas such as leadership skills, team building, personal effectiveness and foreign languages. The first batch of around 30 employees successfully completed their Masters of Engineering degree programme from the Post Graduate programme offered at your Company in collaboration with the Birla Institute of Technology, Pilani.

Your Company's value proposition is based on providing value to our customers, through innovation and by consistently improving efficiency. With a view to create the resource bandwidth for the future, your Company initiated various measures such as investing in new skills, technologies, business models and training programmes for key technology areas.

During the period under report, your Company conducted an Employee Satisfaction Survey which helped your Company address employees matter more proactively.

The attrition for the year under report was 13.65% as against 13.54% for the previous financial year 2008-09. Various employee welfare activities such as sports and cultural events that were organised for and by the employees had wide participation at all levels.

Corporate social responsibility

Your Company recognises its social obligations. To institutionalise the Corporate Social Responsibility initiative of your Company, your Company had formed a Public Charitable Trust by the name "Persistent Foundation" in the financial year 2008-09.

During the year under review, the Persistent Foundation was able to create excitement among employees to participate in socially relevant causes. In consultation with employees of your Company, the Foundation has set up a well-defined programme. The Foundation has decided to focus on the organisations and institutions that are engaged in activities relating to promotion of education, health, community welfare and for national calamities, if any.

In addition to contributing Rs. 5.66 Million to the Foundation, your Company made donations of Rs. 0.69 Million to various Charitable Institutions. During the year the Company donated Rs. 6.35 Million, about 1% of the consolidated net profit of the financial year 2008-09. Report on activities of Persistent Foundation during the financial year 2009-10 is given elsewhere in this Annual Report.

Employees' remuneration

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, forms part of this report. As per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Annual Report is being sent to all the Shareholders of the Company, excluding the statement of particulars of employees referred to hereinbefore. Any Shareholder interested in obtaining a copy of the said statement may write to the Company Secretary of your Company at the Registered Office of your Company.

Conservation of energy, technology absorption, research and development, foreign exchange earnings and outgo

Your Company has made the necessary disclosures in this Report in terms of Section 217(1)(e) of the Companies Act, 1956, read with the Company (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988. Your Company strives to conserve energy on a perpetual basis. Your Company has procured various energy saving devices and systems, which help in conserving energy. Bulk of the electric fixtures is equipped with electronic ballast which has resulted in significant savings in the energy cost.

Your Company has continued to maximise the use of flat LCD monitors, VRV air-conditioning system, solar energy for hot water and LED logo on the buildings for conservation of energy.

During the year, the Bureau of Energy Efficiency (BEE), Ministry of Power, Government of India, New Delhi implemented the rating programme for the office buildings on the basis of 1-5 star scale, with 5 star buildings being the most efficient in energy efficiency. As per the survey declared by BEE on November 12, 2009, BEE identified 25 energy efficient office buildings from all over India for Star ratings. Two of the office buildings at Pune were qualified for BEE rating; 'Bhageerath' premises of your Company secured two stars.

As power costs constitute an insignificant part of the total expenses, the financial impact of these measures is not material. As your Company has not entered into technical collaboration with any entity, there are no particulars relating to technology absorption.

The particulars of expenditure on research and development (accrual basis) are as follows

(In Rs. Million)

Particulars	2009-10	2008-09
Capital expenditure	-	-
Revenue expenditure	52.12	56.10
Total research and development expenditure	52.12	56.10
As % of total income	1	1

The particulars of foreign exchange earnings and outgo (accrual basis) are as follows

(In Rs. Million)

Particulars	2009-10	2008-09
Revenue		
Earnings	4,743.64	5,030.19
Outgo	405.24	397.13
Capital items		
Outgo	107.67	340.97

Reappointment of statutory auditors

M/s. Joshi Apte & Co., Chartered Accountants and M/s. S. R. Batliboi & Co., Chartered Accountants, the joint auditors of your Company retire at the Twentieth Annual General Meeting and have confirmed their eligibility and willingness to accept office, if reappointed. Further in terms of the Clause 41(1)(h) of the Listing Agreement, the statutory auditors of your Company are subjected to the Peer Review Process of the Institute of Chartered Accountants of India (ICAI); and hold a valid certificate issued by Peer Review Board of ICAI. M/s. Joshi Apte & Co. and M/s. S. R. Batliboi & Co. have confirmed that they hold a valid certificate issued by Peer Review Board of ICAI; and have provided a copy of the said certificate to your Company for reference and records.

Directors' responsibility statement

The Directors state that

1. in the preparation of the annual accounts, the applicable mandatory Accounting Standards have been followed and there is no material departure;

2. the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company as at March 31, 2010 and of the profit of your Company for that year;

3. the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities, if any;

4. the annual accounts have been prepared on a going concern basis.

Acknowledgments

Your Board places on record the help and cooperation received from the Government of India, particularly the Ministry of Communication and Information Technology, the Ministry of Corporate Affairs, the Ministry of Finance, the Ministry of Commerce and the Reserve Bank of India throughout the financial year.

Your Company extends its sincere thanks to the officers and staff of the Software Technology Parks of India – Pune, Nagpur, Goa, Hyderabad, Central Excise and Customs Department, Income Tax Department, Registrar of Companies, Maharashtra, Pune, Sales Tax Department, Securities and Exchange Board of India, the National Stock Exchange of India Limited, the Bombay Stock Exchange Limited, Central Depository Services (India) Limited, National Securities Depository Limited, Maharashtra State Electricity Distribution Company Limited, Maharashtra Industrial Development Corporation, Department of Revenue and Ministry of Information Technology.

Your Board also extends their thanks to Bank of India, Citibank N.A., State Bank of India, HDFC Bank Limited, Syndicate Bank, Bank of Tokyo Mitsubishi, Japan and its officials for extending their excellent support in all banking related activities. Your Board takes this opportunity to express their sincere appreciation for the contribution made by employees at all levels. The consistent growth was made possible by their hard work, solidarity, cooperation and support.

For and on behalf of the Board of Directors

Dr. Anand Deshpande
Chairman and Managing Director

Pune, June 10, 2010

Annexure A to the Report of the Directors

Details of the options granted under various employee stock option schemes as on March 31, 2010

ESOP I

Particulars	Details
Options granted	2,280,250
Pricing formula	Grant price of Options is Book Value of the Equity Share as per the latest quarterly audited Balance Sheet at the time of grant
Total options vested	1,605,242
Options exercised from vested options	1,598,844
Total number of Equity Shares arising as a result of full exercise of options granted	2,280,250
Options forfeited / lapsed / cancelled	669,201
Variations in terms of options	NIL
Money realised by exercise of options (purchase of Equity Shares)	11,387,769
Options outstanding (in force)	12,204
Person wise details of options granted to	
i. Directors	NIL
ii. Key Managerial Personnel	#
iii. Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during that year	As per details given below
iv. Identified employees who are granted options, during any one year equal to exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	NIL
Diluted EPS pursuant to issue of shares on exercise of options calculated in accordance with AS 20	Rs. 32.62

Details of Options granted to employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year

Name and year of grant	Number of Options granted	Number of Options exercised	Number of Options outstanding
Mr. Ajay Dubey (2003-04)	7,000	NIL	NIL (Resigned)
Mr. Prashant Raje (2003-04)	3,500	3,500	NIL
Mr. Shashank Bhatt (2003-04)	2,187	2,186	NIL
Mr. Vinayak Gadkari (2003-04)	2,187	2,186	NIL (Resigned)

ESOA II

Particulars	Details
Options granted	376,600
Pricing formula	Grant price of Options is Book Value of the Equity Share as per the latest quarterly audited Balance Sheet at the time of grant
Total options vested	212,878
Options exercised from vested options	205,001
Total number of Equity Shares arising as a result of full exercise of options granted	376,600
Options forfeited / lapsed / cancelled	128,607
Variations in terms of options	NIL
Money realised by exercise of options (purchase of Equity Shares)	5,418,308
Options outstanding (in force)	42,991
Person wise details of options granted to	
i. Directors	NIL
ii. Key Managerial Personnel	#
iii. Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during that year	As per details given below
iv. Identified employees who are granted options, during any one year equal to exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	NIL
Diluted EPS pursuant to issue of shares on exercise of options calculated in accordance with AS 20	Rs. 32.62

Details of Options granted to employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year

Name and year of grant	Number of Options granted	Number of Options exercised	Number of Options outstanding
Mr. Ajay Dubey (2004-05)	21,000	NIL	NIL (Resigned)
Mr. Suneel Prasad (2007-08)	10,500	NIL	10,500
Mr. Suhas Wale (2007-08)	5,250	NIL	NIL (Resigned)
Mr. Abhijit Naik (2007-08)	3,500	NIL	3,500
Mr. Pankaj Kumar (2007-08)	5,250	NIL	5,250
Mr. Anish Bhuwania (2007-08)	3,500	NIL	NIL (Resigned)
Mr. Deepak Shastri (2007-08)	8,750	NIL	NIL (Resigned)
Mr. Sunil Godse (2007-08)	10,500	NIL	10,500
Mr. Sanjay Marathe (2007-08)	10,500	NIL	NIL (Resigned)

ESOP III

Particulars	Details
Options granted	1,266,650
Pricing formula	Grant price of Options is Book Value of the Equity Share as per the latest quarterly audited Balance Sheet at the time of grant
Total options vested	457,082
Options exercised from vested options	401,760
Total number of Equity Shares arising as a result of full exercise of options granted	1,266,650
Options forfeited/ lapsed/ cancelled	375,858
Variations in terms of options	NIL
Money realised by exercise of options (purchase of Equity Shares)	16,167,145
Options outstanding (in force)	489,031
Person wise details of options granted to	
i. Directors	NIL
ii. Key Managerial Personnel	#
iii. Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year	NIL
iv. Identified employees who are granted options, during any one year equal to exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	NIL
Diluted EPS pursuant to issue of shares on exercise of options calculated in accordance with AS 20	Rs. 32.62

ESOA IV

Particulars	Details
Options granted	3,479,125
Pricing formula	Grant price of Options is Book Value of the Equity Share as per the latest quarterly audited Balance Sheet at the time of grant
Total options vested	882,886
Options exercised from vested options	818,180
Total number of Equity Shares arising as a result of full exercise of options granted	3,479,125
Options forfeited/ lapsed/ cancelled	816,542
Variations in terms of options	NIL
Money realised by exercise of options (purchase of Equity Shares)	40,392,823
Options outstanding (in force)	1,844,402

Particulars	Details
Person wise details of options granted to	
i. Directors	NIL
ii. Key Managerial Personnel	#
iii. Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year	As per details given below
iv. Identified employees who are granted options, during any one year equal to exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	NIL
Diluted EPS pursuant to issue of shares on exercise of options calculated in accordance with AS 20	Rs. 32.62

Details of Options granted to employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year

Name and year of grant	Number of Options granted	Number of Options exercised	Number of Options outstanding
Mr. Sudhir Alekar (2007-08)	35,000	10,500	24,500
Mr. Rajesh Ghonasgi (2007-08)	63,000	NIL	63,000

ESOP V

Particulars	Details
Options granted	945,262
Pricing formula	Grant price of Options is Book Value of the Equity Share as per the latest quarterly audited Balance Sheet at the time of grant
Total options vested	414,121
Options exercised from vested options	366,904
Total number of Equity Shares arising as a result of full exercise of options granted	945,262
Options forfeited/ lapsed/ cancelled	266,340
Variations in terms of options	NIL
Money realised by exercise of options (purchase of Equity Shares)	17,834,148
Options outstanding (in force)	312,018
Person wise details of options granted to	
i. Directors	NIL
ii. Key Managerial Personnel	#
iii. Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year	NIL
iv. Identified employees who are granted options, during any one year equal to exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	NIL
Diluted EPS pursuant to issue of shares on exercise of options calculated in accordance with AS 20	Rs. 32.62

ESOA VI

Particulars	Details
Options granted	608,125
Pricing formula	Grant price of Options is Book Value of the Equity Share as per the latest quarterly audited Balance Sheet at the time of grant
Total options vested	305,593
Options exercised from vested options	296,624
Total number of Equity Shares arising as a result of full exercise of options granted	608,125
Options forfeited/ lapsed/ cancelled	215,250
Variations in terms of options	NIL
Money realised by exercise of options (purchase of Equity Shares)	14,847,015
Options outstanding (in force)	96,251
Person wise details of options granted to	
i. Directors	NIL
ii. Key Managerial Personnel	#
iii. Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year	As per details given below
iv. Identified employees who are granted options, during any one year equal to exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	As per details given below
Diluted EPS pursuant to issue of shares on exercise of options calculated in accordance with AS 20	Rs. 32.62

Details of Options granted to employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year

Name and year of grant	Number of Options granted	Number of Options exercised	Number of Options outstanding
Dr. Srikanth Sundararajan (2006-07)	159,687	108,281	51,406
Mr. Raj Sirohi (2006-07)	358,750	143,500	NIL (Resigned)
Dr. Srikanth Sundararajan (2007-08)	89,687	44,843	44,844

Identified employees who are granted options, during any one year equal to exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant

Name and year of grant	Number of Options granted	Number of Options exercised	Number of Options outstanding
Mr. Raj Sirohi (2006-07)	358,750	143,500	NIL (Resigned)

ESOA VII

Particulars	Details
Options granted	892,487
Pricing formula	Grant price of Options is Book Value of the Equity Share as per the latest quarterly audited Balance Sheet at the time of grant
Total options vested	233,642
Options exercised from vested options	195,634
Total number of Equity Shares arising as a result of full exercise of options granted	892,487
Options forfeited/ lapsed/ cancelled	403,900
Variations in terms of options	NIL
Money realised by exercise of options (purchase of Equity Shares)	10,957,579
Options outstanding (in force)	292,953
Person wise details of options granted to	
i. Directors	NIL
ii. Key Managerial Personnel	#
iii. Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year	As per details given below
iv. Identified employees who are granted options, during any one year equal to exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	NIL
Diluted EPS pursuant to issue of shares on exercise of options calculated in accordance with AS 20	Rs. 32.62

Details of Options granted to employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year

Name and year of grant	Number of Options granted	Number of Options exercised	Number of Options outstanding
Mr. Muneer Taskar (2006-07)	23,362	9,345	14,017
Mr. Hemant Ramnani (2006-07)	26,250	15,750	10,500
Mr. Vinaynathan Vishwanathan (2006-07)	24,500	14,700	9,800
Mr. Sandeep Bhowmick (2006-07)	28,000	16,800	11,200
Mr. Anil Nair (2006-07)	24,500	14,700	9,800
Mr. Sudhir Kulkarni (2006-07)	61,250	36,750	24,500
Mr. Manu Gupta (2006-07)	52,500	31,430	70 (Resigned)
Mr. Kiran Naik (2006-07)	35,000	NIL	35,000
Mr. Scales Joyce Davis (2006-07)	28,000	NIL	NIL (Resigned)
Mr. Michael Bauer (2007-08)	28,000	NIL	NIL (Resigned)

Name and year of grant	Number of Options granted	Number of Options exercised	Number of Options outstanding
Mr. Harmandir Singh (2007-08)	61,250	NIL	12,250 (Resigned)
Mr. Shrikanth Medapalli (2007-08)	35,000	NIL	NIL (Resigned)
Mr. Anand Ghalsasi (2007-08)	28,000	11,184	16,816
Mr. Ravi Krishnan (2007-08)	52,500	NIL	NIL (Resigned)
Mr. Sudip Dutta (2007-08)	28,000	NIL	NIL (Resigned)
Mr. Prateek Raturi (2007-08)	28,000	NIL	NIL (Resigned)
Mr. Ramkrishnan Balasubramanian (2007-08)	28,000	NIL	NIL (Resigned)
Mr. Sumit Chhabra (2007-08)	28,000	11,200	16,800
Mr. Yesh Subramanian (2007-08)	42,000	8,400	NIL (Resigned)
Mr. Ranjan Guha (2007-08)	52,500	NIL	NIL (Resigned)
Mr. Aditya Phatak (2009-10)	8,000	NIL	8,000
Mr. Sidharth Sujir (2009-10)	8,000	NIL	8,000
Mr. Lakshminarayan Vishwanath (2009-10)	42,000	NIL	42,000
Mr. Ryan Trout (2009-10)	35,000	NIL	35,000

ESOA VIII

Particulars	Details
Options granted	21,000
Pricing formula	Grant price of Options is Book Value of the Equity Share as per the latest quarterly audited Balance Sheet at the time of grant
Total options vested	10,500
Options exercised from vested options	7,000
Total number of Equity Shares arising as a result of full exercise of options granted	21,000
Options forfeited/ lapsed/ cancelled	NIL
Variations in terms of options	NIL
Money realised by exercise of options (purchase of Equity Shares)	674,880
Options outstanding (in force)	14,000
Person wise details of options granted to	
i. Directors	As per details given below
ii. Key Managerial Personnel	NIL
iii. Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year	NIL
iv. Identified employees who are granted options, during any one year equal to exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	NIL
Diluted EPS pursuant to issue of shares on exercise of options calculated in accordance with AS 20	Rs. 32.62

Details of Options granted to Directors

Name and year of grant	Number of Options granted	Number of Options exercised	Number of Options outstanding
Prof. Krithivasan Ramamritham (2007-08)	7,000	3,500	3,500
Mr. P. B. Kulkarni (2007-08)	7,000	3,500	3,500
Mr. Ram Gupta (2007-08)^	7,000	NIL	7,000

^ Ceased to be a Director with effect from June 8, 2010.

ESOA IX

Particulars	Details
Options granted	687,231
Pricing formula	Grant price of Options is Book Value of the Equity Share as per the latest quarterly audited Balance Sheet at the time of grant
Total options vested	NIL
Options exercised from vested options	NIL
Total number of Equity Shares arising as a result of full exercise of options granted	687,231
Options forfeited / lapsed / cancelled	152,738
Variations in terms of options	NIL
Money realised by exercise of options (purchase of Equity Shares)	NIL
Options outstanding (in force)	534,493
Person wise details of options granted to	
i. Directors	NIL
ii. Key Managerial Personnel	#
iii. Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year	As per details given below
iv. Identified employees who are granted options, during any one year equal to exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	NIL
Diluted EPS pursuant to issue of shares on exercise of options calculated in accordance with AS 20	Rs. 32.62

Details of Options granted to employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year

Name and year of grant	Number of Options granted	Number of Options exercised	Number of Options outstanding
Mr. Hari Haran (2009-10)	260,000	NIL	260,000
Mr. Bradley Scott (2009-10)	35,000	NIL	NIL (Resigned)
Mr. Michael Kerr (2009-10)	42,000	NIL	42,000
Mr. Ramchandran Kumar (2009-10)	52,500	NIL	NIL (Resigned)
Dr. Joerg Turnhoff (2009-10)	35,000	NIL	35,000

#Details of the Options granted to our Key Managerial Personnel under our ESOP Schemes (excluding ESOA VIII) (No options granted to Key Management Personnel under ESOP V)

Sr. No.	Name of Key Managerial Person	ESOP I	ESOA II	ESOP III	ESOA IV	ESOA VI	ESOA VII	ESOA IX	Total
1	Mr. Mukesh Agarwal	23,625	1,750	3,150	25,750	NIL	NIL	NIL	54,275
2	Mr. Sudhir Alekar	NIL	NIL	NIL	35,000	NIL	NIL	NIL	35,000
3	Mr. Kishor Bhalerao	NIL	NIL	NIL	40,000	NIL	NIL	NIL	40,000
4	Mr. Rajesh Ghonasgi	NIL	NIL	NIL	63,000	NIL	NIL	NIL	63,000
5	Mr. Sunil Godse	NIL	10,500	NIL	10,000	NIL	NIL	4,500	25,000
6	Mr. S R Joshi	NIL	12,250	NIL	41,500	NIL	NIL	NIL	53,750
7	Mr. Rohit Kamat	18,550	8,750	NIL	31,000	NIL	NIL	NIL	58,300
8	Mr. Nitin Kulkarni	NIL	NIL	NIL	92,500	NIL	NIL	NIL	92,500
9	Dr. Hemant Pande	38,500	14,000	NIL	47,000	NIL	NIL	NIL	99,500
10	Mr. Prashant Raje	3,500	14,000	NIL	52,000	NIL	NIL	NIL	69,500
11	Mr. Vivek Sadhale	7,875	875	3,150	28,600	NIL	NIL	NIL	40,500
12	Mr. Rama Sastry	50,750	10,500	NIL	43,500	NIL	NIL	NIL	104,750
13	Mr. Asit Shah	12,950	12,250	NIL	72,500	NIL	NIL	NIL	97,700
14	Dr. Srikanth Sundararajan	NIL	NIL	NIL	NIL	249,375	NIL	NIL	249,375
15	Dr. Joerg Turnhoff	NIL	NIL	NIL	NIL	NIL	NIL	35,000	35,000
16	Dr. R. Venkateswaran	5,250	10,500	NIL	48,000	NIL	NIL	NIL	63,750
17	Mr. Hari Haran	NIL	NIL	NIL	NIL	NIL	NIL	260,000	260,000
18	Mr. Michael Kerr	NIL	NIL	NIL	NIL	NIL	NIL	42,000	42,000
19	Mr. Sudhir Kulkarni	NIL	NIL	NIL	NIL	NIL	61,250	NIL	61,250
20	Mr. T. M. Vijayaraman	63,000	14,000	NIL	42,000	NIL	5,000	NIL	124,000
21	Mr. Lakshminarayan Vishwanath	NIL	NIL	NIL	NIL	NIL	42,000	NIL	42,000
		224,000	109,375	6,300	672,350	249,375	108,250	341,500	1,711,150

Transparent operational procedures and ethical business conduct are fundamental tenets of governance at Persistent Systems.
In line with this philosophy, accountability, integrity and fulfilling our responsibility to all stakeholders form our core values.

Governance - An Essential Ingredient

Persistent Systems conducts its business with all stakeholders by maintaining a sense of integrity and strong business ethics. Our proactive and voluntarily appointment of Independent Directors since 2001, as well as the forming of committees even prior to the listing of our shares on stock exchanges, is an extension of the Company's belief that good governance is an essential ingredient of good business. To this end :

- In line with international best practices, we have introduced the Vendor Code of Conduct, to be executed by all vendors prior to providing services to the Company.
- There is a well laid out code of conduct for the Board and the senior management.
- The Board has adopted a Whistle Blower Policy wherein employees are encouraged to report to the Audit Committee any fraudulent financial or other information, which may come to their knowledge.
- The Company has been voluntarily publishing the Report on Corporate Governance as part of its Annual Report, for the past several years.
- The Company obtains a voluntary Secretarial Compliance Certificate from independent Practicing Company Secretary to ensure that provisions of the Companies Act is followed.

Employees Stock Option Plans (ESOPs)

Persistent Systems introduced Employees Stock Option Plan (ESOP) schemes within 10 years of the Company's incorporation, with a view to sharing its wealth with those who helped to create it.

The Company has granted ESOPs since 1999 under nine different schemes. An independent Trust manages all these schemes. The Company had earmarked more than 20% of its capital for ESOPs, of which about 11% is held by the Trust and about 9% is held by employees / ex-employees (shares arising out of exercise of options under various ESOPs). The Chairman of the Trust is an Independent Director. The Chief Financial Officer, Chief Planning Officer, Chief Operating Officer and Head of HR of Persistent Systems, are the other Trustees.

Committees of the Board*

Audit Committee

- Mr. P. B. Kulkarni : Chairman of the Committee; Independent Director
- Mr. S. P. Deshpande : Non-Executive Director
- Mr. Ram Gupta# : Independent Director

Shareholders' / Investors' Grievance Redressal Committee

- Mr. P. B. Kulkarni : Chairman of the Committee; Independent Director
- Dr. Anand Deshpande : Chairman and Managing Director
- Mr. S. P. Deshpande : Non-Executive Director

Remuneration Committee

- Mr. P. B. Kulkarni : Chairman of the Committee; Independent Director
- Dr. Promod Haque : Non-Executive Director
- Prof. Krithivasan Ramamritham : Independent Director

Compensation Committee

- Dr. Anand Deshpande : Chairman of the Committee; Chairman and Managing Director
- Mr. P. B. Kulkarni : Independent Director
- Mr. Ram Gupta# : Independent Director

Executive Committee

- Mr. P. B. Kulkarni : Chairman of the Committee; Independent Director
- Mr. S. P. Deshpande : Non-Executive Director
- Dr. Promod Haque : Non-Executive Director
- Mr. Ram Gupta# : Independent Director

Nomination and Governance Committee

- Mr. Ram Gupta# : Chairman of the Committee; Independent Director
- Mr. P. B. Kulkarni : Independent Director
- Prof. Krithivasan Ramamritham : Independent Director

*As on March 31, 2010

#Ceased to be a Director with effect from June 8, 2010

Report on Corporate Governance

Company's philosophy on corporate governance

"The importance of maintaining high ethical standards by the corporate sector for ensuring its long term sustainable growth has been universally accepted. It is now a fact that a majority of investors factor in corporate governance when making investment decisions. This is a powerful argument for companies to seek excellence in corporate governance. It is in this context that the development of best practices of corporate governance and rating of companies is increasingly becoming very relevant."

Mr. Vinod Dhall
Former Secretary, Ministry of Corporate Affairs

The Company believes that Corporate Governance is a set of guidelines to help fulfill its responsibilities to all its stakeholders i.e. investors, customers, vendors, Government, employees, associates and society. It is a voluntary code of self-discipline to ensure transparency, accountability and integrity. The Company has set its corporate governance philosophy to enhance the long-term value of Company's stakeholders.

The Company believes that Corporate Governance is not restricted to Board and audit committees. It is an approach to sustainable development. Good Governance is an essential ingredient of good business. With this view, the Company continued with its initiative of voluntary adoption of various Corporate Governance measures much before the listing of its shares on the stock exchanges. The following report on the implementation of the Corporate Governance Code is a sincere effort of the Company to follow the Corporate Governance principles in its letter and spirit.

1. Board of directors

A. Size and composition of the board

The Board of Directors of the Company has a mix of Executive, Non-Executive and Independent Directors. Independent Directors help to maintain the independence of the Board and separate the Board functions of governance and management. At present, the Company's Board consists of five members, of whom, one is Executive Director and four are Non-Executive Directors of which two are Independent Directors. The Board is headed by an Executive Chairman. Table 1 gives the composition of the Board and the number of outside directorships and committee membership held by each of the directors as on March 31, 2010.

Table 1 Board of Directors

Name of the Director	Category	Directorships			Committee membership**	Chairmanship in committees**
		Indian companies		Foreign companies		
		Public*	Private			
Dr. Anand Deshpande***	Chairman and Managing Director	2	NIL	2	1	NIL
Mr. S. P. Deshpande***	Non-Executive Director	2	NIL	1	2	NIL
Mr. Ram Gupta#	Independent Director	NIL	NIL	4	1	NIL
Dr. Promod Haque	Non-Executive Director	NIL	6	7	NIL	NIL
Mr. P. B. Kulkarni	Independent Director	2	NIL	NIL	3	2
Prof. Krithivasan Ramamritham	Independent Director	1	NIL	NIL	NIL	NIL

* Excluding directorship in Persistent Systems Limited.

** Disclosure includes Chairmanship / Membership of Committees as required for computation of maximum number of Committees of which Director can be Chairman or Member in terms of Clause 49 of the Listing Agreement (i.e. Chairmanship / Membership of Audit Committee and Shareholders' / Investors' Grievance Committee in all Indian public companies including Persistent Systems Limited).

*** Except Dr. Anand Deshpande, Chairman and Managing Director and Mr. S. P. Deshpande, Non-Executive Director, who are the relatives, none of the other Director is related with other Director.

Ceased to be a Director with effect from June 8, 2010.

In this report, the signs below, wherever they appear, denotes the following

Y – Present for the meeting in person
N – Absent for the meeting
AVC – Present for the meeting through Audio / Video Conferencing
N.A. – Not Applicable

None of the Directors of the Company were members of more than 10 committees nor acted as the Chairman of more than five committees across all companies in India, in which he is a Director, in terms of the Clause 49 of the Listing Agreement.

In addition to disclosure of Chairmanship / Membership of Committees of Directors disclosed in Table 1 above, the chairmanship / membership of Directors of the Company in other Committees is given below

Name of the Director	Category	Committee* Membership	Chairmanship* in Committees
Dr. Anand Deshpande	Chairman and Managing Director	1	1
Mr. S. P. Deshpande	Non-Executive Director	2	NIL
Mr. Ram Gupta#	Independent Director	3	1
Dr. Promod Haque	Non-Executive Director	17	5
Mr. P. B. Kulkarni	Independent Director	5	3
Prof Krithivasan Ramamritham	Independent Director	2	NIL

* Includes committees (other than Audit Committee and Shareholders' / Investors' Grievance Committee) of all companies in India and aboard, including Persistent Systems Limited. Does not include the ad-hoc committees formed by the Company during the financial year 2009-10.

\# Ceased to be a Director with effect from June 8, 2010

B. Brief description of terms of reference of the Board of Directors

i. To manage and direct the business and affairs of the Company.

ii. To manage, subject to the Articles of Association of the Company, its own affairs, including planning its composition, selecting its Chairman, appointing Committees, establishing the terms of reference and duties of Committees and determining Directors' compensation.

iii. To act honestly and in good faith in the best interests of the Company.

iv. To exercise due care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

v. To participate directly or through its Committees, in developing and approving the mission of the business, its objectives and goals and the strategy for their achievement.

vi. To ensure congruence between shareholders' expectations, Company's goals, objectives and management performance.

vii. To monitor the Company's progress towards its goals and to revise and alter its direction in light of changing circumstances.

viii. To approve and monitor compliance with all significant policies and procedures by which the Company is operated.

ix. To ensure that the Company operates at all times within applicable laws and regulations and ethical and moral standards.

x. To ensure that the performance of the Company is adequately reported to shareholders, other stakeholders and regulators on a timely and regular basis.

xi. To ensure that the audited annual financial statements are reported fairly and in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India.

xii. To ensure that any developments that have a significant and material impact on the Company are reported from time to time to the concerned authorities.

xiii. To act in accordance with the laws and regulations of the country and the Memorandum and Articles of Association of the Company.

C. Board meetings and deliberations

The Company Secretary in consultation with the Chairman of the Company and Chairman of the respective Board Committees prepares the agenda and supporting papers for discussion at each Board Meeting and Committee Meetings respectively. Members of the Board or Committees are free to suggest any item to be included in the agenda, in addition to their right to bring up matters for discussion at the meeting with the permission of the Chairman.

Information and data that is important to the Board to understand the business of the Company in general and related matters are tabled for discussion at the meeting. Agenda is circulated in writing to the members of the Board well in advance of the meeting.

The Board and the Audit Committee meets in executive session, at least, four times during the financial year, mostly at quarterly intervals inter-alia to review quarterly financial statements and other items on the agenda. Additional meetings are held, if deemed necessary to conduct the business. Those members of the Board, who are not able to participate in the Board meetings in-person generally, participate in the meeting through teleconferencing or video conferencing. The President of Persistent Systems, Inc., (the wholly owned subsidiary of the Company in US), the Chief Operating Officer, the Chief Planning Officer and the Chief Financial Officer of the Company attend the Board and committee meetings upon invitation. The other executives and divisional heads are generally invited at the meetings on as needed basis. As per the provision of Clause 49 of the Listing Agreement, the gap between two Board Meetings has not exceeded four months. The maximum gap between the two board meetings during the financial year 2009-10 was 3 months and 8 days.

During the financial year 2009-10, the Board of Directors met nine times on May 21, 2009, July 23, 2009, October 30, 2009, December 7, 2009, January 29, 2010, March 11, 2010, March 20, 2010, March 23, 2010 and March 30, 2010. Table 2 below gives the attendance record of the directors at the Board Meetings and last Annual General Meeting held on July 22, 2009. Apart from these meetings, the Board of Directors also had two meetings held by way of teleconference on December 11, 2009 and March 6, 2010 to discuss some urgent and important matters.

Table 2 Attendance of Directors at the Board Meetings and Annual General Meeting held during financial year 2009-10.

Name of the Director	<-- Board Meetings--------------------------------- >									Annual General Meeting
	May 21, 2009	July 23, 2009	October 30, 2009	December 7, 2009	January 29, 2010	March 11, 2010	March 20, 2010	March 23, 2010	March 30, 2010	
Dr. Anand Deshpande	*AVC*	*Y*	*Y*	*Y*	*Y*	*AVC*	*Y*	*Y*	*Y*	*Y*
Mr. S. P. Deshpande	*Y*	*Y*	*Y*	*Y*	*Y*	*Y*	*Y*	*Y*	*Y*	*Y*
Mr. Ram Gupta#	*AVC*	*Y*	*AVC*	*AVC*	*Y*	*AVC*	*AVC*	*N*	*N*	*Y*
Dr. Promod Haque	*AVC*	*Y*	*Y*	*AVC*	*AVC*	*AVC*	*AVC*	*N*	*AVC*	*Y*
Mr. P. B. Kulkarni	*Y*	*Y*	*Y*	*Y*	*Y*	*Y*	*Y*	*Y*	*N*	*Y*
Prof. Krithivasan Ramamritham	*AVC*	*Y*	*AVC*	*AVC*	*AVC*	*N*	*AVC*	*N*	*N*	*Y*

\# Ceased to be a Director with effect from June 8, 2010.

2. Committees of the Board of Directors

The Company constituted six committees of the Board of Directors viz. Audit Committee, Shareholders' / Investors' Grievance Committee, Remuneration Committee, Compensation Committee, Nomination and Governance Committee and Executive Committee. The committees have a combination of Executive, Non-Executive or Independent Directors. Additionally, during the financial year 2009-10, the Board of Directors had constituted an IPO Committee for the limited purpose of managing the IPO process; and a Selection Committee for the limited purpose of considering an enhancement in the limits for payment of remuneration within which the Board of Directors may grant increments from time to time to Mrs. Chitra Hemadri Buzruk, General Manager – Resource Allocation, relative of two Directors in the Company.

As per the charter of respective committees, committees deliberate on the matters referred to it by the Board. Information and data that is important to the committees to discuss the matter is distributed in writing to the members of the committees well in advance of the meeting. Recommendations of the committees are submitted to the Board to take decision on the matter referred.

The members of the committee, who are not able to participate in the meeting physically, generally participate through audio-conferencing or video conferencing.

A. Audit Committee

Brief description of terms of reference

An Audit Committee was constituted by the Board at its meeting held on April 23, 2004. With a view to fulfill the Company's responsibilities to its stakeholders, the Board had revised the terms of reference of the Audit Committee vide resolutions passed at the meeting held on August 21, 2008 and April 23, 2010 and a circular resolution passed by the Board of Directors on February 27, 2010.

The Audit Committee was constituted to ensure prudent financial and accounting practices, fiscal discipline and transparency in financial reporting. The quarterly audited accounts are reviewed by the Audit Committee and recommended to the Board for its adoption.

The Chairman of the Committee is an Independent Director. All the members of the Committee are financially literate whereas the Chairman of the Committee is a financial management expert. Table 3 gives the composition of the Audit Committee of the Board of Directors as on March 31, 2010.

Table 3 Composition of the Audit Committee

Name of the Director	Category
Mr. P. B. Kulkarni	Chairman of the Committee and Independent Director
Mr. S. P. Deshpande	Non-Executive Director
Mr. Ram Gupta#	Independent Director

Ceased to be a Director with effect from June 8, 2010.

In addition to the Audit Committee members, the Chief Financial Officer, Internal Auditor, Statutory Auditors and other executives attend the meetings upon invitation. Necessary information such as Management Discussion and Analysis of financial condition and results of operations, statement of significant related party transactions submitted by the management, management letters / letters of internal control weaknesses issued by the statutory auditors, internal audit reports relating to internal control weaknesses and the terms relating to internal auditors as required by Clause 49 (II)(E) of the Listing Agreement are reviewed by the Audit Committee.

The Company Secretary of the Company is the Secretary of the Committee.

The Committee has the following powers and responsibilities including but not limited to

i. To oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;

ii. To review, with the management, annual financial statements before submission to the Board for approval, with particular reference to

a. Matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956;

b. Changes, if any, in accounting policies and practices and reasons for the same;

c. Major accounting entries involving estimates based on the exercise of judgment by management;

d. Significant adjustments made in the financial statements arising out of audit findings;

e. Compliance with listing and other legal requirements relating to financial statements;

f. Disclosure of any related party transactions;

g. Qualifications in the draft audit report.

iii. To review, with the management, the quarterly financial statements before submission to the Board for approval;

iv. To recommend to the Board, the appointment, reappointment and if required, the replacement or removal of the statutory auditor and fixation of audit fees;

v. To grant approval of payment to statutory auditors for any other services rendered by the statutory auditors;

vi. To hold discussion with the statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;

vii. To review management letters / letters of internal control weaknesses issued by the statutory auditors;

viii. To recommend appointment, removal and terms of remuneration of the Chief Internal Auditor;

ix. To hold discussion with Internal Auditors on any significant findings and follow up there on;

x. To review internal audit reports relating to internal control weaknesses;

xi. To review, with the management, performance of statutory and internal auditors and adequacy of internal control systems;

xii. To review adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;

xiii. To review the findings of any internal investigations by the internal auditors in the matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;

xiv. To review financial and risk management policies;

xv. To review report on compliance of laws and risk management, reports issued by Statutory / Internal Auditors;

xvi. To review management discussion and analysis of financial condition and results of operations;

xvii. To review statement of significant related party transactions (as defined by the audit committee), submitted by management;

xviii. To review substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of nonpayment of declared dividends) and creditors;

xix. To develop a policy on the engagement of statutory auditors for non-audit services;

xx. To ensure the compliance with the statutory auditors' recommendations;

xxi. To meet internal and statutory auditors without presence of the Company's executive management annually;

xxii. To confirm the engagement of an Independent valuer for the valuation of shares, whenever called for and verify whether the valuer for valuation has an advisory mandate and had past association with the company management;

xxiii. To review certificates regarding compliance of legal and regulatory requirements;

xxiv. To review the functioning of the Whistle Blower mechanism;

xxv. To review, with the management, the statement of uses / application of funds raised through an initial public offering of the Company, the statement of funds utilised for purposes other than those stated in prospectus and making appropriate recommendations to the Board to take up steps in this matter;

xxvi. Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate.

xxvii. To carry out any other function as is mentioned in the terms of reference of the Audit Committee and entrusted by the Board.

The Audit Committee is further empowered to do the following

i. To investigate any activity within terms of reference;

ii. To seek information from any employee;

iii. To obtain outside legal professional advice; and

iv. To secure attendance of outsiders with relevant expertise, if it considers necessary.

Meetings and attendance

Four meetings of the Audit Committee were held during the financial year 2009-10. Table 4 gives the details of the attendance of the members of the Audit Committee at its meetings held during the financial year 2009-10.

Table 4 Details of the attendance at the Audit Committee meetings held during the financial year 2009-10

Name of the Director	<------------------------------ Audit Committee Meeting ------------------------------>			
	May 20, 2009	July 22, 2009	October 29, 2009	January 28, 2010
Mr. P. B. Kulkarni	*Y*	*Y*	*Y*	*Y*
Mr. S. P. Deshpande	*Y*	*Y*	*Y*	*Y*
Mr. Ram Gupta#	*AVC*	*Y*	*AVC*	*Y*

\# Ceased to be a Director with effect from June 8, 2010

B. Shareholders' / Investors' Grievance Committee

Brief description of terms of reference

The Shareholders' / Investors' Grievance Committee was constituted on October 04, 2007. The Committee specifically looks into the redressal of shareholders' and investors' complaints like transfer of shares, nonreceipt of Balance Sheet, nonreceipt of declared dividends, etc.

