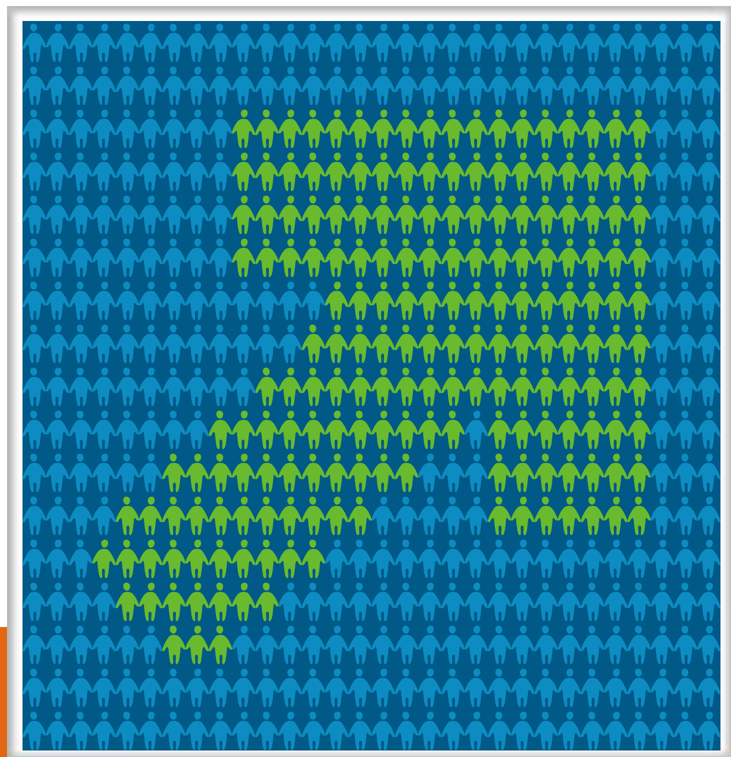
Persistent Systems Limited

Twenty First Annual Report 2010-11

PERSISTENT



Focused on Growth

Inside

21st Annual General Meeting

Date : Monday, July 18, 2011 | Time : 9.30 a.m. (IST)

Venue : Persistent Systems Limited, Dewang Mehta Auditorium, Bhageerath, 402 Senapati Bapat Road, Pune 411 016

Focused on Growth

PERSISTENT

As we continue on our journey, our twenty-first year since inception and the first as a listed Company, we share through this Annual Report our commitment and focus on growth.

For companies, as for all living beings, growth is of paramount importance. Without growth, both companies and living beings wither.

The world is at the beginning of a new technology cycle. A technology-refresh cycle requires new investments and creates disruption, which allows new participants an opportunity to displace the incumbents.

Emerging stronger after the economic slow-down, we at Persistent are well-poised to leverage the opportunities that the technology-refresh cycle provides us.

The technology investments we made during the slow-down were on target and the outsourced software product development model that we pioneered has become relevant beyond just product companies.

For us, growth in the Company extends beyond just numbers and includes personal growth for each individual of the Company, growth for our customers and growth of our relationships and partnerships.

This Annual Report is a compilation of various facets of growth at Persistent.

As you go through the Twenty-First Annual Report, our journey continues.

From the Chairman's Desk

This was our first year as a listed company and as I share our twenty-first annual report with you, I am pleased with what we were able to achieve during this year.

We started the year against the back drop of the first signs of recovery, after nearly two years of global economic uncertainty. We were just coming out of a difficult and economically challenging period. We had seen two years of muted growth and the possibility of a double-dip recession was apparent. In April 2010 we got listed after our very successful IPO. Our shareholders gave us a resounding endorsement and we now have to live up to it.

In 2008, when the market slowed down, we decided to invest in two specific areas which would help us to achieve growth, once the market improves.

1. We decided to meet senior executives of our customers to understand how we could play a strategic role in their success, and
2. We decided to invest in specific technology areas that we believed would be growth drivers, once the market returns.

I am pleased to state that both these initiatives have started to deliver results during this year. They have become the cornerstone of our plan for the future and have provided us the focus for our growth plans for the next few years. It was clear from our conversations with senior executives that our customers expect us to take a strategic approach to our relationship with them. Growth is a theme common across all our customers, and with our wide foot-print across the eco-system, we could be the catalyst for growth for our customers.

We are at the threshold of the next technology-refresh cycle. This technology-refresh cycle is driven by advances in cloud computing and mobile technologies. The challenging economic environment also forced the acceleration of on-demand computing and pay-per-use business models.

In 2008, we decided to focus on four specific growth areas - cloud computing, analytics, collaboration and mobility. Our choices were perfect and our investments, not just in technology, but in partnerships, training and thought leadership, have started to yield results. Our traditional outsourced software product development business continues to flourish and grow. Product companies naturally lead in a technology-refresh cycle and our strong relationships with the leading product companies helps us grow.

In addition to the outsourced product development business that we pioneered, we have started working with our customers and helping them deploy their products for *their* customers. This is a new initiative for us but it allows us to work with enterprises and end-customers and this could prove to be a significant opportunity for us in the future.

Over the last three years, we have continued to invest in acquiring and building intellectual property (IP). Our investments are aligned with the technology focus areas of the Company and help us establish thought leadership. With the rapid changes in technology that we are expecting, our investment in intellectual property will be a differentiator for us. IP-led businesses have the potential of creating significant non-linear revenue stream for us.

Growth in the Company has to be aligned with growth for our employees. New technology areas create new challenges and growth opportunities for employees in the Company. Our team is highly motivated and ready for the challenge. We are constantly learning from each other and tracking changes in the fast-paced technology market.

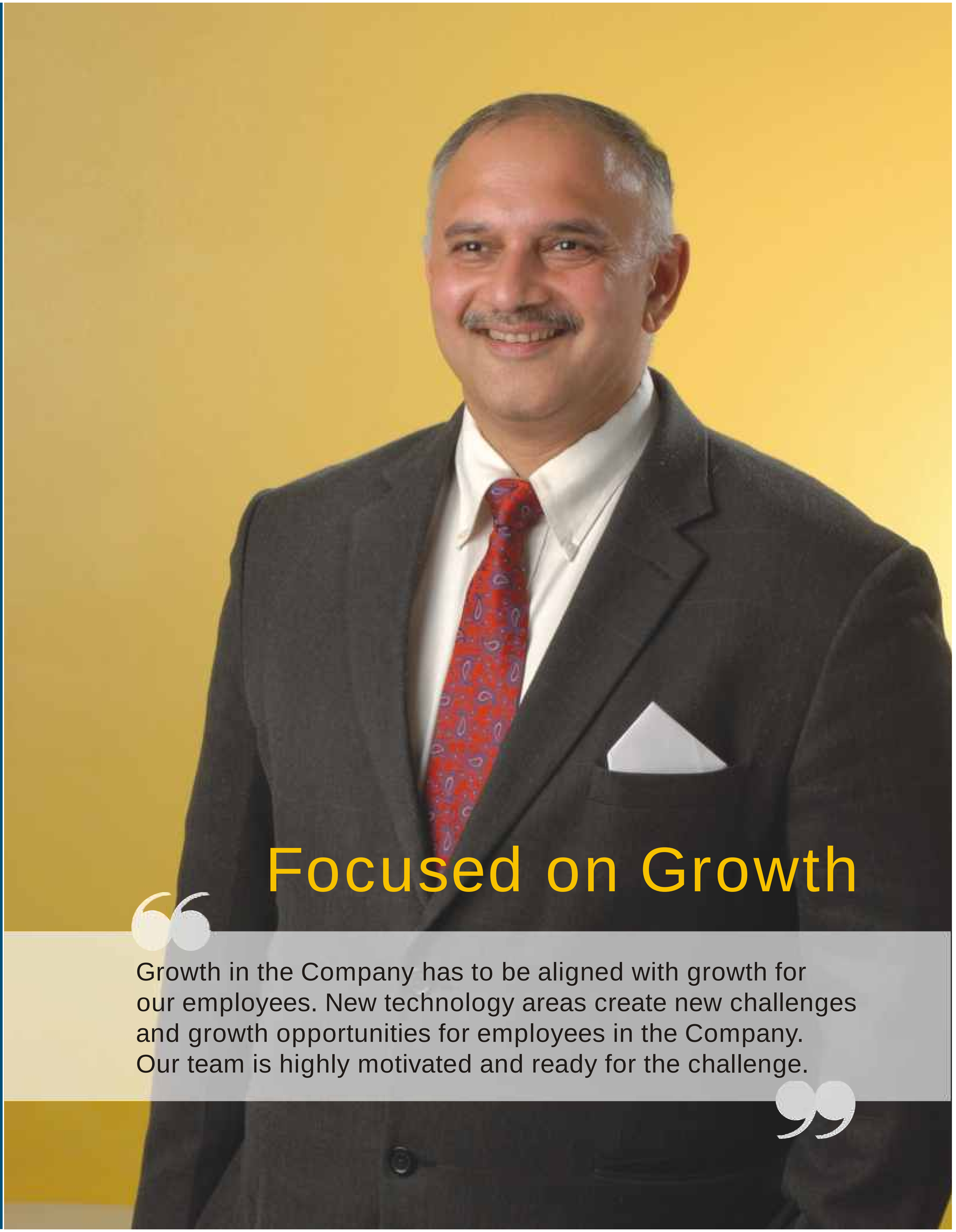
During the last year, we have established Persistent Labs to focus on research. As part of the Labs, we have set up research collaborations with leading universities and research laboratories. This year, we were recognized as an approved R&D centre by the Department of Scientific and Industrial Research, New Delhi. These collaborations have provided our employees the opportunity to contribute to cutting-edge research.

Life at Persistent allows much beyond desk-work. Encouraging the right balance between work and fun is the essence of a happy community, something Persistent is proud to create. Beyond work, we have strengthened our resolve to contribute to the society that we belong to. Persistent Foundation is very active and the 1% profit that we have allocated for CSR is being effectively deployed. It is heartening to see large employee participation in activities of the Foundation and we are proud of the fact that Persistent is making a contribution in being a responsible corporate citizen.

Finally, I believe we are very well-positioned to exploit the growth opportunities that exist in the fast-moving markets of today. Our focus, meticulous execution and agility will be the secret of our success, and we are determined to achieve it!

Sincerely,

Dr. Anand Deshpande
Founder, Chairman and Managing Director



The Year of Success

Year 2010-11 was a 'year of success' for Persistent Systems. Here are some key highlights.

Successfully listed
on NSE & BSE on April 6, 2010.
Gets included in
BSE-500 and BSE mid-cap Index.

Celebrated Company's
20th Anniversary
on May 30, 2010 and unveiled the refreshed Corporate Logo.

Acquires
OPD Business of
Infospectrum.

Recognised as
R&D Centre
by Department of Scientific and Industrial Research.

Enters into Partnership with One Million by One Million
to connect entrepreneurs to customers.

Launches
Techstart - II
campus initiative focused towards Computer Science students to help them learn cutting-edge technology.

Enters into
Joint Venture with Sprint Nextel.

Crosses
6,000 employee
mark on March 31, 2011.

Wins Asia's
Best Employer Brand Award 2010-11
in Western Region of India in 'Managing Health at Workplace' category.

Wins
Bloomberg UTV's CXO Awards 2010
in 'India's Emerging Software Company of the Year' category.

Recognised as
one of top five companies for Excellence in Corporate Governance by ICSI.

Ranked
Fifth in PwC Global Software 100 Leaders
2011 List.

Wins
ICAI Award - Silver Shield for Excellence
in Financial Reporting for the year 2009-10.

Board of Directors

Sitting in the Front (L to R) :

- Prof. Krithivasan Ramamritham
  Independent Director
- Mr. S. P. Deshpande
  Non-Executive Director
- Dr. Anand Deshpande
  Founder, Chairman and Managing Director
- Mr. P. B. Kulkarni
  Independent Director
- Mr. Prakash Telang
  Independent Director

Standing Behind (L to R) :

- Mr. Kiran Umrootkar
  Independent Director
- Mr. S. K. Bhattacharyya
  Independent Director
- Dr. Dinesh Keskar
  Independent Director

Directors' Profile

Dr. Anand Deshpande
Founder, Chairman and
Managing Director

Dr. Anand Deshpande is the founder, CEO, 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).

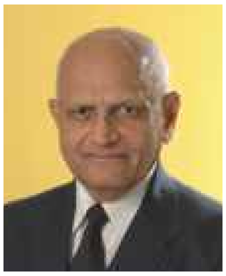
He worked at Hewlett-Packard Laboratories as a member of the technical staff in Palo Alto, California from 1989 to 1990 and has been a Chairman of our Board since he founded Persistent Systems in 1990. He is a member of the Association for Computing Machinery, Institute of Electrical and Electronics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

He is a co-opted member of the Executive Council of the Mahratta Chamber of Commerce, Industries and Agriculture for the term 2010-2012. He was on the executive committee of NASSCOM for the term 2004-2008 and reappointed on the executive committee for the term 2011-2013. He is currently the Co-chair of the ACM India Council. He was the Chairman of the Pune Zonal Council of the Confederation of Indian Industries for the year 2008-09. 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.

Mr. S. P. Deshpande
Founder and
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, specializing 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 the 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.