The Chairman of the Committee is an Independent Director. Table 5 gives the composition of the Shareholders' / Investors' Grievance Committee of the Board of Directors as on March 31, 2010.

Table 5 Composition of the Shareholders' / Investors' Grievance Committee

Name of the Director	Category
Mr. P. B. Kulkarni	Chairman of the Committee and Independent Director
Dr. Anand Deshpande	Chairman and Managing Director
Mr. S. P. Deshpande	Non-Executive Director

Mr. Vivek Sadhale, Company Secretary and Head – Legal is the Compliance Officer of the Company for the purpose of shareholders' / investors' related matters.

The Committee was constituted with powers and responsibilities including but not limited to

i. To supervise and ensure efficient share transfers, share transmission, transposition, etc.;

ii. To approve allotment, transfer, transmission, transposition, consolidation, split, name deletion and issue of duplicate share certificate of Equity Shares of the Company;

iii. To redress shareholder and depositor complaints like nonreceipt of Balance Sheet, nonreceipt of declared dividends, etc.;

iv. To review service standards and investor service initiatives undertaken by the Company;

v. To address all matters pertaining to Registrar and Transfer Agent including appointment of new Registrar and Transfer Agent in place of existing one;

vi. To address all matters pertaining to Depositories for dematerialisation of shares of the Company and other matters connected therewith; and

vii. To attend to any other responsibility as may be entrusted by the Board to investigate any activity within terms of reference.

Meetings and attendance

The Committee meets as and when a need arises. No meeting of the Committee was held during the financial year 2009-10.

During the financial year 2009-10, the Committee did not receive any complaint from the shareholders or investors. The members may contact the Company Secretary of the Company for their queries, if any at the contact details provided in the Shareholders' Information in this report.

C. Remuneration Committee

Brief description of terms of reference

The Remuneration Committee of the Board was constituted on October 04, 2007. The Remuneration Committee is constituted to determine the Company's policy on specific remuneration to the Executive Directors including pension rights and any compensation payment.

The Committee comprises combination of Non-Executive and Independent Directors. Table 6 gives the composition of the Remuneration Committee of the Board of Directors as on March 31, 2010.

Table 6 Composition of the Remuneration Committee

Name of the Director	Category
Mr. P. B. Kulkarni	Chairman of the Committee and Independent Director
Dr. Promod Haque	Non-Executive Director
Prof. Krithivasan Ramamritham	Independent Director

The Committee is constituted with powers and responsibilities including but not limited to

i. recommendations to the Board about the Company's policy on specific remuneration packages for Executive Directors including pension rights and any compensation payment;

ii. advises to the Board in framing remuneration policy for key managerial persons of the Company from time to time;

iii. attending any other responsibility as may be entrusted by the Board to investigate any activity within terms of reference.

iv. to review general compensation policy of the Company (including that of ESOPs) and convey its recommendation to the Board, if any.

Meetings and attendance

One meeting of the Committee was held during the financial year 2009-10. Table 7 gives details of attendance of the members of the Remuneration Committee at its meeting held during the financial year 2009-10.

Table 7 Attendance at the Remuneration Committee meeting held during the financial year 2009-10

Name of the Director	July 22, 2009
Mr. P. B. Kulkarni	*Y*
Dr. Promod Haque	*Y*
Prof. Krithivasan Ramamritham	*Y*

Remuneration policy

i. Managing Director's salary is linked to the overall business performance of the Company including continuation of existing business and garnering of new business. The salary is also linked to the profits of the Company.

ii. Salary of the Executive Director is decided based on the assessment of the Managing Director. The salary rise is based on the performance of the Executive Director(s) and is in line with the increase, proposed for other employees. The revised salary is effective on the same day as is done for all other employees of the Company.

iii. Non-Executive Independent Directors are entitled to commission based on the profitability of the Company.

iv. The total managerial remuneration not to exceed 11% of the net profits of the Company and the total remuneration to the managerial persons not to exceed 10% of the net profits of the Company.

Remuneration to the Directors

The Company pays remuneration by way of salary, benefits, perquisites and allowances (fixed component) and performance incentives (variable component) to its Executive Directors. Annual increments are decided by the Remuneration Committee of the Board of Directors within the range of the remuneration approved by the members.

Table 8 and Table 9 give details of remuneration paid to Executive and Non-Executive Directors of the Company in the financial year 2008-09 and 2009-10.

Table 8 Remuneration to Executive Directors (In Rs. Million)

Name of the Director	Category	Year ended March 31,	Salary and allowance	Performance linked incentive / Commission	Company's contribution to provident and superannuation fund	Perquisite and other payments	Total
Dr. Anand Deshpande	Chairman and Managing Director	2010	3.85	3.11	0.52	0.15	7.63
		2009	4.27	-	0.52	0.20	4.99
Mr. S. P. Deshpande	Non-Executive Director#	2010	1.01	0.56	N.A.	N.A.	1.57
		2009	1.70	0.23	N.A.	N.A.	1.93
Total		2010	4.86	3.67	0.52	0.15	9.20
		2009	5.97	0.23	0.52	0.20	6.92

Mr. S. P. Deshpande retired from the day-to-day administration of the Company effective from November 1, 2009 (end of working hours of October 31, 2009) and currently is on the Board of Directors of the Company as a Non-Executive Director.

Dr. Anand Deshpande and Mr. S. P. Deshpande were appointed as Chairman and Managing Director and Executive Director of the Company respectively for a period of five years with effect from April 01, 2007, pursuant to a resolution of the shareholders dated July 23, 2007. The shareholders have authorised the Board to determine the remuneration of Chairman and Managing Director and Executive Director within the limits prescribed by them under the above resolution. The Executive Directors of the Company are not eligible for stock options under the ESOP Schemes of the Company.

Section 309 of the Companies Act, 1956 provides that a Director who is neither in the whole-time employment of the Company nor a Managing Director may be paid remuneration by way of commission, if the Company by special resolution authorises such payment. Members of the Company at the Annual General Meeting of the Company held on July 23, 2007, approved payment of remuneration by way of commission to Independent Directors, at a sum not exceeding 1% per annum of net profits. The Company has paid Rs. 1.809 Million as commission and Rs. 0.27 Million as sitting fee to the Independent Directors. Neither remuneration / commission nor the sitting fee was paid to any of the Non-Executive, Non-Independent Directors.

Table 9 Remuneration to Non-Executive Directors (In Rs. Million)

Name of the Director	Category	Year ended March 31,	Commission	Sitting fees	Total
Mr. Ram Gupta#	Independent Director	2010	0.603	0.06	0.663
		2009	0.300	0.09	0.390
Mr. P. B. Kulkarni	Independent Director	2010	0.603	0.18	0.783
		2009	0.300	0.13	0.430
Prof. Krithivasan Ramamritham	Independent Director	2010	0.603	0.03	0.633
		2009	0.300	0.05	0.350
		2010	1.809	0.27	2.079
		2009	0.900	0.27	1.170

\# Ceased to be a Director with effect from June 8, 2010

In terms of internal policy of Norwest Venture Partners FVCI - Mauritius, Dr. Promod Haque, voluntarily decided not to accept sitting fees as well as commission during the financial year 2008-09 and 2009-10.

Reimbursements have been provided to Dr. Promod Haque, Prof. Krithivasan Ramamritham and Mr. Ram Gupta for travel and stay expenses for attending Board and Committee Meetings.

Under the ESOA – VIII of the Company, the eligible Independent Non-Executive Directors were granted stock options and the same are exercisable by them according to the terms of the Scheme. Table 10 gives the details of the shares and Stock Options held by the Independent Non-Executive Directors as on March 31, 2010 as follows

Table 10 Shareholding and grant of Stock Options to Independent Non-executive Directors

Name of the Director	Category	Year ended March 31,	Shares held	Stock Options
Mr. Ram Gupta#	Independent Director	2010	NIL	7,000
		2009	NIL	7,000
Mr. P. B. Kulkarni*	Independent Director	2010	10,800	3,500
		2009	7,000	7,000
Prof. Krithivasan** Ramamritham	Independent Director	2010	10,500	3,500
		2009	7,000	7,000
		2010	21,300	14,000
		2009	14,000	21,000

\# Ceased to be a Director with effect from June 8, 2010
(*) Out of these shares, 7,300 shares are held jointly with Mrs. Sudha Prabhakar Kulkarni
(**) Out of these shares, 7,000 shares are held jointly with Mrs. Saraswathi Krithivasan

There is no pecuniary and nonpecuniary relationship between the Independent Non-Executive Directors vis–a-vis the Company except as stated above.

D. Compensation Committee

Brief description of terms of reference

The Compensation Committee of the Board was constituted on April 23, 2004. The Board of Directors had revised constitution and the terms of reference of the Compensation Committee vide resolution passed by way of circulation on October 04, 2007. Formerly, the scope of the Remuneration Committee was covered under the terms of reference of the Compensation Committee.

In terms of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("SEBI ESOP Guidelines"), on October 4, 2007 the Company reconstituted Compensation Committee for the administration and superintendence of the employee stock options schemes.

The Chairman of the Committee is an Executive Director. Table 11 gives the composition of the Compensation Committee of the Board of Directors as on March 31, 2010.

Table 11 Composition of the Compensation Committee

Name of the Director	Category
Dr. Anand Deshpande	Chairman of the Committee and Chairman and Managing Director
Mr. Ram Gupta#	Independent Director
Mr. P. B. Kulkarni	Independent Director

Ceased to be a Director with effect from June 8, 2010.

The Committee is constituted with powers and responsibilities including but not limited to

i. To decide the quantum of equity shares / options to be granted under Employee Stock Options Schemes (ESOS), per employee and the total number in aggregate;
ii. To determine at such intervals, as the Compensation Committee considers appropriate, the persons to whom shares or options may be granted;
iii. To determine the exercise period within which the employee should exercise the option and condition in which option will lapse on failure to exercise the option within the exercise period;
iv. To decide the conditions under which shares or options vested in employees may lapse in case of termination of employment for any reason;
v. To lay down the procedure for making a fair and reasonable adjustment to the number of shares or options and to the exercise price in case of rights issues, bonus issues and other corporate actions;
vi. To lay down the right of the employee to exercise all the options vested in him at one time or at various points of time within the exercise;
vii. To specify the grant, vest and exercise of shares/ option in case of employees who are on long leave;
viii. To construe and interpret the plan and to establish, amend and revoke rules and regulations for its administration. The Compensation Committee may correct any defect, omission or inconsistency in the plan or any option and / or vary / amend the terms to adjust to the situation that may arise;
ix. To approve transfer of shares in the name of employee at the time of exercise of options by such employee under ESOS;
x. To lay down the procedure for cashless exercise of options; and
xi. To attend to any other responsibility as may be entrusted by the Board.

Meetings and attendance

The Committee meets as and when need arises for the same. No meeting was held during the financial year 2009-10. However, certain decisions were taken by passing the resolutions by circulation on February 2, 2010 and February 8, 2010 and were subsequently ratified by the Board at its next meeting.

Note : The Board of Directors at its meeting held on April 23, 2010 merged the Remuneration Committee and Compensation Committee of the Board of Directors. The merged committee is named as the 'Compensation Committee'. Mr. P. B. Kulkarni, Independent Director has been appointed as the Chairman of the Committee with Mr. Ram Gupta# and Prof. Krithivasan Ramamritham, Independent Directors as the other members of the Committee. The terms of reference of the Compensation Committee is the combination of the terms of reference of erstwhile Remuneration Committee and the Compensation Committee.

Ceased to be a Director with effect from June 8, 2010.

E. Executive Committee

Brief description of terms of reference

The Executive Committee of the Board was constituted on January 29, 2005. The Board of Directors had revised constitution of the Committee vide resolution passed by way of circulation on October 04, 2007. The Executive Committee was constituted to review the implementation of decisions taken by the Board of Directors. The Chairman of the Committee is an Independent Director. Table 12 gives the composition of the Executive Committee of the Board of Directors as on March 31, 2010.

Table 12 Composition of the Executive Committee

Name of the Director	Category
Mr. P. B. Kulkarni	Chairman of the Committee and Independent Director
Mr. S. P. Deshpande	Non-Executive Director
Mr. Ram Gupta#	Independent Director
Dr. Promod Haque	Non-Executive Director

Ceased to be a Director with effect from June 8, 2010.

The Committee is constituted with powers and responsibilities including but not limited to

i. To review and follow up on the action taken on the Board decisions;

ii. To review the operations of the Company in general;

iii. To review the systems followed by the Company;

iv. To examine proposal for investment in real estate;

v. To review, propose and monitor annual budget including additional budget, if any, subject to the ratification of the Board;

vi. To review capital expenditure against the budget;

vii. To authorise opening and closing of bank accounts;

viii. To authorise additions/deletions to the signatories pertaining to banking transactions;

ix. To approve investment of surplus funds for an amount not exceeding Rs. 25 Crores as per the policy approved by the Board;

x. To approve transactions relating to foreign exchange exposure including but not limited to forward cover and derivative products;

xi. To approve donations as per the policy approved by the Board;

xii. To delegate authority to the Company officials to represent the Company at various courts, government authorities and so on; and

xiii. To attend to any other responsibility as may be entrusted by the Board to investigate any activity within terms of reference.

Further, the Executive Committee is empowered to do the following

i. To seek information from any employee as considered necessary;

ii. To obtain outside legal professional advice as considered necessary;

iii. To secure attendance of outsiders with relevant expertise; and

iv. To investigate any activity within terms of reference.

Meetings and attendance

The Executive Committee meets as and when need arises for the same. No meetings of the Executive Committee were held during the financial year 2009-10, however, certain decisions were taken by passing the resolution by circulation on June 25, 2009 and January 4, 2010 and were subsequently ratified by the Board at its next meeting.

F. Nomination and Governance Committee

Brief description of terms of reference

The Nomination and Governance Committee of the Board was constituted on August 21, 2008. The Committee was formed mainly to ensure overall diversity of representatives and provide guidance to the Board for appointment of top management and to address issues such as required expertise, background, leadership skills, time available, conflict of interest, willingness to participate actively and inter-organisational relationships of the proposed appointee as a director or member of the senior management. Table 13 gives the present composition of the Nomination and Governance Committee of the Board of Directors as on March 31, 2010.

Table 13 Composition of the Nomination and Governance Committee

Name of the Director	Category
Mr. Ram Gupta#	Chairman of the Committee and Independent Director
Mr. P. B. Kulkarni	Independent Director
Prof. Krithivasan Ramamritham	Independent Director

Ceased to be a Director with effect from June 8, 2010.

Dr. Anand Deshpande, Chairman and Managing Director was disassociated from the Nomination and Governance Committee consequent to reconstitution of the Nomination and Governance Committee on July 23, 2009.

The Committee was constituted with powers and responsibilities including but not limited to

i. To develop a pool of potential director candidates for consideration in the event of a vacancy on the Board of Directors;

ii. To determine the future requirements for the Board as well as its Committees and make recommendations to the Board for its approval;

iii. To identify, screen and review individuals qualified to serve as executive directors, non–executive directors and independent directors;

iv. To provide its recommendation to the Board for appointment of CEO;

v. To evaluate the current composition and governance of the Board of Directors and its Committees and make appropriate recommendations to the Board, whenever necessary;

vi. To review the suitability for continued service as a director of each Board member when his or her term expires and when he or she has a significant change in status such as employment change etc., and shall recommend whether or not the director should be reappointed;

vii. To evaluate and recommend termination of membership of an individual director for cause or for other appropriate reasons;

viii. To evaluate and make recommendations to the Board of Directors concerning the appointment of Directors to Board Committees and the Chairman for each of the Board Committees;

ix. To recommend to the Board candidates for (a) nomination for reelection of Directors by the Shareholders; and (b) any Board vacancies which are to be filled by the Board; and

x. To play a consultative role for any appointment at top management level namely, COO, CMO, CFO, President of Persistent Systems, Inc., or appointment requiring Board approval such as Company Secretary.

The Nomination and Governance Committee was further empowered to

i. To conduct or authorise studies of matters within the Committee’s scope of responsibility with full access to all books, records, facilities and personnel of the Company;

ii. To hire legal, accounting, financial or other advisors in their best judgment;

iii. To have sole authority to retain or terminate any search firm to be used to identify Director candidates;

iv. To have sole authority to approve the search firm’s fees and other retention terms;

v. The Committee may act on its own in identifying potential candidates, inside or outside the Company or may act upon proposals submitted by the Chairman of the Board; and

vi. The Committee may consider advice and recommendations from the management, shareholders or others, as it deems appropriate.

Meetings and attendance

Two meetings of the Committee were held in person on July 22, 2009 and January 28, 2010 and one meeting of the Committee was held by way of teleconferencing on October 29, 2009 during the financial year 2009-10. Table 14 gives attendance record of members of the Committee at its meeting held during the financial year 2009-10.

Table 14 Attendance at the Nomination and Governance Committee meetings held during the financial year 2009-10

Name of the Director	<------------ Nomination and Governance Committee Meetings ---------->		
	July 22,2009	October 29, 2009	January 28, 2010
Dr. Anand Deshpande	*N*	*NA*	*NA*
Mr. Ram Gupta#	*Y*	*AVC*	*Y*
Mr. P. B. Kulkarni	*Y*	*AVC*	*Y*
Prof. Krithivasan Ramamritham	*Y*	*AVC*	*AVC*

\# Ceased to be a Director with effect from June 8, 2010

G. IPO Committee

Brief description of terms of reference

The IPO Committee of the Board was reconstituted on December 7, 2009. The Committee was a special purpose Committee that was formed to oversee the functions involved in the Initial Public Offering of the Company and to facilitate the administrative convenience for quick decision-making. The Chairman of the Committee was an Executive Director. Table 15 gives the composition of the IPO Committee.

Table 15 Composition of the IPO Committee

Name of the Director	Category
Dr. Anand Deshpande	Chairman of the Committee and Chairman and Managing Director
Mr. S. P. Deshpande	Non-Executive Director
Dr. Promod Haque	Non-Executive Director
Mr. P. B. Kulkarni	Independent Director

The Committee was constituted with powers and responsibilities including but not limited to

i. To decide on the timing, pricing and all the terms and conditions of the issue and / or transfer of the equity shares for the Public Issue, including the price, and to accept any amendments, modifications, variations or alterations thereto;

ii. To appoint and enter into arrangements with the book running lead managers, underwriters to the Public Issue, syndicate members to the Public Issue, brokers to the Public Issue, escrow collection bankers to the Public Issue, registrars, legal advisors and any other agencies or persons or intermediaries to the Public Issue and to negotiate and finalise the terms of their appointment, including but not limited to execution of the BRLM's mandate letter, negotiation, finalisation and execution of the memorandum of understanding with the BRLMs etc.;

iii. To finalise and settle and to execute and deliver or arrange the delivery of the draft red herring prospectus, the red herring prospectus, the final prospectus, syndicate agreement, underwriting agreement, escrow agreement and all other documents, deeds, agreements and instruments as may be required or desirable in relation to the Public Issue;

iv. To open with the bankers to the Public Issue such accounts as are required by the regulations issued by SEBI;

v. To do all such acts, deeds, matters and things and execute all such other documents and writings, and issue certificates as it may, in its absolute discretion, deem necessary or desirable for such purpose, including without limitation, finalise the basis of allocation and to allot the equity shares to the successful allottees as permissible in law, issue of share certificates in accordance with the relevant rules;

vi. To do all such acts, deeds and things as may be required to dematerialise the equity shares of the Company and to sign agreements and/or such other documents as may be required with the National Securities Depository Limited, the Central Depository Services (India) limited and such other agencies, authorities or bodies as may be required in this connection;

vii. To allot and / or transfer equity shares in the IPO including to Anchor Investors.

viii. To make applications for listing of the equity shares in one or more stock exchange(s) for listing of the equity shares of the Company and to execute and to deliver or arrange the delivery of necessary documentation to the concerned stock exchange(s); and

ix. To settle all questions, difficulties or doubts that may arise in regard to such issue, allotment and / or transfer, as it may, in its absolute discretion deem fit.

The Committee is further empowered

i. To authorised to approve, adopt and file the prospectus for the Public Issue as required under Section 60 of the Companies Act, 1956 with the Registrar of Companies, Pune and to make any corrections or alterations therein.

ii. To do all such acts, deeds, matters and things as may be required in connection with the Public Issue and to comply with all requirements of the Companies Act, 1956, in this regard.

Meetings and attendance

Two meetings of the Committee were held during the financial year 2009-10. Table 16 gives attendance record of members of the IPO Committee at its meeting held during the financial year 2009-10.

Table 16 Attendance at the IPO Committee meetings held during the financial year 2009-10

Name of the Director	<--------------- IPO Committee Meetings --------------->	
	December 29, 2009	March 10, 2010
Dr. Anand Deshpande	Y	N
Mr. S. P. Deshpande	AVC	Y
Dr. Promod Haque	AVC	N
Mr. P. B. Kulkarni	Y	Y

H. Selection Committee

Brief description of terms of reference

The Selection Committee of the Board was constituted on November 21, 2009. The Committee was a special purpose committee that was mainly formed as per the requirement of the Director's Relatives (Office or Place of Profit) Rules, 2003. Mrs. Chitra Buzruk, General Manager – Resource Allocation, sister of Dr. Anand Deshpande, Chairman and Managing Director and daughter of Mr. S. P. Deshpande, Non-Executive Director was appointed at an office or place of profit, under Section 314 of the Companies Act, 1956; and it was proposed for an enhancement in the limits for payment of remuneration within which the Board of Directors may grant increments from time to time to Mrs. Chitra Buzruk.

In terms of Director's Relatives (Office or Place of Profit) Rules, 2003, enhancement in the remuneration of a relative of Director for holding office or place of profit in the Company beyond the approved limits was required to be approved by a Selection Committee comprising majority of Independent Directors and an expert in the respective field from outside the Company.

Hence, the Board of Directors formed a Selection Committee comprising Mr. P. B. Kulkarni, Prof. Krithivasan Ramamritham, Independent Directors of the Company and Dr. Ashok Korwar, expert in the field of Management, who was not employed at the Company, as members of the Committee. The Selection Committee at its meeting on November 23, 2009 approved appointment of Mrs. Chitra Buzruk for an enhancement in the limits for payment of remuneration within which the Board of Directors may grant increments from time to time subject to the approval of the members and the Central Government. Table 17 gives the details of attendance at the selection Committee Meeting in financial year 2009-10.

Table 17 Attendance at the Selection Committee meeting held during the financial year 2009-10

Name of the Director	November 23, 2010
Mr. P. B. Kulkarni	Y
Prof. Krithivasan Ramamritham	AVC
Dr. Ashok Korwar	Y

Note: Consequent to resignation of Mr. Ram Gupta as an independent director of the Company with effect from June 8, 2010, the Committees of the Board will be reconstituted in compliance with the Listing Agreement and applicable rules and regulations. Further, In terms of Clause 49(I)(C)(iv) of the Listing Agreement, the Board of Directors is taking necessary steps for the appointment of new Independent Director at the earliest and in any case within 180 days from the date of resignation of Mr. Ram Gupta, so as to comply with the condition of at least one-half of the Board of the Company consisting of independent directors required under Clause 49(I)(A)(ii).

3. Subsidiary Companies

The Company does not have any material non listed Indian subsidiary Company, whose turnover or net worth (paid up capital and free reserves) exceeds 20% of the consolidated turnover or net worth of the Company.

Further, the Audit Committee and the Board of Directors review the consolidated financial statements of the Company and its subsidiary companies on a quarterly basis.

The Audit Committee and the Board of Directors look into the related party transactions entered into by the Company including those with the subsidiary companies.

Details of percentage holding of the Company in the subsidiary companies

Name of the Subsidiary Company	Registered in	Holding percentage
Persistent eBusiness Solutions Limited	India	100%
Persistent Systems, Inc.	U.S.A.	100%
Persistent Systems Pte. Limited	Singapore	100%
Persistent Systems and Solutions Limited	India	100%

4. General meeting details

A. Details of last three years Annual General Meetings (AGM) held are as follows

Financial year	Date	Time	Venue
2006-07	July 23, 2007	12.00 noon	"Dewang Mehta Auditorium", "Bhageerath", 402, Senapati Bapat Road, Pune 411 016
2007-08	July 30, 2008	4.00 p.m.	"Dewang Mehta Auditorium", "Bhageerath", 402, Senapati Bapat Road, Pune 411 016
2008-09	July 22, 2009	4.00 p.m.	"Dewang Mehta Auditorium", "Bhageerath", 402, Senapati Bapat Road, Pune 411 016

B. Following Special Resolutions were passed by the members during the last three Annual General Meetings

Date of AGM	No.	Details of Special Resolution
July 23, 2007	i.	Appointment of Mr. S. P. Deshpande as an Executive Director of the Company for a term of five years effective from April 01, 2007.
	ii.	Appointment of Dr. Mukund Deshpande, relative of two directors of the Company, as Technical Manager or such designation given to him in terms of the Company's policy from time to time.
	iii.	Payment of Commission not exceeding one percent of the Net Profits of the Company to all or any of the Individual Non-executive Directors as decided by the Board of Directors of the Company from time to time.
July 30, 2008		Issue of Equity Shares not exceeding 6.5 Million of Rs. 10 each of an aggregate face value of Rs. 65.00 Million through Initial Public Offer of the Company.

The Special resolutions moved at the AGMs above were passed on a show of hands by the shareholders present at the meeting.

C. Following Special Resolutions were passed by the members at the Extra Ordinary General Meeting (EGM) held during the financial year 2009-10.

Date of EGM	No.	Details of Special Resolution
December 18, 2009	i.	Offer, issue and allotment of not exceeding 6.5 Million equity shares of Rs.10 each (Fresh Issue) and transfer such number of equity shares to be offered for sale by the existing shareholders of the Company (Offer for sale) through an initial public offer at a price including premium to be determined in accordance with the Book building process or any other method

Date of EGM	No.	Details of Special Resolution
		as prescribed by SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 including Employee Reservation for eligible employees and / or a green shoe (over subscription) option.
	ii.	Enhancement in the limits for payment of remuneration within which the Board of Directors may grant increments from time to time to Mrs. Chitra Hemadri Buzruk, General Manager – Resource Allocation, relative of two Directors of the Company.

D. No postal ballots were conducted by the Company during the last three financial years.

5. Disclosures

A. Code of conduct

The Code of Conduct is an annual declaration that helps to maintain high standards of ethical business conduct for the Company and promotes. In terms of Code of Conduct, Directors and Senior Management must act within the boundaries of the authority conferred upon them and with a duty to make and enact informed decisions and policies in the best interests of the Company and its shareholders and stakeholders. Further, Directors and Senior Management should ensure that they do not derive any undue personal benefit because of their position in the Company and / or certain confidential information coming to their knowledge.

The Company obtains the affirmation compliance of the Code of Conduct from its Directors and Senior Management on yearly basis since the financial year 2005-06.

The Company has obtained declaration from Directors and Senior Management affirming their compliance to the Code of Conduct for the current year. The Chairman has affirmed to the Board of Directors that this Code of Conduct has been complied with by the Board members and Senior Management and a declaration to this effect appears in this report. A copy of the Code of Conduct is made available on the website of the Company.

B. Whistle blower policy

The Board of Directors of the Company has adopted a Whistle Blower Policy for its employees. The employees are encouraged to report to the Audit Committee of the Board of Directors any fraudulent financial or other information to the stakeholders, any conduct that results in the instances of unethical behaviour, actual or suspected violation of the Company's Code of Conduct and ethics, which may come to their knowledge.

This policy provides for adequate safeguards against victimisation of employees who report to the Whistle Blower Administrator.

C. Disclosures on materially significant related party transactions that may have potential conflict with the interests of the Company

During the financial year 2009-10, there were no materially significant transactions, pecuniary transactions or relationships between the Company and the Promoters, Directors and their relatives and the management that has potential conflict with the interest of the Company.

Details of all transactions entered into by the Company with the related parties have been disclosed under "Related Party Transactions" in the Notes to Accounts of the Company which form part of this Annual Report.

D. Risk management and internal control policies adopted by the Company

The report on Risk Management and Internal Control Policies adopted by the Company forms separate part of this Annual Report.

E. Adherence to accounting standards

The Company follows the mandatory Accounting Standards prescribed by the Institute of Chartered Accountants of India and to the best of its knowledge there are no deviations in the accounting treatments that require specific disclosure.

F. Details of Public Issue and Utilisation thereof

During 2009-10, the Company raised funds through an Initial Public Offering (IPO) of 4,139,000 Equity Shares of Rs 10 each as fresh issue and 1,280,706 Equity Shares of Rs. 10 each as Offer for Sale by Dr. Shridhar Bhalchandra Shukla and Mrs.Vijayalaxmi Shridhar Shukla (holding shares jointly) and Mr. Ashutosh Vinayak Joshi ("Selling Shareholders") at a premium of Rs. 300 per share. The issue was open for subscription from March 17, 2010 to March 19, 2010. An amount of Rs. 1,283.09 Million was raised by the Company through fresh issue of shares in the IPO. All the expenses associated with the issue were borne by the Company and the Selling Shareholders in proportion to the equity shares issued / offered in the fresh issue and offer for sale, respectively.

The proposed utilisation of IPO proceeds is as below (In Rs. Million)

Sr. No.	Project	Estimated amount to be utilised from the Net Proceeds
i	Establishment of development facilities	760.20
ii	Capitalisation of subsidiaries for establishing development facilities	29.59
iii	Procuring hardware	204.50
iv	Fund expenditure for general corporate purposes	202.40
		1,196.69

G. Details of noncompliance

Details of noncompliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges, SEBI or any statutory authority, on any matter related to the capital markets, during the period from April 6, 2010 to April 23, 2010 – NIL

The Company has disclosed all the mandatory requirements under Clause 49 of the Listing Agreement.

Among the non-mandatory requirements of the Listing Agreement, the Company has set up Remuneration Committee and has a Whistle Blower Policy in place along with other non-mandatory initiatives taken by the Company for this purpose.

H. Remuneration to the Directors of the Company

Information relating to the remuneration to the Directors during the financial year 2009-10 has been provided under the details of the Remuneration Committee.

6. Management discussion and analysis

As required by Clause 49 of the Listing Agreement, the Management Discussion and Analysis is provided elsewhere in the Annual Report.

7. Shareholders' Information

A. Means of Communication

The Company would like to constantly communicate to our investors about the operations and financial results of the Company. Besides publishing the abridged financial results in one national and one regional daily newspaper respectively, as per the clause 41 of the listing agreement the complete financial statements are published on our website (www.persistentsys.com) post April 6, 2010, being the date of listing on the National Stock Exchange of India Limited (NSE) and the Bombay Stock Exchange Limited (BSE). The transcript of the calls with the analysts has also been published on our website post April 23, 2010.

B. Corporate Identity Number (CIN)

The Corporate Identity Number (CIN), allotted by the Ministry of Corporate Affairs, Government of India is L72300PN1990PLC056696 and the Company Registration Number is 056696. The Company is registered in the State of Maharashtra, India.

C. General details of the Company

i. Registered Office
"Bhageerath",
402, Senapati Bapat Road,
Pune 411 016, India.

ii. Financial year of the Company is from 1st of April of every year to 31st of March next year.

iii. Forthcoming Annual General Meeting of the Company

The next Annual General Meeting of the Company will be held on Tuesday, July 20, 2010 at Dewang Mehta Auditorium, 'Bhageerath', 402, Senapati Bapat Road, Pune 411 016 at 16:00 hrs.

iv. Record date : July 19, 2010

v. Company Secretary and Compliance Officer of the Company

Mr. Vivek Sadhale
Company Secretary and Head – Legal
"Bhageerath",
402, Senapati Bapat Road, Pune 411 016, India.
Tel. : +91 (20) 3024 2000;
Fax : +91 (20) 2565 7888
Website : www.persistentsys.com

The members may communicate investors complaints at investors@persistent.co.in in addition to above mentioned address.

vi. Dividend payment date

The Company declared interim dividend to the members twice for the financial year 2009-10. The Company declared the dividend to those members of the Company whose names were registered in the Register of Members on October 30, 2009 and May 4, 2010. If approved by the members, final dividend will be paid to those members of the Company whose names would appear in the register of members on July 19, 2010.

vii. Name of Stock Exchanges where the Company has been listed

The Equity Shares of the Company have been listed on the following stock exchanges on April 6, 2010

Stock Exchange	Script Symbol / Code
National Stock Exchange of India Limited (NSE)	PERSISTENT
Bombay Stock Exchange Limited (BSE)	533179

Listing fee for the financial year 2010-11 has been paid both for NSE and BSE.

The ISIN of the Company for its shares is INE262H01013.

viii. Contact details of Company's intermediaries are as follows

Registrar and Share Transfer Agent

Link Intime India Private Limited
(Unit – Persistent Systems Limited)
Block No. 202, Second Floor, Akshay Complex,
Off Dhole Patil Road, Pune 411 001
Tel. : +91 (20) 2605 1629;
Fax : +91 (20) 2605 3503
E-mail : pune@linkintime.co.in;
Website : www.linkintime.co.in

Particulars	<--------Depositories--------	-------->
Name	National Securities Depository Limited	Central Depository Services (India) Limited
Address	4th and 5th Floor, 'A' Wing, Trade World, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai 400 013, India.	Phiroze Jeejeebhoy Towers, 16th Floor, Dalal Street, Fort, Mumbai 400 001, India.
Telephone	+91 (22) 2499 4200	+91 (22) 2272 3333
Fax	+91 (22) 2497 6351	91 (20) 2272 3199
E-mail	info@nsdl.co.in	investors@cdslindia.com
Website	www.nsdl.co.in	www.cdslindia.com

ix. Details of bonus issued / sub-division of shares since inception are as follows

Financial Year	1996-97	2002-03	2007-08
Bonus Issue	15:1	9:1	5:2

In financial year 2002-03, one equity share of Rs. 100 each was sub-divided into 10 fully paid equity shares of Rs. 10 each.

x. Legal Proceedings

There are no cases related to disputes over title to shares in which the Company was made a party.

xi. Dematerialisation of shares and liquidity

The Company's Equity Shares have been dematerialised with the Central Depository Services (India) Limited (CDSL) and the National Securities Depository Limited (NSDL). The International Security Identification Number (ISIN) is an identification number for traded shares. This number is to be quoted in each transaction relating to the dematerialised shares of the Company. The ISIN of the Company for its shares is INE262H01013.

As on March 31, 2010, 39,816,569 Equity Shares comprising 99.54% of the Company's shares are held in dematerialised form.

xii. Share Transfer System

The Company has the Shareholders' / Investors' Grievance Committee represented by the Board of Directors to examine and redress shareholders' and investor complaints. The status on share transfers is reported to the Board on a regular basis. Details of complaints received and resolved during the period since the listing date are as follows

Nature of Complaints	Received	Resolved	Outstanding as on June 4, 2010
Non receipt of refund orders	252	247	5
Non credit of shares in demat account	143	140	3

The process and approval of share transfer has been delegated to the Shareholders / Investors Grievance Committee of the Board of Directors. For shares transferred in physical form, the Shareholders / Investors Grievance Committee gives adequate notice to the seller before registering the transfer of shares. The Shareholders / Investors Grievance Committee approves the share transfers and reports the same to the Board of Directors at its next meeting. For matters regarding shares transferred in physical form, share certificates, dividends, change of address, etc., shareholders should communicate with Link Intime India Private Limited. The address is given in the section on shareholder information. For shares transferred in electronic form, after confirmation of sale / purchase transaction from the broker, shareholders should approach the depositary participant with a request to debit or credit the account for the transaction. The depository participant will immediately arrange to complete the transaction by updating the account. There is no need for separate communication to register the share transfer.

xiii. Distribution of shareholding as on June 4, 2010

Shareholding of nominal value	Share holders	Percentage	Nominal value of Equity Shares (Rs.)	Percentage
1 -- 5000	39,526	97.09	15,475,950	3.87
5001 -- 10000	406	1.00	3,127,590	0.78
10001 -- 20000	246	0.60	3,622,240	0.91
20001 -- 30000	136	0.33	3,389,810	0.85
30001 -- 40000	78	0.19	2,676,780	0.67
40001 -- 50000	56	0.14	2,585,130	0.64
50001 -- 100000	110	0.27	8,090,130	2.02
100001 -- Above	154	0.38	361,032,370	90.26
	40,712	100.00	400,000,000	100.00

xiv. Shareholding pattern as on June 4, 2010

Sr. No.	Category of Shareholders	No. of Shareholders	No. of Equity Shares	Nominal Value of Equity Shares (Rs.)	Percentage
1.	Promoter	2	15,180,050	151,800,500	37.95
2.	Promoter Group	5	362,250	3,622,500	0.91
3.	Institutions				
a.	Mutual Funds	22	1,887,969	18,879,690	4.72
b.	Financial Institutions / Banks	4	63,352	633,520	0.16
c.	Foreign Institutional Investors	22	787,070	7,870,700	1.97
d.	Foreign Venture Capital Investors	2	7,348,297	73,482,970	18.37

Sr. No.	Category of Shareholders	No. of Shareholders	No. of Equity Shares	Nominal Value of Equity Shares (Rs.)	Percentage
4.	Non-Institutions				
a.	Bodies Corporate	547	887,126	887,126	2.22
b.	Individuals	39,532	7,327,662	73,276,620	18.32
c.	Foreign Nationals - Non-Resident Indians	325	422,042	4,220,420	1.06
5.	Foreign Companies	2	1,100,277	11,002,770	2.75
6.	Trusts	6	4,522,585	45,225,850	11.31
		40,712	40,000,000	400,000,000	100.00

xv. Shareholders holding more than 1% of the share capital as on June 4, 2010

Shareholder's name	No. of Shares	Percentage of holding
Norwest Venture Partners FVCI - Mauritius	5,404,581	13.51
Mr. Prabhakar Bhagwant Kulkarni jointly with - Mr. Rajesh Bhimrao Ghonasgi*	4,494,804	11.24
Gabriel Venture Partners II (Mauritius)	1,943,716	4.86
Mr. Ashutosh Vinayak Joshi	1,050,000	2.63
Dr. Shridhar Bhalchandra Shukla jointly with - Mrs. Vijayalaxmi Shridhar Shukla	1,050,000	2.63
Intel 64 Fund Operations, Inc.	916,846	2.29
SBI Mutual Fund A/c Magnum Global Fund	663,011	1.66

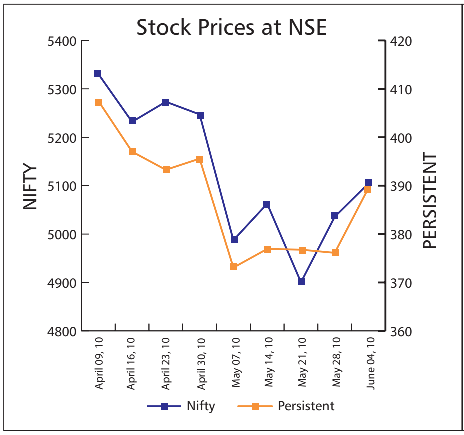
* Trustees, holding shares jointly on behalf of PSPL ESOP Management Trust.

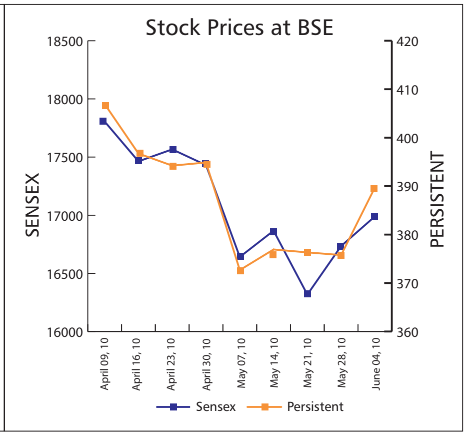
xvi. Market price data

The equity shares of the Company were listed on the National Stock Exchange of India Limited and the Bombay Stock Exchange Limited on April 6, 2010. Details of weekly high and low price are given below

	<-------------------- BSE	--------------------->		<------------------ NSE	-------------------->	
Week ending	High	Low	Total volume	High	Low	Total volume
April 9, 2010	448	386	18,642,761	447	362	28,721,708
April 16, 2010	415	395	1,628,543	415	395	2,634,258
April 23, 2010	448	386	1,376,264	413	385	2,054,811
April 30, 2010	410	383	781,091	411	383	1,198,197
May 7, 2010	405	375	453,410	404	360	727,447
May 14, 2010	390	376	217,533	389	375	331,092
May 21, 2010	398	370	274,696	398	365	404,510
May 28, 2010	384	365	124,705	387	365	327,463
June 4, 2010	395	377	116,667	394	376	205,255

Graphical presentation of weekly movement in the closing stock price of Persistent and the indices from April 6, 2010 to June 4, 2010.





xvii. American Depository Receipts / Global Depository Receipts / Warrants

As on March 31, 2010, the Company has no American Depository Receipts / Global Depository Receipts / Warrants or any such convertible instruments outstanding and there is no likely impact on the Company's Equity Shares in the financial year 2009-10.

xviii. Plant locations

The Company is in software business and does not require manufacturing plants. However, it has software development centres / offices in India and abroad. The addresses of global development centres / offices of the Company are given elsewhere in the Annual Report.

xix. Calendar for financial reporting for the quarters in the financial year 2010-11 (tentative and subject to change)

Quarter Ending	Proposed date of meeting of the Board
June 30, 2010	July 21, 2010
September 30, 2010	October 22, 2010
December 31, 2010	January 21, 2011
March 31, 2011	April 22, 2011

8. ESOP Schemes of the Company

The status of various ESOP schemes as on March 31, 2010 is shown in the following table

		<------ Plans									------>
Particulars		I	II	III	IV	V	VI	VII	VIII	IX	Total
Granted	a	2,280,250	376,600	1,266,650	3,479,125	945,262	608,125	892,487	21,000	687,231	10,556,730
Vested	b	1,605,242	212,878	457,082	882,886	414,121	305,593	233,642	10,500	-	4,121,944
Encashed and Exercised	c	1,598,844	205,001	401,760	818,180	366,904	296,624	195,634	7,000	-	3,889,947
Vested and Not exercised (b-c)	d	6,398	7,877	55,322	64,706	47,217	8,969	38,008	3,500	-	231,997
Lapsed	e	669,201	128,607	375,858	816,542	266,340	215,250	403,900	-	152,738	3,028,436
Not Vested (a – c - d - e)	f	5,807	35,115	433,710	1,779,697	264,801	87,282	254,945	10,500	534,493	3,406,350
Total Outstanding (d + f)	g	12,204	42,991	489,031	1,844,402	312,018	96,251	292,953	14,000	534,493	3,638,343
Weighted Average remaining contractual life (in years)		Note 1	10.92	Note 1	12.44	Note 1	11.74	12.93	4.46	11.4	
Weighted Average Fair Value of Options Granted (Rs.)		9.37	47.52	58.47	83.07	51.06	50.11	117.05	143.57	137.05	

All the numbers provided in this above table are rounded off.

Notes

1. No contractual life is defined in the schemes.
2. Compensation expense arising from employee share based payment plans amounted to Rs. 19.45 Million (previous year Rs. 14.83 Million).
3. Advance to the Trust, as on the balance sheet date in respect of shares allotted by the Company to the Trust, amounted to Rs. NIL (previous year Rs. 50.60 Million). As illustrated in the example in the appendix to the Guidance Note on accounting for Employee share based payment, issued by the ICAI, had the advance been presented as a reduction from equity, the Equity Share Capital would have been reduced by Rs. NIL (previous year Rs. 6.06 Million) and Share Premium would have been reduced by Rs. NIL (previous year Rs. 44.54 Million).
4. The Company has adjusted Rs. 47.22 Million to General Reserve as the difference between the cost incurred by the Trust for the purpose of shares and the exercise price of those shares which have been exercised by the employee during the current year, in accordance with Guidance Note on accounting for Employee share based payment, issued by the ICAI.
5. All method of settlement for all the schemes is equity based.

9. CEO/CFO Certification

As required by Clause 49 of the listing agreement, the CEO / CFO certification is provided elsewhere in this Annual Report.

10. Corporate Governance Handbook

The Company proactively and voluntarily prepared a Corporate Governance Handbook encompassing set of guidelines and policies with respect to composition of the Board of Directors and Committees of the Board, meetings of the Board of Directors and Committees of the Board, Managerial Remuneration, Code of Conduct, Whistle Blower Policy, Risk Management Policy, Internal Control Procedures etc., being adhered to by the Company. Corporate Governance Handbook is updated on annual basis.

11. Voluntary Secretarial Compliance Certificate

The Company annually obtains a compliance certificate from a Practicing Company Secretary on a voluntary basis to ensure compliance of the provisions of the Companies Act, 1956. The same is provided elsewhere in this Annual Report. The Institute of Company Secretaries of India, vide their e-mail dated September 30, 2009, appreciated the initiative taken by the Company for obtaining voluntary secretarial compliance certificate.

12. ISO 9001: 2008 Certification for Legal, Corporate Secretarial and Investor Relations Department

The Legal, Corporate Secretarial and Investor Relations Department of the Company has successfully completed the ISO 9001: 2008 certification audit conducted by TUV Nord on June 3-4, 2010. Accordingly, the Legal, Corporate Secretarial and Investor Relations Department has been recommended for ISO 9001: 2008 Certification.

13. Secretarial Standards

The Company endeavors to comply to the extent possible and relevant with the non mandatory Secretarial Standards issued by the Institute of Company Secretaries of India.

14. Vendor Code of Conduct

In line with the best international governance practices, the Company has introduced the Vendor Code of Conduct that is to be executed by all the vendors prior to providing their services to the Company. This Code ensures that the vendors of the Company are following the relevant legal and regulatory compliances applicable to them while working with the Company; and are performing the acceptable business conduct while doing business with or on behalf of the Company.

15. Miscellaneous

Shareholders holding shares in physical form are requested to notify to Link Intime India Private Limited, any change in their address and Bank Account details under the signature of sole / first joint holder. Beneficial owners of shares in demat form are requested to send their instructions regarding change of name, change of address, bank details, nomination, power of attorney, etc., directly to their Depository Participants (DP) as the same are maintained by the DP.

Nonresident shareholders are requested to notify the following to Link Intime India Private Limited at the earliest

A. Change in their residential status on return to India for permanent establishment.

B. Particulars of their NRE Bank Account with a bank in India, if not furnished earlier.

C. E-mail address, if any.

16. Nomination in respect of shares

Section 109A of the Companies Act, 1956, provides facility for making nominations by shareholders in respect of their holding of shares. Such nomination greatly facilitates transmission of shares from the deceased shareholder to his / her nominee without having to go through the process of obtaining Succession Certificates / Probate of the Will, etc. It would therefore, be in the best interests of the shareholders holding shares as a sole holder to make such nomination. Shareholders holding shares in physical mode are advised to write to the Registrar and Transfer Agent of the Company for making nomination. Shareholders holding shares in demat form are advised to contact their DP for making nominations. Shareholders are requested to quote their E-mail IDs, Telephone / Fax numbers for prompt reply to their communication.

Chief Executive Officer (CEO) and Chief Financial Officer (CFO) certification

We, to the best of our knowledge and belief, certify that

1. We have reviewed the Balance Sheet and Profit and Loss Account of the Company (consolidated and standalone) and all its Schedules and Notes on Accounts, as well as the Cash Flow Statements and the Directors' Report;

2. Based on our knowledge and belief, these statements do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which the statements were made, not misleading with respect to the statements made;

3. Based on our knowledge and belief, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of and for the periods presented in this report and are in compliance with the applicable Accounting Standards and / or applicable laws and regulations;

4. To the best of our knowledge and belief, no transactions entered into by the Company during the year were fraudulent, illegal or violate of the Company's practices;

5. We are responsible for establishing and maintaining disclosure controls and procedures for the Company and we have

A. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its subsidiaries, made known to us by others within those entities, particularly during the period in which this report is being prepared;

B. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally acceptable accounting principles;

C. evaluated the effectiveness of the Company's disclosure, controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

D. disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal year that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

6. We have disclosed based on our most recent evaluation, wherever applicable, to the Company's auditors and the Audit Committee of the Company's Board of Directors.

A. all significant deficiencies in the design or operation of internal controls, which could adversely affect the Company's ability to record, process, summarise and report financial data and have identified for the Company's auditors, any material weakness in internal controls over financial reporting including any corrective actions with regard to deficiencies, if any;

B. instances of any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls;

C. significant changes in internal controls during the year are covered by this report and

D. all significant changes in the accounting policies during the year have been disclosed in the notes to the financial statements.

7. We affirm that we have not denied any personnel, access to the Audit Committee of the Company (in respect of matters involving alleged misconduct) and we have provided protection to the 'whistle blowers' from unfair termination and other unfair or prejudicial employment practices; and

8. We further declare that all Board members and senior managerial personnel have affirmed compliance with the Code of Conduct for the financial year 2009-10.

For and on behalf of the Board of Directors

	Dr. Anand Deshpande	Rajesh Ghonasgi
Pune, June 10, 2010	Chairman and Managing Director	Chief Financial Officer

Corporate Governance Compliance Certificate

To the Members of Persistent Systems Limited

I have examined all the relevant records of Persistent Systems Limited for the purpose of certifying compliance of the conditions of the Corporate Governance under Clause 49 of the Listing Agreement with the Stock Exchanges for the financial year ended March 31, 2010. I have obtained all the information and explanations which to the best of my knowledge and belief were necessary for the purposes of certification.

The compliance of conditions of corporate governance is the responsibility of the Management. My examination was limited to the procedure and implementation process adopted by the Company for ensuring the compliance of the conditions of the corporate governance. This certificate is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

In my opinion and to the best of my information and according to the explanations given to me, I certify that the Company has complied with all the mandatory conditions of Corporate Governance as stipulated in the said Listing Agreement. As regards Annexure 1D of non-mandatory requirements, the Company has complied with items 2 - Remuneration Committee, 4 - Unqualified Financial Statements and 7 - Whistle Blower Policy, of such non-mandatory requirements.

CS Shridhar Kulkarni
Company Secretary
FCS No. 5631
CP No. 3950

Pune, April 23, 2010

Partnership is about pooling talents to find the best solutions and combining strengths to fend off challenges. To leverage business to the next level, partnerships demand mutual trust and shared vision. Over the last decade, Persistent Systems succeeded in forging a series of fulfilling partnerships that permitted us to enter new areas of business and discover new applications in our domains of core competence.

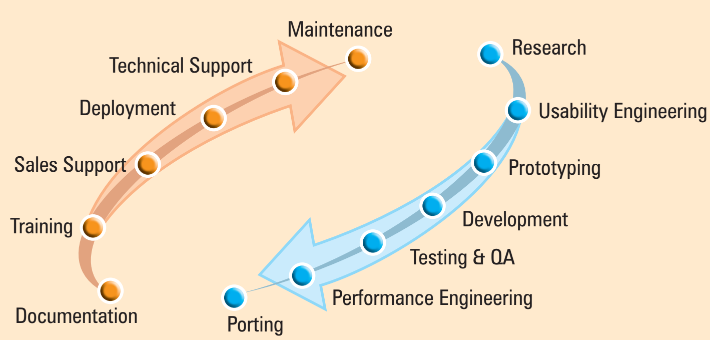
Partnering for Success

Business partnerships are put to the test in times of crisis. That crisis, in the form of worldwide recession, hit thousands of companies two years ago. The response by Persistent Systems was immediate and strategic. We met top executives from over 200 of our customers to discuss their difficulties, their long-term plans, and how we could contribute towards a solution.

This interaction added a very different quality of bonding to our business relationships. Many customers sought our participation beyond purely engineering needs. Many others wanted us to take responsibility of the product, end to end. The underlying principle of supportive partnership that has evolved will help to substantially expand our business in the years to come.

We follow the agile development process and have customised it to work in a global delivery model. Our teams have been trained on all the standard components provided by our partners. For our customers, this reduces the time to take products to market. We have tuned our sales teams to work with our customers to demonstrate the value of our DFM processes. We also provide a lot of services to our customers as their product offerings reach the end-of-life phase.

Services across the product life cycle



We provide a comprehensive range of services for our customers across all phases of the product life cycle (as shown in the diagram). We also create customised applications, enhance the functionality of our customers' existing software products and participate in the release of new product versions. All this has resulted in forging long-term relationships with our clients.

Voluntary Secretarial Compliance Certificate

CIN: U72300PN1990PLC056696

The Members
Persistent Systems Limited,
'Bhageerath', 402, Senapati Bapat Road,
Pune 411 016.

I have examined the registers, records, books and papers of Persistent Systems Limited (the Company) as required to be maintained under the Companies Act, 1956 (the Act) and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the period from April 1, 2009 to March 31, 2010 (Financial Year). In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid Financial Year

1. The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions and the rules made there under and all entries therein have been duly recorded;

2. The Company has duly filed the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies and Central Government, within the time prescribed under the Act and the rules made there under;

3. The Board of Directors duly met 9 (Nine) times on May 21, 2009, July 23, 2009, October 30, 2009, December 7, 2009, January 29, 2010, March 11, 2010, March 20, 2010, March 23, 2010 and March 30, 2010 in respect of which proper notices were given and proceedings were properly recorded and signed in the Minutes Book maintained for the purpose including the circular resolutions passed. There were two teleconference meetings held on December 11, 2009 and March 6, 2010 proceedings of which were properly recorded and noted by the Board of Directors at its subsequent meeting.

4. The Audit Committee of the Board of Directors duly met 4 (Four) times on May 20, 2009, July 22, 2009, October 29, 2009 and January 28, 2010 in respect of which proper notices were given and proceedings were properly recorded and signed in the Minutes Book maintained for the purpose;

   The Chairman of the Audit Committee is an Independent Director. Composition of the Audit Committee was as per section 292A of the Act and Clause 49 of the Listing Agreement.

Sr. No.	Date of Meeting	Composition of Audit Committee as on the date of the Meeting
1.	May 20, 2009	2 (Two) Independent Directors and 1(One) Executive Director
2.	July 22, 2009	2 (Two) Independent Directors and 1(One) Executive Director
3.	October 29, 2009	2 (Two) Independent Directors and 1(One) Executive Director
4.	January 28, 2010	2 (Two) Independent Directors and 1(One) Non-Executive Director

5. The Remuneration Committee of the Board of Directors duly met 1 (one) time on July 22, 2009 in respect of which proper notices were given and proceedings were properly recorded and signed.

The composition of the Remuneration Committee as on the date of the meeting was as follows

Sr. No.	Date of Meeting	Composition of Audit Committee as on the date of the Meeting
1.	July 22, 2009	2 (Two) Independent Directors and 1(One) Non Executive Director

6. The Shareholders' / Investors' Grievance Committee of the Board of Directors did not have a meeting during the period under review.

7. The Executive Committee of the Board of Directors did not have a meeting during the financial year. However, a resolution passed by way of circulation was later ratified by the Board of Directors in its subsequent meeting.

8. The Nomination and Governance Committee duly met 2 (Two) times on July 22, 2009, and January 28, 2010 in respect of which proper notices were given and proceedings were properly recorded and signed. There was one teleconference meeting held on October 29, 2009 proceedings of which were properly recorded and noted by the Committee at its subsequent meeting.

The composition of the Nomination and Governance Committee as on the date of the meeting was as follows

Sr. No.	Date of Meeting	Composition of Audit Committee as on the date of the Meeting
1.	July 22, 2009	1 (One) Executive Director and 3 (Three) Independent Directors
2.	October 29, 2009	3 (Three) Independent Directors
3.	January 28, 2010	3 (Three) Independent Directors

9. The IPO Committee of the Board of Directors duly met 2 (Two) times on December 29, 2009 and March 10, 2010 in respect of which proper notices were given and proceedings were properly recorded and signed.

The Composition of the IPO Committee as on the date of the meetings was as follows

Sr. No.	Date of Meeting	Composition of Audit Committee as on the date of the Meeting
1.	December 29, 2009	1 (One) Executive Director, 2 (Two) Non-executive Directors and 1 (One) Independent Director
2.	March 10, 2010	1 (One) Executive Director, 2 (Two) Non-executive Directors and 1 (One) Independent Director

10. No meeting of the Compensation Committee of the Board of Directors was held during the financial year. However, resolutions passed by way of circulation during the financial year were later ratified by the Board of Directors in its subsequent meeting.

11. During the financial year, the Company formed the Selection Committee of the Board of Directors for the purpose of approving, subject to the approval of the shareholders, enhancement in the limits for payment of remuneration to Mrs. Chitra Hemadri Buzruk, relative of two Directors of the Company holding office or place of profit. The Selection Committee duly met 1 (One) time on November 23, 2009 in respect of which proper notices were given and proceedings were properly recorded and signed.

The composition of the Selection Committee as on the date of the meeting was as follows

Sr. No.	Date of Meeting	Composition of Audit Committee as on the date of the Meeting
1.	November 23,2009	2 (Two) Independent Directors and 1 (One) Management Consultant from outside the Company

12. The Annual General meeting for the financial year ended on March 31, 2009 was held on July 22, 2009 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose;

13. One extra ordinary general meeting was held on December 18, 2009 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.

14. The Company has not advanced any amount as loan to its Directors and / or persons or firms or companies referred in the section 295 of the Act.

15. The Company has not entered into any contract attracting the provisions of section 297 of the Act during the period under report.

16. The Company has made necessary entries in the register maintained under section 301 of the Act.

17. The Company made an application to the Central Government, the Ministry of Corporate Affairs on November 16, 2009 under Section 212(8) of the Act for the exemption sought from attaching the Directors' Report,

Auditors' Report, Balance Sheet and Profit and Loss Account of its Subsidiary Companies to the Balance Sheet to the Company for the Financial Year 2009-10. The Company has received an approval from the Central Government vide its Letter No. 47 / 13 / 2010 - CL - III dated March 23, 2010.

18. The Company has made an application to the Central Government, Ministry of Corporate Affairs on December 25, 2009 under section 314 1B of the Act for obtaining approval for enhancement in limits for payment of remuneration to Mrs. Chitra Hemadri Buzruk, relative of two Directors of the Company holding office or place of profit. The appointment was duly approved by the Selection Committee on November 23, 2009 and by the members by Special Resolution at the Extra Ordinary General Meeting on December 18, 2009. The approval from the Central Government is awaited.

19. During the year under review, the Company has approved the transfer of 35,90,436 shares as per the following details

a. Transfer of 2,200,984 Equity Shares from PSPL ESOP Management Trust to respective Employees pursuant to exercise of vested Stock Options

b. Transfer of 1,280,706 Equity Shares held by Dr. Shridhar Shukla (jointly with Mrs. Vijayalakshmi Shukla) and Mr. Ashutosh Joshi in the Initial Public Offering by way of Offer for Sale

c. Transfer of 108,746 Equity Shares from Individual Shareholder.

20. The Company has deposited the amount of interim dividend declared in the financial year in a separate bank account within five days from the date of declaration of such dividend.

21. The Company has paid / posted warrants for dividends to all the members within a period of 30 (Thirty) days from the date of declaration and that there is no unclaimed / unpaid dividend.

22. The Company has duly complied with the requirements of section 217 of the Act.

23. The Board of Directors and the Audit Committee of the Board of Directors of the Company are duly constituted.

24. The appointment of Managing Director / Whole-time Director has been made in compliance with the provisions of section 269 read with Schedule XIII to the Act.

25. The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder.

26. Disclosures made by all Directors under Section 299 of the Act and declarations under Section 274(1)(g) of the Act were available for inspection.

27. The Company has made an initial public offering of 5,419,706 Equity Shares of Rs. 10 each consisting of Fresh Issue of 4,139,000 Equity Shares and Offer for Sale of 1,280,706 Equity Shares by the Selling Shareholders. The Board of Directors at its meeting held on March 30, 3010 approved allotment of 4,139,000 Equity Shares of Rs. 10 each and transfer 1,280,706 Equity Shares of Rs. 10 each offered for sale by Dr. Shridhar Bhalchandra Shukla and Vijayalaxmi Shridhar Shukla (holding shares jointly) and Mr. Ashutosh Joshi (collectively known as Selling Shareholders) in the Initial Public Offering of the Company, at a Issue Price of Rs. 310 (including share premium of Rs. 300 each) to the successful applicants.

28. The Company has made an application for listing of 40,000,000 Equity Shares of Rs. 10 each inclusive of an initial public offering of 5,419,706 Equity Shares of Rs. 10 each (including an Offer for Sale of 1,280,706 Equity Shares of Rs. 10 each by the Selling Shareholders) with the National Stock Exchange of India Limited and the Bombay Stock Exchange Limited on March 31, 2010 in compliance with the provisions of the Act. The Company received the listing and trading approval from NSE and BSE on April 1, 2010 and shares were listed on both these stock exchanges on April 6, 2010.

29. The Company has not bought back any securities during the period under report.

30. The amount borrowed by the Company from banks during the financial year ending March 31, 2010, is within the borrowing limits of the Company.

31. The Company has made investments in other bodies corporate in compliance with the provisions of the Act.

32. The Company has not altered the provisions of the Memorandum of Association with respect to situation of the Company's registered office from one state to another during the year under scrutiny.

33. The Company has not altered the provisions of the Memorandum of Association with respect to the objects of the Company during the year under scrutiny.

34. The Company has not altered the provisions of the Memorandum of Association with respect to the name of the Company during the year under scrutiny.

35. The Company has not altered the provisions of the Memorandum of Association with respect to share capital of the Company during the year under scrutiny and complied with the provisions of the Act.

36. The Company has not altered its Articles of Association.

37. There is no prosecution initiated against or show cause notice received by the Company for alleged offences under the Act.

CS Shridhar Kulkarni
Company Secretary
FCS No. 5631
CP No. 3950

Date : April 23, 2010
Place : Pune

ANNEXURE 'A'

Registers as maintained by the Company

A. Statutory Registers

Sr. No.	Name of the Register	Maintained Under Section
1.	Register of Charges	143
2.	Register of Members	150
3.	Minutes Books (Board, Committee and General Meetings)	193
4.	Register of Contracts	301
5.	Register of Directors	303
6.	Register of Directors' Shareholding	307
7.	Register of Buy Back of Securities	Rule 11
8.	Register of Investments	372A

B. Other Registers

Sr. No.	Name of the Register Maintained
1.	Register for transfer and transmission of shares
2.	Directors' attendance register
3.	Members' attendance register
4.	Register for application and allotment of shares

ANNEXURE 'B'

Form and Returns as filed by the Company with Registrar of Companies, Regional Director, Central Government or other authorities during the period ending on March 31, 2010.

Sr. No.	Form No/Return	For	Filed u/s	Date of Event	Date of Filing	Whether filed within the prescribed time
1	eForm 23	Payment of remuneration to Dr. Anand Deshpande, Chairman and Managing Director for financial year 2009-10 on the specified terms till the time Board approves the remuneration for the Financial Year	192 (4)(c)	May 21, 2009	June 16, 2009	Yes
2	Sch VI (eForm 23AC and 23ACA)	Balance Sheet as on March 31, 2009	220	July 22, 2009	August 21, 2009	Yes
3	Sch V (eForm 20B)	Annual return for the financial year 2008-09	159	July 22, 2009	August 27, 2009	Yes
4	eForm 23	Revision in payment of remuneration to Dr. Anand Deshpande, Chairman and Managing Director for the financial year 2009-10	192 (4)(c)	July 23, 2009	August 21, 2009	Yes
5	eForm 23AAB	Application for exemption from attaching the annual accounts of the subsidiary companies	212(8)	NA	November 16, 2009	NA
6	eForm 23	Revision in payment of remuneration to Dr. Anand Deshpande for financial year 2009-10 (Revision of revenue threshold for variable pay)	192 (4)(c)	October 30, 2009	November 26, 2009	Yes
7	eForm 32	Change in Designation of Mr. Suresh Deshpande from Executive Director to Non-Executive Director	303 (2)	October 30, 2009	November 26, 2009	Yes
8	eForm 24B	Application to the Central Government for enhancing the limits for payment of remuneration to Mrs. Chitra Buzruk, to Office or place of profit	314(1B)	NA	December 25, 2009	Yes
9	eForm 23	Special resolution for revision in terms of employment of relative of Director to Office or place of Profit Offering	314	December 18, 2009	December 25, 2009	Yes
10	eForm 23	Special resolution for issue of Equity Shares through Initial Public Offering	81 (1A)	December 18, 2009	December 25, 2009	Yes
11	e-Form 62	Reduction in the beneficial holding of the PSPL ESOP Management Trust due to transfer from Trust to the employees on exercising the vested options	187C	February 4, 2010	February 10, 2010	Yes

Sr. No.	Form No/Return	For	Filed u/s	Date of Event	Date of Filing	Whether filed within the prescribed time
12	e-Form 62	Reduction in the beneficial holding of the PSPL ESOP Management Trust due to transfer from Trust to the employees on exercising the vested options	187C	February 9, 2010	February 10, 2010	Yes
13	e-Form 22B	Transfer of Shares from Dr. Anand Deshpande and Mr. S. P. Deshpande, former Trustees of PSPL ESOP Management Trust to Mr. P. B. Kulkarni and Mr. Rajesh Ghonasgi, new Trustees of PSPL ESOP Management Trust	187C	March 4, 2010	March 4, 2010	Yes
14	e-Form 62	Filing of Red Herring Prospectus with the Registrar of Companies	60	March 17, 2010	March 10, 2010	Yes
15	e-Form 62	Filing of Red Herring Prospectus with the Registrar of Companies (See Note 1)	60	March 17, 2010	March 11, 2010	Yes
	E-Form 61 (39 Nos.)	Submission of copy of Red Herring Prospectus with Registrar of Companies (See Note 2)	60B	March 17, 2010	March 10, 2010	N.A.
16	e-Form 62	Filing of Prospectus with the Registrar of Companies	60	March 23, 2010	March 23, 2010	Yes

Note 1 This form was required to be resubmitted by the Company because e-Form 62 filed on March 10, 2010 was not displayed at the MCA Web Portal due to technical issues.

Note 2 These forms have been reported to be cancelled by the MCA Web Portal.

CS Shridhar Kulkarni
Company Secretary
FCS No. 5631
CP No. 3950

Date : April 23, 2010
Place : Pune

Investment in the Company by major players and acquisition by the Company of useful assets have been an integral part of Persistent Systems' growth history. At Persistent Systems, there exists a strong global connection and an astute eye to expansion within India, both in financial and market terms.

The map is not to scale and flags depicted in graphics are only meant to identify our global locations. No attempt is made to indicate any geographical / political boundaries.

Invest... Expand !

Expanding in response to opportunity is the hallmark of any smart enterprise. Persistent Systems has created four subsidiaries during the last 10 years. With a view to providing software development, consultancy and system integration services to customers in the United States, 'Persistent Systems Inc.', was incorporated in October 2001.

A year earlier, in May 2000, 'Persistent eBusiness Solutions Limited', was incorporated to provide the software development, consultancy and system integration services to customers in India. 'Persistent Systems Pte. Ltd.', was incorporated in Singapore by Persistent Systems, in April 2007, to cater to the market in the south-east Asian region, while 'Persistent Systems and Solutions Limited', incorporated in May 2008, is engaged in software development services through a unit in a SEZ in India.

The first foreign investment in Persistent Systems came from Intel in 2000, with a follow-up investment in 2005. Norwest and Gabriel have been major joint investors in Persistent Systems since 2005.

With a view to increasing its strength in some select software areas, Persistent Systems acquired Goa-based ControlNet (India) Private Limited, in 2005, followed by acquiring certain assets of Metrikus (India) Private Limited, Hyderabad, in 2007, and acquired certain assets of Paxonix, Inc., a subsidiary of MeadWestvaco Corporation, in 2009, through our US subsidiary Persistent Systems, Inc.

Branch offices in foreign lands

As a global player, it is only natural that Persistent Systems should have a presence in foreign lands. Apart from its wholly-owned foreign subsidiaries, the Company has been systematically expanding by establishing branch offices in an array of countries:

- Edinburgh, Scotland (2003)
- Tokyo, Japan (2004)
- Rotterdam, The Netherlands (2007)
- Ottawa and Vancouver, Canada (2007)
- Quebec, Canada (2008)

Management Discussion and Analysis

About Persistent Systems Limited

Established in 1990, Persistent Systems is recognised as an award-winning technology company and a leading provider of end-to-end software product development services – from Research to Testing to Professional Services and Customer Support.

Our philosophy is to leverage our product development skills and provide our customers with world class engineering and operations related services to augment their product development capabilities.

Since inception, Persistent Systems' services have been leveraged by several of the world's top software and other companies.

The technical expertise of our 4600+ employees has been the bed-rock of our successful and long-standing relationships. Our track record of 3000+ successful product release cycles across various technology domains for over past 5 years for about 300+ customers speaks of our proficiency. Persistent Systems enables customers achieve faster time-to-market, greater operational efficiencies and lower total cost of ownership - a recipe for success in the software product business, while delivering consistent quality and customer satisfaction – as evidenced by customer partnerships that span many years.

Notable accomplishments by Persistent Systems during financial year 2009-10

- Received Samsung's "Most Preferred Outsourcing Business Partner" award for 2009 from Samsung Electronics India Software Operations (SISO)
- Ranked amongst the Fastest Growing Companies on Deloitte Technology Fast 500 Asia Pacific 2009
- Awarded the "ICAI Awards for Excellence in Financial Reporting" for the second year in a row (for financial year 2007-08 and financial year 2008-09) in the category "Information Technology, Communications and Entertainment enterprises"
- Achieved ISO 9001: 2008 certification for Persistent Systems Limited and Persistent Systems and Solutions Limited
- Persistent's PaxPro Solution (owned by Persistent Systems, Inc., a wholly owned subsidiary of Persistent Systems Limited) honoured with Consumer Goods Technology Readers Choice Survey Award.

About the Industry

Cautious approach towards investments and strategic initiatives

During FY09-10, due to the economic downturn, product companies took a very cautious approach towards R&D, investments, and their strategic initiatives. This caused a slight decrease in demand for the Outsourced Product Engineering and Development services. However, once the economic situation stabilised, these companies started aggressively planning their product launches to shorten their time to revenue. It's forecasted that a compound annual growth rate (CAGR) for R&D/product engineering services will be around 14% for next five years. Further the evolving landscape of their customer needs demanded shorter product development life cycles. This has resulted in a growth in the demand for outsourced product development services and market experts continue to forecast growth in these services from China and India.

Change in business models and innovative deal structures

Over the last few years, many established and mature product companies have moved towards creating their own captive R&D / development centers in various geographies. However, after the economic recovery, a good number of companies are evaluating the productivity of these centers and analysing the extent of domain expertise that is present in these centers. This has resulted in rationalising and optimising some of these R&D centers. There has been an increase in the number of contracts being renegotiated and rebid during the past 12 months, according to outsourcing consultancy Compass America, and that is expected to continue in financial year 2010-11. Start-ups, on the other hand, have always remained inclined towards pure play outsourcing partners, since their priority has been to get the product to the market faster. Finally, both the product companies as well as outsourcing vendors are formulating innovative models to transact business. Both parties are very open to looking beyond traditional business models of time and materials or fixed cost pricing to Revenue Sharing and Risk Rewards Models. This will be covered later in this section.

Investment in infrastructure

Outsourcing Vendors, on the other hand, have invested in building ecosystems around their offerings. This includes creating labs, competencies, strategic alliances / Partnerships, and other software accelerators that shorten the development cycle time. Several policies / strategies have been put in place by these vendors to address concerns relating to employee attrition, IP security, and streamlined recruiting to gain trust of the customer.

Shrunk product development life cycle

In the process of expanding their market reach to new geographies, product companies face tremendous challenges in terms of customisation, addressing local and global customer's needs. Market pressure has shortened the demand for product life cycle considerably. Outsourced product developers offer shorter product life cycles leveraging their ecosystems, solution accelerators, go-to-market strategies without compromising on quality of deliverables.

Adapting to the changing market landscape, Persistent Systems has also aligned its business plans to the following four focus areas

1. Enterprise Collaboration
2. Enterprise Mobility
3. Analytics
4. Cloud Computing

In addition to these, Persistent Systems has a wide spectrum of competencies across domains such as Telecom, Life Sciences, Infrastructure and Services.

Persistent Systems has created a number of partnerships with players in the ecosystem to help product companies provide full solutions in these areas to the market.

Persistent Systems has strong references and long term relationships with customers. As a result 42.4% of our revenues today come from the customers with a 5+ year's relationship. Persistent Systems combines the experience of working with startup companies whom Persistent Systems helps doing prototypes, Proof-Of-Concepts (POC) and in turns helping with getting the funding, as well as Large Enterprises, for whom Persistent Systems becomes a key part of product development and easily owns up the complete product roadmap, We have built products and solutions end-to-end for our customers for the last 20 years. We have innovated through joint patents, enhancing customer roadmaps. Persistent Systems has diligently invested in building several centers of excellence, solution accelerators that in turn reduce the time to market for the end customer.

Persistent Systems has always exhibited transparency, easy access to management and strong corporate governance. We have a very strong backend delivery and a very customer focused team. Persistent Systems has helped customers for not only efficiently reducing the product life cycle, but also owning the product roadmap. Persistent Systems continues to innovate following business models suitable per customer needs. They range from traditional pricing models to highly flexible Risk Sharing Models as under

Business model	Execution specifics
Time & Expense (T&E) (Offshore Development Center model)	Dedicated team extends customer engineering Onsite team (where necessary) with primary offshore execution *Flexible – ramp up and ramp down Suitable for on-going co-development and QA*
Fixed Price (FPP) (TurnKey Projects)	Clear requirements and change management process, Initial onsite presence for requirements phase *Flexible – on tap experts available on short term assignment Suitable for Performance/Usability Engineering, POCs, QA automation, Migration/Porting, fixed requirements projects*
SLA Driven Services	Sustained loads, agreed service levels, Shared resources across projects Monthly or per incident rates Suitable for sustenance projects
Revenue Sharing / Risk Reward (IP Driven)	Complete product ownership for maintenance, roadmap ownership, and upgrades Teams – onsite/offshore as appropriate at Persistent Systems discretion, Possible customer contracts assignment including SLAs *Suitable for New as well as Mature / End of Life products Launching new products together in new markets, roadmap extensions*

Persistent Systems has sought to increase its revenues from the Revenue Sharing / Risk Reward model, as this represents a way to improving yield while gaining from the value added to customers businesses. The share of these billing models in Persistent's total revenue has changed over the last two years as follows

(Percentage distribution)

Billing models	Financial year 2009-10	Financial year 2008-09
T&E	77.3%	80.5%
FPP	15.5%	14.3%
IP Driven	7.2%	5.2%

Security infrastructure

In most of our customer projects, the IP is owned by customers. Ensuring security of our customer's assets (hardware and IP) is of utmost importance. Significant investments have been made to ensure that the customers, employees and partners are aware of our security policy and processes. All the security and access requirements from physical access, logical or physical network isolations or web filters, are strictly followed, including encryption technology to ensure safety of data on mobile computing devices.

HR initiatives

The Company treats its employees as its greatest asset. During the year, the Company has continued successful programs and initiated a number of new programs, to enable employee motivation, satisfaction and growth, amongst them

1. Enabling professional growth through mentoring programs, processes to track career growth, and enabling higher educational achievements
2. Communication processes through forums to allow employees express their opinions and needs
3. Employee-satisfaction surveys
4. Employee connect programs, in the form of

A. Prerna, a forum for development of women leaders

B. Tech Fest – a platform to publish innovative ideas

C. Interest groups, to enable employees express their interests beyond work areas

D. Family connect programs to bring families together and establish a bond between the company and families of employees

5. Corporate Social Responsibility (CSR) processes, such as Persistent Foundation, which encourage employees contribute to society through social work; and Green Persistent Movement which enables employees voice their concern and also establish steps to controlling environmental pressure, whether by ideas or actually contributing to active participation in environment saving activities

Financial position and results of operations

The following discussion is based on the audited, consolidated financial statements of Persistent Systems Limited and its four subsidiaries, namely Persistent eBusiness Solutions Limited, Persistent Systems, Inc., Persistent Systems Pte. Ltd., and Persistent Systems and Solutions Limited. In this report, the Company and its subsidiaries collectively have been referred as "the Company", reflecting the financial position in the Consolidated Financials. The financial year 2009-10 has been referred as "the year" and the financial year 2008-09 has been referred as "the previous year".

Share Capital

The Company made its Initial Public Offering (IPO) of 4,139,000 Equity shares of Rs.10 each for a cash price of Rs. 310 per equity share (i.e. at a premium of Rs. 300 per Equity Share). The response to the IPO was overwhelming. The issued paid up share capital of the Company stood increased to Rs. 400.00 Million as against Rs. 358.61 Million in the previous year.

Stock options outstanding

The amount of stock options outstanding relates to differences between fair value and grant price of shares arising out of employee stock options. These differences are amortised over the vesting period of options following the graded vesting method prescribed by the guidance note of the Institute of Chartered Accountant of India. The amount of stock options outstanding was Rs. 32.02 Million as at March 31, 2010 as against Rs. 20.73 Million as at March 31, 2009, corresponding to 3.64 Million stock options and 4.50 Million stock options outstanding on the respective dates.

Reserves and surplus

Pursuant to the IPO, there was an addition of Rs. 1,241.70 Million to the Securities premium account in the current year. A sum of Rs. 80.59 Million has been earmarked for share issue expense which include fees paid or payable in relation to the IPO, and these have been adjusted in the Securities Premium Account. The closing balance in the Securities Premium account increased from Rs. 577.49 Million to Rs. 1,738.60 Million.

The difference of Rs. 47.22 Million between the price paid by employees on exercise of options during the current year and the cost incurred by the PSPL ESOP Management Trust for the purpose of acquisition of the shares has been credited to the General Reserve, in accordance with Guidance Note on accounting for Employee share based payment, issued by the ICAI.

The Company has transferred Rs. 468.20 Million out of the profits of the current year to General Reserve in accordance with the Company's Policy.

Foreign exchange

The Company gets a major part of its revenues in foreign currency. Fluctuation of foreign exchange rates is a risk that the Company faces, as a major part of the expenses are in Rupees. During the year, the Rupee appreciated 11.4%.

The Company enters into various forward and option contracts with banks to manage its exposure to foreign exchange fluctuation risk. The Company has a Foreign Exchange Risk Management Framework in place, addressing such volatility through a defined stop-loss and net-open-position process.

With effect from April 1, 2009, the Company adopted the principles of Accounting Standard ('AS') 30, Financial instruments Recognition and Measurement. The Company designates its hedging instruments as cash flow hedges upon completion of formal designation and documentation of hedging relationship. The effectiveness of the hedge is tested periodically. All such hedging instruments are measured at fair value, at the reporting date. If the designated hedge pertaining to future cash flows is effective, then the changes in the fair value of the hedging instrument between the reporting date and the date of inception is recognised in hedge reserve and if the hedge is ineffective, then the ineffective portion is recognised in the Profit and Loss Account as foreign exchange gains or losses.