Mr. S. K. Bhattacharyya
Independent Director

Mr. S. K. Bhattacharyya is an Independent Director on our Board. Mr. Bhattacharyya brings more than 38 years of experience in the banking and financial industry. As an astute senior level banker, his expertise spans in areas such as International and Corporate Banking across geographies, Retail Banking, Credit & Risk Management, Liability Management and Human Resource Management.

He was the Managing Director and Chief Credit and Risk Officer of State Bank of India (SBI) and Chief Executive Officer (CEO) of State Bank of Bikaner & Jaipur (SBBJ) and the SBI (International) Mauritius; participating in providing leadership to the Indian Financial System and being in the forefront of various initiatives undertaken by the SBI Group.

Mr. Bhattacharyya joined the State Bank of India as a Probationary Officer in the year 1972. During his tenure with State Bank of India, Mr. Bhattacharyya has held a number of important positions, including those of Chief General Manager of Hyderabad Circle and DGM (Vigilance) at Chennai Circle. Also, Mr. Bhattacharyya was posted abroad as Managing Director of SBI International (Mauritius) Ltd., Mauritius.

Mr. Bhattacharyya also brings extensive experience in leading the bank in complex transaction situations affecting both the top-line and bottom-line, regulatory compliance and has also headed bank committees regarding strategic alternatives, capital structure and liquidity, impact on earnings per share and shareholder disputes.

In his role as the head of the highest level credit committee of the bank, he has been involved with the evaluation of large value projects involving sanction of funds for mergers, acquisitions, green field and brown field projects.

Mr. Bhattacharyya was also the Member of the Basel-II Implementation and Risk Management Committee of Indian Banks Association, and Member of the Expert Committee on Banking & Finance of ASSOCHAM.

He has been a member of our Board since May 2011.

Dr. Dinesh Keskar
Independent Director

Dr. Dinesh Keskar is an Independent Director on our Board. Dr. Keskar brings more than two decades of expertise in the aerospace / defense industry. He was appointed as Vice President of Boeing International and President of Boeing India in March 2009.

Dr. Keskar is responsible for representing the entire enterprise and for leading Boeing-wide efforts focused on expanding the company's local presence and pursuing new growth and productivity initiatives in India. He is based in New Delhi and reports to Shep Hill, President of Boeing International. Since he joined Boeing in June 1980, Dr. Keskar has held senior positions in engineering, marketing and sales.

Dr. Keskar serves on several Boards and organizations, including the national board of directors of the American Society of Engineers of Indian Origin, Chairman of Amcham India, Chairman of the Federation of Indian Chambers of Commerce and Industry's civil aviation committee; the Advisory Board of the College of Engineering at the University of Cincinnati; U.S.-India Business Council Board Member Emeritus, which operates under sponsorship of the U.S. Chamber of Commerce; is a Fellow of the Royal Aeronautical Society; and an Associate Fellow of the American Institute of Aeronautics and Astronautics.

He served as a member of the Board of Directors of the International Society of Transport Aircraft Trading, an organization that serves as the official voice for the entire commercial transport aircraft secondary marketplace, and was a member of the Executive Committee of the Indo-American Society. Dr. Keskar remains an active member of Indian community organizations in the United States. Dr. Keskar was honored with the 'Distinguished Alumni Award' by the University of Cincinnati for meritorious achievement, recognized stature and conspicuous success in the imaginative blending of engineering education with highly productive endeavors in industry. He received the Outstanding Achievement award from the American Society of Engineers of Indian Origin.

He has been a member of our Board since October 2010.

Mr. 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.

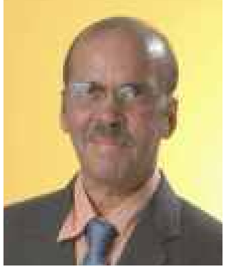
He is also a Certified Associate of the Indian Institute of Bankers and is a fellow of the Economic Development Institute of the World Bank, Washington D.C. He worked with the Reserve Bank of India from 1957 to 1993 in various positions including as an Executive Director. During this time, he served 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 subcommittee 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.

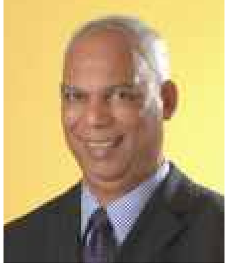
He was the Dean of Research and Development at the Indian Institute of Technology, Bombay from 2006 to 2009 and holds the Vijay and Sita Vashee Chair in its computer science department. He was a professor at the University of Massachusetts from 1981 to 2001. He has been a visiting fellow at the Science 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.

Mr. Prakash Telang
Independent Director



Mr. Prakash Telang is an Independent Director on our Board. Mr. Telang is the Managing Director - India Operations of Tata Motors. He is responsible for managing the entire operations for the Tata brand of commercial vehicles and passengers cars in India and international markets.

He also oversees the operations of the Company in international markets such as South Korea, Thailand, Spain and South Africa. Mr. Telang earned a Bachelor's degree in Mechanical

Engineering from VNIT, Nagpur in 1967 and worked for three years with Larsen and Toubro. He then completed his Masters in Business Administration from IIM Ahmedabad in 1972. He joined the Tata Group through the prestigious Tata Administrative Service (TAS) in 1972 and since then he has been with Tata Motors.

He has over four decades of functional expertise in the automotive industry and machinery manufacturing. Prior to his current role, Mr. Telang was the Executive Director responsible for the Commercial Vehicle Business Unit of Tata Motors. He has been responsible for the product development, manufacturing and sales and service functions of the entire range of commercial vehicles. He has also been acclaimed as the architect of the company's cost reduction drive. He has also overseen the development of Tata Motors' successful products such as the Tata Ace and the Prima.

Mr. Telang is the Chairman of Tata Motors' Overseas Ventures - Tata Daewoo Commercial Vehicles Company, South Korea, Tata Motors Thailand Ltd., Tata Hispano Motors Carrocera S.A., Spain, and Tata Motors South Africa Pty. Ltd. He is also the Chairman of Tata Cummins, a JV between Tata Motors and Cummins India, Tata Motors Distribution Co. Ltd. and Tata Marcopolo Motors Ltd. He serves as a Director on the Boards of Fiat India Automobiles Pvt. Ltd., Telco Construction Equipment Ltd., Automobile Corporation of Goa Ltd., TAL Manufacturing Solutions Ltd., Tata Advanced Systems Ltd, Tata Hispano Motors Carroseries Maghreb, S.A., Morocco and Nita Company Limited, Bangladesh.

He has been a member of our Board since August 2010.

Mr. Kiran Umrootkar
Independent Director

Mr. Kiran Umrootkar is an Independent Director on our Board. Mr. Umrootkar, B.Com (Hons.), LLB, FIIBF, MCIPD (UK) had a distinguished career with Standard Chartered Bank for 26 years, from where he voluntarily retired as the Executive Director - Treasury in November 1993.

He is currently the Director - Finance of Jacobs Engineering India Private Limited, which is a part of US based Global Fortune 500 Company with revenues of about USD 10 Billion and is one of the world's largest and most diverse providers of technical, professional and construction services. In India, the Company has its registered office in Mumbai with branches located at New Delhi, Ahmedabad, Baroda, Navi Mumbai, etc.

Mr. Umrootkar worked with Tata Group in India and was the Executive Director of Tata TD Waterhouse Securities Limited managing Primary Dealership business involving wholesale trading in government securities, Director of Tata Finance Amex Limited, a Joint Venture between Tata Finance and American Express and a Director of Tata Home Finance Limited, a Joint Venture between Tata Home Finance and Abbey National Group, UK. During this period, he was also the Director of Primary Dealers' Association of India.

At Standard Chartered Bank, Mr. Umrootkar specialized in Foreign Exchange and Treasury Operations and was instrumental in building Treasury Operations of the Bank since inception. During 1991/92, he was deputed to establish Treasury Operations of the Bank in East and West Africa. He was the recipient of the Lord Aldington Banking Research Fellowship which was awarded by the Indian Institute of Banking and Finance to study foreign exchange markets in the UK and Europe. He is a Fellow of the Indian

Institute of Banking and Finance and a Member of the Chartered Institute of Personnel and Development, U.K.

Mr. Umrootkar represented Standard Chartered Bank as a Vice-Chairman at the Foreign Exchange Dealers' Association of India (FEDAI). He was also a member of the Expert Group established by the Reserve Bank of India in 1995, popularly known as the 'Sodhani Committee,' for introducing forex reforms in India. He has been associated with the Bombay Management Association (BMA) since 1980 and was the President of BMA for the year 2000-2001. He is also a Member of the Finance Committee of All India Management Association (AIMA). He is also a Trustee of Foundation for International Taxation in India.

He was the Chairman of Banking & Finance Committee of Bombay Chamber of Commerce and Industry and was also the Chairman of Risk Management and Systems Group to prepare "Risk Management Handbook" for corporates in India and a Member of the Task Force appointed by Indian Merchants' Chamber to hasten the process of establishing Mumbai as the "Regional Financial Hub". He is a member of the Advisory Board of ICFAI Business School, Mumbai and N. L. Dalmia Institute of Management Studies and Research. He is also a Trustee of Students' Literary & Scientific Society and Aryan Education Society, which run two schools in South Mumbai.

He has been a member of our Board since August 2010.

This is Persistent

Driven by Performance

- More than 20 years in business
- Recognised as an award-winning technology company that pioneered outsourced software product development
- 6,000+ employees
- 300+ customers
- 40+ customers with over USD 1Bn of annual revenue
- Contributed to development of over 2,000 product releases for customers during the last one year

Focus Areas

- Focused on software product development
- Full product life cycle software development services from concept through completion
- Depth in telecommunication, life sciences, banking and financial and infrastructure and systems verticals
- Investment and technology thrust in cloud computing, business intelligence and analytics, enterprise collaboration and enterprise mobility

Talented Team

- Strong team of 6,000+ highly-skilled professionals
- 64% with bachelors' degree in Computer Science
- 29% post graduates
- Stable, global and experienced management team

Strength & Speciality

- Deep-rooted product development culture
- Developed proven processes for entire product life-cycle - reduced time-to-market while delivering consistent quality and customer satisfaction
- Value focused business model
- Helps product companies across complete product development (concept to end life)

Facilities

- Headquartered at Pune, India with branch offices in Nagpur, Goa and Hyderabad
- More than 11.50 lakhs sq.ft. (including area under construction) owned facilities in Pune, Nagpur and Goa with seating capacity for around 8,000 employees
- Wholly Owned Subsidiaries in India, United States, Singapore and France
- Overseas branches in United Kingdom, Canada, Japan and The Netherlands

Corporate Information

Board of Directors

Dr. Anand Deshpande
Founder, Chairman and Managing Director

Mr. S. P. Deshpande
Founder and Non-Executive Director

Mr. S. K. Bhattacharyya
Independent Director

Dr. Dinesh Keskar
Independent Director

Mr. P. B. Kulkarni
Independent Director

Prof. Krithivasan Ramamritham
Independent Director

Mr. Prakash Telang
Independent Director

Mr. Kiran Umrootkar
Independent Director

Company Secretary and Head - Legal

Mr. Vivek Sadhale

Bankers

- AXIS Bank
- Bank of India
- BNP Paribas
- Bank of Tokyo-Mitsubishi
- Citibank NA
- HDFC Bank Ltd.
- State Bank of India
- Syndicate Bank

Auditors

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

Registered Office

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

Contact Info

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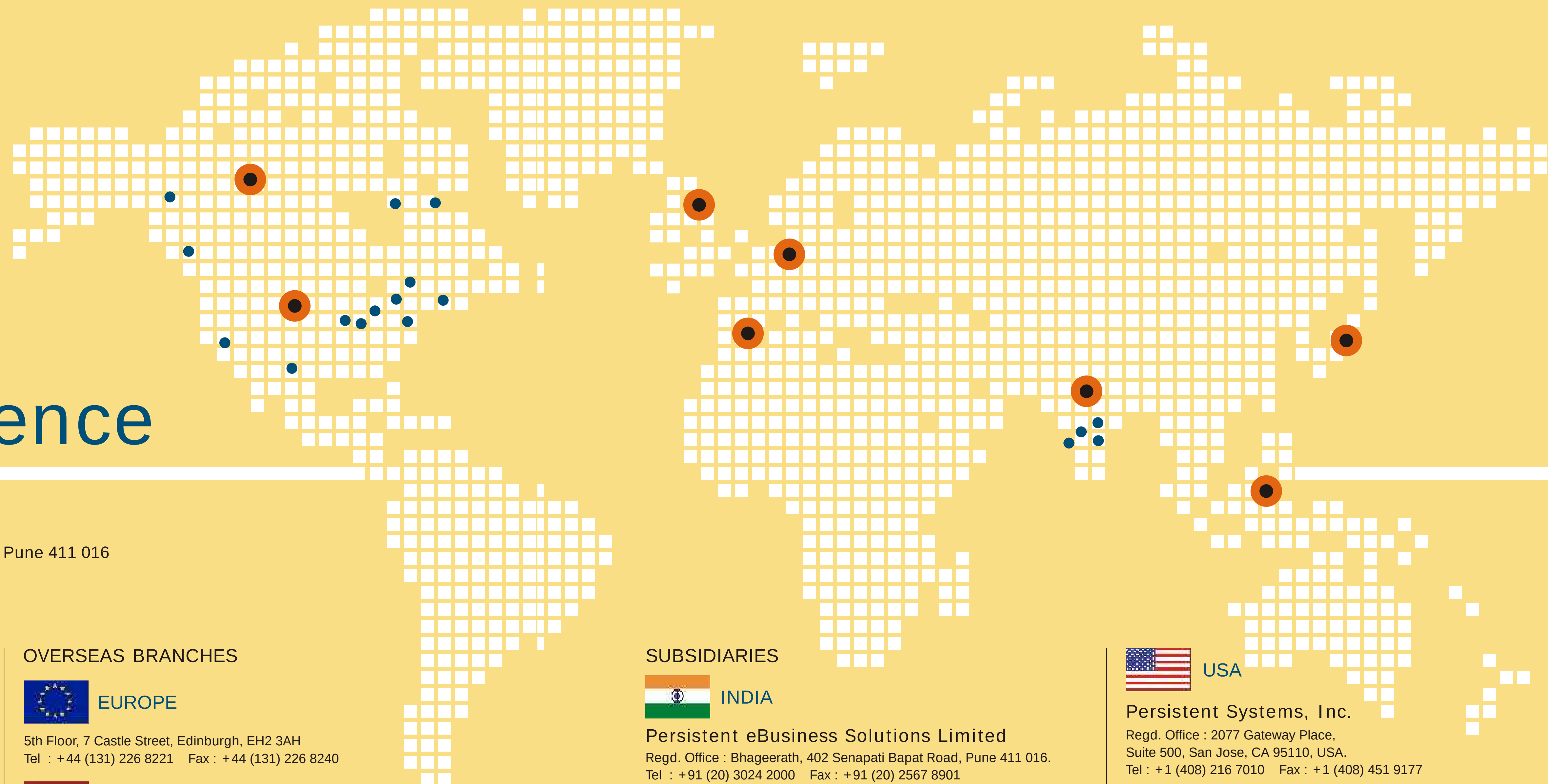
Email : info@persistent.co.in

Global Presence



Persistent Systems Limited

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BRANCHES IN INDIA

PUNE

- Panini,
  2A, Senapati Bapat Road, Pune 411 016.
  Tel : +91 (20) 3026 3900 Fax : +91 (20) 2567 8901
- Aryabhata-Pingala,
  9A/12, Kashibai Khilare Path, Erandwana, Pune 411 004.
  Tel : +91 (20) 3023 4000 Fax : +91 (20) 3023 4001
- Plot No. 39, Phase I, Rajiv Gandhi IT Park,
  Hinjawadi, Pune 411 057.
  Tel : +91 (20) 3917 7000 Fax : +91 (20) 3917 7001

NAGPUR

- 2nd & 3rd Floor, Infotech Tower, IT Park,
  M.I.D.C. Parsodi, Nagpur 440 022.
  Tel : +91 (712) 398 6000 Fax : +91 (712) 398 6001
- Plot No. 8 & 9, IT Park, M.I.D.C. Parsodi, Nagpur 440 022.
  Tel : +91 (712) 398 6000 Fax : +91 (712) 398 6001

GOA

L-44, Unit-1, Software Technology Park,
Verna Industrial Estate, Verna, Salcete, Goa 403 722.
Tel : +91 (832) 307 9000 Fax : +91 (832) 307 9007

HYDERABAD

Building No.2B, Maximus Towers, 2nd Off. Floor, K Raheja IT Park,
Mind Space, Survey No.64 (Part), APIIC Software Unit Layout,
Hi-Tech City, Madhapur Village, Serilingampally Mandal,
Hyderabad 500 081.
Tel : +91 (40) 3087 5000 Fax : +91 (40) 3087 5002

OVERSEAS BRANCHES

EUROPE

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Tel : +44 (131) 226 8221 Fax : +44 (131) 226 8240

THE NETHERLANDS

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3001 AW Rotterdam, The Netherlands.
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JAPAN

SS Building 8F, 3-4-2 Nishi-Shinbashi,
Minato-ku, Tokyo 1050003, Japan.
Tel : + 81 (90) 1777 3100

CANADA

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  Suite 2900, Montreal, Quebec H3B 4W5, Canada.
  Tel : +1 (514) 878 4311 Fax : +1 (514) 878 4333
- C/o Owen Bird, 2900-595 Burrard Street, PO Box 49130,
  Vancouver BC, V7X 1J5.
  Tel : +1 (604) 688 0401 Fax : +1 (604) 688 2827
- C/o Aird & Berlis LLP, Brookfield Place, 181 Bay Street,
  Suite 1800, Box 754, Toronto, ON, M5J 2T9.
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SUBSIDIARIES

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Persistent Systems and Solutions Limited

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Branch Offices

PUNE : 4th Floor, Building No. IT 3, Zone Number C-1,
Flagship Infrastructure Private Limited, Special Economic Zone,
Rajiv Gandhi Infotech Park, Hinjawadi, Pune 411 057.

HYDERABAD : 8th Office Floor, Building No. 14, Mindspace, Cyberabad,
Sy. No. 64 (Part), Hitech City, Madhapur, Hyderabad 500 081.
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SINGAPORE

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Tel : +65 6223 4355 Fax : +65 6223 7955

FRANCE

Persistent Systems France S.A.S.

Regd. Office : Paris Etoile, 23 rue Balzac, 75008 Paris, France.

USA

Persistent Systems, Inc.

Regd. Office : 2077 Gateway Place,
Suite 500, San Jose, CA 95110, USA.
Tel : +1 (408) 216 7010 Fax : +1 (408) 451 9177

Branch Offices

CONNECTICUT : 12, Old Boston Post Road, Old Saybrook,
CT 06475. Tel : +1 (860) 543 0552

ILLINOIS : 200, West Adams Street, Chicago 60606.
Tel : +1 (815) 893 6425

INDIANA : 320 N. Meridian Street, Indianapolis, IN 46204.
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Boston, MA 02210. Tel : +1 (617) 510 7394

NEW YORK : 875, Avenue of the Americas, Suite 501,
New York 10001. Tel : +1 (617) 510 7394

OHIO : 145, Baker Street, Marion, OH 43302.
Tel : +1 (800) 235 0337 Fax : +1 (800) 382 1256

PENNSYLVANIA : 600, North Second Street, Suite 401,
Harrisburg, PA 17101. Tel : +1 (617) 510 7394

TEXAS : 14181 Noel Rd, Apt-4203, Dallas, TX 75254.
Tel : +1 (972) 822 7483

WASHINGTON : 1780, Barnes Blvd SW, Tumwater,
WA 985120410. Tel : +1 (425) 922 0181

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.

Historical Financials (Based on consolidated figures)

Balance Sheet

(In ` Million)

Particulars	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
Share Capital	400.00	400.00	358.61	358.61	102.45	102.43
Stock Options Outstanding	34.76	32.02	20.73	5.89	-	37.63
Reserves & Surplus	7,036.31	5,957.90	3,568.60	2,927.11	2,414.27	1,950.02
Secured loans	-	-	-	-	-	-
Deferred payment liabilities	30.07	45.11	-	-	-	-
Deferred tax liabilities	-	-	-	2.55	0.57	6.14
	7,501.14	6,435.03	3,947.94	3,294.16	2,517.29	2,096.22
Fixed Assets (Net Book Value)	2,865.78	2,318.39	2,177.26	1,973.26	1,744.95	1,458.14
Investments	2,500.42	1,561.73	880.12	691.71	246.91	115.22
Deferred Tax Assets	59.85	6.82	20.47	-	-	-
Net Current Assets	2,075.09	2,548.09	870.09	629.19	525.43	522.86
	7,501.14	6,435.03	3,947.94	3,294.16	2,517.29	2,096.22

Profit And Loss Account

(In ` Million)

Particulars	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
Income						
Revenue	7,758.41	6,011.56	5,938.31	4,248.50	3,156.28	2,164.89
Other Income	344.36	112.33	68.16	256.16	20.60	23.16
Total	8,102.77	6,123.89	6,006.47	4,504.66	3,176.88	2,188.05
Personnel expenses	5,122.95	3,687.42	3,324.25	2,711.45	1,743.37	1,167.76
Operating and other expenses	1,052.40	860.49	1,700.15	624.05	607.24	416.47
Operating Profit (PBIDT)	1,927.42	1,575.98	982.07	1,169.16	826.27	603.82
Interest	-	-	-	-	1.12	8.95
Depreciation & amortization	423.89	335.24	296.77	279.99	269.92	187.08
Provision for taxation	107.90	90.50	9.65	22.25	18.19	8.60
PAT from ordinary activities	1,395.63	1,150.24	675.65	866.92	537.04	399.19
Exceptional / prior period items	1.74	-	(14.73)	(35.18)	18.13	(8.50)
Profit after exceptional and prior period items	1,397.37	1,150.24	660.92	831.74	555.17	390.69
Dividend (including tax on dividend)	256.54	114.57	41.95	50.34	35.04	25.35

Balance Sheet (Ratios)

Particulars	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
Debt-equity ratio (%)	-	-	-	-	-	-
Debtors revenue (days)	74.43	82.77	63.57	64.00	60.47	65.21
Current ratio	2.30	2.49	1.95	1.87	2.22	3.64
Cash and cash equivalents* / Total assets (%)	38.45	42.72	21.32	20.04	12.18	6.74
Cash and cash equivalents* / Total revenue (%)	45.12	57.88	17.45	18.94	11.38	7.14

Profit and Loss Account (Ratios)

Particulars	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
Personnel expenses / Total revenue (%)	63.22	60.21	55.34	60.19	54.88	53.37
Operating and other expenses / Total revenue (%)	12.99	14.05	28.31	13.85	19.11	19.03
Operating Profit (PBIDT) / Total revenue (%)	23.79	25.73	16.35	25.95	26.01	27.60
Interest / Total revenue (%)	-	-	-	-	0.04	0.41
Depreciation and amortization / Total revenue (%)	5.23	5.47	4.94	6.22	8.50	8.55
Tax / Total revenue (%)	1.33	1.48	0.16	0.49	0.57	0.39
PAT from ordinary activities / Total revenue (%)	17.22	18.78	11.25	19.24	16.90	18.24
ROCE (%)	18.70	18.00	17.11	26.34	21.34	19.10

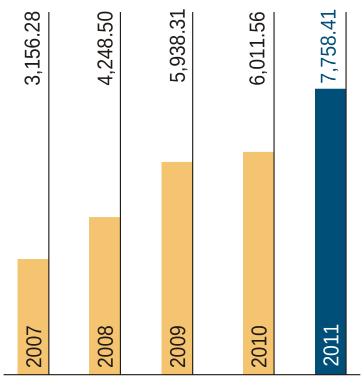
*Cash & cash equivalents includes cash & bank balances, deposits with bank & investment in mutual funds.

Highlights

(Based on consolidated figures)

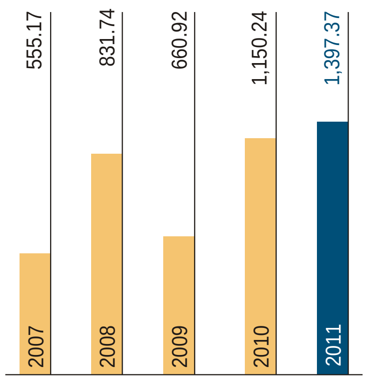
TOTAL REVENUE

In ` Million
Financial year ending March 31



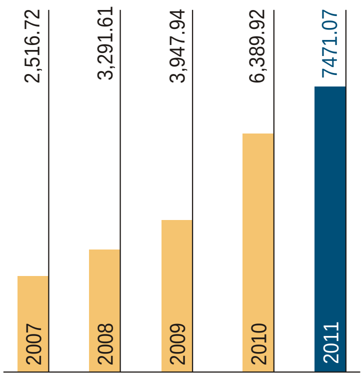
PROFIT AFTER TAX

(After extraordinary items)
In ` Million
Financial year ending March 31



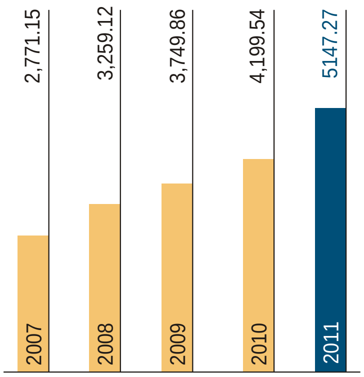
NET WORTH*

In ` Million
Financial year ended March 31



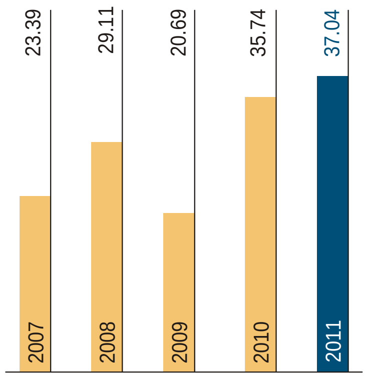
FIXED ASSETS

(Gross block, including Capital work-in-progress)
In ` Million
Financial year ended March 31



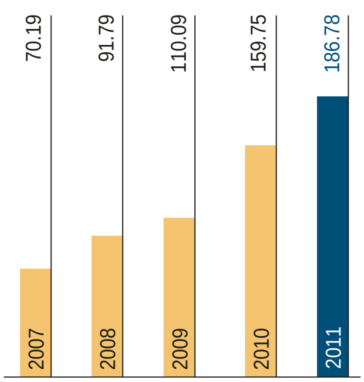
EARNING PER EQUITY SHARE (Basic)#⅄

In `
Financial year ending March 31



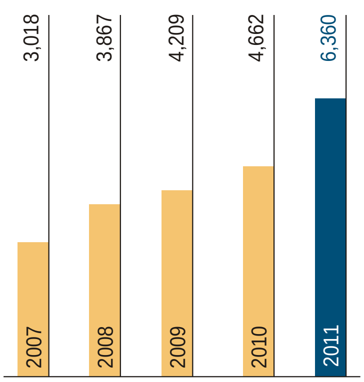
BOOK VALUE#*

In `
Financial year ending March 31



PERSISTENT TEAM

(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.