On sale or termination of effective/ineffective hedge instruments on or before maturity, the resultant gains or losses are taken to foreign exchange gain/loss in the Profit and Loss Account.

Accordingly, such derivative instrument which qualify for hedge accounting and where the Company has met all the conditions of hedge accounting are fair valued at balance sheet date and the resultant gain is credited to the hedge reserve. Accordingly, there is an addition of Rs.159.85 Million to the Hedge Reserve.

The Company had cover of USD 79.0 Million at an average rate of Rs. 48.41 per USD, as of the end of the year.

The balance in the foreign currency translation reserve decreased to Rs. 2.05 Million as at March 31, 2010 from Rs. 16.60 Million as at March 31, 2009, due to a translation loss of Rs. 14.55 Million arising during the year on the net investment in the non-integral, foreign subsidiary companies due to a change in the foreign exchange rates at the end of the year relative to the previous year.

Deferred payment liabilities

Deferred payment liabilities amounting to Rs. 45.11 Million as at March 31, 2010 represents the deferred credit facility provided by a vendor to the Company for purchase of software, no such facility was availed in the previous year.

Fixed assets

The gross block of fixed assets amounted to Rs. 3,714.79 Million as at March 31, 2010 as against Rs. 3,372.42 Million as at March 31, 2009.

The following table provides details of assets added during the year

(In Rs. Million)

Particulars	Financial year 2009-10
Leasehold Land	-
Building	34.21
Computers	84.27
Software	202.13
Plant and machinery	45.32
Vehicle	-
Furniture and fixtures	7.75
	373.68

During the year, the Company disposed off / retired assets having an original cost of Rs. 27.54 Million and written down value of Rs. 1.51 Million. These, mainly comprised of computers with original cost of Rs. 23.89 Million and written down value of Rs. 0.34 Million.

Capital work-in-progress (including capital advances) stood at Rs. 484.75 Million as at March 31, 2010 as against Rs. 377.44 Million as at March 31, 2009. These amounts mostly included ongoing construction of software development centres at Hinjawadi, Pune and Nagpur.

Investment

The Company invests its surplus funds generated from operations in liquid, short and longer term schemes and fixed maturity plans of selected mutual funds with focus on capital preservation, liquidity and optimisation of returns.

Investment in mutual funds increased to Rs. 1,561.73 Million as at March 31, 2010 as against Rs. 871.09 Million as at March 31, 2009. The value of investment in mutual funds as at March 31, 2010 was Rs. 1,563.84 Million as against Rs. 871.09 Million as at March 31, 2009.

Persistent Systems Pte. Ltd., subsidiary of the Company, in Singapore, had made an investment of an amount equal to Rs. 8.69 Million in Ciqual Limited UK (Ciqual). Considering the financial position of Ciqual, it has been decided to make a provision for diminution in value of the investment on a conservative basis.

Deferred tax assets (Net)

Deferred tax assets (net of deferred tax liability) amounted to Rs. 6.82 Million as at March 31, 2010 as compared to deferred tax assets of Rs. 20.47 Million as at March 31, 2009.

The decrease in deferred tax assets was mainly due to timing differences in relation to the treatment of leave liability, long term employee benefits and doubtful debts as per the provisions the Income Tax Act 1961 and the provisions Companies Act, 1956.

Sundry debtors

Sundry Debtors (net of provisions) amounted to Rs. 1,363.25 Million as at March 31, 2010 as compared to Rs. 1,034.21 Million as at March 31, 2009.

The following table provides the age-wise analysis of Sundry Debtors (Net of provision for doubtful debts) as on March 31, 2010

(In Rs. Million, except percentage)

Particulars	As at March 31, 2010		As at March 31, 2009	
	Amount	Percentage	Amount	Percentage
Not due	734.87	53.91%	455.74	44.07%
Due < 30 days	271.67	19.92%	110.76	10.71%
Due 30 - 60 days	170.51	12.51%	363.44	35.14%
Due 61 - 90 days	20.13	1.48%	54.19	5.24%
Due 91 - 120 days	42.81	3.14%	0.82	0.08%
Due over 120 days	123.26	9.04%	49.26	4.76%
	1,363.25	100.00%	1,034.21	100.00%

The Company has a policy of providing for all invoices outstanding for a period of 180 days or more and for those invoices which are otherwise considered doubtful based on the management's perception of risk of collection.

Provision for bad and doubtful debts increased to Rs. 197.32 Million as at March 31, 2010 from Rs. 153.40 Million as at March 31, 2009. This was on account of general downturn in the global economy during the first half of the year, which led to higher delinquencies.

Expenditure towards bad and doubtful debts during the year amounted to 0.98% of revenue of the year as compared to 1.89% in the previous year.

Cash and bank balances

Cash and bank balances amounted to Rs. 1,917.72 Million as at March 31, 2010 as compared to Rs. 165.39 Million as at March 31, 2009. The increase in balances in current accounts with scheduled banks due to funds from the IPO which were received at the end of March 2010 and deployed after the end of the year.

Cash and Bank comprised of mainly balances in the current accounts and deposit accounts of the banks in India and abroad and the balance held in the Exchange Earners Foreign Currency (EEFC) Accounts in India for operational use.

(In Rs. Million)

Particulars	Financial year 2009-10	Financial year 2008-09
Bank of Tokyo - Mitsubishi - NS, Japan	-	0.65
Bank of America	0.25	0.31
Silicon Valley Bank	112.87	67.01
Citibank NA - Singapore	0.52	11.48
Citibank NA - Canada	3.81	7.28
Cash in hand	0.22	0.13
Wells Fargo Bank	0.02	-
Deposit with Wells Fargo Bank	11.23	-
Balance with scheduled banks on current accounts	1,778.27	76.32
Balance with scheduled banks on deposit accounts	10.53	2.21
	1,917.72	165.39

Other current assets

Other current assets as at March 31, 2010 amounted to Rs. 339.90 Million as compared to Rs. 130.27 Million as at March 31, 2009. The following table shows the comparative position of other current assets as at the last two balance sheet dates.

(In Rs. Million)

Particulars	Financial year 2009-10	Financial year 2008-09
Income accrued	0.14	0.14
Unbilled revenue	120.14	128.92
Forward contract receivable	218.41	-
Fixed assets held for sale	1.21	1.21
	339.90	130.27

Income accrued signifies interest accrued but not due on deposits with banks.

Unbilled revenue represents revenue recognised for work done (but not billed until the balance sheet date) in relation to certain customer contracts as per terms of the contract.

Forward Contract receivable amounting to Rs. 218.41 Million as at March 31, 2010 represents the Mark-To-Market (MTM) valuation which signifies the fair value of the contracts had these been settled on the balance sheet date. In the previous year the MTM value was a loss and the amount appeared as payable at Rs. 175.91 Million in Current Liabilities as shown separately.

Loans and advances

Loans and advances amounted to Rs. 637.53 Million as at March 31, 2010 as compared to Rs. 453.95 Million as at March 31, 2009. The following table provides details of significant changes in loans and advances under different heads.

(In Rs. Million)

Particulars	Financial year 2009-10	Financial year 2008-09
Advance to PSPL ESOP Management Trust	106.94	153.83
Advance income tax (net of provision)	43.26	37.83
Advance recoverable in cash or in kind or for value to be received	69.67	45.72
Value Added Tax (VAT) receivable and service tax receivable	78.72	58.36
MAT credit entitlement	294.82	132.44
Deposits (Net of provision)	44.12	25.77
	637.53	453.95

The reduction in advance to the PSPL ESOP Management Trust (Trust) of Rs. 46.89 Million was due to repayment of advance by the Trust and adjustment to general reserve of the advance. Funds repaid by the Trust were out of money received on exercise of options by employees and dividend received by the Trust.

Advance recoverable in cash or in kind or for value to be received relates to prepaid expenses and other advances in the ordinary course of business. VAT receivable represents amounts that can be claimed as a refund as per VAT rules. Minimum Alternative Tax (MAT) credit entitlement shows the amount paid by the Company towards MAT in excess of its normal income tax liability, which can be set off against future tax liability as per current Income Tax law.

Deposits represent deposits made to vendors in the normal course of business towards rent, electricity, etc.

Current liabilities

Current liabilities amounted to Rs. 1,393.59 Million as at March 31, 2010 as compared to Rs. 743.81 Million as at March 31, 2009. The following table provides details of significant changes in current liabilities under different heads.

(In Rs. Million)

Particulars	Financial year 2009-10	Financial year 2008-09
Advance from customers	118.23	71.29
Sundry creditors	313.13	140.25
Payable to selling shareholders	372.08	-
Unearned revenue	83.64	39.52
Accrued employee liabilities	461.99	276.14
Unpaid dividend	-	3.59
Provision for derivative contracts	-	175.91
Tax on unpaid dividend	-	2.44
Other liabilities	44.52	34.67
	1,393.59	743.81

Sundry Creditors increased on account of dues towards our ongoing building projects at Hinjawadi, Pune and Nagpur, as well as expenses for the IPO.

Accrued employee liabilities comprised outstanding amounts towards employee performance bonus, leave travel assistance and superannuation and increases were mainly due to growth in the number of employees.

The IPO proceeds, covering the primary issue as well as the amounts on account of the Selling Shareholders were reflected in the Company's books as of March 31, 2010. Amounts payable to the Selling Shareholders (net of share issue expenses attributable to selling shareholders) of Rs. 372.08 Million were shown as a Current Liability pending completion of the listing process.

Provisions

Provisions amounted to Rs. 316.72 Million as at March 31, 2010 as compared to Rs. 169.92 Million as at March 31, 2009. The following table provides details of significant changes in provisions under different heads.

(In Rs. Million)

Particulars	Financial year 2009-10	Financial year 2008-09
Gratuity	43.16	2.11
Leave encashment	111.20	103.73
Provision for other long term benefits	68.77	61.22
Proposed dividend	80.00	-
Tax on proposed dividend	13.59	-
Provision for fringe benefit tax	-	2.86
	316.72	169.92

Provision for Gratuity, Leave and Long term benefits represents the provision made by the Company based on the actuarial valuation report received by it from actuaries. The increase is mainly on account of the increase in salaries with effect from October 1, 2009.

Income

The Company is engaged in providing Outsourced Product Development Services to Independent Software Vendors (ISVs) and Enterprises. The Company derives a significant portion of its revenues from export of software services and products. Due to adverse conditions in the global financial markets the revenue in USD terms was flat at USD 127.31 Million during the year, in comparison with USD 127.84 Million in the previous year. However, in rupee terms it has gone up from Rs. 5,938.31 Million in financial year 2008-09 to Rs. 6,011.56 Million in financial year 2009-10.

(In Rs. Million, except percentage)

Particulars	Financial year 2009-10	Financial year 2008-09	Change %
Software services and products (Export)	5,698.11	5,752.10	(0.94)
Software services and products (Domestic)	313.45	186.21	68.33
Total revenue	6,011.56	5,938.31	1.23

Other income

Other Income reflects income from dividend, interest, sale of asset, gains on account of foreign exchange fluctuation. Our Policy allows us to invest in certain low risk, stable investment avenues, which limits our exposure to individual funds. During the year income from investment of funds was Rs. 43.98 Million as compared to Rs. 45.05 Million in the previous year.

Other income increased to Rs. 112.33 Million during the year, as compared to Rs. 68.53 Million in the previous year mainly on account of exchange gains and write back of excess provisions made in the earlier years in the current year.

The following table shows details of significant changes in other income under different head.

(In Rs. Million)

Particulars	Financial year 2009-10	Financial year 2008-09
Income from investment of funds	43.98	45.05
Foreign exchange gain (net)	31.56	-
Profit on sale of assets	1.01	14.93
Excess provision written back	17.68	-
Provision for doubtful debts written back	10.57	0.34
Miscellaneous income	6.03	8.11
Provision for doubtful deposit written back	1.50	0.10
	112.33	68.53

Personnel expenses

Personnel Expenses for the year amounted to Rs. 3,687.42 Million, as compared to Rs. 3,324.25 Million for the previous year, recording an increase of 10.92%. However, as a percentage of total revenue, these expenses increased to 61.34% during the year compared to 55.98% in the previous year, as shown in the following table

(In Rs. Million, except percentage)

Particulars	Financial year 2009-10	Financial year 2008-09	Change %
Salary and allowances	3,216.81	3,014.04	6.73
Software professional charges	202.45	91.93	120.22
Contribution to provident fund	80.91	79.68	1.54
Gratuity expenses	41.16	2.05	1,907.80
Contribution to other funds	23.14	22.32	3.67
Staff welfare and benefits	103.50	99.40	4.12
Employee compensation charges	19.45	14.83	31.15
	3,687.42	3,324.25	10.92
Percentage of total income	61.34%	55.98%	-

During 2009-10, there was an average salary hike of approximately 9% from October 2009 to March 2010 as against a 3% salary reduction across the board during the second half of the previous year on account of the global economic slowdown. In addition there was an increase in the number of employees and consultants placed during the year, which led to a higher charge on account of personnel expenses.

The increase in gratuity expenses for the year is on account of increase in head-count and an increase in the salaries during the year, which led to an increase in the actuarial liability.

The Company strengthened its sales and marketing team by inducting senior personnel in the USA and Europe.

Operating and other expenses

Operating and other expenses for the year amounted to Rs. 860.49 Million as compared to Rs. 1,700.52 Million in the previous year recording an overall decrease of 49.40%. As a percentage of total revenue, the expenses decreased to 14.31% during the year, from 28.31% in the previous year. During the previous year there were significant losses on account of foreign exchange derivative contracts the foreign exchange loss amounting to Rs. 873.96 Million, as against this loss, during the year, there is a foreign exchange gain of Rs. 31.56 Million.

(In Rs. Million, except percentage)

Particulars	Financial year 2009-10	Financial year 2008-09	Change %
Traveling and conveyance	212.13	236.14	(10.17)
Electricity and fuel	74.20	63.61	16.65
Foreign Exchange Loss	-	711.24	N.A.
Exchange loss on derivative contracts	-	162.72	N.A.
Purchase of software licenses and support charges	183.66	93.64	96.13
Provision for doubtful debts including bad debts	58.75	112.30	(47.68)
Rent	30.41	31.86	(4.55)
Insurance	11.81	11.45	3.14
Rates, fees and professional tax	14.80	12.69	16.63
Other expenses	274.73	264.87	3.72
	860.49	1,700.52	(49.40)
Percentage of total revenue	14.31%	28.64%	-

Out of the above, some major variations in expense heads are explained below

1. Software support charges, represents additional cost of software licenses procured, and maintenance on account of higher manpower numbers and development imperatives.
2. The increase in electricity and fuel charges is on account of increase in tariff and also the increased cost of generating the electricity during load shedding which affected the Company adversely during the year.
3. Provisions for doubtful debts represent additional provision for all invoices outstanding for a period of 180 days or more and those invoices which are considered doubtful based on the management's perception of risk of collection as per the Company's policies. The business environment was adversely affected due to the crises in the global financial market in the middle of financial year 2008-09 which led to delay in payments by customers and thus, resulted in the higher expenses in the financial year 2008-09. The charge for the financial year 2009-10 has been reduced to Rs. 58.75 Million - a reduction of 47.68% from the previous year, as the Company has been able to collect and improve on the debtors' situation.

Earnings before interest, depreciation and tax (EBIDTA)

During the year, the Company reported EBIDTA of Rs. 1,575.98 Million representing a 60.48% increase over EBIDTA of Rs. 982.07 Million during the previous year. The EBIDTA margin for the year was 26.22% as compared to 16.54% in the previous year.

The Company was free of debt during the year. As a result, there was no interest expense during the year.

One major reason for the increase in EBIDTA was on account of net foreign exchange gains as compared to a loss in the previous year.

Depreciation

The depreciation charge for the year amounted to Rs. 335.24 Million as compared to Rs. 296.77 Million in the previous year showing an increase of 12.96%. This increase is mainly due to addition of fixed assets amounting to Rs. 373.68 Million during the year.

Depreciation as a percentage to total revenue increased to 5.58% in the current year as compared to 5.00% in the previous year. The Company follows the straight-line-method (SLM) of depreciation. Depreciation rates followed by the Company are based on the useful lives of the assets as estimated by the Management and are higher than the rates prescribed in the Schedule XIV of the Companies Act as shown in the table below

Asset	Depreciation rates followed by the Company	Depreciation rates as per Schedule XIV
Computers	33.33%	16.21%
Software	33.33%	16.21%
Electrical installations and other equipments	20%	4.75%
Air conditioners	20%	4.75%
Furniture and fixtures	20%	6.33%
Vehicles	20%	9.50%
Building	4%	1.63%

Provision for tax

Tax expense consists of current tax and deferred tax.

The Company is entitled to a tax holiday under Section 10A of Income Tax Act, 1961 in respect of its software development centers registered under the Software Technology Park of India (STPI) Scheme. A substantial portion of the profits of the Company is, therefore exempt from Income tax.

With effect from April 1, 2007, due to a change of law, the Company was exposed to Minimum Alternative Tax (MAT) on its book profits as per provisions of section 115JB of the Income Tax Act, 1961. However, the Company is entitled to claim a set-off of these charges against future tax liability of an amount equal to excess of MAT paid over actual income-tax liability for the year.

The provision for tax for the year amounted to Rs. 222.50 Million. However, the MAT credit available against future tax liability amounted to Rs. 162.38 Million. The net income tax liability for the year, including tax in respect of earlier year Rs. 16.74 Million, amounted to Rs. 76.86 Million as against Rs. 22.13 Million for the previous year. The deferred tax charge for the year was Rs. 13.64 Million as against deferred tax credit of Rs. 23.02 Million for the previous year.

The Company has not made any provision during the year towards Fringe Benefit Tax (FBT) as compared to Rs. 10.54 Million provided during the previous year. The FBT, which was payable on the value of benefits provided and/or deemed to have been provided to the employees was abolished with effect from financial year 2009-10.

The total tax expense for the year amounted to Rs. 90.50 Million as compared to Rs. 9.65 Million for the previous year. The increase in tax expenses during financial year 2010 is because one of our STP units came out of eligibility for Sec 10A, due to efflux of time. As a proportion of total income, tax expense for the year increased to 1.48% from 0.16% for the previous year.

Net profit after tax and before exceptional and prior period items

The net profit after tax and before exceptional and prior period items for the year amounted to Rs. 1,150.24 Million as compared to the net profit of Rs. 675.65 Million for the previous year recording an increase of 70.24%. The net profit margin for the year was at 18.78% as compared to 11.25% in the previous year.

Exceptional and prior period items

There is no exceptional and prior period item in the financial year 2009-10. However, in financial year 2008-09, the Company deferred its IPO, which was planned during the year, due to adverse market sentiments which was a result of the unprecedented crisis in the world's financial markets. As a result, the Company decided to write-off expenses of Rs. 14.73 Million incurred for the purpose of share issue and these were treated as Exceptional items of a non-recurring nature.

Net profit after exceptional and prior period items

The Company's net profit after tax, exceptional and prior period items increased to Rs. 1,150.24 Million in the year from Rs. 660.92 Million in the previous year recording an increase of 74.04%. The net profit margin as a percentage of total income was 18.78% in the year as compared to 11.00% in the previous year.

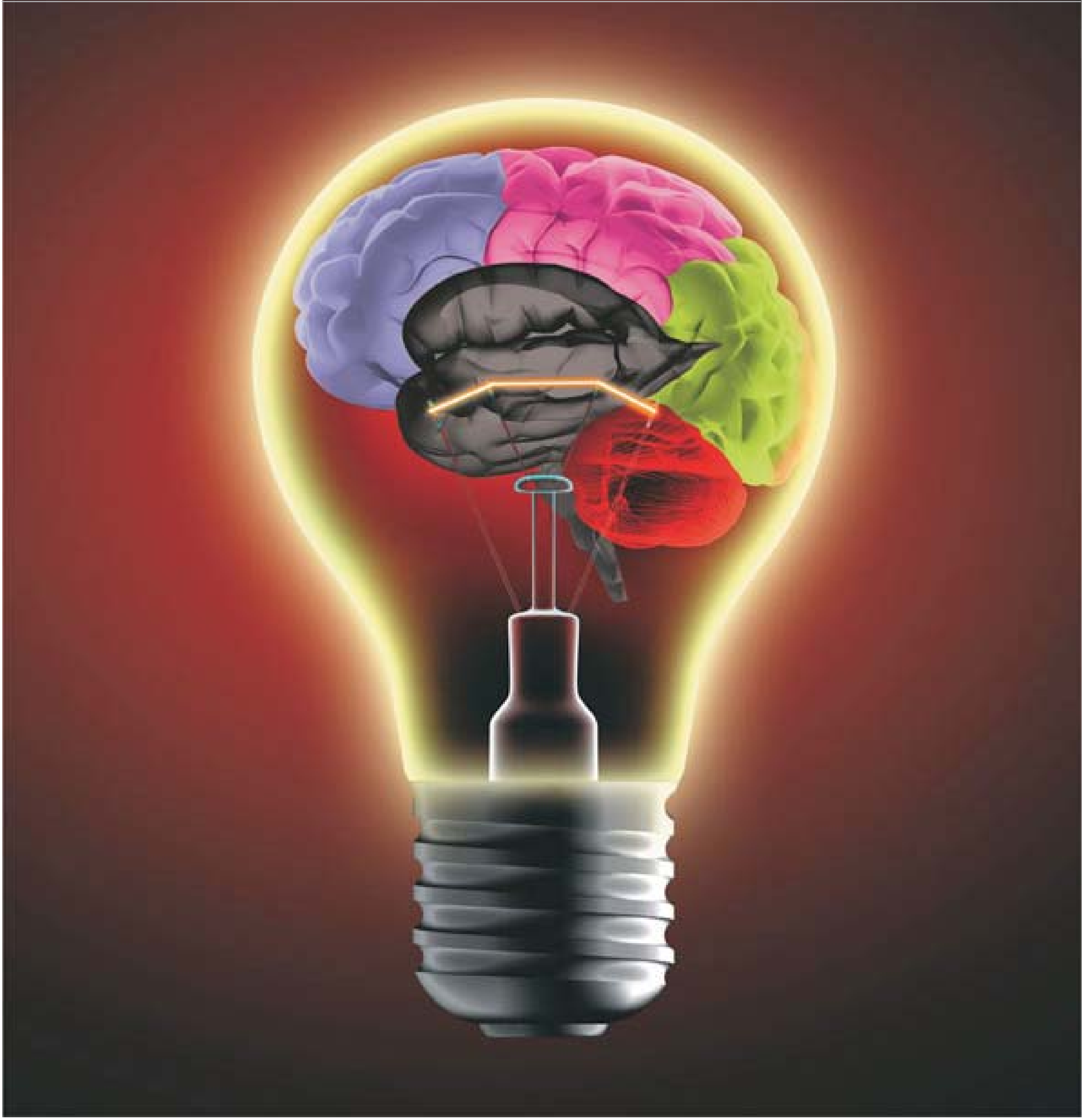
Dividend

The Company has formulated a policy to pay dividends between 10% to 30% of the Consolidated Net Profit after tax.

For the year, the Board decided to pay dividend equivalent to 10% of the Consolidated Net Profit. Since an interim dividend was paid at 5% earlier in the year, the Board decided to pay a second interim dividend of 15% and recommended a final dividend of 5%. In the previous year, the dividend paid was 10%.

The total payout towards dividend in the year, including the proposed 5%, is Rs. 97.93 Million as against Rs. 35.86 Million in the financial year 2008-09. The tax on dividend is Rs. 16.64 Million as against Rs. 6.09 Million in the previous year.

A company's growth is never continuous, it is marked by discontinuity. Following periods of crisis, you require a new set of drivers to cope with rapid changes in operations; much like when you move from highway driving to formula one racing. On the technology side, Persistent Systems has many new things in the pipeline.



Growth Catalysts

In the coming years, Persistent Systems plans to concentrate in four demarcated areas, as part of its business strategy to maintain the market leadership.

Cloud Computing : Cloud computing offers end-customers the chance to consume services on pay-per-use basis. It ensures much better resource utilisation through resource sharing, which promises reduced time-to-market. This means that software companies will have to redesign their products to operate with high degree of multi-tenancy. Persistent Systems is partnering with leading vendors to enable software companies to migrate their products to the cloud platform.

Analytics : As global data grows at an exponential rate, the challenge is to manage data in a way that will allow executives to take effective decisions. Persistent Systems' domain experts are extending the Company's core expertise of processing and managing large volumes of data through data mining, statistical techniques and visualisation to deliver domain-specific insights to customers.

Enterprise Collaboration : Persistent Systems has been working with companies to build products that leverage technologies across e-mail and messaging, text mining and analytics, social networking and web 2.0. As enterprises deploy these products within their internal environment, there arise multiple customisation needs. So we build frameworks to integrate diverse collaboration tools.

Enterprise Mobility : Smart phone penetration has grown significantly in the last couple of years, especially with the launch of the iPhone. Persistent Systems has been working with handset manufacturers, wireless network equipment companies and telecommunication infrastructure companies, building point solutions for these companies.

Services that match the product phase

Products follow a maturity life-cycle, going through growth markets, mature markets and declining markets, characterised by high growth rates, low growth rates and negative growth rates, respectively. Our customers have products in varying phases of maturity, and we provide customised innovation, services and business models for each phase of the software product cycle. These services are designed to help our customers reduce costs, avoid waste and create a fully integrated product. As product offerings reach the end-of-life phase, Persistent Systems offers its customers specific services, like support and migration assistance to the next version of the product.

Report on Risk Management

Objective

The objective of the Company's Risk Management Policy is to help the Company identify present and potential risks faced by it, and optimise its risk management strategies. This helps the Company in identification, assessment, measurement, monitoring, mitigation and reporting of all risks associated with the activities conducted by the Company.

Structure

The Operating Management of the Company has the primary responsibility to operate the Company in a manner consistent with the parameters set by the Board of Directors. Operating Management utilises both, formal and informal monitoring tools. Formal risk management processes include management level committees, policies and functional meetings.

The Operating Management reports to the Board through the Audit committee, in relation to Risk Management processes.

Risk management process

Risk Management is a continuous interplay of actions towards identifying emerging risks and provides mitigation solutions across the Company. Risk Management perceptions are dynamic, evolving with business conditions, which are constantly changing. The Risk Management process of the Company aims at providing reasonable assurance regarding achievement of the Company's objectives, by enabling appropriate measures to mitigate risks.

The Company's risk management process endeavours to

- Identify, assess and escalate new risks impacting the objectives of the Company
- Define measures to respond to the new risks effectively
- Monitor movement (if any) in existing risks,
- Assess existing risk management measures, and
- Report risks and risk management measures to the Board of Directors on a periodic basis.

Risk identification

The risks which are critical to the Company's business are grouped into following categories

Business model related risk	Financial risks	Operational risks	Legal risks
Geographical concentration	Foreign currency fluctuation	Planning risk	Information Security
Customer Satisfaction	Changes in taxation laws	Attrition Risk	Contractual Compliance
Competition	Immigration laws		

Cyclicality in customer businesses

1. Risks related to the Business Model

A. Geographic concentration

As a large proportion of the Company's customers are located in USA, a significant proportion of the Company's revenue is derived from the USA. This geographic concentration exposes the Company to macro-economic and political risks related to the USA.

The Company is concentrating on business opportunities from new geographical areas like Canada, Europe and Japan. The Company has built regional sales teams to focus on business from that geography. The Company is also leveraging its Advisory Board for new leads and actively looking for partnerships in new geographic locations to grow business.

The following table shows the geographical break-up of revenue of the last three years

Region	Financial year 2009-10	Financial year 2008-09	Financial year 2007-08
North America	84.80%	87.3%	87.60%
Europe	8.20%	8.60%	8.70%
Asia-Pacific	7.00%	4.10%	3.70%
Total	100.00%	100.00%	100.00%

B. Customer satisfaction

The Company delivers projects to customers through a Project Management process, which requires oversight skills, quality processes to ensure customer requirements are met, and technological competency to ensure proper delivery. The Risks to these delivery processes have been evaluated and a number of steps taken to mitigate consequential adverse effects.

The Company has instituted processes to enable

I Measuring project level metrics and publishing dashboards for corrective action

II Product Development Life Cycle processes have been defined and projects use tools to enable measurement and tracking

III Project audits conducted to ensure adherence to quality practices, reviews and testing parameters

IV Pre-emptive checks using statistical code analysis tools

V Training and testing of technical personnel on necessary competencies

VI Use of software tools to conduct mentoring / training sessions

C. Competitive environment

The Company faces competition from Indian software companies, captive development centers of Multi-National Companies and software companies from emerging regions such as China, Russia and East Europe.

The Company tracks competing enterprises on a regular and systematic basis. The Company has also taken measures for promoting customer loyalty by delivering value for money, conducting regular customer satisfaction surveys and enhancing brand awareness through marketing initiatives.

The Company has hired senior sales personnel with experience and networks in the target segments. The sales organisation has also been restructured and staffed to pay special attention to large and nonlinear deals, address new regions, new customers and also focused on technologies such as Cloud Computing, Enterprise Mobility, Analytics, Enterprise Collaboration, which are emerging areas of growth for the future.

The Company has also set up an Advisory Council consisting of senior and influential business people who can help the Company explore and address large opportunities.

D. Cyclical risks

Our customers may face uncertainty, due changes in the global economic environment. This could have a cascading impact on our growth plans. To address this, the Company has researched and focused on four thrust areas viz. Cloud Computing, Enterprise Mobility, Analytics and Enterprise Collaboration.

Our strong relationships with our customers and experience in providing end-to-end solutions and services will encourage our customers in partnering their growth with us, and in the process give us greater visibility to their future direction. The Company is also investing in new technologies / offerings, which will expand our capability to address a wider set of customer needs, and hence expand our customer base.

2. Financial risks

A. Foreign currency fluctuations

A substantial proportion of the Company's revenue is in US Dollars, whereas, a large part of its expenditure is incurred in Indian Rupees. The Company is, therefore, exposed to the risk of adverse changes in exchange rate between US Dollar and Indian Rupee.

The Company has taken following measures to mitigate the currency risk

I Adopted a policy of hedging its cash flow from exports in a systematic manner, using a defined set of rules, and using appropriate instruments.

II The approach to managing foreign exchange risk, is to limit the impact of adverse movements in the foreign exchange markets, while retaining some part of the opportunity.

III This is done through a defined stop-loss mechanism as well as defined net open positions mechanism.

IV Constantly reviews revenue flows through internal meetings.

V There is great focus on collections, leading to improved estimation of flows.

B. Changes in taxation laws

Fiscal laws are undergoing structural changes, with introduction of new Direct Tax and Indirect tax laws, in the foreseeable future. These changes could lead to an adverse impact on the tax the Company has to bear, in the form of removal of tax benefits and changes to tax laws in ways that could bring new taxes into force.

Changes in fiscal laws could thus lead to the loss of benefits, and leads to a higher tax outgo.

The Company has invested in systems to ensure a review and analysis of latest changes in all laws, and especially, taxation. The Operating Management reviews such changes with the Audit Committee and Board, with the intention of addressing changes appropriately and efficiently.

3. Operational risks

A. Planning risk

This is the possibility of inaccuracy in planning for project execution or difficulty in planning for resource requirements with changing business needs. This can be because of creating capacity (staff & infrastructure) too far in advance of business growth or setting targets too aggressively

The Company sets top down targets in the context of bottom up forecasts from account managers. Operational plans are modified in line with monthly and quarterly tracking of existing and new business achievement against the targets set.

B. Loss of technical and functional knowledge

The possibility that technical and functional knowledge gained through experience could be lost due to inadequate capture mechanisms or transition processes.

The Company has invested in training programs to enable transfer of knowledge and experience based skills to other employees. The Company has invested in software tools to enable knowledge transfer, remote learning and access to on-line training. These processes help in ensuring institutional knowledge is preserved in repositories and transferred to users seamlessly.

C. Attrition Risk

There could be loss of key personnel due to demand and supply in the job market. As the global economy has emerged out the downturn of financial year 2009, there has been a surge in business for the Information Technology industry. There is a possibility that this would lead to a demand for experience IT professionals and hence, create an imbalance in the form of supply side issues such as salary inflation or demand side issues such as higher attrition.

The Company has initiated a number of steps to address this situation - Business Unit level Committees address issues relating to employee satisfaction, motivation, progression, and growth. These processes include mentoring, career tracking and higher education programs. In addition, the Company has initiated new communication forums which enable the Company understand the pulse of the employees and take steps to proactively curb attrition.

The Company has also instituted regular employee satisfaction programs. The Company also has in place Contact programs, such as

I Prerna a forum for development of women leaders,

II Tech Fest – a platform to publish innovative ideas,

III Interest groups, to enable employees express their interests beyond work areas and

IV Other programs to establish bonds with the families of employees.

4. Legal risks

A. Information security

The risk of issues like loss of customer data confidentiality, possibility of use of illegal code, access to customer servers leading to misuse / loss of confidential data and loss of critical data due to inadequate backup mechanism.

The Company has strict policies and control mechanisms in place to tackle these problems. Access to all computing resources, data and repositories is password protected. A “Complex Password” Policy is in place, secure access methods and secure channels like VPN are used in controlled access environment. A process of classification of confidential data is in existence and appropriate baseline control processes for storage are in place like usage of repositories, restrictions on sharing, etc.

Mobile computing devices are provided to users with appropriate education for usage and a process of awareness creation is in place regarding security of mobile computing devices like Laptops. External storage devices are strictly prohibited in the Company.

Mobile devices being used onsite are protected by full disk encryption, which prevent unauthorised access to these devices.

B. Legal and Contractual compliance

Product development companies are exposed to legal risks which could arise from violation of intellectual property rights, leakage of confidentiality information and nonperformance of contractual obligations.

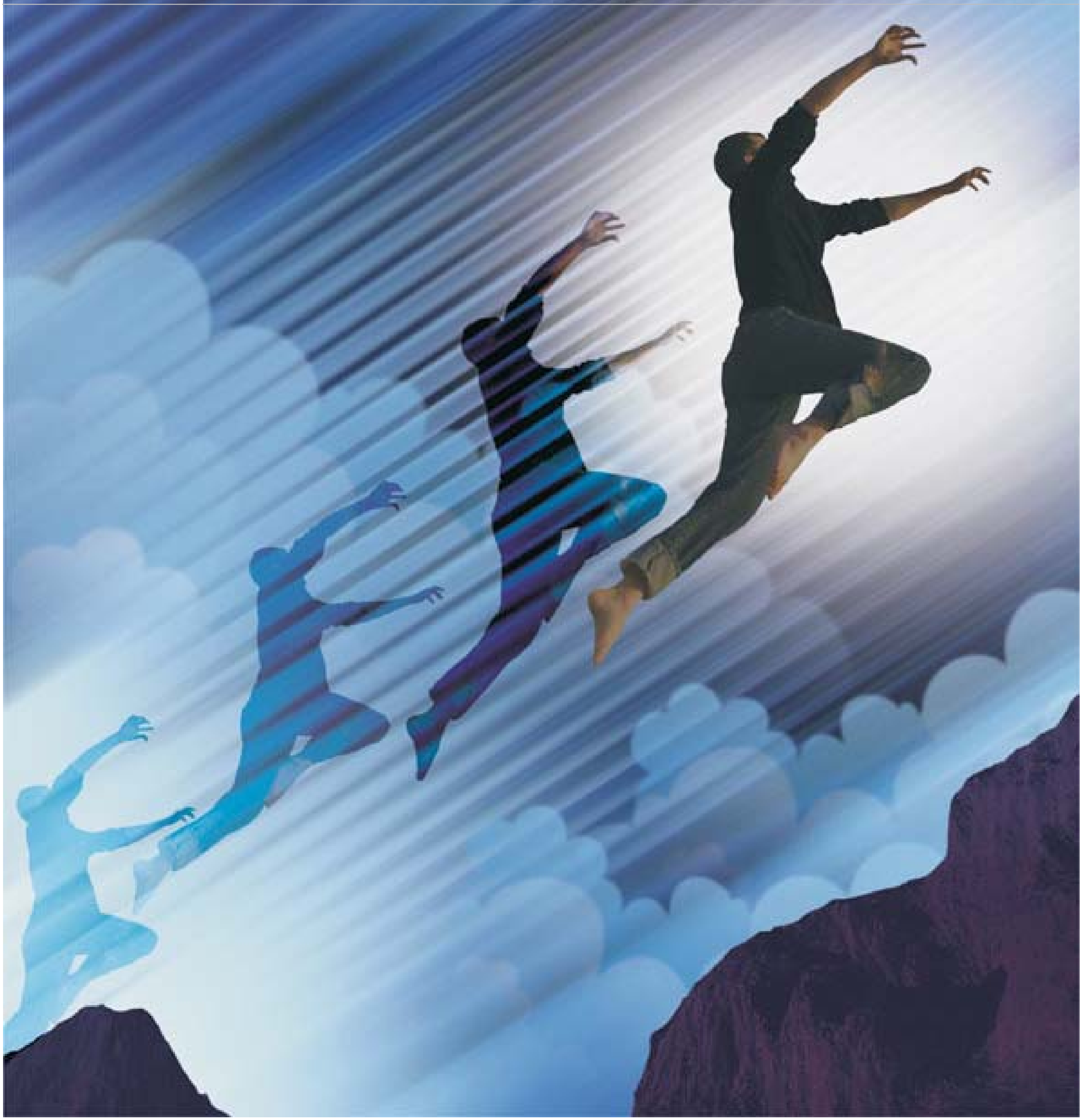
The Company has established a strong process for legal review of all contracts and documentation. As a matter of policy, the Company does not accept any open ended liability for nonperformance of contracts. The Company has taken a comprehensive insurance policy to cover possible risks arising from errors and omissions and commercial general liability.

C. Immigration laws

The Company's business requires deputation of employees on overseas assignments which require appropriate visas to work in foreign countries. Any restrictions imposed on visas by foreign countries, especially by USA, may have adverse impact on the reputation and business of the Company.

Due to an offshore-centric delivery model, the Company has limited exposure to risks related to visa restrictions in foreign jurisdictions. To safeguard against any non-compliance in any jurisdiction, the Company avails advice of reputed legal counsels and immigration experts to track changes and ensure compliances in visa / immigration related matters, in addition to conduct of regular audits by experts in that area of law.

Persistent Systems has always navigated its growth by carefully understanding market needs and tailoring its offerings accordingly. Our customers range from global software giants to early-stage companies. Our goal is to help our customers to efficiently deliver software products and solutions to their end users, and maximise their core business. Today, we are one of the market leaders in Outsourced Software Product Development (OPD).



By Leaps and Bounds

Persistent Systems began with an initial investment of Rs. 3.6 lakhs. Twenty years later it crossed a turnover of $125 Million dollars! Today, as we enter the third decade of operations, we are recognised as one of the most experienced and innovative players in the global OPD market.

It is our goal to maintain our position as a OPD specialist, and we have been regularly investing in the creation of new intellectual property. We will continue to focus on three main areas of innovation : platform innovation, PE process innovation and domain-specific innovation.

Our growth has been steady and sustained. We have wanted to be sure-footed rather than fleet-footed. This policy of planned and judicious movement has served us well. Unlike scores of other IT companies all over the world, Persistent Systems has sustained growth even in adverse times. Over the years, we have gone from strength to strength.

The following figures map our approximate revenue growth : from Rs. 10 Million (in 1996) to Rs. 100 Million (in 2000) to Rs. 1,500 Million (in 2005) to Rs. 6,000 Million (in 2010). Our consolidated revenues less other income increased at an annual growth rate of 39.77%, 34.60% and 45.79% during fiscal 2009, 2008 and 2007, respectively. Our profit after tax, which was over Rs. 330 Million in 2005, rose to over Rs. 660 Million in 2010.

Four stages of outsourcing

Outsourcing is no longer restricted to the United States; the phenomenon is beginning to occur in countries across the world. Persistent Systems has identified four distinct phases of evolution in outsourcing.

- Phase 1 : Labour Cost Efficiency
- Phase 2 : Process Efficiency
- Phase 3 : Design Efficiency - Design for Manufacturing (DFM)
- Phase 4 : Innovation Efficiency - Original Design and Manufacturing (ODM)

While mature industries such as automobile manufacturing, electronics and semi-conductors have gone through these phases, we find that the software industry is currently in Phase I and 2. We believe that the environment for Phase 3 is ready. We have tuned our sales processes to work with our customers to demonstrate the value of our DFM processes. We believe that Phase 4 (ODM) will be heralded in the years to come.

Gudhi Padwa...
a very special day for us!

PERSISTENT

Gudhi Padwa is a very special day all over India. Known as *Puthandu Pirappu* in the southern state of Tamil Nadu, as *Navreh* in the northern state of Kashmir, as *Poila Boishakh* in the eastern state of Bengal and as *Gudhi Padwa* in the western state of Maharashtra, it represents the first day of the Hindu calendar.

As per the Brahma Purana, Lord Brahma recreated the world on that day after it had been devastated by inundation, thereby also symbolising the victory of good over evil, which makes it a very auspicious day.

At Persistent Systems, Gudhi Padwa is not just a day of general celebration, it is a day that symbolises an eventful link with the Company's history.

It was on Gudhi Padwa that our co-founder and then Executive Director, Mr. S. P. Deshpande, filed the papers for incorporating Persistent Systems as a Company, in 1990.

It was on Gudhi Padwa day in 1991, exactly an year later, that we formally began our operations from our first premises.

Not surprisingly then, we have timed several initiatives on or around Gudhi Padwa, in subsequent years. In other words, many happy events have transpired for the Company on that day in different years.

That is why Gudhi Padwa is celebrated in style at Persistent Systems, in salutation of the good omen that has stayed with us.

Auditors' Report on Financial Statements

To
The Members of Persistent Systems Limited

1. We, S.R. Batliboi & Co. Chartered Accountants ("SRB") and Joshi Apte & Co. ("JACO") Chartered Accountants (collectively referred to as "Joint Auditors") have audited the accompanying Balance Sheet of Persistent Systems Limited (the Company) as at March 31, 2010 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to above, we report that:

   i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

   ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

   iii. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

   iv. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956; and

   v. On the basis of the written representations received from the directors, as on March 31, 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

   vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

      a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2010;

      b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and

      c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For S. R. BATLIBOI & Co.
Firm Registration No. 301003E
Chartered Accountants

per Arvind Sethi
Partner
Membership No.: 89802
Place: Pune
Date: April 23, 2010

For JOSHI APTE & Co.
Firm Registration No. 104370W
Chartered Accountants

C. K. Joshi
Partner
Membership No.: 30428
Place: Pune
Date: April 23, 2010

Annexure referred to in paragraph 3 of our report of even date

Re : Persistent Systems Limited

i (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.

(c) There was no substantial disposal of fixed assets during the year.

ii The Company does not hold any inventory and accordingly sub clauses (a), (b) and (c) to clause (ii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

iii (a) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, sub clauses (b), (c), and (d) of clause 4(iii) of the Order are not applicable to the Company.

(e) As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, sub clauses (f) and (g) of clause 4(iii) of the Order are not applicable to the Company.

iv In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and software services. The activities of the Company did not involve purchase of inventory or sale of goods. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system of the Company.

v Based on the audit procedures applied by us and according to the information and explanations provided by management, we are of the opinion that there are no transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956. Accordingly clause 4(v)(b) of the Companies (Auditor's Report) Order, 2003 (as amended) is not applicable to the Company.

vi The Company has not accepted any deposits from the public.

vii In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

viii To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956 for the services and software products of the Company.

ix (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.

Further, since the Central Government has till date not prescribed the amount of cess payable under section 441 A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the company in depositing the same.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(c) According to the records of the Company, the dues outstanding of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (Rs.)	Period to which the amount relates	Forum where dispute is pending
Finance Act, 1994 (Chapter V)	Annual Maintenance Contracts	1,949,466	Financial Year ended 2007-08	The Superintendent of Central Excise (Service Tax Cell)

x The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.

xi The Company has not taken any borrowings from banks, financial institutions and has not issued debentures during the year and accordingly, we are not required to comment on default if any, on repayment of borrowings.

xii According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

xiii In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

xiv In respect of dealing / trading in securities and other investments, in our opinion and according to the information and explanations given to us, proper records have been maintained of the transactions and contracts and timely entries have been made therein. The securities and other investments have been held by the Company, in its own name. The Company is not dealing / trading in shares and debentures.

xv According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.

xvi The Company did not have any term loans outstanding during the year.

xvii According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

xviii The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.

xix The Company did not have any outstanding debentures during the year.

xx We have verified that the end use of money raised by public issues is as disclosed in the notes to the financial statements.

xxi Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For S. R. BATLIBOI & Co.
Firm Registration No. 301003E
Chartered Accountants

per Arvind Sethi
Partner
Membership No.: 89802
Place: Pune
Date: April 23, 2010

For JOSHI APTE & Co.
Firm Registration No. 104370W
Chartered Accountants

C. K. Joshi
Partner
Membership No.: 30428
Place: Pune
Date: April 23, 2010

Balance Sheet as at March 31, 2010

(In Rs. Million)

	Sch.	As at March 31, 2010	As at March 31, 2009
Sources of funds			
Shareholders' funds			
Share capital	1	400.00	358.61
Stock options outstanding (Refer note 11 to schedule 15)		32.02	20.73
Reserves and surplus	2	5,991.56	3,567.43
Deferred payment liabilities [Due within one year Rs. 8.25 Million (previous year Rs. NIL)]		45.11	-
		6,468.69	3,946.77
Application of funds			
Fixed assets	3		
Gross block		3,633.72	3,336.67
Less: Accumulated depreciation and amortisation		1,843.55	1,543.54
Net block		1,790.17	1,793.13
Capital work-in-progress including capital advances		476.08	377.44
		2,266.25	2,170.57
Investments	4	1,757.65	1,067.01
Deferred tax assets (net) (Refer note 9 to schedule 15)		8.00	16.39
Current assets, loans and advances			
Sundry debtors	5	1,045.09	824.19
Cash and bank balances	6	1,771.87	68.93
Other current assets	7	302.47	117.19
Loans and advances	8	676.42	496.10
	(A)	3,795.85	1,506.41
Less: Current liabilities and provisions			
Current liabilities	9	1,064.63	660.69
Provisions	10	294.43	152.92
	(B)	1,359.06	813.61
Net current assets	(A) - (B)	2,436.79	692.80
		6,468.69	3,946.77
Notes to accounts	15		

The schedules referred to above and notes to accounts form an integral part of the Balance Sheet.

As per our report of even date

For S. R. BATLIBOI & Co.
Chartered Accountants

per Arvind Sethi
Partner
Membership No. 89802
Pune, April 23, 2010

For JOSHI APTE & Co.
Chartered Accountants

C. K. Joshi
Partner
Membership No. 30428
Pune, April 23, 2010

For and on behalf of the Board of Directors

Dr. Anand Deshpande
Chairman and
Managing Director

P. B. Kulkarni
Director

Rajesh Ghonasgi
Chief Financial Officer

Vivek Sadhale
Company Secretary
and Head - Legal

Pune, April 23, 2010

Profit & Loss Account for the year ended March 31, 2010

(In Rs. Million)

	Sch.	For the year ended March 31, 2010	For the year ended March 31, 2009
Income			
Sale of software services and products	11	5,044.13	5,196.91
Other Income	12	117.01	73.77
		5,161.14	5,270.68
Expenditure			
Personnel expenses	13	2,913.20	2,795.76
Operating and other expenses	14	682.31	1,567.87
		3,595.51	4,363.63
Operating profit before depreciation and amortisation		1,565.63	907.05
Depreciation and amortisation	3	324.95	294.72
Profit before tax and exceptional items		1,240.68	612.33
Provision for tax			
Current tax		211.13	63.00
Less MAT credit entitlement		162.38	43.00
Net current tax		48.75	20.00
Tax in respect of earlier years		13.02	-
Deferred tax charge / (credit)		8.39	(18.94)
Fringe benefit tax		-	10.50
Total tax expense		70.16	11.56
Profit after tax and before exceptional items		1,170.52	600.77
Exceptional items (Refer note 21 to Schedule 15)		-	(14.73)
Profit after tax and exceptional items		1,170.52	586.04
Balance brought forward from previous year		1,780.71	1,471.02
Profit available for appropriation		2,951.23	2,057.06
Appropriations			
Transfer to general reserve		468.20	234.40
Interim dividend on equity shares		77.93	35.86
Proposed final dividend		20.00	-
Tax on dividend		16.64	6.09
Surplus carried to Balance Sheet		2,368.46	1,780.71
Earnings per share (Refer note 7 to schedule 15)			
Basic [Nominal value of equity shares Rs. 10 (previous year Rs. 10)]			
Computed on the basis of earnings after tax and exceptional items (Rs.)		36.37	18.34
Computed on the basis of earnings after tax and before exceptional items (Rs.)		36.37	18.80
Diluted [Nominal value of equity shares Rs. 10 (previous year Rs. 10)]			
Computed on the basis of earnings after tax and exceptional items (Rs.)		32.62	16.34
Computed on the basis of earnings after tax and before exceptional items (Rs.)		32.62	16.75
Notes to accounts	15		

The schedules referred to above and notes to accounts form an integral part of the Profit and Loss Account.

As per our report of even date

For S. R. BATLIBOI & Co.
Chartered Accountants

per Arvind Sethi
Partner
Membership No. 89802
Pune, April 23, 2010

For JOSHI APTE & Co.
Chartered Accountants

C. K. Joshi
Partner
Membership No. 30428
Pune, April 23, 2010

For and on behalf of the Board of Directors

Dr. Anand Deshpande
Chairman and Managing Director

P. B. Kulkarni
Director

Rajesh Ghonasgi
Chief Financial Officer

Vivek Sadhale
Company Secretary and Head - Legal

Pune, April 23, 2010

Schedules forming part of Balance Sheet

(In Rs. Million)

		As at March 31, 2010	As at March 31, 2009
Schedule 1			
Share capital			
Authorised			
100,000,000 (previous year 100,000,000) equity shares of Rs. 10 each.		1,000.00	1,000.00
		1,000.00	1,000.00
Issued, subscribed and paid-up			
40,000,000 (previous year 35,861,000) equity shares of Rs. 10 each fully paid. (Of the above 25,615,000 (previous year 25,615,000) equity shares were allotted as fully paid-up Bonus Shares by capitalisation of Capital Redemption Reserves [Rs. 9.79 Million (previous year Rs. 9.79 Million)] and Securities Premium Account [Rs. 246.36 Million (previous year Rs. 246.36 Million)])		400.00	358.61
		400.00	358.61
Schedule 2			
Reserves and surplus			
Securities premium account			
Opening balance		577.49	577.49
Add: Additions during the year		1,241.70	-
Less: Share issue expenses		80.59	-
Closing balance	(A)	1,738.60	577.49
General reserve			
Opening balance		1,209.23	974.83
Add: Transferred from Profit and Loss Account		468.20	234.40
		1,677.43	1,209.23
Add: Amount adjusted to Advance to PSPL ESOP Management Trust (Refer note 11 to Schedule 15)		47.22	-
Closing balance	(B)	1,724.65	1,209.23
Hedge reserve			
Opening balance		-	-
Add: Additions during the year		159.85	-
	(C)	159.85	-
Profit and Loss Account	(D)	2,368.46	1,780.71
	(A)+(B)+(C)+(D)	5,991.56	3,567.43

Schedule forming part of Balance Sheet and Profit and Loss Account (Contd.)

Schedule 3

Fixed assets

(In Rs. Million)

Name of the asset	<------ Gross block			------>	<------ Depreciation and amortisation			------>	<------ Net block	------>
	As at April 1, 2009	Additions during the year	Deductions / Transfers during the year	As at March 31, 2010	As at April 1, 2009	For the year	Deductions / Transfers during the year	As at March 31, 2010	As at March 31, 2010	As at March 31, 2009
Freehold Land	202.98	-	-	202.98	-	-	-	-	202.98	202.98
Leasehold Land	39.93	-	-	39.93	-	-	-	-	39.93	39.93
Building	1,223.30	34.21	-	1,257.51	175.52	49.86	-	225.38	1,032.13	1,047.78
Computers	649.95	76.78	23.31	703.42	506.49	91.38	23.30	574.57	128.85	143.46
Software	409.26	160.97	-	570.23	363.97	64.05	-	428.02	142.21	45.29
Plant and Machinery	532.01	44.50	2.08	574.43	315.52	83.04	1.01	397.55	176.88	216.49
Furniture and fixtures	274.57	7.43	1.39	280.61	179.23	36.99	1.39	214.83	65.78	95.34
Vehicle	4.67	-	0.06	4.61	2.81	0.45	0.06	3.20	1.41	1.86
As at March 31, 2010	3,336.67	323.89	26.84	3,633.72	1,543.54	325.77	25.76	1,843.55	1,790.17	1,793.13
As at March 31, 2009	2,901.49	449.78	14.60	3,336.67	1,260.60	295.53	12.59	1,543.54	1,793.13	1,640.89
Capital work-in-progress including capital advances										
As at March 31, 2010	377.44	216.40	117.76	476.08	-	-	-	-	476.08	377.44
As at March 31, 2009	330.75	386.63	339.94	377.44	-	-	-	-	377.44	330.75

Notes:

1) Company has entered into a lease agreement with Maharashtra Industrial Development Corporation on February 07, 2006 and November 16, 2007 for unit at MIDC Parsodi, Nagpur.

This agreement will be converted into lease agreement for a term of 95 years after completion of stipulated conditions. Amortization of Land will be effective from the date of such lease agreement.

2) Company has entered into a lease agreement with Maharashtra Industrial Development Corporation on November 25, 2005 for unit at MIDC Hinjwadi Pune.

This agreement will be converted into lease agreement for a term of 95 years after completion of stipulated conditions. Amortization of Land will be effective from date of such lease agreement.

3) Depreciation amounting to Rs. 0.82 Million (previous year Rs. 0.81 Million) relating to fixed assets used for construction of fixed assets under construction has been included under capital work-in-progress.

4) Capital work in progress includes capital advances of Rs. 83.62 Million (previous year Rs. 67.65 Million).

Schedule forming part of Balance Sheet (Contd.)

(In Rs. Million)

	As at March 31, 2010	As at March 31, 2009
Schedule 4		
Investments		
Long term investments (At cost)		
Trade (Unquoted)		
In Subsidiary companies (which are also companies under the same management)		
Persistent eBusiness Solutions Limited 920,300 (previous year 920,300) Equity shares of Rs. 10 each, fully paid up	42.28	42.28
Less: Provision for diminution in value of investment	42.28	42.28
(A)	-	-
Persistent Systems, Inc. 37,000,000 (previous year 37,000,000) Shares of USD 0.10 each, fully paid up	165.92	165.92
(B)	165.92	165.92
Persistent Systems Pte. Limited 500,000 (previous year 500,000) Shares of SGD 1 each, fully paid up	15.50	15.50
(C)	15.50	15.50
Persistent Systems and Solutions Limited 1,450,000 (previous year 1,450,000) Equity shares of Rs. 10 each, fully paid up	14.50	14.50
(D)	14.50	14.50
Aggregate amount of unquoted investments (E)=(A)+(B)+(C)+(D)	195.92	195.92
Current Investments (At lower of cost and market value)		
Other than trade (Unquoted)		
Investment in mutual funds (Refer note 12 to Schedule 15)	1,561.73	871.09
(F)	1,561.73	871.09
Aggregate amount of unquoted investments (E)+(F)	1,757.65	1,067.01

Schedules forming part of Balance Sheet (Contd.)

(In Rs. Million)

	As at March 31, 2010	As at March 31, 2009
Schedule 5		
Sundry debtors		
(Unsecured unless otherwise stated)		
Debts outstanding for a period exceeding six months		
Considered good	20.09	-
Considered doubtful	147.74	98.96
Other debts		
Considered good	1,025.00	824.19
Considered doubtful	14.00	18.39
	1,206.83	941.54
Less: Provision for doubtful debts	161.74	117.35
	1,045.09	824.19
Included in sundry debtors are dues from companies under the same management as follows		
Persistent Systems, Inc. [Maximum amount outstanding during the year Rs. 130.75 Million (previous year Rs. 52.97 Million)]	103.88	15.19
Persistent eBusiness Solutions Limited [Maximum amount outstanding during the year Rs. 29.01 Million (previous year Rs. 34.62 Million)]	18.11	29.01
Persistent Systems and Solutions Limited [Maximum amount outstanding during the year Rs. 2.41 Million (previous year Rs. 1.01)]	0.67	0.90
Schedule 6		
Cash and bank balances		
Cash in hand	0.21	0.13
Balances with scheduled banks		
On current accounts	1,766.70	58.73
On deposit accounts	1.15	2.14
	1,767.85	60.87
Balances with other banks		
On current accounts	3.81	7.28
On saving account	-	0.65
	3.81	7.93
	1,771.87	68.93
Bank balances with others include		
Bank of Tokyo - Mitsubishi- NS, Japan [Maximum amount outstanding during the year Rs. 0.84 Million (previous year Rs. 1.09 Million)]	-	0.65
Citibank Canada [Maximum amount outstanding during the year Rs. 8.46 Million (previous year Rs. 7.28 Million)]	3.81	7.28

Schedules forming part of Balance Sheet (Contd.)

(In Rs. Million)

	As at March 31, 2010	As at March 31, 2009
Schedule 7		
Other current assets		
Interest accrued	0.03	0.14
Forward contracts receivable	218.41	-
Unbilled revenue	82.82	115.84
Fixed Assets held for sale (at net book value or estimated net realisable value whichever is lower)	1.21	1.21
	302.47	117.19
Schedule 8		
Loans and advances		
Unsecured, considered good		
Advance to companies under the same management	20.04	0.83
(A)	20.04	0.83
Loan to companies under same management	53.65	60.57
(B)	53.65	60.57
Advances recoverable in cash or kind or for value to be received	56.91	41.05
Advance to PSPL ESOP Management Trust	106.94	153.83
Advance Income Tax [Net of provision for Tax Rs. 444.28 Million (previous year Rs. 190.58 Million)]	33.07	27.34
MAT credit entitlement	294.82	132.44
VAT and Service tax receivable [Net of provision Rs. 37.71 Million (previous year Rs. 12.66 Million)]	75.87	56.33
Deposits	35.12	23.71
(C)	602.73	434.70
Unsecured considered doubtful		
Deposits	1.18	2.68
Less: Provision for doubtful recovery	1.18	2.68
(D)	-	-
Loan to companies under same management	25.53	25.53
Less: Provision for doubtful recovery	25.53	25.53
(E)	-	-
(A)+(B)+(C)+(D)+(E)	676.42	496.10
Included in advances are		
Persistent Systems Inc. [Maximum amount outstanding during the year Rs. 12.95 Million (previous year Rs. 31.98 Million)]	12.18	0.83
Persistent eBusiness Solutions Limited [Maximum amount outstanding during the year Rs. NIL (previous year Rs. NIL)]	-	-
Persistent Systems Pte. Ltd. [Maximum amount outstanding during the year Rs. 0.27 Million (previous year Rs. NIL)]	0.27	-
Persistent Systems and Solutions Limited [Maximum amount outstanding during the year Rs. 7.59 Million (previous year Rs. NIL)]	7.59	-

Schedules forming part of Balance Sheet (Contd.)

(In Rs. Million)

	As at March 31, 2010	As at March 31, 2009
Schedule 8 Loans and advances (Contd.)		
Included in loans are dues from companies under the same management		
Persistent eBusiness Solutions Limited [Maximum amount outstanding during the year Rs. 25.53 Million (previous year Rs. 25.53 Million)]	25.53	25.53
Persistent Systems, Inc. [Maximum amount outstanding during the year Rs. 60.57 Million (previous year Rs. 61.18 Million)]	53.65	60.57
Schedule 9		
Current liabilities		
Advance from customers	84.45	65.73
Sundry creditors		
Micro and small enterprises (Refer note 20 to Schedule 15)	-	-
Others	191.54	126.54
Payable to selling shareholders (Refer note 22 to Schedule 15)	372.08	-
Subsidiary companies	43.94	25.95
Unearned revenue	18.46	28.24
Accrued employee liabilities	311.00	200.35
Unpaid dividend	-	3.59
Provision for derivative contracts	-	175.91
Tax on unpaid dividend	-	2.44
Other liabilities	43.16	31.94
	1,064.63	660.69
Dues to companies under the same management		
Persistent eBusiness Solutions Limited [Maximum amount outstanding during the year Rs. 3.52 Million (previous year Rs. 6.81 Million]	1.15	1.10
Persistent Systems and Solutions Limited [Maximum amount outstanding during the year Rs. NIL (previous year Rs. 0.50 Million)]	-	0.22
Persistent Systems, Inc. [Maximum amount outstanding during the Year Rs. 56.46 Million (previous year Rs. 52.16 Million)]	42.57	24.63
Persistent Systems Pte Ltd. [Maximum amount outstanding during the Year Rs. 0.22 Million (previous year Rs. NIL)]	0.22	-
Schedule 10		
Provisions		
Gratuity (Refer Note 5 to Schedule 15)	42.49	1.93
Leave encashment	90.32	87.24
Provision for other long term benefits	68.03	60.90
Proposed dividend	80.00	-
Tax on proposed dividend	13.59	-
Provision for fringe benefit tax [Net of advance tax Rs. NIL (previous year Rs. 31.69 Million)]	-	2.85
	294.43	152.92

Schedules forming part of Profit & Loss Account

(In Rs. Million)

	For the year ended March 31, 2010	For the year ended March 31, 2009
Schedule 11		
Sale of software services and products		
Overseas	4,739.82	5,026.33
Domestic	304.31	170.58
	5,044.13	5,196.91
Schedule 12		
Other Income		
Interest on bank deposits [Tax Deducted at Source Rs. NIL (previous year Rs. 0.03 Million)]	0.15	0.16
Interest on inter corporate deposit and others [Tax Deducted at Source Rs. 1.30 Million (previous year Rs. 1.25 Million)]	6.39	6.42
Foreign exchange gains (net)	41.13	-
Profit on sale of assets (net)	1.46	14.92
Dividend from non-trade investments	42.73	43.81
Profit on sale of investments (net)	0.01	0.37
Excess provision written back	17.65	-
Provision for doubtful deposit written back	1.50	0.10
Miscellaneous income	5.99	7.99
	117.01	73.77
Schedule 13		
Personnel expenses		
Salary and allowances	2,358.62	2,323.67
Software professional charges	290.13	262.60
Contribution to provident fund	79.78	79.16
Gratuity (Refer note 5 to Schedule 15)	40.87	1.87
Contribution to other defined benefit funds	23.04	22.27
Staff welfare and benefits	101.31	91.36
Employee compensation expenses (Refer note 11 to Schedule 15)	19.45	14.83
	2,913.20	2,795.76

Schedule forming part of Profit & Loss Account (Contd.)

(In Rs. Million)

	For the year ended March 31, 2010	For the year ended March 31, 2009
Schedule 14		
Operating and other expenses		
Travelling and conveyance	146.13	175.81
Electricity and fuel	73.58	62.56
Internet link charges	24.97	28.26
Communication charges	16.97	18.58
Recruitment expenses	4.11	23.81
Training and seminars	14.85	18.49
Purchase of Software licenses and support charges	171.41	90.18
Provision for doubtful debts	44.39	87.47
Rent	10.64	11.45
Insurance	11.67	11.24
Rates, fees and profession tax	13.39	10.35
Legal and professional fees	12.50	11.19
Repairs and maintenance		
Plant and Machinery	25.48	16.50
Building	5.05	6.11
Others	10.05	9.20
Commission on sales to other than sole selling agents	30.31	37.80
Advertisements, sponsorship fees	6.88	6.78
Computer consumables	8.46	5.18
Auditors' remuneration (Refer note 13 to Schedule 15)	3.33	3.68
Donations	6.35	15.43
Books, memberships, subscriptions	1.63	1.36
Foreign exchange loss (net)	-	717.46
Exchange loss on derivatives	-	162.72
Directors' sitting fees	0.27	0.27
Directors' commission	1.81	0.90
Miscellaneous expenses	38.08	35.09
	682.31	1,567.87

Notes to Accounts

Schedule 15

1. Nature of operations

Persistent Systems Limited (the "Company") is predominantly engaged in Outsourced Software Product Development services. The Company offers complete product life cycle services.

2. Statement of significant accounting policies

A. Basis of preparation

The financial statements have been prepared to comply in all material respects with the Accounting Standard notified by Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. These financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company and except for the changes in accounting policy discussed more fully in 2(B) below, are consistent with those used in the previous year.

B. Change in Accounting Policy

a. Effective April 1, 2009, the Company has adopted the principles of AS 30 'Financial Instruments: Recognition and Measurement' for forward exchange contracts that are not covered by AS 11 'The effects of changes in foreign exchange rates' and that relate to a firm commitment or a highly probable forecast transaction. In the previous period, the Company had accounted for such contracts in accordance with the guidance in the Announcement of Institute of Chartered Accountant of India (the 'ICAI') dated March 29, 2008. Had the Company accounted for these contracts in accordance with the aforesaid ICAI Announcement, hedge reserve would have been decreased by Rs. 159.85 Million and the forward contracts receivable / payable would have been increased by the same amount.

b. At the balance sheet date, the Company changed the primary reporting segments to incorporate and reflect the changes in the operating structure. The primary reporting segments are identified based on market review and business dynamics and risk and returns affected by the type or class of customers for the services provided and are set out as follows:

   a. Infrastructure and Systems:

   b. Telecom and wireless:

   c. Life science and Healthcare:

   The change in the segment reporting only affects segment composition and has no other impact on the Financial Statements of the Company. The Company has also presented corresponding previous year comparatives to facilitate better comparison.

   The secondary segment reporting which has been presented based on geographical location of customers has remained unchanged.

C. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

D. Fixed assets and Intangibles

Fixed assets are stated at cost, less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable costs of bringing the asset to its working condition for its intended use.

Capital work-in-progress includes cost of fixed assets that are not ready or put to use and advances paid to construct or acquire fixed assets.

Cost relating to software licenses, of enduring nature are capitalised on acquisition and amortised over their estimated useful lives.

Notes to Accounts (Contd.)

E. Depreciation

Depreciation is provided using the Straight Line Method (SLM) as per the useful lives of the assets estimated by the management, or at the rates prescribed under schedule XIV of the Companies Act, 1956, whichever is higher.

Software licenses of enduring nature are amortized over a period of three years or over their estimated useful lives whichever is lower.

Depreciation on assets purchased / sold during the period is charged on a pro-rata basis. Individual assets whose cost does not exceed Rs. 5,000 are depreciated at 100%.

A comparative statement of rates of depreciation followed by the Company and applicable rates as per the schedule XIV of the Companies Act is as below:

Assets	Rates (SLM)	Rates as per Schedule XIV (SLM)
Computers	33.33%	16.21%
Plant and Machinery	20.00%	4.75%
Furniture and fixtures	20.00%	6.33%
Vehicles	20.00%	9.50%
Buildings	4.00%	1.63%

F. Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the Company makes a reasonable estimate of the value in use.

G. Investments

Investments that are readily realisable and intended to be held for a period not more than a year are classified as current investments. All other investments are classified as long-term investments.

Current investments are carried at lower of cost and fair value, determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline, other than temporary decline, in the value of the investments.

H. Revenue recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

I. Income from software services

Revenue from time and material engagements is recognised on time basis in accordance with the terms of the contracts.

In case of fixed price contracts, revenue is recognised based on the milestones achieved as specified in the contracts, on proportionate completion basis.

Revenue from licensing of products is recognised on delivery of products.

Revenue from royalty is recognised on sale of products in accordance with the terms of the relevant agreement.

Revenue from maintenance contracts are recognised on a pro-rata basis over the period of the contract as and when services are rendered.

Unbilled revenue represents revenue recognised in relation to work done on time and material projects and fixed price projects until the balance sheet date for which billing has not taken place.

Unearned revenue represents the billing in respect of contracts for which the revenue is not recognised as per the terms of contract.

Notes to Accounts (Contd.)

II. Interest

Revenue from interest is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

III. Dividends

Revenue from dividend is recognised when the Company's right to receive payment is established by the balance sheet date. Dividend from subsidiaries is recognised even if such dividend is declared after the balance sheet date but pertains to period on or before the date of balance sheet as per the requirement of Schedule VI of the Companies Act, 1956.

I. Foreign currency translations

i. Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

ii. Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

iii. Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, are recognised as income or expenses in the period in which they arise.

Exchange differences in respect of fixed assets acquired, including foreign currency liabilities relating thereto, are recognised as income or expenses in the period in which they arise.

iv. Forward exchange contracts not intended for trading or speculation purposes covered by notified AS 11

The premium or discount arising at the inception of forward exchange contracts is amortized as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the period.

v. Options and Forward exchange contracts not intended for trading or speculation purposes, classified as derivative instruments

In respect of derivative contracts entered into on or before March 31, 2009, pursuant to the announcement made by the ICAI regarding "Accounting for Derivatives", are marked to market on a portfolio basis at the balance sheet date. The resultant net losses after considering the offsetting effect on the underlying hedged items are recognised in the Profit and Loss Account on the principle of prudence. The resultant net gains, if any, on such derivative instruments are not recognised in financial statements. Any profit or loss arising on cancellation or renewal of such forward exchange contract is recognised as income or expense for the period.

In respect of derivative instruments entered into on or after April 1, 2009, the Company has adopted the principles of Accounting Standard ('AS') 30, Financial Instruments: Recognition and Measurement'. Accordingly, such derivative instruments, which qualify for hedge accounting are fair valued at balance sheet date and the effective portion of the resultant loss / (gain) is debited / credited to the hedge reserve and the ineffective portion is recognised to the profit and loss account.

Changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognised in the profit and loss account as they arise.

Hedge Accounting is discontinued when the hedging instrument expires or is sold, or terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss on the hedging instrument recognised in hedge reserve is transferred to profit and loss account when the forecasted transaction occurs or when a hedged transaction is no longer expected to occur.

Notes to Accounts (Contd.)

J. Retirement and other employee benefits

i. Gratuity

Gratuity liability represents defined benefit obligation and is provided for based on actuarial valuations, by using the Projected Unit Credit (PUC) method, made at the end of each financial period for employees covered under Group Gratuity Scheme.

ii. Superannuation

Superannuation is a defined contribution plan covering eligible employees. The contribution to the superannuation fund managed by Life Insurance Corporation of India 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 Profit and Loss Account on an accrual basis. There are no other contributions payable other than contribution payable to the respective fund.

iii. 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 employer's contribution is charged to the Profit and Loss Account on an accrual basis. There are no other contributions payable other than contribution payable to the respective fund.

iv. Leave encashment

The short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation by using the Projected Unit Credit (PUC) Method.

v. Long Service Awards

Long service awards are other long term benefits to all eligible employees, as per Company's policy. The short term portion of the above benefit is provided on estimated basis. The Long term portion of the benefits are provided for based on actuarial valuation by using the Projected Unit Credit (PUC) Method.

vi. Actuarial gains and losses

Actuarial gains/ losses are immediately taken to the Profit and Loss Account and are not deferred.

K. Income Taxes

Tax expense comprises of current and deferred. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflect the impact of current period's timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier period.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

Deferred tax assets or liabilities relating to the timing differences arising and reversing during the tax holiday period under Section 10A of the Income Tax Act, 1961, are not recognised.

At each balance sheet date the Company reassesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Notes to Accounts (Contd.)

The Minimum Alternate Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the period in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the Profit and Loss Account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

L. Segment reporting policies

In accordance with paragraph 4 of Notified Accounting Standard 17 (AS-17) "Segment Reporting", the Company has disclosed segment information only on the basis of the consolidated financial statements which shall be presented together with the unconsolidated financial statements.

M. Earnings per share (EPS)

Basic earnings per share are calculated by dividing the net profit for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of shares used in computing the basic earnings per share are reduced by the shares held by PSPL ESOP Management Trust at the balance sheet date, which are obtained by PSPL ESOP Management Trust from finance provided by the Company.

For the purpose of calculating diluted earnings per share, the net profit for the period attributable to the Equity Shareholders and the weighted average number of shares outstanding during the period, are adjusted for the effects of all dilutive potential Equity Shares.

The weighted average number of equity shares outstanding during the period for both basic and diluted EPS are adjusted for issue of bonus shares.

N. Provisions

A provision is recognized when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on the best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

O. Cash and cash equivalents

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

P. Employee stock compensation cost

Measurement and disclosure of the employee share-based payment plans is done in accordance with the Guidance Note on Accounting for Employee Share-based Payments, issued by the ICAI.

The Company measures compensation cost relating to employee stock options using the intrinsic value method. Compensation expense is amortised over the vesting period of the option on a straight line basis if the fair market value of the underlying stock exceeds the exercised price at the measurement date, which typically is the grant date.

Q. Leases

Where the Company is a lessee, assets acquired as leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating lease.

Operating lease payments are recognised as an expense in the Profit and Loss account on a straight-line basis over the lease term.

3. Securities for loans

The export packing credit is secured by hypothecation of present and future receivables of the Company on pari passu basis with Bank of India and Citibank N.A. There is no balance payable as at March 31, 2010 (previous year Rs. NIL).

Notes to Accounts (Contd.)

4. Contingent liabilities not provided for

(In Rs. Million)

Particulars	As at March 31, 2010	As at March 31, 2009
Claims against the Company not acknowledged as debts		
Legal Claims filed by the ex employee for salary and other benefits	0.18	0.29
ESIC	-	4.92
Income Tax (Note 1)	24.03	-
	24.21	5.21

Note 1

Contingent liability of Rs. 24.03 Million (previous year Rs. NIL) represents disputed income tax demands pertaining to AY 2002-2003 and AY 2006-2007 arising from disallowances of the Company's claim of tax holiday under section 10A of the Income Tax Act, 1961.

The Company believes that such claims are allowable and is in the process of filing the necessary appeals with relevant authorities. Consequently, no provision has been made in the books of accounts in respect of such disputed income tax demands.

5. Gratuity and other post-employment benefit plans:

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days basic salary (last drawn basic salary) subject to a maximum of 30 days basic salary (last drawn basic salary) as per the rules of the Company for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

The following tables summarize the components of net benefit expense recognised in the Profit and Loss Account and the funded status and amounts recognised in the Balance Sheet for the respective plans.

Profit and Loss account

Net employee benefit expense (recognised in Employee cost)

(In Rs. Million)

Particulars	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007
Current service cost	37.15	28.24	28.07	17.61
Interest cost on benefit obligation	6.54	6.51	4.05	2.58
Expected return on plan assets	(6.97)	(5.63)	(4.37)	(2.43)
Net actuarial (gain) / loss recognised in the period	3.83	(27.25)	7.17	3.29
Interest income	-	-	(4.40)	-
Net benefit expense	40.55	1.87	30.52	21.05
Actual Return on Net Plan Assets	-	7.47	4.52	2.70

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

(In Rs. Million)

Particulars	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007
Opening fair value of plan assets	86.02	53.88	29.09	31.56
Expected return / adjustment	6.97	5.63	4.37	2.43
Contribution by employer	-	30.18	20.35	0.04
Benefits paid	(8.03)	(5.52)	(2.79)	(2.51)
Actuarial gains / (losses)	(6.97)	1.85	2.86	(2.43)
Closing fair value of plan assets	77.99	86.02	53.88	29.09

Notes to Accounts (Contd.)

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

(In Rs. Million)

Particulars	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007
Opening defined benefit obligation	87.95	84.13	52.00	33.46
Interest cost	6.54	6.51	4.05	2.58
Current service cost	37.15	28.24	28.07	17.61
Benefits paid	(8.03)	(5.52)	(2.79)	(2.51)
Actuarial (gains) / losses on obligation	(3.14)	(25.41)	2.80	0.86
Closing defined benefit obligation	120.47	87.95	84.13	52.00

Summary statement of provision for gratuity is as follows

(In Rs. Million)

Particulars	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007
Fair value of plan assets	77.99	86.02	53.88	29.09
Less : Defined benefit obligations	(120.47)	(87.95)	(84.13)	(52.00)
Less : Unrecognised past service cost	-	-	-	-
Plan asset / (liability)	(42.48)	(1.93)	(30.25)	(22.91)

The Company expects to contribute Rs. 42.48 Million to gratuity fund in financial year 2010-11

The Company maintains gratuity fund, which is being administered by Life Insurance Corporation of India

(In Rs. Million)

Particulars	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007
Investments with insurer including accrued interest	77.99	86.02	53.88	29.09

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

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

(In Rs. Million)

Particulars	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007
Discount rate	8.45%	7.79%	8.00%	8.00%
Expected rate of return on assets	8.50%	8.50%	9.00%	8.00%

Notes to Accounts (Contd.)

Amounts for the current and previous years are as follows

(In Rs. Million)

Particulars	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007
Plan assets	77.99	86.02	53.88	29.09
Defined benefit obligation	(120.47)	(87.95)	(84.13)	(52.00)
Surplus / (deficit)	(42.48)	(1.93)	(30.25)	(22.91)
Experience adjustments on plan liabilities	(3.14)	(25.41)	2.80	0.86
Experience adjustments on plan assets	(6.97)	1.85	2.86	(2.43)

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

6. Derivative Instruments and unhedged foreign currency exposure

Forward exchange and option contracts outstanding at the balance sheet date:

(In USD Million)

Particulars	As at March 31, 2010	As at March 31, 2009
Debtors (1USD = INR 44.91) (previous year 1USD = INR 50.70)	15.00	15.32
Expected future sales	64.00	72.00
Expected future purchase	-	-

Particulars of unhedged foreign currency exposure as at the balance sheet date

Particulars	As at March 31, 2010			As at March 31, 2009		
	In. Rs. Million	Foreign Currency (In Million)	Foreign Currency Conversion Rate (Rs.)	In. Rs. Million	Foreign Currency (In Million)	Foreign Currency Conversion Rate (Rs.)
Cash and Bank Balances	0.00028	JP ¥ 0.001	0.48	0.65	JP ¥ 1.26	0.51
	0.45	USD 0.01	44.91	0.51	USD 0.01	50.70
	0.54	GBP 0.01	68.07	0.68	GBP 0.01	72.51
	3.81	CAD 0.09	44.26	7.28	CAD 0.18	40.45
Investments	166.2	USD 3.70	44.91	187.59	USD 3.70	50.70
	16.05	SGD 0.50	32.10	16.68	SGD 0.50	33.36
Import Creditors	42.67	USD 0.95	44.92	24.63	USD 0.49	50.72
Inter-corporate deposit	53.44	USD 1.19	44.91	60.57	USD 1.19	50.70
Advances	12.13	USD 0.27	44.91	0.83	USD 0.02	50.70
Export Receivables	0.32	SGD 0.30	32.10	15.2	USD 0.30	50.70

Notes to Accounts (Contd.)