Focused on Growth

PERSISTENT

New Drivers for Growth

We are in the initial phase of a new technology-refresh cycle.

The last one, which started about fifteen years back was led by the wide deployment of the Internet. During the Internet cycle, all businesses were forced to adapt to the Internet and new business models emerged. Several new businesses such as Google, Amazon, Yahoo and eBay started and flourished during the Internet growth cycle. Other businesses such as banks, travel agencies, newspapers and printing had to transform themselves to survive the changing technology environment. A disruptive technology cycle creates opportunities for new companies to grow and flourish while slow-to-move incumbents might struggle and even perish.

New innovations in technology and innovative business models are driving the current technology-refresh cycle. Semiconductor technology has kept pace with the projections of Moore's Law and we have seen remarkable progress in display, storage and disk technologies. Mobile networks have had exponential growth in the last 10 years and we have reached a stage where mobile data networks are ubiquitous. We are generating large amount of data and we can afford to store it!

In addition to the availability of new technology, the pay-per-use business model made possible through cloud computing is a key driver for the current technology-refresh cycle.

We realized these technology shifts early and defined a clear focus in the following four technology areas :

- Cloud Computing
- Analytics
- Collaboration
- Mobility

These are fundamental building blocks of the new technology stack and we have invested in building technologies, partnering with leaders and training our teams to leverage new growth opportunities.

Sky is the Limit

CLOUD COMPUTING

Most disruptive trend since the internet

Focused on Growth

Successful Internet companies have perfected their ability to store very large amounts of data and operate thousands of transactions every second. New technologies were invented to create and operate very large data centres that can scale to gargantuan proportions.

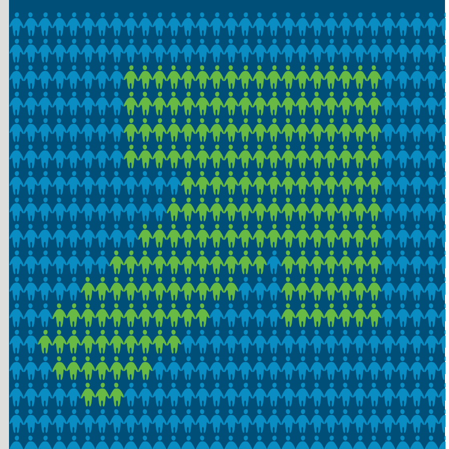
Multi-tenancy, which refers to the ability to share workloads on common infrastructure and the ability to operate data centres at scale, has made computer infrastructure a commodity. Business models have evolved to make computing infrastructure available on demand using pay-per-use business models. Computing technologies and business models that have made this possible are widely classified as cloud computing technologies.

Cloud computing will have far-reaching impact and will drive the next technology-refresh cycle.

We realized these trends early. We were part of building out this highly scalable infrastructure, and our customers and partners are leaders in cloud computing.

To ride the exponential growth we expect to see in cloud computing, we are investing in new technology, partnerships and building capabilities in multiple areas.

Some of these include working with leaders who are building infrastructure for the cloud, building tools to operate and manage infrastructure at scale and helping businesses take advantage of cloud technology.



Report of the Directors

Your Directors are pleased to present the Twenty First Annual Report of your Company along with the audited statement of accounts for the financial year ended March 31, 2011.

Business overview

The Company completed its first year of listing on the National Stock Exchange of India Limited and the Bombay Stock Exchange Limited on April 6, 2011. During the year, your Company was included in BSE – 500 and BSE mid-cap index in the first three months of listing.

The year under report was an excellent year for the growth of the Company and customer traction continued to be good. Your Company showed a significant improvement in business as compared to previous year. The consolidated revenue was USD 170.24 Million during the financial year 2010-11, in comparison with USD 127.31 Million for the financial year 2009-10. In Rupee terms, consolidated revenue was ₹ 7,758.41 Million for the financial year 2010-11 as compared to ₹ 6,011.56 Million for the financial year 2009-10.

Your Company's focus on four technology thrust areas – cloud computing, analytics, collaboration and mobility have enabled growth of skills in areas that will dominate in the future, ahead of competition. Your Company has established customer and partner relationships with all the leading software product companies in these areas. Anticipating growth in these areas, your Company is setting up a Technology Consulting Group which will leverage thought leadership' in these four technology thrust areas. During the year under report, your Company generated specific requests from its customers for 'sell-with partnerships'. We believe that there is a significant opportunity to pursue 'sell-with partnership' with prominent partners and generate new revenue opportunities.

Your Company continues to invest in the sales team having increased the sales team inclusive of pre-sales from 71 to 108 during the year. The employee support to your Company was excellent as well; and your Company crossed employee mark of 6,000 during the financial year 2010-11. To enhance the international presence and focus within Europe, your Company set up a subsidiary in France.

Financial results

During the financial year 2010-11, your Company recorded 29.1% growth in revenue in Rupee terms, on a consolidated basis which enabled your Company to maintain its track record of year-on-year growth for the twenty first successive year.

The total unconsolidated income of your Company amounted to ₹ 6,453.89 Million (USD 141.63 Million) registering a growth of 25% over the previous year (in Rupee terms). The net profit after tax grew to ₹ 1,335.87 Million (USD 29.31 Million), a growth of 14.1% over the previous year (in Rupee terms).

The highlights of the financial performance for the year ended March 31, 2011 are as under

Particulars	(Amount in USD Million except EPS and Book Value)		(Amount in ₹ Million except EPS and Book Value)		% Change
	2010-11	2009-10	2010-11	2009-10	
Total income	141.63	109.30	6,453.89	5,161.14	25.0%
Profit before interest, depreciation and taxes	40.12	33.16	1,828.25	1,565.63	16.8%
Depreciation	8.67	6.88	395.09	324.95	21.6%
Provision for income tax	2.13	1.49	97.29	70.16	38.7%
Profit after tax	29.31	24.79	1,335.87	1,170.52	14.1%
Transfer to general reserve	11.73	9.92	534.40	468.20	14.1%
Net worth*	166.97	143.03	7,443.37	6,423.58	15.9%
Earnings per share (EPS)					
Basic	0.78	0.77	35.41	36.37	-2.6%
Diluted	0.73	0.69	33.40	32.62	2.4%
Book value per equity share	4.08	3.40	186.08	160.59	15.9%

[Conversion Rate USD 1 = ₹ 45.57 for Profit and Loss items; USD 1 = ₹ 44.58 for Balance Sheet items (financial year 2010-11) and USD 1 = ₹ 47.22 for Profit and Loss items; USD 1 = ₹ 44.91 for Balance Sheet items (financial year 2009-10)]

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

Consolidated results

During the financial year 2010-11, the total revenue of your Company and its subsidiaries amounted to ₹ 7,758.41 Million (USD 170.24 Million) [previous year ₹ 6,011.56 Million (USD 127.31 Million)] and the net profit after tax and prior period items amounted to ₹ 1,397.37 Million (USD 30.65 Million) [previous year ₹ 1,150.24 Million (USD 24.36 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, 2011, your Company had cash and cash equivalents (excluding proceeds from initial public offering of the Company) amounting to ₹ 2,567.98 Million as against ₹ 1,653.49 Million as at March 31, 2010, which include investments in liquid mutual funds of ₹ 2,500.42 Million as against ₹ 1,561.73 Million as at March 31, 2010 and ₹ 752.30 Million were in fixed deposits with scheduled banks, as against ₹ 1.15 Million as at March 31, 2010.

Directors

During the year under review, Mr. Ram Gupta, Independent Director resigned from the directorship of the Company effective from June 8, 2010. Dr. Promod Haque, Non-Executive Director resigned from the directorship of the Company effective from November 1, 2010. The Board places on record its sincere appreciation for the valuable contribution to the growth of the Company made by Mr. Ram Gupta and Dr. Haque during their tenure as Directors of your Company.

During the financial year 2010-11, Mr. Prakash Telang and Mr. Kiran Umrootkar were appointed as Additional Directors both as Independent Members on the Board of your Company with effect from August 19, 2010. Further, Dr. Dinesh Keskar was appointed as an Additional Director and as an Independent Member on the Board of your Company with effect from October 29, 2010. Mr. Sanjay Kumar Bhattacharyya was appointed as an Additional Director as an Independent Member on the Board of your Company with effect from May 12, 2011. The term of Mr. Bhattacharyya, Dr. Keskar, Mr. Telang and Mr. Umrootkar as an Additional Director of your Company will expire at the Twenty First Annual General Meeting of your Company and they have confirmed their respective eligibility and willingness to accept office of Directorship of your Company, if appointed. The Company has received notices under Section 257 of the Companies Act, 1956, proposing an appointment of Mr. Bhattacharyya, Dr. Keskar, Mr. Telang and Mr. Umrootkar as Directors of the Company. Proposal seeking approval of the Members for the appointment of Mr. Sanjay Kumar Bhattacharyya, Dr. Dinesh Keskar, Mr. Prakash Telang and Mr. Kiran Umrootkar as Directors of the Company have been incorporated in the Notice of the forthcoming Annual General Meeting along with brief details about them.

In the opinion of your Directors, Mr. Bhattacharyya, Dr. Keskar, Mr. Telang and Mr. Umrootkar 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 capacity as Independent Directors of your Company.

It is, therefore, considered prudent that your Company should continue to avail of the services of Mr. Bhattacharyya, Dr. Keskar, Mr. Telang and Mr. Umrootkar as Directors and the Board recommends that the proposed resolution relating to the appointment of Mr. Bhattacharyya, Dr. Dinesh Keskar, Mr. Prakash Telang and Mr. Kiran Umrootkar as Directors of your Company be passed.

Mr. P. B. Kulkarni is liable to retire by rotation at the Twenty First Annual General Meeting and he has confirmed his eligibility and willingness to accept office of Directorship of your Company, if appointed. In the opinion of your Directors, Mr. Kulkarni has the requisite qualifications and experience which could be useful for your Company and would enable him to contribute effectively to your Company in his capacity as Director of your Company.

It is, therefore, considered prudent that your Company should continue to avail of the services of Mr. Kulkarni as Director and the Board recommends that the proposed resolution relating to re-appointment of Mr. Kulkarni as Director of your Company be passed.

The Company has received a notice under Section 257 of the Companies Act, 1956 proposing appointment of Mr. Nitin Kulkarni, Chief Operating Officer as a Director of the Company at the ensuing Annual General Meeting. Consequent to appointment as a Director, being in whole time employment, Mr. Kulkarni will occupy the position of Executive Director of the Company.

In the opinion of your Directors, your Company will continue to benefit from Mr. Nitin Kulkarni's strong delivery leadership and functional experience and would enable him to contribute effectively to your Company in his capacity as Director of your Company. Your Directors, therefore, recommend that the proposed resolution relating to appointment of Mr. Nitin Kulkarni, Chief Operating Officer as a Director of the Company, to be designated as "Executive Director and Chief Operating Officer" be passed.

Committees of the Board

During the year under review, the Board of Directors of your Company had re-constituted the Compensation Committee thereby merging the existing Remuneration Committee and the Compensation Committee of the Board.

The details of the powers and functions, composition and meetings of the Committees of the Board held during the year are given in the report on Corporate Governance forming part of this Annual Report.

Listing of Equity Shares of the Company

The Company had launched the Initial Public Offering in the financial year 2009-10. The issue opened from March 17, 2010 to March 19, 2010. 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 transfer of 1,280,706 Equity Shares offered by the Selling Shareholders was made on March 30, 2010 at ₹ 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 during the year under report on April 6, 2010.

Utilisation of funds received from IPO

Your Company had the following objects of the IPO (a) to establish the development facilities; (b) to capitalise the Subsidiaries for establishing development facilities and meeting fit outs and interior design costs; (c) to procure hardware; (d) to fund expenditure for general corporate purposes and (e) to achieve the benefits of listing on the Stock Exchanges.

Your Company intended to utilise the proceeds of the IPO accruing to the Company, after deducting the Company's share of the underwriting and management fees, selling commissions and other expenses associated with the Issue. The net proceeds collected amounted to ₹ 1,200.60 Million which is to be utilised in the manner set forth below

(In ₹ Million)

Sr. No.	Project	Allocated amount to be utilised from the Net Proceeds	Current status of amount utilised from the Net Proceeds	Amount yet to be utilised from the Net Proceeds in future
1.	Establishment of development facilities	760.20	203.91	556.29
2.	Capitalise our Subsidiaries for establishing development facilities	29.59	29.59	-
3.	Procuring hardware	204.50	92.92	111.58
4.	Fund expenditure for general corporate purposes	206.31	71.60	134.71
	Total	1,200.60	398.02	802.58

The unutilised IPO funds of ₹ 802.58 Million as on March 31, 2011, have been temporarily invested in interest bearing mutual funds. In view of the Company's plan for expanding its operations in SEZ facilities and pursuing non-linear activities, it is felt necessary that more flexibility be accorded for utilisation of unutilised IPO proceeds. Accordingly, the Board of Directors is seeking approval of the members at the ensuing Annual General Meeting for use / deployment of unutilized part of the IPO proceeds for (i) capitalising the subsidiaries of the Company not restricted to establishment of development facilities in SEZ, (ii) establishment of development facilities (iii) procuring software (iv) other general corporate purposes, in addition to the Objects of the Issue stated in the Prospectus of the IPO of the Company.

Acquisition of the OPD Business of Infospectrum

In February 2011, your Company acquired the OPD business of Infospectrum India Private Limited. This acquisition has enabled your Company to further tap the European markets and provide access to the customers from verticals like aerospace and defence, complex manufacturing, maritime, transportation and logistics, satellite imaging and geographic information systems. The acquisition would augment your Company's delivery organization in Nagpur for leveraging its growth plans. With this acquisition, the Company's Nagpur development centre will be 800+ employees with the Company on-boarding 200 experienced software professionals from Infospectrum, India.

Your Company will continue to look out for strategic opportunities for inorganic growth.

Joint Venture with Sprint Nextel Corporation

Your Company formed a joint venture with Sprint Nextel Corporation, the third largest wireless provider in the United States. The joint venture will provide national long distance, international long distance, internet services and managed services in India. Subject to the approval of the Foreign Investment Promotion Board, Sprint International Holding, Inc. will own 74% and your Company will own 26% of the equity in the joint venture company. The joint venture will commence its operation after regulatory approvals are received.

Infrastructure

During the financial year 2010-11, your Company has added a built-up capacity of around 81,000 sq. ft. and added 500 seats. With this, the total owned built-up capacity of your Company in India stands at 8,40,000 sq. ft. and seating capacity of 5,800. The construction of development centre at Nagpur and Hinjawadi is in progress which would increase seating capacity at Nagpur Centre by around 700 seats and at Hinjawadi by around 1,600 seats. The Company also operates in Hyderabad from the leased premises of approx. 15,000 sq. ft. having a seating capacity of 140.

The details of owned facilities of your Company are as under

Location	Total Built Up Area (sq. ft.)	Existing Built up Area (sq. ft.)	Total Seating Capacity	Existing Seating Capacity
Pune				
Panini	10,000	10,000	125	125
Bhageerath	131,000	131,000	560	560
Aryabhata – Pingala	341,000	341,000	2,550	2,550
Hinjawadi*	423,000	200,570	2,980	1,350
Nagpur				
IT Tower	32,000	32,000	361	361
New Building*	200,000	90,000	1,200	526
Goa	35,306	35,306	382	382
Total	1,172,306	839,876	8,158	5,854

*Building under construction

Persistent Systems and Solutions Limited (PSSL), wholly owned subsidiary of your Company, in additions to its operations in Special Economic Zone (SEZ) in Hyderabad at a leased premises of approx. 32,000 sq. ft., started its operations in SEZ at Hinjawadi, Pune at a leased premises of approx. 46,000 sq. ft.

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 during the financial year 2010-11 in January 2011 at ₹ 2.00 per share on the paid up equity share capital. In addition to this, considering that the Company had completed 20 years since its incorporation, an additional Special one-time dividend of ₹ 2.00 per Equity Share was paid to the shareholders of the Company along with the first interim dividend. Total outflow on account of interim dividend payout including dividend tax was ₹ 186.57 Million out of the net profits of your Company during the year under report.

Your Directors recommend a final dividend of ₹ 1.50 per share for the financial year 2010-11. The tax on final dividend provided in the financial statements is ₹ 9.97 Million. The payment of final dividend of ₹ 1.50 per share is subject to the approval of the shareholders. Thus, including the proposed final dividend, the total dividend recommended for the financial year 2010-11 would be ₹ 5.50 per share [previous year ₹ 2.50 per share]. Out of the first interim dividend and Special one-time dividend declared in January 2011, ₹ 0.26 Lakh was remained unpaid as on March 31, 2011.

Transfer of reserves

Your Company proposes to transfer ₹ 534.40 Million to the general reserve out of the amount available for appropriations and an amount of ₹ 2,913.39 Million is proposed to be retained in the Profit and Loss Account of your Company.

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 ₹ Million)

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Profit after tax	1,335.87	1,170.52
Add: Employee stock compensation under intrinsic value method	7.11	19.45
Less: Employee stock compensation under fair value method	(60.70)	(36.06)
Proforma profit	1,282.28	1,153.91
Earnings Per Share		
Basic		
As reported	35.41	36.37
Pro forma	33.99	35.85
Diluted		
As reported	33.40	32.62
Pro forma	32.06	32.16

Weighted average exercise prices and weighted average fair values of options

The Binomial tree valuation model has been used for computing the weighted average fair value considering the following inputs

Particulars	March 31, 2011	March 31, 2010	
	Scheme X	Scheme IV and VII	Scheme IX
Weighted average share price (₹)	401.41	129.50	137.05
Exercise Price (₹)	389.05 – 403.25	122.24	109.48
Expected Volatility	31.90% , 32.56%	61.52%	61.52%
Historical Volatility	31.52% - 61.52%	31.52% - 61.52%	31.52% - 61.52%
Life of the options granted (Vesting and exercise period)	7 years	14-15 years	12.5-15 years
Dividend Yield	1.00%	1.64%	1.64%
Average risk-free interest rate	7.93% - 8.01%	5.90%	5.90%
Expected dividend rate	40%	58%	58%

Shares held by Independent Directors of the Company are as under

Name of the Director	No. of Shares held
Mr. S. K. Bhattacharyya (1)	NIL
Dr. Dinesh Keskar (2)	NIL
Mr. P. B. Kulkarni	12,550 (*)
Prof. Krithivasan Ramamritham	10,500 (**)
Mr. Prakash Telang (3)	NIL
Mr. Kiran Umrootkar (3)	NIL

(*) 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
(1) Appointed as an Additional Director on May 12, 2011
(2) Appointed as an Additional Director on October 29, 2010
(3) Appointed as an Additional Director on August 19, 2010.

During the year under review, pursuant to the resolutions passed by the Compensation Committee of the Board of Directors by way of circulation, employees, including ex-employees and Independent Directors of your Company exercised their stock options for shares which were already vested in their name. During this exercise, 4,94,051 (Four Lakh Ninety Four

Thousand and Fifty One only) Equity shares were transferred from PSPL ESOP Management Trust to the eligible employees, ex-employees and Independent Directors at an aggregate face value of ₹ 4.94 Million under various ESOP Schemes of the Company.

Your Company has ten ESOP Schemes under which stock options were granted to various permanent employees, Independent Directors and the employees of its subsidiary companies, details of which are given in Annexure A to this report.

Shares Suspense Account

During the financial year 2010-11, your Company opened an 'Unclaimed Securities Suspense Account' on behalf of the allottees who were entitled for the equity shares under the initial public offering and could not be transferred to the respective allottees due to technical / administrative reasons. Such shares were held in suspense account, which were to be transferred to them in case such allottee approached your Company. The details of equity shares held in an 'Unclaimed Securities Suspense Account' are as follows

Sr. No.	Particulars	Details
1.	Aggregate number of shareholders in the Unclaimed Securities Suspense Account lying at the beginning of the financial year 2010-11	586 Shareholders
2.	Aggregate number of the outstanding equity shares in the Unclaimed Securities Suspense Account lying at the beginning of the financial year 2010-11	24,400 Equity Shares
3.	Number of shareholders who approached issuer for transfer of shares from Unclaimed Securities Suspense Account during the financial year 2010-11	558 Shareholders
4.	Number of shareholders to whom shares were transferred from Unclaimed Securities Suspense Account during the financial year 2010-11	558 Shareholders (23,840 Equity Shares)
5.	Aggregate number of shareholders in the Unclaimed Securities Suspense Account lying at the end of the financial year 2010-11	28 Shareholders
6.	Aggregate number of outstanding equity shares in the Unclaimed Securities Suspense Account lying at the end of the financial year 2010-11	560 Equity Shares

Note – Voting rights on the above mentioned equity shares are remained frozen till the rightful owner of such equity shares claims the shares.

Institutional holding

As on March 31, 2011, the total institutional holding in your Company stood at 31.12%.

Subsidiary companies

During the period under report, your Company has five subsidiaries all of which are wholly owned subsidiaries viz. Persistent eBusiness Solutions Limited, India, Persistent Systems, Inc., USA, Persistent Systems Pte. Ltd., Singapore, Persistent Systems and Solutions Limited, India and Persistent Systems France SAS, France.

Subject to required approvals, the Board of Directors of your Company has approved merging of PeBS and PSSL with your Company. Your Company alongwith PeBS and PSSL is taking required steps for completing the merger process.

Persistent Systems France SAS, France

Your Company has been looking at expanding its business in new geographies. Towards this endeavour, the Company incorporated a wholly owned subsidiary Persistent Systems France SAS in France on April 11, 2011. Persistent Systems France SAS was primarily formed to explore the stragetic opportunities available to your Company in France. Persistent Systems France, SAS signed a definitive agreement to acquire Agilent Technologies' Software Marketing and development business based in Grenoble, France. Subject to customary closing conditions, the acquisition is expected to be completed finalised by August 1, 2011.

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 2010-11, PeBS recorded a total income of ₹ 56.44 Million (USD 1.24 Million) [previous year ₹ 63.79 Million (USD 1.35 Million)] and a net profit of ₹ 5.09 Million (USD 0.11 Million) [previous year ₹ 1.67 Million (USD 0.04 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 2010-11, PSI recorded a total income of ₹ 2,325.36 Million (USD 51.03 Million) [previous year ₹ 1,617.03 Million (USD 34.24 Million)] and a net profit of ₹ 21.72 Million (USD 0.48 Million) [previous year net loss of ₹ 18.98 Million (USD 0.40 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 2010-11, Persistent Systems Pte. Ltd., recorded a total income of ₹ 9.87 Million (USD 0.22 Million) [previous year ₹ 0.98 Million (USD 0.02 Million)] and a net profit of ₹ 1.28 Million (USD 0.03 Million) [previous year net loss of ₹ 9.98 Million (USD 0.21 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 2010-11, PSSL recorded a total income of ₹ 189.91 Million (USD 4.17 Million) [previous year ₹ 66.96 Million (USD 1.42 Million)] and a net profit of ₹ 24.40 Million (USD 0.54 Million) [previous year net profit of ₹ 7.04 Million (USD 0.15 Million)].

Consolidated financial statements

Consolidated financial statements of your Company and its subsidiaries as at March 31, 2011 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 / 2011-CL-III dated January 20, 2011 granted an exemption to your Company from attaching full financial statements of its four subsidiaries under Section 212 of the Companies Act, 1956.

Further, in terms of general Circular No. 2 / 2011 and No. 5/12/2007–CL–III dated February 8, 2011, the Ministry of Corporate Affairs has issued a direction under Section 212(8) of the Companies Act, 1956 granting general exemption to all the companies having subsidiaries and which require exemption from attaching the prescribed documents as mentioned in Section 212(1) of the Companies Act, 1956. Such exemption would be available to all the companies after fulfilling certain conditions prescribed in the above mentioned general circular.

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.

Awards and recognitions

Your Directors are glad to report that the Company continued its tradition of winning various awards. Your Company is proud receipt of the following awards during the period under report.

1. Samsung India Software Operations (SISO) 'Most Preferred Outsourcing Business Partner' Award for the year 2009.
2. Persistent's PaxPro Packaging Solution awarded the 'Consumer Goods Technology Reader's Choice Survey' Award for the fourth consecutive year.
3. Asia's 'Best Employer Brand Award' 2010-11 in the Western Region of India in the category 'Managing Health at the Workplace'.
4. Bloomberg UTV's CXO Awards 2010 - The IT Chapter, in 'India's Emerging Software Company of the Year' category.

5. Institute of Company Secretaries of India (ICSI) 'Excellence in Corporate Governance Award 2010'.
6. Institute of Chartered Accountants of India (ICAI) Award (Silver Shield) for Excellence in Financial Reporting for the year 2009-10.
7. Titanium Award at the Asset-Triple-A Corporate Awards 2010, for 'Excellence in Corporate Governance, Social Responsibility and Investor Relations'.
8. League of American Communication Professionals (LACP) 2010 Platinum Award and Gold-Debut Award for Persistent Systems Annual Report 2010, and ranked 9th in the top 100 communication designs for the year 2009-10.

Other Significant Events

The following were the significant events during the year under review

1. Your Company celebrated its 20th anniversary on May 30, 2010.
2. Your Company celebrated 5th anniversary of its Goa centre on October 7, 2010.
3. Your Company launched PaxPro, a comprehensive suite of brand asset lifecycle management solutions for consumer product companies. The solutions captures industry best practices for most brand management process, including Artwork & Labelling, Packaging Specifications, Marketing Materials Management, New Product Introduction and Print Management.