7. Earnings per share (EPS)

(In Rs. Million unless otherwise stated)

Particulars		As at March 31, 2010	As at March 31, 2009
Basic Earnings per share (After exceptional items)			
Numerator for Basic EPS			
Net Profit after Tax and after exceptional items	a	1,170.52	586.04
Numerator for Diluted EPS			
Net Profit after tax and after exceptional items	b	1,170.52	586.04
Denominator for Basic EPS			
Weighted average number of equity shares	c	32,185,087	31,951,318
Denominator for Diluted EPS			
Weighted average number of equity shares and potential equity shares	d	35,883,680	35,861,000
Basic Earning per share of face value of Rs. 10 each (After exceptional items)	a / c	36.37	18.34
Diluted Earning per share of face value of Rs. 10 each (After exceptional items)	b / d	32.62	16.34
Basic Earnings per share (Before exceptional Items)			
Numerator for Basic EPS			
Net Profit after Tax and before exceptional items	e	1,170.52	600.77
Numerator for Diluted EPS			
Net Profit after tax and before exceptional items	f	1,170.52	600.77
Denominator for Basic EPS			
Weighted average number of equity shares as per (c) above	g	32,185,087	31,951,318
Denominator for Diluted EPS			
Weighted average number of equity shares and potential equity shares as per (d) above	h	35,883,680	35,861,000
Basic Earning per share of face value of Rs. 10 each (Before exceptional items)	e / g	36.37	18.80
Diluted Earning per share of face value of Rs. 10 each (Before exceptional items)	f / h	32.62	16.75

Reconciliation of basic and diluted shares used in computing earnings per share

Particulars	March 31, 2010	March 31, 2009
Number of shares considered as basic weighted average shares outstanding	32,185,087	31,951,318
Add: Effect of dilutive issues of stock options	3,698,593	3,909,682
Number of shares considered as weighted average shares and potential shares outstanding	35,883,680	35,861,000

Notes to Accounts (Contd.)

8. Capital Commitments

(In Rs. Million)

Particulars	As at March 31, 2010	As at March 31, 2009
Estimated amount of contracts remaining to be executed on capital account and not provided	285.79	366.97

9. Deferred Tax

The Company enjoys a tax holiday under section 10A of the Income Tax Act, 1961, upto March 31, 2011. The timing differences arising at March 31, 2010 and not reversing during the tax holiday period have been recognised in the books of accounts as summarized below

(In Rs. Million)

Particulars		As at March 31, 2010	As at March 31, 2009
Differences in depreciation and other differences in a block of fixed assets as per the tax books and financial books		20.41	18.86
Gross deferred tax liabilities	(A)	20.41	18.86
Provision for Leave liability and long term employee benefit		28.41	24.88
Provision for doubtful debts		-	10.37
Gross deferred tax assets	(B)	28.41	35.25
Net deferred tax liabilities / (assets)	(A) - (B)	(8.00)	(16.39)

10. Related party transactions

I. Names of related parties

Subsidiaries:

i. Persistent eBusiness Solutions Limited

ii. Persistent Systems, Inc.

iii. Persistent Systems Pte. Ltd.

iv. Persistent Systems and Solutions Limited

Key Management Personnel

i. Dr. Anand Deshpande, Chairman and Managing Director

ii. Mr. S. P. Deshpande, Non Executive Director (Executive Director upto October 31, 2009)

Relatives of Key Management Personnel:

i. Mrs. Chitra Buzruk (Relative of the Chairman and Managing Director and a Director)

ii. Mrs. Sulabha Suresh Deshpande (Relative of the Chairman and Managing Director and a Director)

iii. Mrs. Sonali Anand Deshpande (Relative of the Chairman and Managing Director)

iv. Dr. Mukund Suresh Deshpande (Relative of the Chairman and Managing Director and a Director)

Notes to Accounts (Contd.)

II. Related party transactions (In Rs. Million)

Particulars	Nature of Relationships	For the year ended March 31, 2010	For the year ended March 31, 2009
Revenue from services rendered	Subsidiaries		
	Persistent Systems, Inc.	456.04	278.86
	Persistent Systems and Solutions Limited	3.60	1.01
	Persistent eBusiness Solutions Limited	40.29	72.74
	Total	499.93	352.61
Reimbursement of project travel expenses and other expenses	Subsidiaries		
	Persistent eBusiness Solutions Limited	0.15	1.62
	Persistent Systems, Inc.	4.45	2.16
	Total	4.60	3.78
Interest received	Subsidiaries		
	Persistent eBusiness Solutions Limited	1.91	1.91
	Persistent Systems, Inc.	3.82	3.87
	Total	5.73	5.78
Services received	Subsidiaries		
	Persistent Systems, Inc.	242.69	213.20
	Persistent Systems Pte. Ltd.	0.61	-
	Total	243.30	213.20
Commission paid	Subsidiaries		
	Persistent Systems, Inc.	27.65	33.00
	Total	27.65	33.00
Project travel expenses and other expenses	Subsidiaries		
	Persistent Systems, Inc.	5.02	19.14
	Persistent eBusiness Solutions Limited	-	2.46
	Total	5.02	21.60
Remuneration paid	Key Management Personnel		
	Dr. Anand Deshpande	7.63	4.99
	S.P.Deshpande	1.57	1.93
	Relatives of Key Management Personnel		
	Chitra Buzruk	2.60	1.29
	Mukund Deshpande	2.34	1.69
	Total	14.14	9.90
Dividend paid	Dr. Anand Deshpande	5.69	11.31
	S.P.Deshpande	1.90	3.80
	Chitra Buzruk	0.01	0.01
	Sonali Anand Deshpande	0.03	0.06
	Sulabha S Deshpande	0.14	0.28
	Total	7.77	15.46
Investments	Subsidiaries		
	Persistent Systems Pte. Ltd.	-	12.82
	Persistent Systems and Solutions Limited	-	14.50
	Total	-	27.32
Intercorporate deposits given	Subsidiaries		
	Persistent Systems, Inc.	-	60.84
	Total	-	60.84

Notes to Accounts (Contd.)

Outstanding Balances (In Rs. Million)

Particulars	Nature of Relationships	As at March 31, 2010	As at March 31, 2009
Loans and advances	Subsidiaries		
	Persistent Systems, Inc.	12.18	0.83
	Persistent Systems Pte. Ltd.	0.27	-
	Persistent Systems and Solutions Limited	7.59	-
	Total	20.04	0.83
Creditors	Subsidiaries		
	Persistent Systems Pte. Ltd.	0.22	-
	Persistent Systems, Inc.	42.57	24.63
	Total	42.79	24.63
Debtors	Subsidiaries		
	Persistent Systems, Inc.	103.88	15.19
	Persistent eBusiness Solutions Limited	18.11	29.01
	Persistent Systems and Solutions Limited	0.67	0.90
	Total	122.66	45.10
Intercorporate deposits given	Subsidiaries		
	Persistent eBusiness Solutions Limited	25.53	25.53
	Persistent Systems, Inc.	53.65	60.57
	Total	79.18	86.10
Investments	Subsidiaries		
	Persistent Systems, Inc.	165.92	165.92
	Persistent eBusiness Solutions Limited	-	-
	Net of Provision Rs. 42.28 (Previous Year Rs. 42.28)		
	Persistent Systems Pte. Ltd.	15.50	15.50
	Persistent Systems and Solutions Limited	14.50	14.50
	Total	195.92	195.92
Advance taken	Subsidiaries		
	Persistent eBusiness Solutions Limited	1.15	1.10
	Persistent Systems and Solutions Limited	-	0.22
	Total	1.15	1.32

11. Employees stock options (ESOP)

The details of various ESOP schemes adopted by the Board of Directors are as follows

ESOP scheme	Date of adoption by the Board	Initial grant date	Exercise price range	Exercise period
Scheme I	December 11, 1999	December 11, 1999	4.08 – 19.13	Note 1
Scheme II	April 23, 2004	April 23, 2004	25.92 – 96.41	10 Years
Scheme III	April 23, 2004	April 23, 2004	25.92 – 96.41	Note 1
Scheme IV	April 23, 2006	April 23, 2006	44.46 – 122.24	10 Years
Scheme V	April 23, 2006	April 23, 2006	44.46 – 88.28	Note 1
Scheme VI	October 31, 2006	October 31, 2006	44.46 – 61.34	10 Years
Scheme VII	April 30, 2007	April 30, 2007	48.34 – 122.24	10 Years
Scheme VIII	July 24, 2007	July 24, 2007	96.41 – 96.41	3 Years
Scheme IX	June 29, 2009	June 29, 2009	109.48 – 109.48	10 Years

Note 1. No contractual life is defined in the scheme

The vesting pattern of Scheme I to V, VII and VIII is as follows

Time period from the date of grant	<------------------Cumulative percentage of share vesting------------------>		
	Scheme I to V	Scheme VII	Scheme VIII
12 Months	10	20	25
24 Months	30	40	50
36 Months	60	60	75
48 Months	100	80	100
60 Months	NA	100	NA

The vesting pattern for Scheme VI is as follows

Time Period from the Date of Grants	Percentage of share vesting
18 Months	30
Every quarter thereafter	5

The vesting pattern for Scheme IX is as follows

Time Period from the Date of Grants	Percentage of Share Vesting
30-60 Months varying from employee to employee	100

Notes to Accounts (Contd.)

The status of various ESOP schemes is shown in the following table

Particulars		I	II	III	IV	V	VI	VII	VIII	IX	Total
		<---- Plans ---->									
Granted	a	2,280,250	376,600	1,266,650	3,479,125	945,262	608,125	892,487	21,000	687,231	10,556,730
Vested	b	1,605,242	212,878	457,082	882,886	414,121	305,593	233,642	10,500	-	4,121,944
Encashed and Exercised	c	1,598,844	205,001	401,760	818,180	366,904	296,624	195,634	7,000	-	3,889,947
Vested and Not exercised (b-c)	d	6,398	7,877	55,322	64,706	47,217	8,969	38,008	3,500	-	231,997
Lapsed	e	669,201	128,607	375,858	816,542	266,340	215,250	403,900	-	152,738	3,028,436
Not Vested (a – c - d - e)	f	5,807	35,115	433,710	1,779,697	264,801	87,282	254,945	10,500	534,493	3,406,350
Total Outstanding (d + f)	g	12,204	42,991	489,031	1,844,402	312,018	96,251	292,953	14,000	534,493	3,638,343
Weighted Average remaining contractual life (in years)		Note 1	10.92	Note 1	12.44	Note 1	11.74	12.93	4.46	11.4	
Weighted Average Fair Value of Options Granted (Rs.)		9.37	47.52	58.47	83.07	51.06	50.11	117.05	143.57	137.05	

All the numbers provided in this above table are rounded off.

Notes:

1. No contractual life is defined in the schemes.
2. Compensation expense arising from employee share based payment plans amounted to Rs. 19.45 Million (previous year Rs. 14.83 Million).
3. Advance to the Trust, as on the balance sheet date in respect of shares allotted by the Company to the Trust, amounted to Rs. NIL (previous year Rs. 50.60 Million). As illustrated in the example in the appendix to the Guidance Note on accounting for Employee share based payment, issued by the ICAI, had the advance been presented as a reduction from equity, the Equity Share Capital would have been reduced by Rs. NIL (previous year Rs. 6.06 Million) and Share Premium would have been reduced by Rs. NIL (previous year Rs. 44.54 Million)
4. The Company has adjusted Rs. 47.22 Million to General Reserve as the difference between the cost incurred by the Trust for the purpose of shares and the exercise price of those shares which have been exercised by the employee during the current year, in accordance with Guidance Note on accounting for Employee share based payment, issued by the ICAI.
5. All method of settlement for all the schemes is equity based.

Notes to Accounts (Contd.)

ESOP Scheme	Particulars	Year ended	Outstanding at the beginning of the year	Granted during the year	Forfeited during the year	Exercised during the year	Outstanding at the end of the year	Exercisable the end of the year
Scheme I	Number of Options	March 31, 2010	59,926	-	2,154	45,567	12,204	6,399
	Weighted Average Price	March 31, 2010	11.26	-	15.22	11.43	9.95	13.38
	Number of Options	March 31, 2009	59,926	-	-	-	59,926	52,978
	Weighted Average Price	March 31, 2009	11.26	-	-	-	11.26	11.58
Scheme II	Number of Options	March 31, 2010	212,608	-	21,001	148,616	42,991	7,877
	Weighted Average Price	March 31, 2010	42.06	-	63.93	26.73	84.36	30.62
	Number of Options	March 31, 2009	236,145	-	23,537	-	212,608	165,784
	Weighted Average Price	March 31, 2009	46.43	-	85.93	-	42.06	26.71
Scheme III	Number of Options	March 31, 2010	864,887	-	53,397	322,459	489,031	55,322
	Weighted Average Price	March 31, 2010	55.82	-	64.53	44.75	62.17	52.16
	Number of Options	March 31, 2009	950,329	-	85,442	-	864,887	248,351
	Weighted Average Price	March 31, 2009	56.51	-	63.52	-	55.82	36.72
Scheme IV	Number of Options	March 31, 2010	1,686,027	1,081,975	105,420	818,180	1,844,402	64,706
	Weighted Average Price	March 31, 2010	54.13	122.24	86.71	49.37	94.33	51.99
	Number of Options	March 31, 2009	1,993,933	-	322,711	-	1,686,027	408,604
	Weighted Average Price	March 31, 2009	54.52	-	56.75	-	54.13	48.44
Scheme V	Number of Options	March 31, 2010	699,128	-	20,207	366,904	312,018	47,217
	Weighted Average Price	March 31, 2010	49.91	-	52.29	48.61	51.29	52.48
	Number of Options	March 31, 2009	757,067	-	57,939	-	699,128	208,957
	Weighted Average Price	March 31, 2009	50.12	-	52.68	-	49.91	48.55

Notes to Accounts (Contd.)

ESOP Scheme	Particulars	Year ended	Outstanding at the beginning of the year	Granted during the year	Forfeited during the year	Exercised during the year	Outstanding at the end of the year	Exercisable the end of the year
Scheme VI	Number of Options	March 31, 2010	392,875	-	-	296,624	96,251	8,969
	Weighted Average Price	March 31, 2010	51.08	-	-	50.05	54.26	52.90
	Number of Options	March 31, 2009	608,125	-	215,250	-	392,875	255,713
	Weighted Average Price	March 31, 2009	50.11	-	48.34	-	51.08	49.64
Scheme VII	Number of Options	March 31, 2010	562,187	114,000	187,600	195,634	292,953	38,008
	Weighted Average Price	March 31, 2010	65.96	122.24	83.05	56.01	83.56	55.42
	Number of Options	March 31, 2009	750,487	-	188,300	-	562,187	161,595
	Weighted Average Price	March 31, 2009	67.31	-	71.34	-	65.96	56.89
Scheme VIII	Number of Options	March 31, 2010	21,000	-	-	7,000	14,000	3,500
	Weighted Average Price	March 31, 2010	96.41	-	-	96.41	96.41	96.41
	Number of Options	March 31, 2009	21,000	-	-	-	21,000	5,250
	Weighted Average Price	March 31, 2009	96.41	-	-	-	96.41	96.41
Scheme IX	Number of Options	March 31, 2010	-	687,231	152,738	-	534,493	-
	Weighted Average Price	March 31, 2010	-	109.48	109.48	-	109.48	-
	Number of Options	March 31, 2009	-	-	-	-	-	-
	Weighted Average Price	March 31, 2009	-	-	-	-	-	-

Notes to Accounts (Contd.)

Stock Options granted

The weighted average fair value of stock options granted during the year was Rs. 48.93. The Binomial tree valuation model has been used for computing the weighted average fair value considering the following inputs:

	March 31, 2010	
	Scheme IV and VII	Scheme IX
Weighted average share price (Rs.)	129.50	137.05
Exercise Price (Rs.)	122.24	109.48
Expected Volatility	61.52%	61.52%
Historical Volatility	31.52% - 61.52%	31.52%-61.52%
Life of the options granted (Vesting and exercise period)	14-15 years	12.50-15 years
Dividend Yield	1.64	1.64
Average risk-free interest rate	5.90%	5.90%
Expected dividend rate	58.00%	58.00%

No grants were issued during the previous year. Accordingly, no disclosure has been made for the previous year ended March 31, 2009.

The expected volatility was determined based on historical volatility data. The volatility is calculated as the standard deviation of daily lognormal returns from the stock of the Company for a time period of one year. To allow the effect of early exercise of the options the exercise period has been considered as one year after the vesting date where the share price is expected to be 2.50 times the exercise price.

Since the enterprise used the intrinsic value method the impact on the reported net profit and earnings per share by applying the fair value based method.

In March 2005 the ICAI has issued a guidance note on “Accounting for Employees Share Based Payments” applicable to employee based share plan the grant date in respect of which falls on or after April1, 2005. The said guidance note requires the Proforma disclosures of the impact of the fair value method of accounting of employee stock compensation accounting in the financial statements. Applying the fair value based method defined in the said guidance note, the impact on the reported net profit and earnings per share would be as follows

(In Rs. Million)

	March 31, 2010	March 31, 2009
Profit after tax and exceptional items as reported	1,170.52	586.04
Add: Employee stock compensation under intrinsic value method	19.45	14.83
Less: Employee stock compensation under fair value method	(36.06)	(44.08)
Proforma profit	1,153.91	556.79
Earnings Per Share		
Basic		
- As reported	36.37	18.34
- Proforma	35.85	17.43
Diluted		
- As reported	32.62	16.34
- Proforma	32.16	15.53

12. Details of Investments

(In Rs. Million)

Name of the Fund	Opening balance		Purchase		Sold		Closing balance	
	Units	Amount	Units	Amount	Units	Amount	Units	Amount
ICICI Mutual Fund	21,940,489.89	224.19	39,130,784.80	610.37	37,800,543.53	601.34	23,270,731.16	233.22
Kotak Mutual Fund	-	-	65,423,475.14	697.91	42,480,555.88	468.26	22,942,919.26	229.65
SBI Mutual Fund	-	-	16,772,018.08	210.10	6,269,128.25	105.02	10,502,889.83	105.08
IDFC Mutual fund	2,003,211.00	20.04	61,590,240.14	626.88	40,742,806.12	418.07	22,850,645.02	228.85
HDFC Mutual fund	15,691,778.23	158.27	312,074,066.65	3,208.37	302,953,307.62	3,118.50	24,812,537.26	248.14
Reliance Mutual fund	14,141,171.06	241.75	3,264,889.61	337.43	17,366,101.72	539.17	39,958.95	40.01
Birla Mutual Fund	22,671,336.03	226.84	47,530,406.26	475.55	46,702,614.47	467.31	23,499,127.82	235.08
Tata Mutual fund	-	-	55,611,501.85	862.53	31,491,942.59	620.83	24,119,559.27	241.70
	76,447,986.21	871.09	601,397,382.53	7,029.14	525,807,000.18	6,338.50	152,038,368.57	1,561.73

Notes to Accounts (Contd.)

13. Auditors Remuneration

(In Rs. Million)

Particulars	For the year ended March 31, 2010	For the year ended March 31, 2009
Audit fee	3.03	1.29
Tax audit matters	0.12	0.12
Other matters	4.96	6.60
Out of pocket expenses	0.02	0.05
	8.13	8.06

* Fees for the other matters include Rs. 4.80 Million (previous year Rs. 4.38 Million) towards fees for services rendered in connection with the Initial Public Offer which have been included in share issue expenses.

14. Remuneration paid to Executive and Non executive directors

(In Rs. Million)

Particulars	For the year ended March 31, 2010	For the year ended March 31, 2009
Directors' Remuneration		
Salaries	4.86	5.97
Commission/Performance linked incentives to Whole time Directors	3.68	0.23
Commission to Non-Whole time Directors	1.81	0.90
Perquisites	0.15	0.20
Sitting fees paid to Non-Whole time Directors	0.27	0.27
Contribution to Superannuation fund	0.29	0.29
Contribution to Provident fund	0.23	0.23
	11.29	8.09

As the liabilities for gratuity and leave encashment are provided on an actuarial basis for the Company as a whole, the amounts pertaining to the directors are not included above.

15. Earning and expenditure in foreign currency (Accrual Basis)

(In Rs. Million)

A. Earnings in foreign currency	For the year ended March 31, 2010	For the year ended March 31, 2009
Sale of software	4,686.19	4,945.42
Reimbursement of expenses	53.63	80.90
Interest Income	3.82	3.87
Total	4,743.64	5,030.19

Notes to Accounts (Contd.)

(In Rs. Million)

B. Expenditure in foreign currency	For the year ended March 31, 2010	For the year ended March 31, 2009
Travelling and conveyance	80.41	108.32
Software professional charges	243.30	213.20
Salary and allowances	28.64	17.08
Commission on sale	29.88	37.34
Others	23.01	21.19
Total	405.24	397.13

16. Value of imports calculated on CIF basis

(In Rs. Million)

Particulars	For the year ended March 31, 2010	For the year ended March 31, 2009
Capital goods	107.67	340.97

17. Net dividend remitted in foreign exchange

(In Rs. Million unless otherwise stated)

Particulars	For the year ended March 31, 2010	For the year ended March 31, 2009
Number of non-resident shareholders to whom dividend was remitted	5	5
Number of equity shares held on which dividend was due	8,966,824	8,966,824
Amount remitted (In Rs. Million)	4.48	5.38
Amount remitted (In USD Million)	0.10	0.11
Amount due but not remitted (In Rs. Million)	-	3.59
Amount due but not remitted (In USD Million)	-	0.07

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Notes to Accounts (Contd.)

18. Computation of Net Profit in accordance with Section 349 of the Companies Act, 1956.

(In Rs. Million)

Particulars	For the year ended March 31, 2010	For the year ended March 31, 2009
Profit before tax	1,240.68	612.33
Add:		
(a) Managerial Remuneration	11.02	7.82
(b) Provision for bad and doubtful debts	44.39	87.47
(c) Depreciation as per books of accounts	324.95	294.72
Less:		
(a) Depreciation as per section 350 of the Companies Act, 1956*	324.95	294.72
(b) Excess provision and provision for doubtful deposits written back	19.15	0.10
(c) Profit of a capital nature	-	14.92
Net Profit as per Section 349 of the Companies Act, 1956	1,276.94	692.60
Commission to Managing and Whole time directors		
Maximum commission u/s 309 of the Companies Act, 1956, at 10% of net profits	127.69	69.26
Commission actually approved for payment	3.68	0.23
Commission to other directors		
Maximum commission u/s 309 of the Companies Act, 1956, at 1% of net profits	12.77	6.93
Commission actually approved for payment	1.81	0.90

* The Company depreciates fixed assets based on estimated useful lives that are lower than those implicit in Schedule XIV of the Companies Act, 1956. Accordingly, the rates of depreciation used by the Company are higher than the minimum prescribed by Schedule XIV.

19. Requirement of clause 3, 4C and 4D of Part II to schedule VI of the Companies Act, 1956

The Company is engaged in the development of software and related services. The production and sale of such software cannot be expressed in any generic unit. Hence, it is not possible to give quantitative details of sales and certain information as required under paragraphs 3, 4C and 4D of Part II to schedule VI of the Companies Act, 1956. The information required under clause 4D is given hereunder to the extent considered applicable.

20. Dues to Micro and Small enterprises

There were no Micro and Small enterprises to whom amounts are outstanding for more than 45 days, as at March 31, 2010 (previous year Rs. NIL).

As at March 31, 2010, no supplier has intimated the Company about its status as Micro or Small enterprises or its registration with the appropriate authority under 'The Micro, Small and Medium Enterprises Development Act, 2006'.

Notes to Accounts (Contd.)

21. Share issue expenses

The Company had deferred its Initial Public Offer (IPO) during the financial year 2008-09 and therefore, had written off share issue expenses relating to that IPO amounting to Rs. 14.73 Million in 2008-09 as an exceptional item.

22. Utilisation statement

(In Rs. Million)

Utilisation of IPO proceeds	Amount
Proceeds from IPO*	1,680.11
Payable to selling shareholders	(397.02)
Sub Total (A)	1,283.09
Share issue expenses (accrual basis)	105.53
(Less) Recoverable from selling shareholders	(24.94)
Sub Total (B)	80.59
Net Proceeds (A)-(B)	1,202.50

* The allotment of shares was completed on March 30, 2010 and the Company was yet to be listed on the stock exchanges at March 31, 2010, the proceeds from IPO were pending utilisation as at March 31, 2010.

23. Previous year comparatives

Previous year figures have been regrouped where necessary to confirm to current period's classification.

As per our report of even date

For S. R. BATLIBOI & Co.
Chartered Accountants

per Arvind Sethi
Partner
Membership No. 89802
Pune, April 23, 2010

For JOSHI APTE & Co.
Chartered Accountants

C. K. Joshi
Partner
Membership No. 30428
Pune, April 23, 2010

For and on behalf of the Board of Directors

Dr. Anand Deshpande
Chairman and
Managing Director

P. B. Kulkarni
Director

Rajesh Ghonasgi
Chief Financial Officer

Vivek Sadhale
Company Secretary
and Head - Legal

Pune, April 23, 2010

Cash Flow Statement for the year ended March 31, 2010

(In Rs. Million)

Particulars		For the year ended March 31, 2010	For the year ended March 31, 2009
Cash flow from operating activities			
Net profit before tax and exceptional items		1,240.68	612.33
Adjustments for:			
Interest income		(6.54)	(6.58)
Dividend income		(42.73)	(43.81)
Depreciation and amortisation		324.95	294.72
Unrealised exchange loss / (gain) (net)		19.41	(3.42)
Exchange (gain) / loss on derivative contracts		(234.47)	162.72
Exchange difference on translation of foreign currency cash and cash equivalents		0.31	0.03
Provision for doubtful debts (net of doubtful debt provision written back)		44.39	87.47
Employee compensation expenses		19.45	14.83
Provision for doubtful deposit written back		(1.50)	(0.10)
Excess provision written back		(17.65)	-
Profit on sale of investments		(0.01)	(0.37)
Profit on sale of fixed assets		(1.46)	(14.92)
Operating profit before working capital changes		1,344.83	1,102.90
Movements in working capital :			
(Increase) in sundry debtors		(284.02)	(283.86)
Decrease/(Increase) in other current assets		33.02	(39.89)
Decrease/(Increase) in loans and advances		26.92	(23.32)
Increase in current liabilities		560.88	5.34
Increase in provisions		50.77	16.97
Operating profit after working capital changes		1,732.40	778.14
Direct taxes paid (net of refunds)		(232.73)	(95.83)
Net cash from operating activities after exceptional item	(A)	1,499.67	682.31
Cash flows from investing activities			
Purchase of fixed assets		(421.71)	(482.93)
Proceeds from sale of fixed assets		2.55	15.70
Purchase of investments		(7,029.14)	(5,495.40)
Sale / maturity of investments		6,339.49	5,317.98
Interest income		6.65	6.51
Purchase of investment in subsidiaries		-	(27.32)
Dividends received		42.73	43.81
Net cash (used in) investing activities	(B)	(1,059.43)	(621.65)

(In Rs. Million)

Particulars		For the year ended March 31, 2010	For the year ended March 31, 2009
Cash flows from financing activities			
Proceeds from issuance of share capital		41.39	-
Increase in securities premium		1,241.70	-
Share issue expenses		(37.19)	(14.73)
Deferred payment liabilities		45.11	-
Interim dividends paid		(21.52)	(32.27)
Tax on interim dividend paid		(5.49)	(3.65)
Net cash (used in) financing activities	(C)	1,264.00	(50.65)
Net increase in cash and cash equivalents (A + B + C)		1,704.24	10.01
Cash and cash equivalents at the beginning of the year		66.79	56.81
Exchange difference on translation of foreign currency cash and cash equivalents		(0.31)	(0.03)
Cash and cash equivalents at the end of the year		1,770.72	66.79

(In Rs. Million)

Components of cash and cash equivalents as at	March 31, 2010	March 31, 2009
Cash in hand	0.21	0.13
With scheduled banks		
on current account	1,766.70	58.73
With other banks		
on current account	3.81	7.28
on saving account	-	0.65
	1,770.72	66.79

As per our report of even date

For S. R. BATLIBOI & Co.
Chartered Accountants

For JOSHI APTE & Co.
Chartered Accountants

per Arvind Sethi
Partner
Membership No. 89802
Pune, April 23, 2010

C. K. Joshi
Partner
Membership No. 30428
Pune, April 23, 2010

For and on behalf of the Board of Directors

Dr. Anand Deshpande
Chairman and
Managing Director

P. B. Kulkarni
Director

Rajesh Ghonasgi
Chief Financial Officer

Vivek Sadhale
Company Secretary
and Head - Legal

Pune, April 23, 2010

Balance Sheet Abstract and Company's General Business Profile

(In Rs. Million unless otherwise stated)

I.	Registration details	
	Registration no.	U72300PN1990PLC056696
	Status code no.	11
	Balance sheet date	March 31, 2010
II.	Capital raised during the year	
	Public issue	41.39
	Rights issue	NIL
	Bonus issue	NIL
	Private placement	NIL
III.	Position of mobilisation and deployment of funds	
	Total liabilities	6,468.69
	Total assets	6,468.69
	Sources of funds	
	Paid up capital	400.00
	Reserves and surplus	5,991.56
	Stock options outstanding	32.02
	Deferred payment liabilities	45.11
	Deferred tax liability	NIL
	Application of funds	
	Net fixed assets	2,266.25
	Investments	1,757.65
	Deferred tax asset	8.00
	Net current assets	2,436.79
	Preliminary expenses	NIL
IV.	Performance of Company	
	Turnover / receipts	5,161.14
	Total expenditure	3,920.46
	Profit / (Loss) before tax	1,240.68
	Profit / (Loss) after tax	1,170.52
	Earnings per share in Rs.(Diluted)	32.62
	Dividend %	25%
V.	Generic Names of Three Principal Products/Services of the Company (as per monetary terms)	
	Product description	Computer software and services
	Item code no.	N.A.

For and on behalf of the Board of Directors

Dr. Anand Deshpande
Chairman and
Managing Director

P. B. Kulkarni
Director

Rajesh Ghonasgi
Chief Financial Officer

Vivek Sadhale
Company Secretary
and Head - Legal

Pune, April 23, 2010

PERSISTENT

Persistent Systems Limited

(Consolidated)

Fresh look, fresh ideas, fresh solutions

In the year 2000, Persistent Systems adopted the three-dimensional textured globe with the Persistent loop as our identity. It represented our global reach. Having achieved several milestones in the last decade, now it is time to move to an identity that takes us to greater heights and new frontiers.

The refreshed logo is an evolutionary change from the current logo. The refreshed Persistent identity signifies a new image of the Company. A smarter, more modern identity heralds the next decade - one with wider reach and better capabilities to handle complex challenges. The Brand's diversity is captured through three colours - Erudite Blue representing knowledge and achievement; Radiant Orange, excellence and inclusiveness; and Pure Green, responsibility.

The blue globe has become deeper and translucent making Persistent more desirable and interactive. An organic and dynamic loop wraps around the globe to represent our inclusive, all-encompassing ambition of thought leadership in everything we do. The new colour, green, has appeared inside the loop, representing our commitment towards a sustainable world.

The specially developed typeface, Newsys, enhances the modern character of the identity while reinforcing trust established by the Brand.

Evolution of the Persistent logo

The First Decade (1990-2000)

The Second Decade (2000-2010)

The Third Decade (2010-2020)

Auditors' Report on Consolidated Financial Statements

To
The Board of Directors of Persistent Systems Limited

We, S.R. Batliboi & Co. Chartered Accountants ("SRB") and Joshi Apte & Co. ("JACO") Chartered Accountants (collectively referred to as "Joint Auditors") have audited the attached consolidated Balance Sheet of Persistent Systems Limited ('the Company') and its subsidiaries (collectively referred to as 'the Group') as at 31 March 2010, the consolidated Profit and Loss Account and the consolidated Cash Flow Statement of the Group for the year ended on that date, annexed thereto. These financial statements are the responsibility of Group's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21, 'Consolidated Financial Statements' prescribed by the Companies (Accounting Standards) Rules, 2006 solely for the purpose of the Company's management.

We did not jointly audit the financial statements of following companies, whose total revenue, total assets and cash flows to the extent they are included in the consolidated financial statements of the Group are as given below:

(In Rs. Million)

Name of the Company	Extent of share in consolidated revenues	Extent of share in consolidated assets	Cash flows
Persistent eBusiness Solutions Limited	63.79	45.57	(1.95)
Persistent Systems, Inc.	1,621.54	646.73	57.05
Persistent Systems and Solutions Limited.	66.96	52.02	(4.06)
Persistent Systems Pte. Ltd.	0.98	10.68	(1.66)

These financial statements and other financial information have been audited solely by JACO and have been accepted without verification by SRB and hence our joint audit opinion insofar as it relates to the amounts included in respect of these subsidiaries, is based solely on the report of JACO.

Based on our audit and on consideration of reports of JACO on separate financial statements of the subsidiaries and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at 31 March 2010;

(b) in the case of the consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and

(c) in the case of the consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For S. R. BATLIBOI & Co.
Firm Registration No. 301003E
Chartered Accountants

per Arvind Sethi
Partner
Membership No.: 89802
Place: Pune
Date: April 23, 2010

For JOSHI APTE & Co.
Firm Registration No. 104370W
Chartered Accountants

C. K. Joshi
Partner
Membership No.: 30428
Place: Pune
Date: April 23, 2010

Balance Sheet as at March 31, 2010

(In Rs. Million)

	Sch.	As at March 31, 2010	As at March 31, 2009
Sources of funds			
Shareholders' funds			
Share capital	1	400.00	358.61
Stock options outstanding (Refer note 14 to schedule 15)		32.02	20.73
Reserves and surplus	2	5,957.90	3,568.60
Deferred payment liabilities		45.11	-
[Due within one year Rs. 8.25 Million (previous year Rs. NIL)]			
		6,435.03	3,947.94
Application of funds			
Fixed assets	3		
Gross block		3,714.79	3,372.42
Less: Accumulated depreciation and amortisation		1,881.15	1,572.60
Net block		1,833.64	1,799.82
Capital work-in-progress including capital advances		484.75	377.44
		2,318.39	2,177.26
Investments	4	1,561.73	880.12
Deferred tax assets (net) (Refer note 10 to schedule 15)		6.82	20.47
Current assets, loans and advances			
Sundry debtors	5	1,363.25	1,034.21
Cash and bank balances	6	1,917.72	165.39
Other current assets	7	339.90	130.27
Loans and advances	8	637.53	453.95
	(A)	4,258.40	1,783.82
Less: Current liabilities and provisions			
Current liabilities	9	1,393.59	743.81
Provisions	10	316.72	169.92
	(B)	1,710.31	913.73
Net current assets	(A - B)	2,548.09	870.09
		6,435.03	3,947.94
Notes to accounts	15		

The schedules referred to above and Consolidated notes to accounts form an integral part of the Consolidated Balance Sheet.

As per our report of even date

For S. R. BATLIBOI & Co.
Chartered Accountants

per Arvind Sethi
Partner
Membership No. 89802
Pune, April 23, 2010

For JOSHI APTE & Co.
Chartered Accountants

C. K. Joshi
Partner
Membership No. 30428
Pune, April 23, 2010

For and on behalf of the Board of Directors

Dr. Anand Deshpande
Chairman and Managing Director

P. B. Kulkarni
Director

Rajesh Ghonasgi
Chief Financial Officer

Vivek Sadhale
Company Secretary and Head - Legal

Pune, April 23, 2010

Profit & Loss Account for the year ended March 31, 2010

(In Rs. Million)

	Sch.	For the year ended March 31, 2010	For the year ended March 31, 2009
Income			
Sale of software services and products	11	6,011.56	5,938.31
Other Income	12	112.33	68.53
		6,123.89	6,006.84
Expenditure			
Personnel expenses	13	3,687.42	3,324.25
Operating and other expenses	14	860.49	1,700.52
		4,547.91	5,024.77
Operating profit before depreciation and amortisation		1,575.98	982.07
Depreciation and amortisation	3	335.24	296.77
Profit before tax and exceptional items		1,240.74	685.30
Provision for tax			
Current tax		222.50	64.94
Less MAT credit entitlement		162.38	43.00
Net current tax		60.12	21.94
Tax in respect of earlier years		16.74	0.19
Deferred tax charge / (credit)		13.64	(23.02)
Fringe benefit tax		-	10.54
Total tax expense		90.50	9.65
Profit after tax and before exceptional items		1,150.24	675.65
Exceptional items (Refer note 18 to schedule 15)		-	(14.73)
Profit after tax and exceptional items		1,150.24	660.92
Balance brought forward from previous year		1,755.48	1,370.91
Profit available for appropriation		2,905.72	2,031.83
Appropriations			
Transfer to general reserve		468.20	234.40
Interim dividend		77.93	35.86
Proposed final dividend		20.00	-
Tax on dividend		16.64	6.09
Surplus carried to Balance Sheet		2,322.95	1,755.48
Earnings per share (Refer note 8 to schedule 15)			
Basic [Nominal value of equity shares Rs. 10 (previous year Rs.10)]			
Computed on the basis of earnings after tax and exceptional items (Rs.)		35.74	20.69
Computed on the basis of earnings after tax and before exceptional items (Rs.)		35.74	21.15
Diluted [Nominal value of equity shares Rs. 10 (previous year Rs.10)]			
Computed on the basis of earnings after tax and exceptional items (Rs.)		32.06	18.43
Computed on the basis of earnings after tax and before exceptional items (Rs.)		32.06	18.84
Notes to accounts	15		

The schedules referred to above and Consolidated notes to accounts form an integral part of the Consolidated Profit and Loss Account.

As per our report of even date

For S. R. BATLIBOI & Co.
Chartered Accountants

per Arvind Sethi
Partner
Membership No. 89802
Pune, April 23, 2010

For JOSHI APTE & Co.
Chartered Accountants

C. K. Joshi
Partner
Membership No. 30428
Pune, April 23, 2010

For and on behalf of the Board of Directors

Dr. Anand Deshpande
Chairman and
Managing Director

P. B. Kulkarni
Director

Rajesh Ghonasgi
Chief Financial Officer

Vivek Sadhale
Company Secretary
and Head - Legal

Pune, April 23, 2010

Schedules forming part of Balance Sheet

(In Rs. Million)

		As at March 31, 2010	As at March 31, 2009
Schedule 1			
Share capital			
Authorised			
100,000,000 (Previous period and previous year 100,000,000) equity shares of Rs. 10 each.		1,000.00	1,000.00
		1,000.00	1,000.00
Issued, subscribed and paid-up			
40,000,000 (previous year 35,861,000) equity shares of Rs. 10 each fully paid. (Of the above 25,615,000 (previous year 25,615,000) equity shares were allotted as fully paid-up Bonus Shares by capitalisation of Capital Redemption Reserves [Rs. 9.79 Million (previous year Rs. 9.79 Million)] and Securities Premium Account [Rs. 246.36 Million (previous year Rs. 246.36 Million)])		400.00	358.61
		400.00	358.61
Schedule 2			
Reserves and surplus			
Securities premium account			
Opening balance		577.49	577.49
Add: Additions during the year		1,241.70	-
Less: Share issue expenses		80.59	-
Closing balance	(A)	1,738.60	577.49
General reserve			
Opening balance		1,219.03	984.63
Add: Transferred from Profit and Loss Account		468.20	234.40
		1,687.23	1,219.03
Add: Amount adjusted to Advance to PSPL ESOP Management Trust		47.22	-
Closing balance	(B)	1,734.45	1,219.03
Foreign currency translation reserve			
Opening balance		16.60	(5.92)
(Less)/Add: Exchange difference during the year on net investment in non-integral operation		(14.55)	22.52
Closing balance	(C)	2.05	16.60
Hedge reserve			
Opening balance		-	-
Add: Additions during the year		159.85	-
	(D)	159.85	-
Profit and Loss Account	(E)	2,322.95	1,755.48
	(A)+(B)+(C)+(D)+(E)	5,957.90	3,568.60

Schedule forming part of Balance Sheet and Profit and Loss Account (Contd.)