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 letter dated February 15, 2011, 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 2010-11 forms part of this Annual Report.

Outlook

Your Company is on the growth path.

Today, technology disruptions are forcing customers to either rebuild their products or create next-generation products to support the changes in the way businesses are governed and technology is being adopted.

The impact of Cloud is already being felt by the industry with the shift from 'software as a product' to 'software as a service'. According to IDC, Cloud Computing is a $ 166.2 Billion dollar market and is forecasted to grow by 26% annual rate between 2010 and 2013. Traditional ISVs lost between 10-20% of their revenue in the recent recession, while software-as-a-service (SaaS) based ISVs grew by 20% in the same period. Switching to a Cloud-based infrastructure is critical for ISVs as virtually every CIO today is investigating how to leverage Cloud-based applications.

Technology areas such as cloud computing, mobility, analytics and collaboration are set to redefine the market and will see your Company pay a vital role in delivering efficient, cost effective, time-to-market products.

Human resource management

Your Company continues to attract the best of talent in the industry. Your Company recruits from various engineering colleges in India for fresh talent. During the financial year 2010-11, your Company recruited about 3,403 employees on a consolidated basis (3,009 employees on standalone basis) consisting of regular employees, Trainees / Interns, Consultants, Business consultants, Contract consultants consisting of (technical and non-technical) professionals as a part of growth plan during the financial year ended March 31, 2011, 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 had 6,360 personnel (including trainees and associates) on a consolidated basis (5,689 personnel on standalone basis) as on March 31, 2011. The technical strength at present is 5,960 employees which comprise 5,248 graduates (Engineers and Technicians), 694 post graduates and 18 PhDs on a consolidated basis.

During the period under report, your Company welcomed a batch of around 448 new graduates in July 2010 through campus recruiting students with engineering background across the Company locations.

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 specifically for Grade 9.x and above, team building, personal effectiveness and foreign languages. The 2nd batch of around 38 employees successfully completed their Masters of Engineering degree program from the Post Graduate program offered at your Company in collaboration with the Birla Institute of Technology, Pilani during the year ended March 31, 2011.

With a view to drive competency improvements, upgrade skills across the organization, make employees more versatile for moving across projects, your Company started the Assessment Center. The Assessment Centre also helps establish a common reference within the organization for various skills and grades and provide additional unbiased input to the appraisal system and career growth. The Assessment Centre currently offers technical assessments for developers in grade 3.x and leads in 5.x, in different skills and technologies.

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 motivation and growth more proactively.

The attrition for the year under report was 19.58% as against 13.65% for the previous financial year 2009-10.

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

Corporate Social Responsibility encompasses within itself sustainability which means creating an awareness of climate change and social imbalance and demanded suitable action. The Company was promptly responsive to the call. Be it in infrastructure building or social initiatives, conservation, conscience and commitment became Company's watchwords.

Your Company conducts its business in a sustainable and socially responsible manner. This principle has been an integral part of your Company's corporate values for last two decades. Your Directors are committed to the safety and health of our employees, protecting the environment and the quality of life in all regions in which your Company operates.

Your Directors are convinced that the Company continued focus on sustainability will help to grow the long-term value of your Company and to realize our strategic priorities. Corporate social responsibility strengthens the motivation of your Company's employees and their identification with the Company – and thereby creates the basis for a strong global team.

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 program. Currently, 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 ₹ 10.77 Million to the Foundation, your Company made donations of ₹ 0.73 Million to various charitable institutions during the year, aggregating to ₹ 11.50 Million, about 1% of the consolidated net profit of the financial year 2009-10.

Report on CSR activities of Persistent Foundation during the financial year 2010-11 is given elsewhere in this Annual Report.

Employees' remuneration

In terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, the names and other particulars of the employees are set out in the Annexure to the Directors' Report. However, having regard to the provisions of Section 219 (1) (b) (iv) of the Companies Act, 1956, the Annual Report excluding the aforesaid information, is being sent to all the members of the Company and other entitled thereto. Any member interested in obtaining such particulars may write to the Company Secretary of the 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 Companies (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.

Carbon management and sustainable development provides businesses with some of the greatest opportunities towards sustainability. Your Company reduced carbon footprints by taking energy conservation measures. Your Company continues to take various measures on energy saving measures.

Your Company has continued to maximise the use of flat LCD monitors, VRV air-conditioning system, solar energy for hot water, LED logo on buildings, LED lighting in common areas, installation of power management software for desktops, WattMiser system in AHUs for conservation of energy. A building automation system has been implemented to control working of air conditioners and to make them more power efficient. Further, in view of your Company's commitment to green movement, your Company initiated the purchase of wind turbine.

During the previous financial year 2009-10, the Bureau of Energy (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 of which Bhageerath premises of your Company secured two stars rating.

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 Company's internal R&D unit has been recognized as R&D centre by Department of Scientific and Industrial Research (DSIR) during the year under review.

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

(In ₹ Million)

Particulars	2010-11	2009-10
Capital expenditure	8.80	-
Revenue expenditure	38.70	52.12
Total research and development expenditure	47.50	52.12
As % of total income	0.74%	1

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

(In ₹ Million)

Particulars	2010-11	2009-10
Revenue		
Earnings	5,607.12	4,743.64
Outgo	637.43	405.24
Capital items		
Outgo	103.64	107.67

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 Twenty First Annual General Meeting and have confirmed their eligibility and willingness to accept office, if reappointed. Further in terms of 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.

Fixed deposit

In terms of the provision of Section 58A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975, the Company has not accepted any fixed deposits during the year under review.

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 judgements 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, 2011, 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 and appreciation

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, Development Commissioners, Pune and Hyderabad, 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, Andhra Pradesh State Electricity Board, Maharashtra Industrial Development Corporation, Department of Revenue and Ministry of Information Technology.

Your Board also extends their thanks to Bank of India, Citibank NA, State Bank of India, HDFC Bank Limited, Syndicate Bank, Axis Bank, Bank of Tokyo Mitsubishi, Japan, BNP Paribas 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 13, 2011

Annexure A to the Report of the Directors

Details of the options granted under various employee stock option schemes as on March 31, 2011

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	1,606,449
Options exercised from vested options	1,601,992
Total number of Equity Shares arising as a result of full exercise of options granted	2,280,250
Options forfeited / lapsed / cancelled	672,704
Variations in terms of options	NIL
Money realised by exercise of options (purchase of Equity Shares)	11,428,827
Options outstanding (in force)	5,554
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	₹ 33.40

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 (Resigned)
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		230,177
Options exercised from vested options		214,987
Total number of Equity Shares arising as a result of full exercise of options granted		376,600
Options forfeited / lapsed / cancelled		138,057
Variations in terms of options		NIL
Money realised by exercise of options (purchase of Equity Shares)		6,381,073
Options outstanding (in force)		23,556
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		₹ 33.40

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	2,100	1,400
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	6,300	4,200 (Resigned)
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		637,657
Options exercised from vested options		490,546
Total number of Equity Shares arising as a result of full exercise of options granted		1,266,650
Options forfeited/ lapsed/ cancelled		406,066
Variations in terms of options		NIL
Money realised by exercise of options (purchase of Equity Shares)		21,459,209
Options outstanding (in force)		370,038
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		₹ 33.40

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	1,547,589
Options exercised from vested options	1,090,670
Total number of Equity Shares arising as a result of full exercise of options granted	3,479,125
Options forfeited/ lapsed/ cancelled	977,142
Variations in terms of options	NIL
Money realised by exercise of options (purchase of Equity Shares)	55,258,663
Options outstanding (in force)	1,411,313

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		₹ 33.40

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	21,000	14,000
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		657,025
Options exercised from vested options		461,663
Total number of Equity Shares arising as a result of full exercise of options granted		945,262
Options forfeited/ lapsed/ cancelled		275,941
Variations in terms of options		NIL
Money realised by exercise of options (purchase of Equity Shares)		22,307,118
Options outstanding (in force)		207,658
Person wise details of options granted to		
i.	Directors	NIL
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		₹ 33.40

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	355,468
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	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	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	₹ 33.40

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	311,160
Options exercised from vested options	212,784
Total number of Equity Shares arising as a result of full exercise of options granted	892,487
Options forfeited/ lapsed/ cancelled	456,050
Variations in terms of options	NIL
Money realised by exercise of options (purchase of Equity Shares)	11,945,882
Options outstanding (in force)	223,653
Person wise details of options granted to	
i. Directors	NIL
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	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	₹ 33.40

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	19,600	4,900
Mr. Sudhir Kulkarni (2006-07)	61,250	36,750	12,250
Mr. Manu Gupta (2006-07)	52,500	31,430	70 (Resigned)
Mr. Kiran Naik (2006-07)	35,000	NIL	35,000
Mrs. 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	12,250	NIL (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	NIL (Resigned)

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	14,000
Options exercised from vested options	12,250
Total number of Equity Shares arising as a result of full exercise of options granted	21,000
Options forfeited/ lapsed/ cancelled	3,500
Variations in terms of options	NIL
Money realised by exercise of options (purchase of Equity Shares)	1,181,040
Options outstanding (in force)	5,250
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	₹ 33.40

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	5,250	1,750
Mr. Ram Gupta (2007-08)[@]	7,000	3,500	NIL (Resigned)

[@] 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	118,196
Options exercised from vested options	2,482
Total number of Equity Shares arising as a result of full exercise of options granted	687,231
Options forfeited / lapsed / cancelled	214,051
Variations in terms of options	NIL
Money realised by exercise of options (purchase of Equity Shares)	271,731
Options outstanding (in force)	470,698
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	₹ 33.40

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	7,000 (Resigned)

ESOA X

Particulars	Details
Options granted	594,925
Pricing formula	Grant price of Options is Market Price, or such price including discount not exceeding 10% on the Market Price, as the Board / Committee may determine in accordance with the regulations and guidelines prescribed by the Securities and Exchange Board of India or other appropriate authority, from time to time
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	594,925
Options forfeited / lapsed / cancelled	47,000
Variations in terms of options	NIL
Money realised by exercise of options (purchase of Equity Shares)	NIL
Options outstanding (in force)	547,925
Person wise details of options granted to	
i. Directors	NIL
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	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	₹ 33.40

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. Ryan Trout (2010-11)	33,000	NIL	NIL (Resigned)
Mr. Peter Boler (2010-11)	33,000	NIL	33,000
Mr. Sanjeev Sisodiya (2010-11)	33,000	NIL	33,000
Mr. Paul Murphy (2010-11)	33,000	NIL	33,000
Mrs. Desiree Castillejos (2010-11)	33,000	NIL	33,000
Mr. Rangnath Puranik (2010-11)	56,000	NIL	56,000

Details of the Options granted to our Key Managerial Personnel including Company Secretary and Head-Legal under our ESOP Schemes (excluding ESOA VIII)

Sr. No.	Name of Key Managerial Person	ESOP I	ESOA II	ESOP III	ESOA IV	ESOA IX	Total
1.	Mr. Rajesh Ghonasgi	Nil	Nil	Nil	63,000	Nil	63,000
2.	Mr. Hari Haran	Nil	Nil	Nil	Nil	260,000	260,000
3.	Mr. Nitin Kulkarni	Nil	Nil	Nil	92,500	Nil	92,500
4.	Mr. Vivek Sadhale	7,875	875	3,150	28,600	Nil	40,500
	Total	7,875	875	3,150	184,100	260,000	456,000

Orchestrating Perfection

CORPORATE GOVERNANCE

Firm belief in good governance

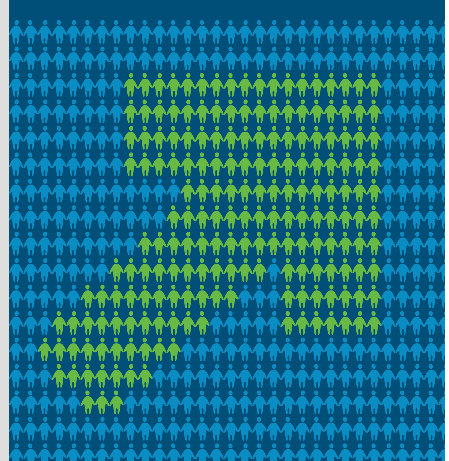
Transparency, integrity and business ethics are fundamental tenets of governance at Persistent Systems. We firmly believe that corporate growth and governance has a dialectical relationship.

Governance has tangible benefits and we have seen its impact. Our governance practices touch all our stakeholders, be it our shareholders, our customers, our employees, our vendor or regulatory bodies.

At Persistent Systems, we were early and voluntary adaptors of good governance practices. We inducted Independent Directors on the Board about a decade before we became a listed entity. We follow a strict code of conduct at the Board and Senior Management level. Even our Vendors have to execute our code of conduct, before we start doing business with them.

To us, governance is not merely a compliance, it is something we fundamentally believe in; it is part of our corporate DNA. We were obviously delighted to be part of marquee awards recognising our governance practices.

Focused on Growth



PERSISTENT

Committees of the Board*

Audit Committee

Mr. P. B. Kulkarni	: Chairman of the Committee and Independent Director
Mr. S. P. Deshpande	: Non-Executive Director
Mr. Kiran Umrootkar	: Independent Director

Compensation Committee

Mr. Prakash Telang	: Chairman of the Committee and Independent Director
Dr. Dinesh Keskar	: Independent Director
Mr. P. B. Kulkarni	: Independent Director
Prof. Krithivasan Ramamritham	: Independent Director

Executive Committee

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. Kiran Umrootkar	: Independent Director

Nomination and Governance Committee

Mr. P. B. Kulkarni	: Chairman of the Committee and Independent Director
Dr. Dinesh Keskar	: Independent Director
Mr. Prakash Telang	: Independent Director
Mr. Kiran Umrootkar	: Independent Director

Shareholders'/ Investors' Grievance Committee

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
Prof. Krithivasan Ramamritham	: Independent Director

*As on March 31, 2011

Report on Corporate Governance

Company's philosophy on Corporate Governance

"Corporate governance is the acceptance by management of the inalienable rights of shareholders as the true owners of the corporation and of their own role as trustees on behalf of the shareholders. It is about commitment to values, about ethical business conduct and about making a distinction between personal and corporate funds in the management of a Company."

Murthy Committee Report, 2003.

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.

Corporate governance practiced at the Company is not restricted to Board and audit committee. It is an approach to sustainable development. Good governance is an essential ingredient of good business. 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. It may be worth repeating that in the first year after Initial Public Offering, the Company has been recognised as one of the top five companies for excellence in Corporate Governance by the Institute of Company Secretaries of India.

1. Board of Directors

A. Size and composition of the Board

The Board of Directors of the Company has a combination 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. As on March 31, 2011, the Company's Board consists of seven Directors, of whom one is the Executive Director and six are Non-Executive Directors of which five are Independent Directors. The Board is headed by an Executive Director. Table 1 gives the composition of the Board and the number of outside directorships held by each of the Directors as on March 31, 2011.

Table 1 Board of Directors

Name of the Director and Directors' Identification Number (DIN)	Category	Directorships			Number of Committee positions held**	
		Indian Companies		Foreign Companies		
		Public*	Private		Chairman	Member
Dr. Anand Deshpande*** (DIN 00005721)	Chairman and Managing Director	2	NIL	2	NIL	1
Mr. S. P. Deshpande*** (DIN 00005776)	Non-Executive Director	NIL	NIL	NIL	NIL	2
Mr. Ram Gupta# (DIN 01762549)	Independent Director	N.A.	N.A.	N.A.	N.A.	N.A.
Dr. Promod Haque## (DIN 00124717)	Non-Executive Director	N.A.	N.A.	N.A.	N.A.	N.A.
Dr. Dinesh Keskar@ (DIN 02568771)	Independent Director	NIL	4	NIL	NIL	NIL
Mr. P. B. Kulkarni (DIN 00008451)	Independent Director	2	NIL	NIL	2	1
Prof. Krithivasan Ramamritham (DIN 00040686)	Independent Director	1	NIL	NIL	NIL	1
Mr. Prakash Telang@@ (DIN 00012562)	Independent Director	9	NIL	6	NIL	NIL
Mr. Kiran Umrootkar@@ (DIN 00326672)	Independent Director	1	2	NIL	NIL	1

* 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 relatives, none of the other Director is related with other Director.

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

Ceased to be the Director with effect from November 1, 2010.

@ Appointed as an Additional Director with effect from October 29, 2010

@@ Appointed as an Additional Director with effect from August 19, 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 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 as on March 31, 2011 is given below

Name of the Director	Category	Committee Membership*	Chairmanship in Committees*
Dr. Anand Deshpande	Chairman and Managing Director	2	NIL
Mr. S. P. Deshpande	Non-Executive Director	1	NIL
Dr. Dinesh Keskar@	Independent Director	2	NIL
Mr. P. B. Kulkarni	Independent Director	3	2
Prof. Krithivasan Ramamritham	Independent Director	1	NIL
Mr. Prakash Telang@@	Independent Director	2	1
Mr. Kiran Umrootkar@@	Independent Director	2	NIL

* Includes Committees (other than Audit Committee and Shareholders' / Investors' Grievance Committee) of all companies in India and abroad, including Persistent Systems Limited.

@ Appointed as an Additional Director with effect from October 29, 2010

@@ Appointed as an Additional Director with effect from August 19, 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; and

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 tele-conferencing or video conferencing. The President of Persistent Systems, Inc., the wholly owned subsidiary of the Company in the US, the Chief Operating Officer, the Chief Financial Officer and the Chief Planning 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. In terms of Clause 49(I)(c) of the Listing Agreement, the gap between two Board meetings has not exceeded four months. The maximum gap between two Board meetings held during the financial year 2010-11 was 3 months and 2 days.

During the financial year 2010-11, the Board of Directors met four times on April 23, 2010, July 21, 2010, October 21, 2010 and January 20, 2011. Further, certain decisions were taken by passing the resolutions by way of circulation on June 10, 2010, August 18, 2010, October 5, 2010, October 7, 2010, and October 29, 2010 and were subsequently ratified by the Board at its next meeting. Table 2 below gives the attendance record of the directors at the Board meetings and last Annual General Meeting held on July 20, 2010.

Table 2 Attendance of Directors at the Board Meetings and Annual General Meeting

Name of the Director	< ---------- Board Meetings ---------- >				Annual General Meeting held on July 20, 2010
	April 23 2010	July 21, 2010	October 21, 2010	January 20, 2011	
Dr. Anand Deshpande	Y	Y	Y	Y	Y
Mr. S. P. Deshpande	Y	Y	Y	Y	Y
Mr. Ram Gupta#	Y	N.A.	N.A.	N.A.	N.A.
Dr. Promod Haque##	Y	Y	Y	N.A.	Y
Dr. Dinesh Keskar@	N.A.	N.A.	N.A.	Y	N.A.
Mr. P. B. Kulkarni	Y	Y	AVC	Y	Y
Prof. Krithivasan Ramamritham	AVC	AVC	Y	AVC	N
Mr. Prakash Telang@@	N.A.	N.A.	Y	Y	N.A.
Mr. Kiran Umrootkar@@	N.A.	N.A.	Y	Y	N.A.

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

\## Ceased to be the Director with effect from November 1, 2010.

@ Appointed as an Additional Director with effect from October 29, 2010

@@ Appointed as an Additional Director with effect from August 19, 2010.

2. Committees of the Board of Directors

The Company has five Committees of the Board of Directors viz. Audit Committee, Shareholders' / Investors' Grievance Committee, Compensation Committee, Executive Committee and Nomination and Governance Committee as on March 31, 2011. The Committees have a combination of Executive, Non-Executive or Independent Directors. The Chairman of all Committees is an Independent Director.

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. The Board of Directors had revised constitution of the Committee vide resolution passed by the Board of Directors by way of circulation on October 5, 2010. 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 resolution passed at the meeting held on April 23, 2010.

The Audit Committee was constituted to ensure prudent financial and accounting practices, fiscal discipline and transparency in financial reporting. The Audit Committee has been reviewing the proposed implementation of International Financial Reporting Standards (IFRS) and road-map to implement the same. 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, 2011.

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. Kiran Umrootkar@	Independent Director

@ Appointed as an Additional Director with effect from August 19, 2010.

In addition to the Audit Committee members, the Chief Financial Officer, the Chief Operating Officer, the Chief Planning Officer, Internal Auditor, Statutory Auditors, HR and Administration Division Head, other executives and Divisional Heads are invited to the Audit Committee Meetings, on need basis.

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 judgement 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, re-appointment 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 non-payment 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 utilized 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 and background, etc. of the candidate; and
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 2010-11. Table 4 gives the details of the attendance of the members of the Audit Committee at its meetings held during the financial year 2010-11.

Table 4 Details of the attendance at the Audit Committee meetings held during the financial year 2010-11

Name of the Director	<------------------------------------ Audit Committee Meeting ------------------------------------>			
	April 21, 2010	July 20, 2010	October 20, 2010	January 19, 2011
Mr. P. B. Kulkarni	Y	Y	AVC	Y
Mr. S. P. Deshpande	Y	Y	Y	Y
Mr. Ram Gupta#	Y	N.A.	N.A.	N.A.
Mr. Kiran Umrootkar@	N.A.	N.A.	Y	Y

Ceased to be the Director with effect from June 8, 2010.
@ Appointed as an Additional Director with effect from August 19, 2010 and appointed as member of Committee vide resolution passed by way of circulation by Board of Directors on October 5, 2010.

B. Shareholders' / Investors' Grievance Committee

Brief description of terms of reference

The Shareholders' / Investors' Grievance Committee was constituted on October 4, 2007. The Board of Directors had revised the constitution of the Committee vide resolution passed at the meeting of the Board of Directors held on January 20, 2011. The Committee specifically looks into the redressal of shareholders' and investors' complaints such as transfer of shares, non-receipt of Balance Sheet, non-receipt of declared dividends.

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, 2011.

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
Prof. Krithivasan Ramamritham	Independent 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 non-receipt of Balance Sheet, non-receipt 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 Share Transfer Agent including appointment of new Registrar and Share 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 within terms of reference.

Meetings and attendance

The Committee meets as and when need arises. No meeting of the Committee was held during the financial year 2010-11. However, certain decisions were taken by passing the resolutions by way of circulation on June 21, 2010 and October 26, 2010 and were subsequently ratified by the Board at its next meeting.

During the financial year 2010-11, the Company received some complaints from the shareholders / investors. Table 6 gives the status of the investor complaints for the financial year 2010-11

Table 6 Status of Investor Complaints for the financial year 2010-11

Nature of investor complaints	Opening Balance	Additions	Disposal	Closing Balance
Non-IPO Related				
Non-Receipt of Dividend	0	2	2	0
Total	0	2	2	0
IPO Related				
Non-Receipt of refund	0	196	196	0
Non-Receipt of refund through ECS	0	11	11	0
Non-Receipt of Shares	0	176	176	0
Correction in Refund Order	0	149	149	0
Total	0	532	532	0

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. Compensation Committee

Brief description of terms of reference

The Compensation Committee of the Board was constituted on April 23, 2004. In terms of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("SEBI ESOP Guidelines"), the Company reconstituted Compensation Committee for the administration and superintendence of the employee stock options schemes on October 4, 2007.

The Board of Directors had approved merging of the Compensation Committee and the Remuneration Committee at its meeting held on April 23, 2010 and renamed the merged Committee as the Compensation Committee which was further reconstituted vide resolution passed by the Board by way of circulation on October 5, 2010 and at the meeting of the Board of Directors held on January 20, 2011.

Also, consequent of merger of Remuneration Committee and Compensation Committee, the Board of Directors had revised the terms of reference of the Compensation Committee vide resolution passed at the meeting of the Board of Directors held on April 23, 2010.

The Chairman of the Committee is an Independent Director. Table 7 gives the composition of the Compensation Committee of the Board of Directors as on March 31, 2011.

Table 7 Composition of the Compensation Committee

Name of the Director	Category
Mr. Prakash Telang@	Chairman of the Committee and Independent Director
Dr. Dinesh Keskar@@	Independent Director
Mr. P. B. Kulkarni	Independent Director
Prof. Krithivasan Ramamritham	Independent Director

@ Appointed as an Additional Director with effect from August 19, 2010.

@@ Appointed as an Additional Director with effect from October 29, 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;

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

xii. To advise the Board in framing remuneration policy for key managerial persons of the Company from time to time;

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

xiv. To attend any other responsibility as may be entrusted by the Board.

Remuneration policy

i. The remuneration of Managing Directors is divided in the following proportion

a. Fixed portion which is 60% of the Annual Gross Salary.

b. Variable portion by way of Bonus which is 40% of the Annual Gross Salary. The variable portion of the remuneration is payable in terms of the targets set for various parameters including consolidated revenue and consolidated net profits.

c. Such perquisites and benefits as authorised by the resolution passed by members of the Company from time to time.

ii. The Non-Executive Independent Directors are entitled to payment of commission at a sum not exceeding 1% per annum of net profits and eligible Non-Executive Independent Directors are entitled for Employee Stock Options under ESOA - VIII and ESOA - X Schemes of the Company.

iii. 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 Compensation Committee of the Board of Directors within the range of the remuneration approved by the members.

Table 8 and Table 9 gives details of remuneration paid to Executive and Non-Executive Independent Directors of the Company respectively, in the financial years 2009-10 and 2010-11.

Table 8 Remuneration to Executive Director (In ₹ 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	2011	4.76	3.63	0.66	0.09	9.14
		2010	3.85	3.11	0.52	0.15	7.63

Dr. Anand Deshpande was appointed as the Chairman and Managing Director of the Company for a period of five years with effect from April 1, 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 within the limits prescribed by them under the above resolution.

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 ₹ 3.85 Million as a commission and ₹ 0.25 Million as sitting fee to the Independent Directors for the financial year 2010-11. Neither remuneration / commission nor any sitting fee was paid to Mr. S. P. Deshpande, Non-Executive Non-Independent Director, during the financial year 2010-11.