Schedule 3

Fixed assets

(In Rs. Million)

Name of the asset	Gross block: As at April 1, 2009	Gross block: Additions during the year	Gross block: Deductions / transfers during the year	Gross block: Currency translation adjustment	Gross block: As at March 31, 2010	Depreciation and amortisation: As at April 1, 2009	Depreciation and amortisation: For the period	Depreciation and amortisation: Deductions / Transfers during the period	Depreciation and amortisation: Currency translation adjustment	Depreciation and amortisation: As at March 31, 2010	Net block: As at March 31, 2010	Net block: As at March 31, 2009
Freehold Land	202.98	-	-	-	202.98	-	-	-	-	-	202.98	202.98
Leasehold Land	39.93	-	-	-	39.93	-	-	-	-	-	39.93	39.93
Building	1,223.30	34.21	-	-	1,257.51	175.52	49.86	-	-	225.38	1,032.13	1,047.78
Computers	664.02	84.27	23.89	0.83	723.57	514.22	95.20	23.55	0.50	585.37	138.20	149.80
Software	429.08	202.13	-	2.80	628.41	383.75	70.22	-	0.90	453.07	175.34	45.33
Plant and Machinery	532.96	45.32	2.20	0.08	576.00	316.30	83.23	1.03	0.04	398.46	177.54	216.66
Furniture and fixtures	275.48	7.75	1.39	0.06	281.78	180.00	37.10	1.39	0.04	215.67	66.11	95.48
Vehicle	4.67	-	0.06	-	4.61	2.81	0.45	0.06	-	3.20	1.41	1.86
As at March 31, 2010	3,372.42	373.68	27.54	3.77	3,714.79	1,572.60	336.06	26.03	1.48	1,881.15	1,833.64	1,799.82
As at March 31, 2009	2,928.37	456.59	14.73	(2.19)	3,372.42	1,285.86	297.58	12.73	(1.89)	1,572.60	1,799.82	1,642.51
Capital work-in-progress including capital advances												
As at March 31, 2010	377.44	225.07	117.76	-	484.75	-	-	-	-	-	484.75	377.44
As at March 31, 2009	330.75	386.63	339.94	-	377.44	-	-	-	-	-	377.44	330.74

Notes:

1) Company has entered into a lease agreement with Maharashtra Industrial Development Corporation on February 7, 2006 and November 16,2007 for unit at MIDC Parsodi, Nagpur.
This agreement will be converted into lease agreement for a term of 95 years after completion of stipulated conditions. Amortization of Land will be effective from the date of such lease agreement.

2) Company has entered into a lease agreement with Maharashtra Industrial Development Corporation on November 25, 2005 for unit at MIDC Hinjwadi Pune.
This agreement will be converted into lease agreement for a term of 95 years after completion of stipulated conditions. Amortisation of Land will be effective from date of such lease agreement.

3) Depreciation amounting to Rs 0.82 Million (previous year Rs. 0.81 Million) relating to fixed assets used for construction of fixed assets under construction has been included under capital work-in-progress.

4) Capital work in progress includes capital advances of Rs. 89.82 Million (previous year Rs. 67.65 Million).

Schedules forming part of Balance Sheet (Contd.)

(In Rs. Million)

		As at March 31, 2010	As at March 31, 2009
Schedule 4			
Investments			
Long term investments (At cost)			
Other than trade (Unquoted)			
Ciqual Limited			
10,000,000 (Previous period and previous year 10,000,000) Shares GBP 0.01 each		8.69	9.03
Less: Provision for diminution in value of investment		(8.69)	-
	(A)	-	9.03
Current Investments (At lower of cost and market value)			
Other than trade (Unquoted)			
Investment in mutual funds (Refer note 15 to Schedule 15)		1,561.73	871.09
	(B)	1,561.73	871.09
Aggregate amount of unquoted investments	(A)+(B)	1,561.73	880.12
Schedule 5			
Sundry debtors			
(Unsecured unless otherwise stated)			
Debts outstanding for a period exceeding six months			
Considered good		27.86	-
Considered doubtful		183.32	130.22
Other debts			
Considered good		1,335.39	1,034.21
Considered doubtful		14.00	23.18
		1,560.57	1,187.61
Less: Provision for doubtful debts		197.32	153.40
		1,363.25	1,034.21
Schedule 6			
Cash and bank balances			
Cash in hand		0.22	0.13
Balances with scheduled banks			
On current accounts		1,778.27	76.32
On deposit accounts		10.53	2.21
		1,788.80	78.53
Balances with other banks			
On current accounts		117.47	86.08
On deposit accounts		11.23	-
On saving accounts		-	0.65
		128.70	86.73
		1,917.72	165.39

Schedules forming part of Balance Sheet (Contd.)

(In Rs. Million)

	As at March 31, 2010	As at March 31, 2009
Schedule 6 Cash and bank balances (Contd.)		
Bank balances with others include:		
Bank of Tokyo - Mitsubishi- NS, Japan [Maximum amount outstanding during the year Rs. 0.84 Million (previous year Rs. 1.09 Million)]	-	0.65
Citibank Canada [Maximum amount outstanding during the year Rs. 8.46 Million (previous year Rs. 7.28 Million)]	3.81	7.28
Bank of America [Maximum amount outstanding during the year Rs. 0.29 Million (previous year Rs. 0.33 Million)]	0.25	0.31
Silicon Valley Bank [Maximum amount outstanding during the year Rs. 223.33 Million (previous year Rs. 121.14 Million)]	112.87	67.01
Citibank N.A. - Singapore [Maximum amount outstanding during the year Rs. 12.72 Million (previous year Rs. 19.07 Million)]	0.52	11.48
Wells Fargo Bank [Maximum amount outstanding during the year Rs. 0.03 Million (previous year Rs. NIL)]	0.02	-
Deposit with Wells Fargo Bank [Maximum amount outstanding during the period Rs.11.23 Million (previous year Rs. NIL)]	11.23	-
Schedule 7		
Other current assets		
Income accrued	0.14	0.14
Unbilled revenue	120.14	128.92
Forward contract receivable	218.41	-
Fixed assets held for sale (at net book value or estimated net realisable value whichever is lower)	1.21	1.21
	339.90	130.27
Schedule 8		
Loans and advances		
Unsecured, considered good		
Advance to PSPL ESOP Management Trust	106.94	153.83
Advance Income Tax [Net of provision Rs. 468.30 Million (previous year Rs. 190.58 Million)]	43.26	37.83
Advances recoverable in cash or kind or for value to be received	69.67	45.72
VAT and Service tax receivable [Net of provision Rs. 43.65 Million (previous year Rs. 12.66 Million)]	78.72	58.36
MAT credit entitlement	294.82	132.44
Deposits	44.12	25.77
(A)	637.53	453.95
Unsecured Considered doubtful		
Deposits	1.18	2.68
Less: Provision for non recoverable deposit	1.18	2.68
Deposits (B)	-	-
(A)+(B)	637.53	453.95

Schedules forming part of Balance Sheet (Contd.)

(In Rs. Million)

	As at March 31, 2010	As at March 31, 2009
Schedule 9		
Current liabilities		
Advance from customer	118.23	71.29
Sundry creditors		
Micro and Medium Enterprises (Refer note 17 to schedule 15)	-	-
Others	313.13	140.25
Payable to selling shareholders (Refer note 19 to schedule 15)	372.08	-
Unearned revenue	83.64	39.52
Accrued employee liabilities	461.99	276.14
Unpaid dividend	-	3.59
Provision for derivative contracts	-	175.91
Tax on unpaid dividend	-	2.44
Other liabilities	44.52	34.67
	1,393.59	743.81
Schedule 10		
Provisions		
Gratuity (Refer note 6 to schedule 15)	43.16	2.11
Leave encashment	111.20	103.73
Provision for other long term benefits	68.77	61.22
Proposed dividend	80.00	-
Tax on proposed dividend	13.59	-
Provision for fringe benefit tax [Net of advance tax Rs. NIL (previous year Rs. 31.69 Million)]	-	2.86
	316.72	169.92

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Schedules forming part of Profit & Loss Account

(In Rs. Million)

	For the year ended March 31, 2010	For the year ended March 31, 2009
Schedule 11		
Sale of software services and products		
Overseas	5,698.11	5,752.10
Domestic	313.45	186.21
	6,011.56	5,938.31
Schedule 12		
Other income		
Interest on bank deposits [Tax Deducted at Source Rs. NIL (previous year Rs. 0.03 Million)]	0.27	0.17
Interest on inter corporate deposit and others [Tax Deducted at Source Rs. 1.30 Million (previous year Rs. 1.25 Million)]	0.74	0.70
Foreign exchange gains (net)	31.56	-
Profit on sale of assets (net)	1.01	14.93
Dividend from non-trade investments	42.96	43.81
Profit on sale of investments (net)	0.01	0.37
Provision for doubtful debts written back	10.57	0.34
Excess Provision written back	17.68	-
Provision for doubtful deposit written back	1.50	0.10
Miscellaneous income	6.03	8.11
	112.33	68.53
Schedule 13		
Personnel expenses		
Salary and allowances	3,216.81	3,014.04
Software professional charges	202.45	91.93
Contribution to provident fund	80.91	79.68
Gratuity (Refer note 6 to schedule 15)	41.16	2.05
Defined Contribution to other funds	23.14	22.32
Staff welfare and benefits	103.50	99.40
Employee compensation expenses	19.45	14.83
	3,687.42	3,324.25

Schedule forming part of Profit and Loss Account (Contd.)

(In Rs. Million)

	For the year ended March 31, 2010	For the year ended March 31, 2009
Schedule 14		
Operating and other expenses		
Travelling and conveyance	212.13	236.14
Electricity and fuel	74.20	63.61
Internet link charges	28.17	29.45
Communication charges	26.32	28.34
Recruitment expenses	4.93	26.07
Training and seminars	15.19	18.49
Purchase of Software licenses and support charges	183.66	93.64
Provision for doubtful debts	57.03	108.58
Bad debts	1.72	3.72
Rent (Refer note 11 to schedule 15)	30.41	31.86
Insurance	11.81	11.45
Rates, fees and profession tax	14.80	12.69
Legal and professional fees	41.14	30.59
Repairs and maintenance		
Plant and Machinery	25.49	16.51
Building	5.24	6.11
Others	10.20	9.20
Commission on sales to other than sole selling agents	2.66	4.80
Advertisements, sponsorship fees	12.35	15.62
Computer consumables	8.94	5.44
Auditors' remuneration (Refer note 16 to schedule 15)	3.90	4.31
Donations	6.35	15.43
Books, memberships, subscriptions	2.11	1.47
Foreign exchange loss (net)	-	711.24
Preliminary expenses written off	-	0.81
Loss on sale of investment	-	0.41
Exchange loss on derivatives	-	162.72
Director's sitting fees	0.27	0.27
Director's commission	1.81	0.90
Provision for loss on investment	9.00	-
Miscellaneous expenses	70.66	50.65
	860.49	1,700.52

Notes to Accounts

Schedule 15

1. Nature of Operations

Persistent Systems Limited ('the Company') is predominantly engaged in Outsourced Software Product Development services. The Company offers complete product life cycle services.

Persistent Systems, Inc. (PSI) is engaged in software development, professional and marketing services.

Persistent eBusiness Solutions Limited (PeBS) is engaged in software development, consultancy and system integration services.

Persistent Systems Pte. Ltd., (PS Pte.) is engaged in software development, professional and marketing services.

Persistent Systems and Solutions Limited (PSSL) has been set up to inter alia, mainly provide software development services from Special Economic Zone.

2. Principles of Consolidation

The consolidated financial statements for the year ended March 31, 2010 of the Company and its subsidiaries (the 'Group') are prepared under historical cost convention in accordance with generally accepted accounting principles applicable in India, and the Accounting Standard 21 (AS-21) on 'Consolidation of Financial Statements', notified by Companies (Accounting Standards) Rules, 2006, (as amended) by to the extent possible in the same format as that adopted by Company (the Company) for its separate financial statements.

The financial statements of the 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 fully eliminating intra group balances and intra group transactions. Any excess of the cost to the Company of its investment in a subsidiary and the Company's portion of equity of subsidiary at the date, at which investment in the subsidiary is made, is described as goodwill and recognised separately as an asset in the consolidated financial statements.

The 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 consolidated financial statements and are presented in the same manner as the Company's unconsolidated financial statements.

The subsidiary companies considered in consolidated financial statements are

Name of the subsidiary	Ownership percentage as at March 31, 2010	March 31, 2009	Country of Incorporation
Persistent Systems, Inc.	100%	100%	USA
Persistent eBusiness Solutions Limited	100%	100%	India
Persistent Systems and Solutions Limited	100%	100%	India
Persistent Systems Pte. Ltd.	100%	100%	Singapore

3. Statement of significant accounting policies

A. Basis of preparation

The consolidated financial statements have been prepared to comply in all material respects with the Accounting Standard notified by Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. These consolidated financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Group and except for the changes in accounting policy discussed more fully in 3(B) below, are consistent with those used in the previous year.

Notes to Accounts (Contd.)

B. Change in Accounting Policy

a. Effective April 1, 2009, the Group has adopted the principles of AS 30 'Financial Instruments: Recognition and Measurement' for forward exchange contracts that are not covered by AS 11 'The effects of changes in foreign exchange rates' and that relate to a firm commitment or a highly probable forecast transaction. In the previous year, the Group had accounted for such contracts in accordance with the guidance in the Announcement of Institute of Chartered Accountant of India (the 'ICAI') dated March 29, 2008. Had the Group accounted for these contracts in accordance with the aforesaid ICAI Announcement, hedge reserve would have been decreased by Rs. 159.85 Million and the forward contracts receivable / payable would have been increased by the same amount.

b. At the balance sheet date, the Group changed the primary reporting segments to incorporate and reflect the changes in the operating structure. The primary reporting segments are identified based on market review and business dynamics and risk and returns affected by the type or class of customers for the services provided and are set out as follows:

   a. Infrastructure and Systems:

   b. Telecom and wireless:

   c. Life science and Healthcare:

The change in the segment reporting only affects segment composition and related disclosures and has no other impact on the consolidated financial statements of the Group. The Group has also presented corresponding previous year comparatives to facilitate better comparison.

The secondary segment reporting which has been presented based on geographical location of customers has remained unchanged.

C. Use of estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

D. Fixed assets and Intangibles

Fixed assets are stated at cost, less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable costs of bringing the asset to its working condition for its intended use.

Capital work-in-progress includes cost of fixed assets that are not ready or put to use and advances paid to construct or acquire fixed assets.

Cost relating to software licenses, of enduring nature are capitalised on acquisition and amortised over their estimated useful lives.

E. Depreciation

Depreciation is provided using the Straight Line Method (SLM) as per the useful lives of the assets estimated by the management, or at the rates prescribed under schedule XIV of the Companies Act, 1956, as used by the Company, whichever is higher.

Software licenses of enduring nature are amortised over a period of three years or over their estimated useful lives whichever is lower.

Depreciation on assets purchased / sold during the year is charged on a pro-rata basis. Individual assets whose cost does not exceed Rs. 5,000 are depreciated at 100%.

Notes to Accounts (Contd.)

A comparative statement of rates of depreciation followed by the Group and applicable rates as per the schedule XIV of the Companies Act is as below:

Assets	Rates (SLM)	Rates as per Schedule XIV (SLM)
Computers	33.33%	16.21%
Plant and machinery	20.00%	4.75%
Furniture and fixtures	20.00%	6.33%
Vehicles	20.00%	9.50%
Buildings	4.00%	1.63%

F. Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the Group makes a reasonable estimate of the value in use.

G. Investments

Investments that are readily realisable and intended to be held for a period not more than a year are classified as current investments. All other investments are classified as long-term investments.

Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline, other than temporary decline, in the value of the investments.

H. Revenue recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

I. Income from software services

Revenue from time and material engagements is recognised on time basis in accordance with the terms of the contracts.

In case of fixed price contracts, revenue is recognised based on the milestones achieved as specified in the contracts, on the proportionate completion basis.

Revenue from licensing of products is recognised on delivery of products.

Revenue from royalty is recognised on sale of products in accordance with the terms of the relevant agreement.

Revenue from maintenance contracts are recognised on a pro-rata basis over the period of the contract as and when services are rendered.

Unbilled revenue represents revenue recognised in relation to work done on time and material projects and fixed price projects until the balance sheet date for which billing has not taken place.

Unearned revenue represents the billing in respect of contracts for which the revenue is not recognised as per the terms of contract.

J. Interest

Revenue from interest is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

K. Dividends

Revenue from dividend is recognised when the Group's right to receive payment is established by the balance sheet date.

Notes to Accounts (Contd.)

L. Foreign currency translations

i. Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

ii. Conversion

Foreign currency monetary items are reported using the closing rate. Nonmonetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and nonmonetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

iii. Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Group's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or expenses in the year in which they arise.

Exchange differences in respect of fixed assets acquired, including foreign currency liabilities relating thereto, are recognised as income or expenses in the period in which they arise.

iv. Forward exchange contracts not intended for trading or speculation purposes covered by notified AS 11.

The premium or discount arising at the inception of forward exchange contracts is amortized as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the period.

v. Options and Forward exchange contracts not intended for trading or speculation purposes, classified as derivative instruments

In respect of derivative contracts entered into on or before March 31, 2009, pursuant to the announcement made by the ICAI regarding "Accounting for Derivatives", are marked to market on a portfolio basis at the balance sheet date. The resultant net losses after considering the offsetting effect on the underlying hedged items are recognised in the Profit and Loss Account on the principle of prudence. The resultant net gains, if any, on such derivative instruments are not recognised in financial statements. Any profit or loss arising on cancellation or renewal of such forward exchange contract is recognised as income or expense for the period.

In respect of derivative instruments entered into on or after April 1, 2009, the Group has adopted the principles of Accounting Standard ('AS') 30, Financial Instruments: Recognition and Measurement'. Accordingly, such derivative instruments, which qualify for hedge accounting are fair valued at balance sheet date and the effective portion of the resultant loss / (gain) is debited / credited to the hedge reserve and the ineffective portion is recognised to the profit and loss account.

Changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognised in the profit and loss account as they arise.

Hedge Accounting is discontinued when the hedging instrument expires or is sold, or terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss on the hedging instrument recognised in hedge reserve is transferred to profit and loss account when the forecasted transaction occurs or when a hedged transaction is no longer expected to occur.

vi. Translation of Non-integral foreign operation

In translating the financial statements of a non-integral foreign operation for incorporation in consolidated financial statement, the assets and liabilities, both monetary and nonmonetary, of the non-integral foreign operation are translated at the closing rate; income and expense items of the non-integral foreign operation are translated at exchange rates at an average rate for the current year; and all resulting exchange differences are accumulated in a foreign currency translation reserve until the disposal of the net investment.

M. Retirement and other employee benefits

i. Gratuity

Gratuity liability represents defined benefit obligation and is provided for based on actuarial valuations, by using the Projected Unit Credit (PUC) method, made at the end of each financial period for employees covered under Group Gratuity Scheme.

Notes to Accounts (Contd.)

ii. Superannuation

The Group has provided for a superannuation scheme as a defined contribution plan covering eligible employees. The contribution to the superannuation fund managed by Life Insurance Corporation of India 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 Profit and Loss Account on an accrual basis. There are no other contributions payable other than contribution payable to the respective fund.

iii. Provident fund

The Group has provided for a provident fund scheme defined contribution plan covering eligible employees. The Group 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 employer's contribution is charged to the Profit and Loss Account on an accrual basis. There are no other contributions payable other than contribution payable to the respective fund.

iv. Leave encashment

The short term compensated absences are provided for applicable for based on estimates. Long term compensated absences are provided for based on actuarial valuation by using the Projected Unit Credit (PUC) Method.

v. Long Service Awards

Long service awards are other long term benefits to all eligible employees, as per Company's policy. The short term portion of the above benefit is provided on estimated basis. The Long term portion of the benefits are provided for based on actuarial valuation by using the Projected Unit Credit (PUC) Method.

vi. Actuarial gains and losses

Actuarial gains/ losses are immediately taken to Profit and Loss Account and are not deferred.

N. Income Taxes

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the applicable tax laws. Deferred income taxes reflect the impact of current year's timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Group has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

Deferred tax assets or liabilities relating to the timing differences arising and reversing during the tax holiday period under Section 10A of the Income Tax Act, 1961, are not recognised.

At each balance sheet date the Group reassesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

Deferred tax assets and deferred tax liabilities across various countries of operations are not set off against each other where the Group does not have a legal right to do so.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Group writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

The Minimum Alternate Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the Group will pay normal income tax during the specified period. In the period in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in Guidance Note issued by the ICAI, the said asset is created by way of a credit to the Profit and Loss Account and shown as MAT Credit Entitlement. The Group reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Group will pay normal Income Tax during the specified period.

Notes to Accounts (Contd.)

O. Segment reporting policies

The Group's operations predominantly relate to providing outsourced software product development services covering full life cycle of product to its customers.

The primary reporting segments are identified based on market review and business dynamics and risk and returns affected by the type or class of customers for the services provided. The secondary segment reporting has been presented based on geographical location of customers.

The accounting principles consistently used in the preparation of consolidated financial statements are applied to record income and expenses in individual segments.

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

In case of inter-segment sales and transfers, the Company generally accounts for these transactions as if the sales or transfers.

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

P. Earnings per share (EPS)

Basic earnings per share are calculated by dividing the net profit for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of shares used in computing the basic earnings per share are reduced by the shares held by PSPL ESOP Management Trust at the balance sheet date, which are obtained by PSPL ESOP Management Trust from finance provided by the Company.

For the purpose of calculating diluted earnings per share, the net profit for the period attributable to the Equity Shareholders and the weighted average number of shares outstanding during the period, are adjusted for the effects of all dilutive potential Equity Shares.

The weighted average number of equity shares outstanding during the period for both basic and diluted EPS are adjusted for issue of bonus shares.

Q. Provisions

A provision is recognized when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on the best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

R. Cash and cash equivalents

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

S. Employee stock compensation cost

Measurement and disclosure of the employee share-based payment plans is done in accordance with the Guidance Note on Accounting for Employee Share-based Payments, issued by the ICAI.

The Group measures compensation cost relating to employee stock options using the intrinsic value method. Compensation expense is amortised over the vesting period of the option on a straight line basis if the fair market value of the underlying stock exceeds the exercised price at the measurement date, which typically is the grant date.

T. Leases

Where the Group is a lessee, assets acquired as leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating lease.

Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

Notes to Accounts (Contd.)

4. Securities for loans

The export packing credit is secured by hypothecation of present and future receivables of the Group on pari passu basis with State Bank of India, Bank of India and Citibank N.A. There is no balance payable as at March 31, 2010 (previous year Rs. NIL).

5. Contingent liabilities not provided for

(In Rs. Million)

Particulars	As at	
	March 31, 2010	March 31, 2009
Claims against the Company not acknowledged as debts		
Legal Claims filed by the ex employee for salary and other benefits	0.18	0.29
ESIC	-	4.92
Income Tax (Note 1)	24.03	-
	24.21	5.21

Note 1

Contingent liability of Rs. 24.03 Million (previous year Rs. NIL) represents disputed income tax demands pertaining to AY 2002-2003 and AY 2006-2007 arising from disallowances of the Company's claim of tax holiday under section 10A of the Income Tax Act, 1961.

The Company believes that such claims are allowable and is in the process of filing the necessary appeals with relevant authorities. Consequently no provision has been made in the books of accounts in respect of such disputed income tax demands.

6. Gratuity and other post-employment benefit plans

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days basic salary (last drawn basic salary) subject to a maximum of 30 days basic salary (last drawn basic salary) as per the rules of the Company for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

The following tables summarize the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognised in the balance sheet for the respective plans.

Profit and Loss account

Net employee benefit expense (recognised in Employee cost)

(In. Rs. Million)

	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007
Current service cost	37.54	28.43	28.07	17.61
Interest cost on benefit obligation	6.55	6.51	4.05	2.58
Expected return on plan assets	(6.98)	(5.63)	(4.37)	(2.43)
Net actuarial (gain) / loss recognised in the period	4.05	(27.26)	7.17	3.29
Interest income	-	-	(4.40)	-
Net benefit expense	41.16	2.05	30.52	21.05
Actual Return on Net Plan Assets	-	7.47	4.52	2.70

Notes to Accounts (Contd.)

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

(In Rs. Million)

	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007
Opening fair value of plan assets	86.03	53.88	29.09	31.56
Expected return / adjustment	6.98	5.63	4.37	2.43
Contribution by employer	0.11	30.19	20.35	0.04
Benefits paid	(8.03)	(5.52)	(2.79)	(2.51)
Actuarial gains / (losses)	(6.98)	1.85	2.86	(2.43)
Closing fair value of plan assets	78.11	86.03	53.88	29.09

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

(In Rs. Million)

	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007
Opening defined benefit obligation	88.14	84.13	52.00	33.46
Interest cost	6.55	6.51	4.05	2.58
Current service cost	37.54	28.43	28.07	17.61
Benefits paid	(8.03)	(5.52)	(2.79)	(2.51)
Actuarial (gains) / losses on obligation	(2.93)	(25.41)	2.80	0.86
Closing defined benefit obligation	121.27	88.14	84.13	52.00

Summary statement of provision for gratuity is as follows

(In Rs. Million)

	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007
Fair value of plan assets	78.11	86.03	53.88	29.09
Less : Defined benefit obligations	(121.27)	(88.14)	(84.13)	(52.00)
Less : Unrecognised past service cost	-	-	-	-
Plan asset / (liability)	(43.16)	(2.11)	(30.25)	(22.91)

The Group expects to contribute Rs. 43.16 Million to gratuity fund in financial year 2010-11
The Group maintains gratuity fund, which is being administered by Life Insurance Corporation of India

(In Rs. Million)

	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007
Investments with insurer including accrued interest	78.11	86.03	53.88	29.09

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

Notes to Accounts (Contd.)

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

	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007
Discount rate	8.45%	7.79%	8.00%	8.00%
Expected rate of return on assets	8.50%	8.50%	9.00%	8.00%

Amounts for the current and previous years are as follows

(In Rs. Million)

	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007
Plan assets	78.11	86.03	53.88	29.09
Defined benefit obligation	(121.27)	(88.14)	(84.13)	(52.00)
Surplus / (deficit)	(43.16)	(2.11)	(30.25)	(22.91)
Experience adjustments on plan liabilities	(2.93)	(25.41)	2.80	0.86
Experience adjustments on plan assets	(6.98)	1.85	2.86	(2.43)

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

7. Derivative Instruments and Foreign Currency assets

Forward exchange and option contracts outstanding at the balance sheet date

(In USD Million)

Particulars	As at	
	March 31, 2010	March 31, 2009
Debtors (1USD = INR 44.91) (previous year 1USD = INR 50.70)	15.00	15.32
Expected future sales	64.00	72.00
Expected future purchase	-	-

Particulars of unhedged foreign currency exposure as at the balance sheet date

	In. Rs. Million	Foreign currency (In Million)	Foreign currency conversion Rate (Rs.)	In. Rs. Million	Foreign currency (In Million)	Foreign currency conversion Rate (Rs.)
Cash and Bank Balances	0.00028	JP ¥ 0.001	0.48	0.65	JP ¥ 1.26	0.51
	0.45	USD 0.01	44.91	0.51	USD 0.01	50.70
	0.54	GBP 0.01	68.07	0.68	GBP 0.01	72.51
	3.81	CAD 0.09	44.26	7.28	CAD 0.18	40.45

Notes to Accounts (Contd.)

8. Earnings per share

(In Rs. Million, unless otherwise stated)

Particulars		As at March 31, 2010	As at March 31, 2009
Basic Earnings per share (After exceptional items)			
Numerator for Basic EPS			
Net Profit after Tax and after exceptional items	a	1,150.24	660.92
Numerator for Diluted EPS			
Net Profit after tax and after exceptional items	b	1,150.24	660.92
Denominator for Basic EPS			
Weighted average number of equity shares	c	32,185,087	31,951,318
Denominator for Diluted EPS			
Weighted average number of equity shares and potential equity shares	d	35,883,680	35,861,000
Basic Earning per share of face value of Rs. 10 each (After exceptional items)	a / c	35.74	20.69
Diluted Earning per share of face value of Rs. 10 each (After exceptional items)	b / d	32.06	18.43
Basic Earnings per share (Before exceptional Items)			
Numerator for Basic EPS Net Profit after Tax and before exceptional items	e	1,150.24	675.65
Numerator for Diluted EPS Net Profit after tax and before exceptional items	f	1,150.24	675.65
Denominator for Basic EPS Weighted average number of equity shares as per (c) above	g	32,185,087	31,951,318
Denominator for Diluted EPS Weighted average number of equity shares and potential equity shares as per (d) above	h	35,883,680	35,861,000
Basic Earning per share of face value of Rs. 10 each (Before exceptional items)	e / g	35.74	21.15
Diluted Earning per share of face value of Rs. 10 each (Before exceptional items)	f / h	32.06	18.84

Reconciliation of basic and diluted shares used in computing earnings per share

	March 31, 2010	March 31, 2009
Number of shares considered as basic weighted average shares outstanding	32,185,087	31,951,318
Add: Effect of dilutive issues of stock options	3,698,593	3,909,682
Number of shares considered as weighted average shares and potential shares outstanding	35,883,680	35,861,000

Notes to Accounts (Contd.)

9. Capital commitments

(In Rs. Million)

Particulars	As at	
	March 31, 2010	March 31, 2009
Estimated amount of contracts remaining to be executed on capital account and not provided	301.22	366.97

10. Deferred tax

The group enjoys a tax holiday under section 10A of the Income Tax Act, 1961, up to March 31, 2011. The timing differences arising at March 31, 2010 and not reversing during the tax holiday period have been recognized in the books of accounts as summarized below:

(In Rs. Million)

Particulars	As at	
	March 31, 2010	March 31, 2009
Differences in depreciation and other differences in a block of fixed assets as per the tax books and financial books	20.56	19.07
Provision for doubtful debts	1.03	-
Gross deferred tax liabilities (A)	21.59	19.07
Provision for Leave liability and long term employee benefit	28.41	24.88
Provision for doubtful debts	-	14.66
Gross deferred tax assets (B)	28.41	39.54
Net deferred tax liabilities / (assets) (A) - (B)	(6.82)	(20.47)

In case of Persistent Systems Inc. the group has not recognized deferred tax asset, as there is no virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be realized. This is consistent with the Notified Accounting Standard 22 (AS-22), “Accounting for Taxes on Income”.

In case of Persistent Systems Pte. Ltd., no deferred tax asset/liability is recognised as there are no material timing differences arising at balance sheet date.

11. Operating Leases

The Group has taken office premises under non-cancellable operating lease agreement for a period of 33 months. There are no restrictions imposed by the lease agreements. The Group has an option to renew the lease agreements at the end of the lease period. Maximum obligation on long–term non-cancellable operating lease payable as per the rentals stated in respective agreement is as follows:

(In Rs. Million)

Particulars	For the year ended	
	March 31, 2010	March 31, 2009
Obligation on non- cancellable operating leases		
Not later than one year	-	1.14
Later than one year and not later than five years	-	-
Later than five years	-	-

Notes to Accounts (Contd.)

12. Segment Information

(In Rs. Million)

Particulars	For the year ended	Telecom and Wireless	Life Sciences and Healthcare	Infrastructure and Systems	Total
Revenue	March 31, 2010	1,375.43	668.57	3,967.56	6,011.56
	March 31, 2009	1,241.21	735.96	3,961.14	5,938.31
Identifiable Expense	March 31, 2010	(597.25)	(230.77)	(1,836.18)	(2,664.20)
	March 31, 2009	(636.54)	(241.43)	(1,841.78)	(2,719.75)
Segmental Operating Income	March 31, 2010	778.18	437.80	2,131.38	3,347.36
	March 31, 2009	604.67	494.53	2,119.36	3,218.56
Unallocable Expenses	March 31, 2010				2,218.95
	March 31, 2009				2,601.79
Operating Income	March 31, 2010				1,128.41
	March 31, 2009				616.77
Other Income (Net of Expenses)	March 31, 2010				112.33
	March 31, 2009				68.53
Profit before Taxes	March 31, 2010				1,240.74
	March 31, 2009				685.30
Income Tax	March 31, 2010				90.50
	March 31, 2009				9.65
Profit after Tax	March 31, 2010				1,150.24
	March 31, 2009				675.65
Extraordinary /Exceptional items	March 31, 2010				-
	March 31, 2009				(14.73)
Profit after Extraordinary items	March 31, 2010				1,150.24
	March 31, 2009				660.92

Geographical Segments

The following table shows the distribution of the Group's consolidated sales by geographical market regardless of where the goods were produced

(In Rs. Million)

Particulars	Year ended	North America	Europe	Asia Pacific	Total
Revenue	March 31, 2010	5,098.68	493.70	419.18	6,011.56
	March 31, 2009	5,185.44	512.48	240.39	5,938.31

13. Related party transactions

Names of related parties

Key Management Personnel

i. Dr. Anand Deshpande, Chairman and Managing Director

ii. Mr. S. P. Deshpande, Non Executive Director (Executive Director upto October 31, 2009)

iii. Mr. Raj Sirohi*, President, Persistent Systems, Inc., USA

iv. Mr. T. M. Vijayaraman**, Chief Technology Officer and Director, Persistent Systems, Inc., USA

v. Mr. Hari Haran***, President, Persistent Systems, Inc., USA

Relatives of Key Management Personnel

i. Mrs. Chitra Buzruk (Relative of the Chairman and Managing Director and a Director)

ii. Mrs. Sulabha Suresh Deshpande (Relative of the Chairman and Managing Director and a Director)

iii. Mrs. Sonali Anand Deshpande (Relative of the Chairman and Managing Director)

iv. Dr. Mukund Suresh Deshpande (Relative of the Chairman and Managing Director and a Director)

Notes to Accounts (Contd.)

Related party transactions

(In Rs. Million)

	Name of the related party	For the year ended March 31, 2010	For the year ended March 31, 2009
Remuneration to Key Management personnel	Dr. Anand Deshpande	7.63	4.99
	Mr. S. P. Deshpande	1.57	1.93
	Mr. T. M. Vijayaraman**	10.42	9.13
	Mr. Hari Haran***	21.06	7.59
	Mr. Raj Sirohi*	-	5.83
		40.68	29.47
Remuneration to relative of Key Management personnel	Mrs. Chitra Buzruk	2.60	1.29
	Mr. Mukund Deshpande	2.34	1.69
		4.94	2.98
Dividend paid	Dr. Anand Deshpande	5.69	11.31
	Mr. S. P. Deshpande	1.90	3.80
	Mrs. Chitra Buzruk	0.01	0.01
	Mrs. Sonali A. Deshpande	0.03	0.06
	Mrs. Sulabha S. Deshpande	0.14	0.28
	Mr. T. M. Vijayaraman**	-	0.05
		7.77	15.51

* Mr. Raj Sirohi resigned as the president of the Persistent System, Inc., w.e.f. December 5, 2008.

** Mr. T. M. Vijayaraman (holding the position of CTO and Director) is appointed on December 6, 2008 in the capacity of Director. However, his salary is disclosed since his date of joining i.e. May 5, 2008.

*** Mr. Hari Haran has joined as a president of the Persistent System, Inc., w.e.f. October 28, 2008.

14. Employees stock options (ESOP)

The details of various ESOP schemes adopted by the Board of Directors are as follows:

ESOP Scheme	Date of adoption by the Board	Initial Grant Date	Exercise Price Range	Exercise period
Scheme I	December 11, 1999	December 11, 1999	4.08 – 19.13	Note 1
Scheme II	April 23, 2004	April 23, 2004	25.92 – 96.41	10 Years
Scheme III	April 23, 2004	April 23, 2004	25.92 – 96.41	Note 1
Scheme IV	April 23, 2006	April 23, 2006	44.46 – 122.24	10 Years
Scheme V	April 23, 2006	April 23, 2006	44.46 – 88.28	Note 1
Scheme VI	October 31, 2006	October 31, 2006	44.46 – 61.34	10 Years
Scheme VII	April 30, 2007	April 30, 2007	48.34 – 122.24	10 Years
Scheme VIII	July 24, 2007	July 24, 2007	96.41 – 96.41	3 Years
Scheme IX	June 29, 2009	June 29, 2009	109.48 – 109.48	10 Years

Note 1 : No contractual life is defined in the scheme.

The vesting pattern of Scheme I to V, VII and VIII is as follows

Time Period from the Date of Grant	<------------------Cumulative Percentage of Share Vesting------------------>		
	Scheme I to V	Scheme VII	Scheme VIII
12 Months	10	20	25
24 Months	30	40	50
36 Months	60	60	75
48 Months	100	80	100
60 Months	NA	100	NA

The vesting pattern of Scheme VI is as follows

Time Period from the Date of Grants	Percentage of Share Vesting
18 Months	30
Every quarter thereafter	5

The vesting pattern of Scheme IX is as follows

Time Period from the Date of Grants	Percentage of Share Vesting
30– 60 Months varying from employee to employee	100

The status of various ESOP schemes is shown in the following table

Particulars		I	II	III	IV	V	VI	VII	VIII	IX	Total
Granted	a	2,280,250	376,600	1,266,650	3,479,125	945,262	608,125	892,487	21,000	687,231	10,556,730
Vested	b	1,605,242	212,878	457,082	882,886	414,121	305,593	233,642	10,500	-	4,121,944
Encashed and Exercised	c	1,598,844	205,001	401,760	818,180	366,904	296,624	195,634	7,000	-	3,889,947
Vested and Not exercised (b-c)	d	6,398	7,877	55,322	64,706	47,217	8,969	38,008	3,500	-	231,997
Lapsed	e	669,201	128,607	375,858	816,542	266,340	215,250	403,900	-	152,738	3,028,436
Not Vested (a – c - d - e)	f	5,807	35,115	433,710	1,779,697	264,801	87,282	254,945	10,500	534,493	3,406,350
Total Outstanding (d + f)	g	12,204	42,991	489,031	1,844,402	312,018	96,251	292,953	14,000	534,493	3,638,343
Weighted Average remaining contractual life (in years)		Note 1	10.92	Note 1	12.44	Note 1	11.74	12.93	4.46	11.4	
Weighted Average Fair Value of Options Granted (Rs.)		9.37	47.52	58.47	83.07	51.06	50.11	117.05	143.57	137.05	

All the numbers provided in this above table are rounded off.

Notes:

1. No contractual life is defined in the schemes.
2. Compensation expense arising from employee share based payment plans amounted to Rs. 19.45 Million (previous year Rs. 14.83 Million).
3. Advance to the Trust, as on the balance sheet date in respect of shares allotted by the Company to the Trust, amounted to Rs. NIL (previous year Rs. 50.60 Million). As illustrated in the example in the appendix to the Guidance Note on accounting for Employee share based payment, issued by the ICAI, had the advance been presented as a reduction from equity, the Equity Share Capital would have been reduced by Rs. NIL (previous year Rs. 6.06 Million) and Share Premium would have been reduced by Rs. NIL (previous year Rs. 44.54 Million).
4. The Company has adjusted Rs. 47.22 Million to General Reserve as the difference between the cost incurred by the Trust for the purpose of shares and the exercise price of those shares which have been exercised by the employee during the current year, in accordance with Guidance Note on accounting for Employee share based payment, issued by the ICAI.
5. All method of settlement for all the schemes is equity based.

Notes to Accounts (Contd.)

ESOP Scheme	Particulars	For the Year ended March 31,	Outstanding at the beginning of the year	Granted during the year	Forfeited during the year	Exercised during the year	Outstanding at the end of the year	Exercisable at the end of the year
Scheme I	Number of Options	2010	59,926	-	2,154	45,567	12,204	6,399
	Weighted Average Price	2010	11.26	-	15.22	11.43	9.95	13.38
	Number of Options	2009	59,926	-	-	-	59,926	52,978
	Weighted Average Price	2009	11.26	-	-	-	11.26	11.58
Scheme II	Number of Options	2010	212,608	-	21,001	148,616	42,991	7,877
	Weighted Average Price	2010	42.06	-	63.93	26.73	84.36	30.62
	Number of Options	2009	236,145	-	23,537	-	212,608	165,784
	Weighted Average Price	2009	46.43	-	85.93	-	42.06	26.71
Scheme III	Number of Options	2010	864,887	-	53,397	322,459	489,031	55,322
	Weighted Average Price	2010	55.82	-	64.53	44.75	62.17	52.16
	Number of Options	2009	950,329	-	85,442	-	864,887	248,351
	Weighted Average Price	2009	56.51	-	63.52	-	55.82	36.72
Scheme IV	Number of Options	2010	1,686,027	1,081,975	105,420	818,180	1,844,402	64,706
	Weighted Average Price	2010	54.13	122.24	86.71	49.37	94.33	51.99
	Number of Options	2009	1,993,933	-	322,711	-	1,686,027	408,604
	Weighted Average Price	2009	54.52	-	56.75	-	54.13	48.44
Scheme V	Number of Options	2010	699,128	-	20,207	366,904	312,018	47,217
	Weighted Average Price	2010	49.91	-	52.29	48.61	51.29	52.48
	Number of Options	2009	757,067	-	57,939	-	699,128	208,957
	Weighted Average Price	2009	50.12	-	52.68	-	49.91	48.55
Scheme VI	Number of Options	2010	392,875	-	-	296,624	96,251	8,969
	Weighted Average Price	2010	51.08	-	-	50.05	54.26	52.90
	Number of Options	2009	608,125	-	215,250	-	392,875	255,713
	Weighted Average Price	2009	50.11	-	48.34	-	51.08	49.64
Scheme VII	Number of Options	2010	562,187	114,000	187,600	195,634	292,953	38,008
	Weighted Average Price	2010	65.96	122.24	83.05	56.01	83.56	55.42
	Number of Options	2009	750,487	-	188,300	-	562,187	161,595
	Weighted Average Price	2009	67.31	-	71.34	-	65.96	56.89
Scheme VIII	Number of Options	2010	21,000	-	-	7,000	14,000	3,500
	Weighted Average Price	2010	96.41	-	-	96.41	96.41	96.41
	Number of Options	2009	21,000	-	-	-	21,000	5,250
	Weighted Average Price	2009	96.41	-	-	-	96.41	96.41
Scheme IX	Number of Options	2010	-	687,231	152,738	-	534,493	-
	Weighted Average Price	2010	-	109.48	109.48	-	109.48	-
	Number of Options	2009	-	-	-	-	-	-
	Weighted Average Price	2009	-	-	-	-	-	-

Stock Options granted

The weighted average fair value of stock options granted during the year was Rs. 48.93. The Binomial tree valuation model has been used for computing the weighted average fair value considering the following inputs

	March 31, 2010	
	Scheme IV and VII	Scheme IX
Weighted average share price (Rs.)	129.50	137.05
Exercise Price (Rs.)	122.24	109.48
Expected Volatility	61.52%	61.52%
Historical Volatility	31.52% - 61.52%	31.52% - 61.52%
Life of the options granted (Vesting and exercise period)	14-15 years	12.50-15 years
Dividend Yield	1.64	1.64
Average risk-free interest rate	5.90%	5.90%
Expected dividend rate	58.00%	58.00%

Notes to Accounts (Contd.)

No grants were issued during the previous year. Accordingly, no disclosure has been made for the previous year ended March 31, 2009.

The expected volatility was determined based on historical volatility data. The volatility is calculated as the standard deviation of daily lognormal returns from the stock of the company for a time period of one year. To allow the effect of early exercise of the options the exercise period has been considered as one year after the vesting date where the share price is expected to be 2.50 times the exercise price.

Since the enterprise used the intrinsic value method the impact on the reported net profit and earnings per share by applying the fair value based method

In March 2005 the ICAI has issued a guidance note on "Accounting for Employees Share Based Payments" applicable to employee based share plan the grant date in respect of which falls on or after April1, 2005. The said guidance note requires the Proforma disclosures of the impact of the fair value method of accounting of employee stock compensation accounting in the consolidated financial statements. Applying the fair value based method defined in the said guidance note, the impact on the reported net profit and earnings per share would be as follows

(In Rs. Million)

	For the Year Ended March 31, 2010	For the Year Ended March 31, 2009
Profit after tax and exceptional items as reported	1,150.24	660.92
Add: Employee stock compensation under intrinsic value method	19.45	14.83
Less: Employee stock compensation under fair value method	(36.06)	(44.08)
Proforma profit	1,133.63	631.67
Earnings Per Share		
Basic		
- As reported	35.74	20.69
- Proforma	35.22	19.77
Diluted		
- As reported	32.06	18.43
- Proforma	31.59	17.62

15. Investments

(In Rs. Million)

Name of the Fund	Opening balance		Purchase		Sold		Balance	
	Units	Amount	Units	Amount	Units	Amount	Units	Amount
ICICI Mutual Fund	21,940,489.89	224.19	39,733,399.37	610.37	37,800,543.53	601.34	23,873,345.73	233.22
Kotak Mutual Fund	-	-	65,423,475.14	697.91	42,480,555.88	468.25	22,942,919.26	229.66
SBI Mutual Fund	-	-	16,772,018.08	210.10	6,269,128.25	105.01	10,502,889.83	105.09
IDFC Mutual Fund	2,003,211.00	20.04	61,590,240.14	626.88	40,742,806.12	418.07	22,850,645.02	228.85
HDFC Mutual Fund	15,691,778.23	158.27	312,074,066.66	3,248.70	302,953,307.61	3,158.85	24,812,537.28	248.12
Reliance Mutual Fund	14,141,171.06	241.75	3,264,889.61	337.43	17,366,101.72	539.17	39,958.95	40.01
Birla Mutual Fund	22,671,336.03	226.84	47,530,406.26	475.55	46,702,614.47	467.31	23,499,127.82	235.08
Tata Mutual Fund	-	-	55,611,501.85	862.53	31,491,942.59	620.83	24,119,559.26	241.70
	76,447,986.21	871.09	601,999,997.11	7,069.47	525,807,000.17	6,378.83	152,640,983.15	1,561.73

Notes to Accounts (Contd.)

16. Auditors' Remuneration

(In Rs. Million)

Particulars	March 31, 2010	March 31, 2009
Audit fee	3.49	1.89
Tax audit matters	0.18	0.15
Other matters	5.00	6.60
Out of pocket expenses	0.03	0.05
	8.70	8.69

* Fees for the other matters include Rs. 4.80 Million (previous year Rs. 4.38 Million) towards fees for services rendered in connection with the Initial Public Offer which have been included in share issue expenses.

17. Dues to Micro and Small enterprises

There were no Micro and Small enterprises to whom amounts are outstanding for more than 45 days, as at March 31, 2010 (previous year Rs. NIL).

As at March 31, 2010, no supplier has intimated the Group about its status as Micro or Small enterprises or its registration with the appropriate authority under 'The Micro, Small and Medium Enterprises Development Act, 2006'.

18. Share issue expenses

The Company had deferred its Initial Public Offer (IPO) during the financial year 2008-09 and therefore, had written off share issue expenses relating to that IPO amounting to Rs. 14.73 Million in 2008-09 as an exceptional item.

19. Utilisation Statement

(In Rs. Million)

Utilisation of IPO Proceeds	Amount
Proceeds from IPO*	1,680.11
(Less) Payable to selling shareholders	(397.02)
Sub Total (A)	1,283.09
Share issue expenses (accrual basis)	105.53
(Less) Recoverable from selling shareholders	(24.94)
Sub Total (B)	80.59
Net Proceeds (A-B)	1,202.50

* The allotment of shares was completed on March 30, 2010 and the Company was yet to be listed on the stock exchanges at March 31, 2010, the proceeds from IPO were pending utilisation as at March 31, 2010.

20. Previous year comparatives

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

As per our report of even date

For S. R. BATLIBOI & Co.
Chartered Accountants

per Arvind Sethi
Partner
Membership No. 89802
Pune, April 23, 2010

For JOSHI APTE & Co.
Chartered Accountants

C. K. Joshi
Partner
Membership No. 30428
Pune, April 23, 2010

For and on behalf of the Board of Directors

Dr. Anand Deshpande
Chairman and
Managing Director

P. B. Kulkarni
Director

Rajesh Ghonasgi
Chief Financial Officer

Vivek Sadhale
Company Secretary
and Head - Legal

Pune, April 23, 2010

Cash Flow Statement for the year ended March 31, 2010

(In Rs. Million)

Particulars		For the year ended March 31, 2010	For the year ended March 31, 2009
Cash flow from operating activities			
Net profit before tax and exceptional items		1,240.74	685.30
Adjustments for:			
Interest income		(1.01)	(0.87)
Dividend income		(42.96)	(43.81)
Depreciation and amortisation		335.24	296.77
Unrealised exchange loss / (gain) (net)		5.46	(3.61)
Exchange (gain) / loss on derivative contracts		(234.47)	162.72
Exchange difference on translation of foreign currency cash and cash equivalents		0.31	0.03
Loss on valuation of investment		-	0.41
Bad debts		1.72	3.72
Provision for doubtful debts (net of doubtful debt provision written back)		46.46	108.24
Employee compensation expenses		19.45	14.83
Provision for doubtful deposit written back		(1.50)	(0.10)
Excess provision written back		(17.68)	-
Provision for loss on investment		9.00	-
Profit on sale of investments		(0.01)	(0.37)
Profit on sale of fixed assets		(1.01)	(14.93)
Operating profit before working capital changes		1,359.74	1,208.33
Movements in working capital :			
(Increase)/decrease in sundry debtors		(396.53)	(398.19)
(Increase)/decrease in other current assets		8.78	(39.66)
(Increase)/decrease in loans and advances		23.38	25.84
Increase/(decrease) in current liabilities		806.75	(13.13)
Increase/(decrease) in provisions		56.07	23.65
Operating profit after working capital changes		1,858.19	806.84
Direct taxes paid (net of refunds)		(247.53)	(108.35)
Net cash from operating activities after exceptional item	(A)	1,610.66	698.49
Cash flows from investing activities			
Purchase of fixed assets		(476.40)	(490.04)
Proceeds from sale of fixed assets		1.04	15.72
Purchase of investments		(7,089.02)	(5,504.07)
Sale / maturity of investments		6,378.84	5,340.09
Interest income		1.01	0.81
Dividends received		42.96	43.81
Net cash (used in) investing activities	(B)	(1,141.57)	(593.68)

(In Rs. Million)

Particulars		For the year ended March 31, 2010	For the year ended March 31, 2009
Cash flows from financing activities			
Proceeds from issuance of share capital		41.39	-
Increase in securities premium		1,241.70	-
Share issue expenses		(37.19)	(14.73)
Deferred payment liabilities		45.11	-
interim dividends paid		(21.52)	(32.27)
Tax on interim dividend paid		(5.49)	(3.65)
Net cash (used in) financing activities	(C)	1,264.00	(50.65)
Net increase in cash and cash equivalents (A) + (B) + (C)		1,733.09	54.16
Cash and cash equivalents at the beginning of the year		163.18	109.05
Exchange difference on translation of foreign currency cash and cash equivalents		(0.31)	(0.03)
Cash and cash equivalents at the end of the year		1,895.96	163.18

(In Rs. Million)

Components of cash and cash equivalents as at	March 31, 2010	March 31, 2009
Cash in hand	0.22	0.13
With scheduled banks		
on current account	1,778.27	76.32
With other banks		
on current account	117.47	86.08
on saving account	-	0.65
	1,895.96	163.18

As per our report of even date

For S. R. BATLIBOI & Co.
Chartered Accountants

For JOSHI APTE & Co.
Chartered Accountants

per Arvind Sethi
Partner
Membership No. 89802
Pune, April 23, 2010

C. K. Joshi
Partner
Membership No. 30428
Pune, April 23, 2010

For and on behalf of the Board of Directors

Dr. Anand Deshpande
Chairman and
Managing Director

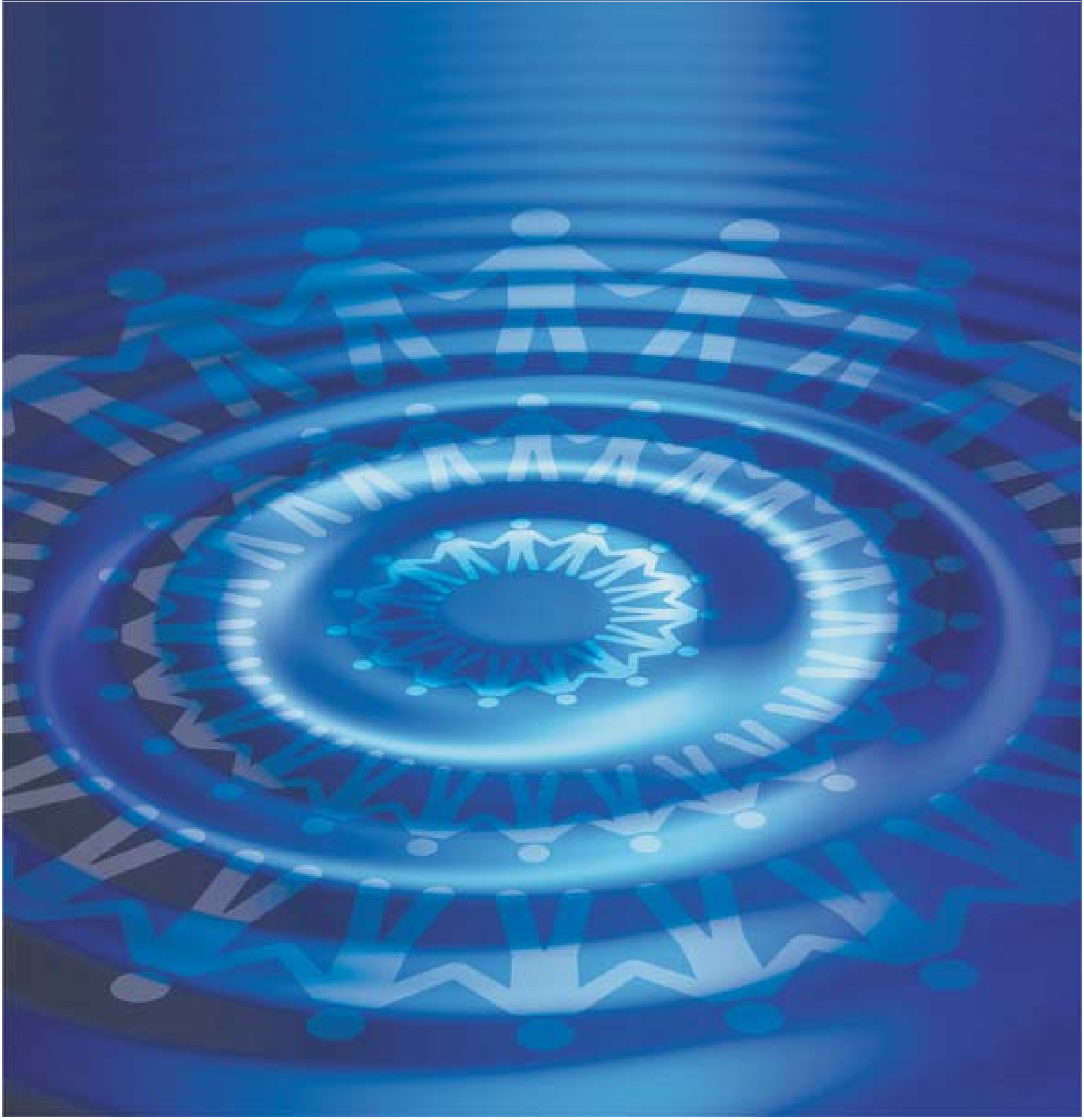
P. B. Kulkarni
Director

Rajesh Ghonasgi
Chief Financial Officer

Vivek Sadhale
Company Secretary
and Head - Legal

Pune, April 23, 2010

One asset that Persistent Systems has in abundance is a team of thousands of qualified, dedicated and imaginative technical personnel. Each is a professional in his domain of operations. That is the innate strength of our organisation. For a knowledge-driven company, this is highly critical and important.



Talent Pool

When Persistent Systems was conceived, its core staff numbered just a handful of people. Today, 20 years later, the Company employs several thousand people. Our increase in quantitative and qualitative strength has been truly rapid.

Growth in the first decade was relatively gradual. By the end of the first decade of operations, at the turn of the millennium, we numbered about 100. But thereafter, our engine gathered high momentum. By the end of the next five years, in 2005, we had crossed the 1,000 mark and five years later, as we steamed into 2010, our numbers increased by more than four times to cross 4,600 including contractual staff and trainees.

Significantly, more than 3,700 of these people are hard-core software professionals. The skill sets of our employees give us the flexibility to adapt to the needs of our customers. About two-third of our total employees are located in Pune. The others are distributed in three major cities of India and in foreign lands. Our talent acquisition philosophy is to recruit for aptitude, train for skill, and develop for leadership roles.

Spectrum of activities

The kaleidoscope of talent among Persistent Systems' employees has found expression in a spectrum of activities and events, enthusiastically encouraged by the management.

6 Employee Engagement Forums form an umbrella for 40 Interest Groups. Prominent among these is the Persistent Arts Circle, comprising eight Interest Groups - dramatics, dance, music, art & craft, photography, knowledge, creative writing and anchoring. Art workshops held by the PAC witnessed the participation of 800 plus employees and family members.

Events for Talent Exhibition saw enthusiastic participation by 2,500 plus employees in a plethora of events titled Voice of Persistent, Rangamancha, G. K. Quiz, Magazine - Antarang, Diwali Pahaat, Clicks (Photography Exhibition), Dandiya and PULSE, the annual gala.

To ensure the well-being of families of our personnel, Persistent Systems has taken a variety of insurance policies to cover accident, injury and medical expenses. Flexible working hours and emergency loans are other ways in which we demonstrate our care. Some other measures are :

- Constitution of a separate Welfare Activity Group.
- Annual health check-up of employees aged 30 and above.
- Separate Swine Flu check-up for all employees and family members in Pune.

Statement pursuant to Section 212(1)(e) of the Companies Act, 1956, relating to subsidiaries

(In Rs. Million, unless otherwise stated)

Sr. No.	Name of the Subsidiary Company	Persistent eBusiness Solutions Limited	Persistent Systems, Inc.	Persistent Systems Pte. Ltd.	Persistent Systems and Solutions Limited
1.	Financial Year / Period of the Subsidiary ended on	March 31, 2010	March 31, 2010	March 31, 2010	March 31, 2010
2.	Holding company's interest				
	i. The number of equity shares held	920,300 Equity shares of Rs. 10 each fully paid are held by Persistent Systems Limited	37,000,000 Shares of USD 0.10 each fully paid are held by Persistent Systems Limited	100,000 Common Shares of SGD 1 each fully paid are held by Persistent Systems Limited	1,450,000 Equity Shares of Rs. 10 each fully paid are held by Persistent Systems Limited
	ii. Extent of interest in the capital of subsidiary	100%	100%	100%	100%
3.	The net aggregate amount of profits/ (Loss) of the subsidiary for the above financial year so far as the members of the holding company are concerned and are				
	i. dealt within the accounts of the holding company	NIL	NIL	NIL	NIL
	ii. not dealt within the accounts of the holding company	1.67	(18.98)	(9.98)	7.04
4.	The net aggregate amount of profits / (losses) of the subsidiary for the previous financial years since it became subsidiary so far as the members of the holding company are concerned and are				
	i. dealt within the accounts of holding company	NIL	NIL	NIL	NIL
	ii. not dealt within the accounts of holding company	6.24	(47.91)	3.05	8.33

PERSISTENT

Statement pursuant to Section 212(1)(e) of the Companies Act, 1956, relating to subsidiaries (contd.)

(In Rs. Million unless otherwise stated)

Sr. No.	Name of the Subsidiary Company	Persistent eBusiness Solutions Limited	Persistent Systems, Inc.	Persistent Systems Pte. Ltd.	Persistent Systems and Solutions Limited
5.	Information where the financial year of a subsidiary company does not coincide with the financial year of the holding company.				
	i. Change in the holding company's interest in the subsidiary between the end of the financial year or of the last financial year of the subsidiary and the end of the holding company's financial year	N.A.	N.A.	N.A.	N.A.
	ii. Details of material changes which have occurred between the end of the financial year of the subsidiary and the end of the holding company's financial year in respect of the subsidiary's fixed assets, its investments, the moneys lent by it and the moneys borrowed by it for any purpose other than that of meeting current liabilities.	N.A.	N.A.	N.A.	N.A.

For and on behalf of the Board of Directors

Dr. Anand Deshpande
Chairman and
Managing Director

P. B. Kulkarni
Director

Rajesh Ghonasgi
Chief Financial Officer

Vivek Sadhale
Company Secretary
and Head - Legal

Pune, April 23, 2010

Statement pursuant to Section 212 of the Companies Act, 1956, relating to Subsidiaries

(In Rs. Million)

Sr. No.	Name of the Subsidiary Company	Persistent eBusiness Solutions Limited	Persistent Systems, Inc.	Persistent Systems Pte. Limited	Persistent Systems and Solutions Limited
Currency		INR	USD	SGD	INR
Exchange Rate on last day of Financial Year		NA	44.92	32.10	NA
1	Share Capital (Including Share Application money pending Allotment)	9.20	165.92	15.50	14.50
2	Reserves	(11.98)	(66.23)	(5.57)	15.37
3	Liabilities	48.35	547.04	0.74	22.15
4	Total Liabilities	45.57	646.73	10.68	52.02
5	Total Assets	45.57	646.73	10.68	52.02
6	Investments	-	-	-	-
7	Turnover	57.72	1,616,92	0.85	66.73
8	Profit before Tax	8.35	(5.32)	(9.98)	7.04
9	Provision for Taxation	6.68	13.66	-	-
10	Profit after Tax	1.67	(18.98)	(9.98)	7.04
11	Proposed Dividend - Equity Shares	-	-	-	-
12	Proposed Dividend - Equity (%)	-	-	-	-
13	Proposed Dividend - Preference Shares	-	-	-	-
14	Proposed Dividend - Preference Shares (%)	-	-	-	-

For and on behalf of the Board of Directors

Dr. Anand Deshpande
Chairman and Managing Director

P. B. Kulkarni
Director

Rajesh Ghonasgi
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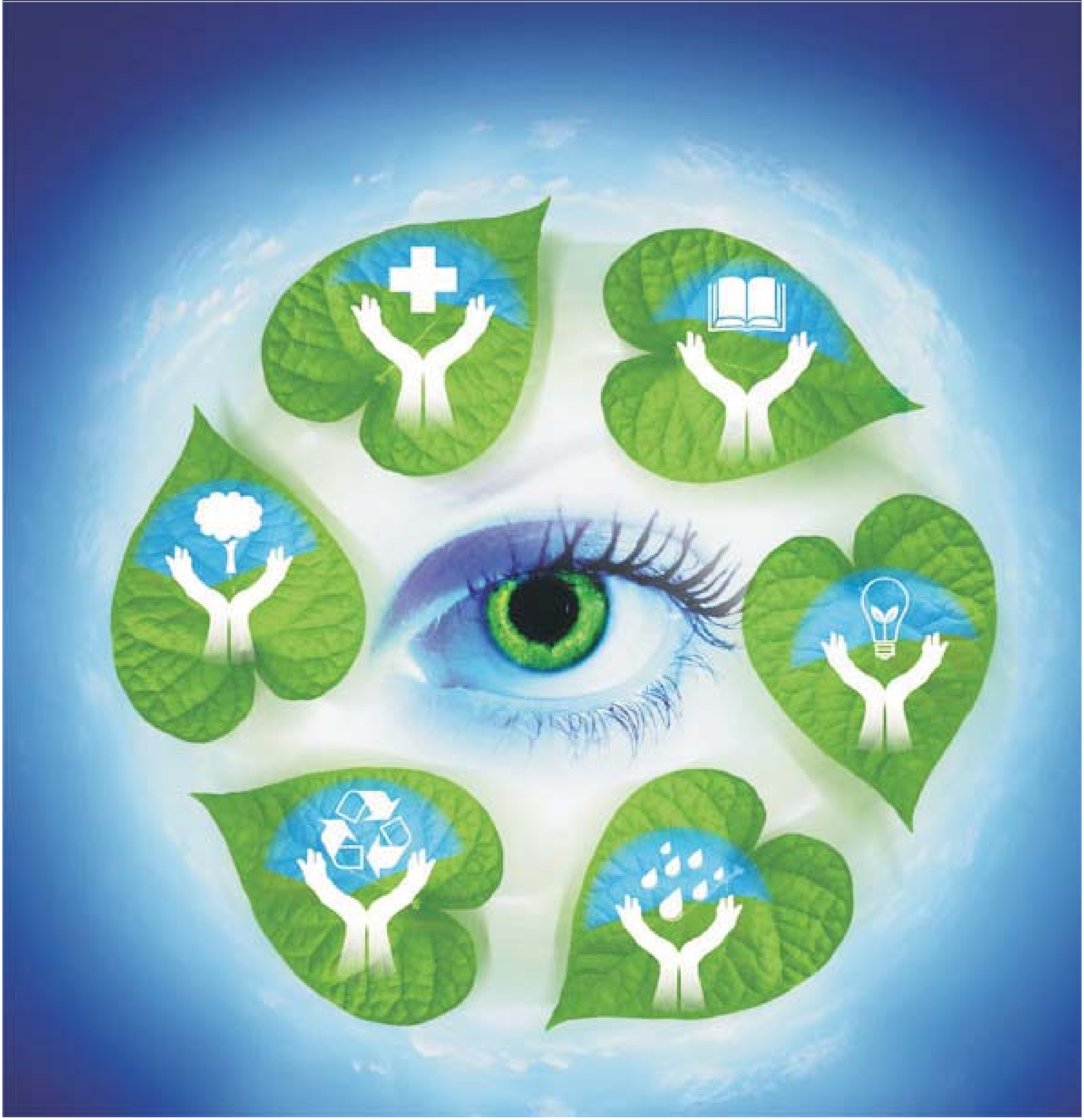
Vivek Sadhale
Company Secretary and Head - Legal

Pune, April 23, 2010

PERSISTENT

Persistent Foundation

The new millennium brought a new message : sustainability.
It was clear that corporate social responsibility also meant an awareness of climate change and social imbalance, and demanded suitable action. Persistent Systems was promptly responsive to the call. Be it in infrastructure building or social initiatives, conservation, conscience and commitment became our watchwords. The Company even created a detailed link to the Pune Municipal Corporation's website providing detailed information regarding the city's gardens.



PERSISTENT

Socially Committed

Social awareness is the springboard that led to the establishment of the Persistent Foundation (2008) - a public charitable trust involved primarily in three key areas - Health, Education and Community Development. The key activities of the Foundation during financial year 2009-10 are :

HEALTH : Sponsorship to physically and mentally challenged children in Goa and Hyderabad, clinical health check-up for students living in slums in Pune and Goa, translation of patient kits (from English to regional languages) for a Pune-based cancer centre.

EDUCATION : Computer education programmes for 50 teachers spread over 9 schools, a drive for providing school uniforms to needy students, personalised coaching in Maths and English for SSC students. A novel Foundation initiative with CASP saw 257 employees of Persistent Systems sponsoring 251 students from financially backward groups.

COMMUNITY DEVELOPMENT : Spearheading the Company's Green Initiative, the Persistent Foundation distributed 10,000 saplings in 29 schools to inculcate in youngsters the habit of nurturing plants at home.

A total 43 institutions were funded by Persistent Foundation this year. Some other social initiatives undertaken by Persistent Systems have been :

CYBER CRIME : Persistent Systems participated in a NASSCOM initiative and rendered its expertise in setting up a cyber crime laboratory for the Pune police.

BETTER ROADS : With a view to boost the Pune Municipal Corporation's drive to improve roads, Persistent Systems designed a link to the PMC website that allows citizens to register complaints about dismal road conditions and attach pictures by clicking the link 'Better Pune Roads'.

'Let's Go Green' initiative

Persistent Systems believes that reducing global warming is a collective social responsibility. In our endeavor to conserve and save the environment, we launched the Green Persistent Movement. Some of the key initiatives which the Company attempted in previous years are :

- Switch off cubicle lights
- Car/Bike Pooling
- 'No Printer' day
- 'No Plastic' day
- 'No Lift' day
- 'No Smoking' day
- Green Dassera
- Re-use of paper

Report on Activities of Persistent Foundation

In order to fulfill the Company's Corporate Social Responsibility, Persistent Systems Limited (the "Company") has been donating to the institutions, working primarily in the field of Health and Education since financial year 1995-96. As per the donation policy of the Company in vogue, the Company earmarks 1% of the Consolidated Net Profit of the previous financial year for the purpose of donation in the subsequent financial year.

To institutionalise the Corporate Social Responsibility initiative of the Company and to develop a systematic approach to administer the process of grant of donations, the Company formed a public charitable trust, named Persistent Foundation (the "Foundation") on October 29, 2008. The Foundation was registered with the office of the Deputy Charity Commissioner, Pune on March 21, 2009.

Objectives of the Foundation

Persistent Foundation is primarily involved in the three key areas of Healthcare, Education and Community Development. In the Healthcare area, the Foundation aims to establish or grant aid to hospitals, welfare centres and establish or grant aid to institutions for physically handicapped or mentally retarded persons. In education area, the Foundation aims to establish, support and grant financial assistance to schools, colleges, libraries, laboratories, and other institutions for the use or benefit of the students and run studentships and scholarships. On Community Development front, the Foundation aims to establish, maintain or grant aid to aged homes, orphanages for relief and help to needy and destitute people, establish and develop or grant aid to institutions which undertake welfare and rehabilitative activities for addicts, grant medical, monetary or other relief to assist relief measures for the relief of the needy victims, during natural calamities. Further, the Foundation aims to establish, maintain, grant aid for the establishment or maintenance of wells, tube wells, tanks, canals, dams, water reservoirs and plantation of trees for the use of public in general and to undertake projects of rural developments, village improvements in all possible manner.

Management of the Foundation

The following were the First Trustees appointed at the time of formation of the Foundation

a. Mrs. Sonali Deshpande, Chairperson
b. Dr. Anand Deshpande
c. Mr. P. B. Kulkarni
d. Dr. Mukund Deshpande

During the financial year 2009-10, following additional Trustees were appointed on April 7, 2009

a. Head of Finance function of Persistent Systems Limited Mr. Rajesh Ghonasgi
b. Head of Administration function of Persistent Systems Limited Mr. S. R. Joshi
c. Head of HR function of Persistent Systems Limited Mr. Kishor Bhalerao
d. The Maharashtra Executor and Trustee Company Private Limited (METCO)

The Board of Trustees held four meeting during the financial year 2009-10 on April 7, 2009, July 29, 2009, November 12, 2009 and February 4, 2010.

Financials

During the year under review, the Foundation has received donations as per the details given below:

(In Rs. Million)

Particulars	Amount
Donation to the corpus	
Persistent Systems Limited	3.160
From Trustees and Employees	0.005
Sub total (A)	3.165
Donations for current operations	
Persistent Systems Limited	2.500
From Trustees and Employees	1.158
Subtotal (B)	3.658

The Foundation received interest income of Rs. 9.04 Lakh on the fixed deposits investment made.

The donations received by the Foundation were utilised as per the terms mentioned in the Donation Policy of the Foundation. As per the Donation Policy of the Foundation, the Foundation undertakes projects / makes donations to institutions carrying on work within the ambit of the Foundations objectives, in the cities, where the offices of the Company are situated.

The details of utilisation of funds of the Foundation during the year are as under (In Rs. Million)

Particulars	Amount Donated to other Institutions	Amount directly used for Projects by the Foundation	Total Amount
Education	0.92	0.13	1.05
CASP (Education)	0.88	-	0.88
Healthcare	0.92	0.18	1.10
Community Development	0.67	0.21	0.88
	3.39	0.52	3.91

Details of activities

Financial year 2009-10 was the first year of operations of the Foundation. The Foundation focused its resources in the following areas for aid, assistance and conducting programs during this year.

1. Health
2. Education
3. Community Development

During this year, the Foundation concentrated its activities at Pune, Nagpur, Hyderabad and Goa.

The Foundation carried out its activities under aforesaid areas through the following verticals

1. Projects by Persistent Foundation: The Foundation itself conducted programs in the focus areas. The Foundation was supported in these projects by employee volunteers of the Company.
2. Donations to Institutions: The Foundation provided aid and assistance to institutions working in the stated areas of focus.

Some employees of the Company participated in the projects conducted by the Foundation. The Foundation also took the help of some expert Institutions in related areas in conducting the projects.

Projects by Persistent Foundation

The key projects undertaken by Persistent Foundation during the financial year 2009-10 are as follows

1. Health

a. Sponsorship to Physically and Mentally challenged children at Goa and Hyderabad

The Foundation launched a Sponsorship program at Goa and Hyderabad for physically and mentally challenged children with an objective to addressing their basic health and educational needs. Through this project, Persistent Foundation supported 50 children.

This program was executed in association with two NGOs JCI Vasco and Lekhadeep which work in the areas of empowering physically and mentally challenged children by providing them necessary educational support and medication.

b. Clinical Health Checkup of slum area students at Pune and Goa

With a view to improve health of school students from slums, free clinical health check up camps were conducted in Goa and Pune under which necessary medicines were provided to students with ENT deficiencies and consultation was provided free of charge. Around 2,629 students (1152 from Pune and 1477 from Goa) were benefited from this initiative conducted in association with JCI Vasco, Goa, Joshi Hospital, Pune and Jnana Prabodhini, Pune.

c. Blood Donation Camps at Pune, Nagpur, Hyderabad and Goa

Blood donation camps were conducted at Pune, Nagpur, Hyderabad and Goa to address the scarcity of blood faced by the hospitals for its patients. During these camps, 1125 bottles of blood was donated.

d. Translation Service for Cancer Center at Pune

The Foundation helped Prashanti Cancer Care Mission working in the field of cancer awareness and cure in Pune to translate their 'Patient Information Kit', intended for creating awareness among patients about the disease, from English to local languages like Hindi, Gujrathi. Translation of the Kit has helped Prashanti Cancer Care Mission reach larger mass of possible cancer affected population and make them aware about the gravity of disease

2. Education

a. Computer Education Programs for Teachers and Students

MSCIT Training Program for Teachers at Nagpur: Recognising that the most effective way to improve quality of education is 'Improving the competency level of teachers', the Foundation organized the MSCIT computer training program where 50 teachers from 9 schools in Nagpur were imparted training in Basic Computer Education Domain. The Foundation executed this program in association with Ascent Technologies, Somalwar Academy of Excellence and Vanita Vikas Vidyalaya with an objective to improving the quality of Computer education at schools.

Computer Education for Slum area students at Pune: It is a challenge for a slum area school like Nutan Balvikas Mandir, with its limited computer facilities to cover the "Internet and Email" related syllabus for its 10th Standard students. Foundation made available Company's infrastructure, training facilities and employees as trainers to cover the syllabus for students of Nutan Balvikas Mandir.

b. Student Sponsorship Program at Pune, Nagpur, Hyderabad and Goa

The Foundation launched the Student Sponsorship Program with Community Aid and Sponsorship Programme (CASP) with an aim of fulfilling basic educational needs of children from financially backward groups by sponsoring basic educational needs such as School Education, Remedial Education, Educational Material, Accessories, Vocational Training, Food for Nutrition, Child Centric Community Development and Personality Development.

As part of the Program the employees of the Company were invited to sponsor the students. Total 251 students were sponsored by 257 Company employees.

c. School Uniform Donation Drive at Pune

Persistent Foundation conducted the Uniform Donation Drive for needy students of Hutatama Rajguru High school by providing them school uniforms. Around 235 students were chosen on the basis of their parents' financial position and child's performance in the school, attendance and uniforms were distributed to these students. Hutatama Rajguru High school works for secondary education of slum area children in Pandavnagar area of Pune.

d. PATHSHALA Initiative at Nagpur

With the objective of imparting personalised coaching, the Foundation started the Pathshala initiative in the academic year 200910 for conducting English and Maths classes for 10th standard students. During the academic year 200910, the Pathshala initiative was launched at Vanita Vikas School. Total 76 students of Vanita Vikas School have got benefited from the Pathshala initiative.

3. Community Development

a. Green School Initiative at Pune

With an objective to inculcate Green habits in school children and encourage students to plan and nurture the saplings at their homes, the Foundation distributed around 10,000 saplings across 29 primary and higher secondary schools in Pune as part of its Green School initiative in December 2009 and January 2010.

The Foundation worked with Nirmalya Trust which runs a nursery to create employment for physically handicapped children for this initiative.

b. Tree Plantation Drives at Nagpur and Goa

Taking this thread from Company's Green Persistent Initiative, tree plantation drives were organized by the Foundation in Nagpur and Goa. In Nagpur, a Tree Plantation Program was organized at Vanita Vikas School, which works imparts education to children in slum areas, where 80 saplings were distributed to top 10 students of 10th standard classes. In Goa, 'Vanamahotsava' was organized, where Persistent employees participated in tree plantation.

Apart from the above projects, the Foundation organized Health awareness program for slum inhabitants, Donation drive of Baby Food and other essentials at Nagpur and Donation Drive for Andhra Pradhesh Flood Relief.

Acknowledgement

The Foundation places on record its gratitude to the Joint Charity Commissioner, Pune, the Commissioner of Income Tax, HDFC Bank Limited and Bank of Maharashtra. The Foundation also places on record its gratitude to Persistent Systems Limited and it's employees for the generous donations made by them for the activities of the Foundation. The Board of Trustees expresses its gratitude to the employees of Persistent Systems Limited who have contributed to the activities by volunteering their time for the various projects undertaken by the Foundation. Foundation acknowledges the institutions with whom the Foundation collaborated on its various projects.

Notes

Forward looking and cautionary statements

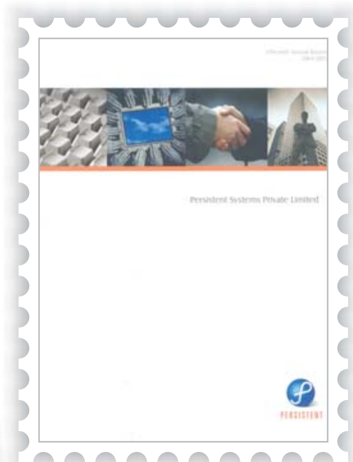
Certain statements in the Annual report concerning our future growth prospects are forward looking statements, which involve a number of risks and uncertainties that could cause actual results to differ materially from those in such forward-looking statements.

The Company may, from time to time, make additional written and oral forward-looking statements, including statements contained in the Company's filings with the Stock Exchanges and our reports to shareholders. The Company does not undertake to update any forward-looking statements that may be made from time to time by or on behalf of the Company.

2004-05

2003-04

2005-06



Setting New Benchmarks

2006-07

2008-09

2007-08

Covering Persistent's Journey : Past Annual Reports

PERSISTENT

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Branch Office

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