Table 9 Remuneration to Directors other than Executive Director (In ₹ Million)

Name of the Directror	Category	Year ended March 31,	Salary and Allowance	Commission	Sitting fees	Total
Mr. S. P. Deshpande#	Non-Executive Director	2011	N.A.	Nil	Nil	Nil
		2010	1.01	0.560	Nil	1.570
Mr. Ram Gupta##	Independent Director	2011	N.A.	1.190	0.03	0.220
		2010	N.A.	0.603	0.06	0.663
Dr. Dinesh Keskar@	Independent Director	2011	N.A.	0.423	0.01	0.433
		2010	N.A.	N.A.	N.A.	N.A.
Mr. P. B. Kulkarni	Independent Director	2011	N.A.	1.003	0.11	1.123
		2010	N.A.	0.603	0.18	0.783
Prof. Krithivasan Ramamritham	Independent Director	2011	N.A.	1.003	0.01	1.013
		2010	N.A.	0.603	0.03	0.633
Mr. Prakash Telang@@	Independent Director	2011	N.A.	0.618	0.04	0.658
		2010	N.A.	N.A.	N.A.	N.A.
Mr. Kiran Umrootkar@@	Independent Director	2011	N.A.	0.618	0.05	0.668
		2010	N.A.	N.A.	N.A.	N.A.
		2011	N.A.	3.855	0.25	4.115
		2010	1.01	2.369	0.27	3.649

\# Retired from day-to-day administration of the Company effective from November 1, 2009 (end of working hours of October 31, 2009) and currently on the Board of Directors of the Company as a Non-Executive Director.

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

@ Appointed as an Additional Director with effect from October 29, 2010

@@ Appointed as an Additional Director with effect from August 19, 2010.

In terms of internal policy of Norwest Venture Partners FVCI - Mauritius, Dr. Promod Haque, who resigned from the directorship of the Company with effect from November 1, 2010, had voluntarily decided not to accept sitting fees as well as commission during the financial year 2008-09, 2009-10 and 2010-11.

Reimbursements have been provided to Mr. Ram Gupta, Dr. Promod Haque, Dr. Dinesh Keskar, Prof. Krithivasan Ramamritham, Mr. Prakash Telang and Mr. Kiran Umrootkar for travel and / or 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, 2011 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. P. B. Kulkarni*	Independent Director	2011	12,550	1,750
		2010	10,800	3,500
Prof. Krithivasan** Ramamritham	Independent Director	2011	10,500	3,500
		2010	10,500	3,500
		2011	23,050	5,250
		2010	21,300	7,000

* 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 non-pecuniary relationship between the Independent Non-Executive Directors vis-a-vis the Company except as stated above.

Meetings and attendance

The Compensation Committee meets in the first quarter of the financial year to recommend the remuneration to be paid to the Managing Director and Executive Director/s of the Company and to advice the Board in framing remuneration policy for key managerial persons of the Company from time to time. Apart from this, the Compensation Committee meets as and when there is any business to be transacted which has been assigned to it.

Committee meetings were held on April 23, 2010 and January 20, 2011 during the financial year 2010-11. However, certain decisions were taken by passing the resolutions way of circulation. The said resolutions were subsequently ratified by the Board at its next meeting. Table 11 gives the details of the attendance of the members of the Compensation Committee at its meetings held during the financial year 2010-11.

Table 11 Details of the attendance at the Compensation Committee meetings during the financial year 2010-11

Name of the Director	< ------------ Compensation Committee Meeting --------------- >	
	April 23, 2010	January 20, 2011
Mr. Prakash Telang@	N.A.	Y
Dr. Promod Haque#	Y	N.A.
Dr. Dinesh Keskar@@	N.A.	N.A.
Mr. P. B. Kulkarni	Y	Y
Prof. Krithivasan Ramamritham	AVC	AVC

@ Appointed as an Additional Director with effect from August 19, 2010 and appointed as member of Committee vide resolution passed by way of circulation by Board of Directors on October 5, 2010.

@@ Appointed as an Additional Director with effect from October 29, 2010 and appointed as member of the Committee vide Board resolution dated January 20, 2011.

\# Ceased to be the Director with effect from November 1, 2010.

D. 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 the constitution of the Committee vide resolution passed by circulation on October 5, 2010. 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, 2011.

Table 12 Composition of the Executive 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. Kiran Umrootkar@	Independent Director

@ Appointed as an Additional Director with effect from August 19, 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 ₹ 25 Crores;
x. as per the policy approved by the Board;
xi. To approve transactions relating to foreign exchange exposure including but not limited to forward cover and derivative products;
xii. To approve donations as per the policy approved by the Board;
xiii. To delegate authority to the Company officials to represent the Company at various courts, government authorities and so on; and
xiv. 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 2010-11. However, certain decisions were taken by passing the resolutions by way of circulation on March 4, 2011 and March 10, 2011 and were subsequently ratified by the Board at its next meeting.

E. 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 Board of Directors had revised constitution of the Committee vide resolution passed by the Board by way of circulation on October 5, 2010 and at the meeting of the Board of Directors held on January 20, 2011.

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, 2011.

Table 13 Composition of the Nomination and Governance Committee

Name of the Director	Category
Mr. P. B. Kulkarni	Chairman of the Committee and Independent Director
Dr. Dinesh Keskar@	Independent Director
Mr. Prakash Telang@@	Independent Director
Mr. Kiran Umrootkar@@	Independent Director

@ Appointed as an Additional Director with effect from October 29, 2010.
@@ Appointed as an Additional Director with effect from August 19, 2010.

The Committee is 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 is 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 judgement;
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

The Nomination and Governance Committee meets in the first quarter of the financial year to recommend to the Board the Directors retiring by rotation to be reappointed at the Annual General Meeting. Apart from this, the Nomination and Governance Committee meets as and when there is any business to be transacted which has been assigned to it.

Two meetings of the Committee were held on April 21, 2010 and January 20, 2011. Additionally, one meeting was held on July 21, 2010, through tele-conference, during the financial year 2010-11. Further, certain decisions were taken by passing the resolution by way of circulation on October 1, 2010 and were subsequently ratified by the Board at its next meeting. Table 14 gives attendance record of members of the Committee at its in-person meeting held during the financial year 2010-11.

Table 14 Attendance at the Nomination and Governance Committee meetings held during the financial year 2010-11

Name of the Director	<-------------- Nomination and Governance Committee Meetings -------------->	
	April 21, 2010	January 20, 2011
Mr. P. B. Kulkarni	Y	Y
Mr. Ram Gupta#	Y	N.A.
Dr. Dinesh Keskar@	N.A.	N.A.
Prof. Krithivasan Ramamritham	AVC	AVC
Mr. Prakash Telang@@	N.A.	Y
Mr. Kiran Umrootkar@@	N.A.	Y

\# Ceased to be the director with effect from June 8, 2010.

@ Appointed as an additional director with effect from October 29, 2010. Further due to reconstitution of the Committee, Dr. Dinesh Keskar became member of the Committee with effect from January 20, 2011.

@@ Appointed as an additional director with effect from August 19, 2010.

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 looks 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 as on March 31, 2011

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. Ltd.	Singapore	100%
Persistent Systems and Solutions Limited	India	100%

4. General meeting details

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

Financial year	Date	Time	Venue
2007-08	July 30, 2008	4.00 p.m.	Persistent Systems Limited, Dewang Mehta Auditorium, Bhageerath, 402 Senapati Bapat Road, Pune 411 016
2008-09	July 22, 2009	4.00 p.m.	Persistent Systems Limited, Dewang Mehta Auditorium, Bhageerath, 402 Senapati Bapat Road, Pune 411 016
2009-10	July 20, 2010	4.00 p.m.	Persistent Systems Limited, Dewang Mehta Auditorium, Bhageerath, 402 Senapati Bapat Road, Pune 411 016

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

Date of AGM	No.	Details of Special Resolution
July 30, 2008		Issue of Equity Shares not exceeding 6.5 Million of ₹ 10 each of an aggregate face value of ₹ 65.00 Million through Initial Public Offer (IPO) of the Company.
July 22, 2009		No Special Resolution was passed.
July 20, 2010	i.	Create, offer, issue, transfer and allot at any to or for the benefit of such person(s) who are in permanent employment of the Company, including Directors of the Company, whether part time or full time, whether working in India or out of India, except to Promoters or members of Promoter Group under scheme titled “ Employee Stock Option Award-X” (hereinafter referred to as the “ESOA - X”), such number of stock options which could give rise to the transfer of Equity Shares not exceeding 910,000 (Nine Lakh Ten Thousand only) Equity Shares from PSPL ESOP Management Trust at such price, in one or more tranches and on such terms and conditions as may be fixed or determined by the Board of directors in accordance with the ESOA – X Guidelines or other provisions of the law as may be prevailing at that time.

Date of AGM	No.	Details of Special Resolution
	ii.	Extend the benefits of Employees Stock Option Award – X (“ESOA – X”) proposed in the resolution as mentioned in point (i) above, to the eligible employees / directors of the subsidiary companies, except to Promoters or Promoter Group, as may from time to time be allowed under prevailing laws, rules and regulations, and/ or amendments thereto from time to time, on such terms and conditions as may be decided by the Board of Directors.

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

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

5. Disclosures

A. Code of conduct

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 Code of Conduct is an annual declaration that helps to maintain high standards of ethical business conduct for the Company. 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 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 forms part of 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. The policy also provides for direct access to the Chairman of the Audit Committee.

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

During the financial year 2010-11, 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 (ICAI) 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 utilization thereof

During 2009-10, the Company raised funds through an Initial Public Offering (IPO) of 4,139,000 Equity Shares of ₹ 10 each as fresh issue and 1,280,706 equity shares of ₹ 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 ₹ 300 per share. The issue was open for subscription from March 17, 2010 to March 19, 2010. An amount of

₹ 1,283.09 Million was raised by the Company through fresh issue of shares in the IPO. All the expenses associated with the IPO 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.

Net proceeds to the Company from IPO (In ₹ Million)

Particulars	Amount
Public Issue Offering [fresh issue + offer for sale]	1680.11
Less: Offer for sale by selling shareholders	397.02
Net proceeds to the Company from fresh issue	1283.09
Less: Company's share of expenses incurred towards IPO	82.49
Net proceeds to the Company from IPO	1200.60

The utilisation of IPO proceeds from fresh issue of shares as on March 31, 2011 is as below (In ₹ Million)

Sr. No.	Project	Amount utilised from the Net Proceeds
1.	Establishment of development facilities	203.91
2.	Capitalisation of subsidiaries for establishing development facilities	29.59
3.	Procuring hardware	92.92
4.	Fund expenditure for general corporate purposes	71.60
		398.02

G. Details of non-compliance

Details of non-compliance 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 March 31, 2011 – 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 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 2010-11 has been provided under the details of the Compensation 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 constantly communicates 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 Clause 41 of the Listing Agreement, the complete audited financial statements are published on the Company's website (www.persistentsys.com) under 'Investor Relations' Section. The transcripts of call with analysts are also available on the Company's website.

The Company uses a wide array of communication tools including face-to-face, online and offline channels to ensure that information reaches all our stakeholders in their preferred medium.

The table below gives the snapshot of the communication channels used by the Company to communicate with its stakeholders

Particulars	Board Meetings	Shareholder Meetings	Formal Notices	Website Information	Press / Web Releases	E-mails	Annual Reports
Board of Directors	✓	✓	✓	✓	✓	✓	✓
Shareholders	-	✓	✓	✓	✓	-	✓
Employees	-	-	-	✓	✓	✓	✓
Financial Analysts	-	-	-	✓	✓	✓	✓
General Public	-	-	-	✓	✓	-	-
Frequency	Quarterly	Annual	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing

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 Monday, July 18, 2011 at Persistent Systems Limited, Dewang Mehta Auditorium, Bhageerath, 402 Senapati Bapat Road, Pune 411 016 at 9:30 Hrs. (IST)

iv. Record Date : Friday, July 15, 2011

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

The members may communicate investor complaints to the Company Secretary on the above-mentioned address.

vi. Dividend payment date

The Company had declared an interim dividend in its Board meeting held on January 20, 2011 for the financial year 2010-11 to those members whose names were appearing in the Register of Members on February 2, 2011. The Board of Directors has recommended a final dividend of ₹ 1.50 per equity share for the financial year 2010-11 at its meeting held on April 17, 2011 and concluded on April 18, 2011. If approved by the members in Annual General Meeting, dividend will be paid to those members of the Company whose names would appear in the register of members on July 15, 2011.

vii. Unclaimed Dividend

According to the provisions of the Companies Act, 1956, if the amount in the dividend account remained unclaimed for a period of 7 years from the date of its disbursement, then same has to be transferred to the Investor Education and Protection Fund (IEPF) maintained by the Central Government.

Following are the details of the unclaimed dividend, if not claimed within the period of 7 years then same will be transferred to IEPF in accordance with the schedule given below

Financial Year	Date of declaration of dividend and type of dividend	Total Dividend (in ₹)	Unclaimed Dividend as on March 31, 2011 (in ₹)	Due date for transfer of unclaimed dividend to Investor Education and Protection Fund (IEPF)
2010-11	January 2011 - Interim	160,000,000	133,048.00	February 24, 2018
2009-10	July 2010 - Final	20,000,000	55,312.50	August 24, 2017
2009-10	April 2010 - Interim	60,000,000	68,664.00	May 29, 2017

viii. 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 fees for the Financial Year 2011-12 have been paid both for NSE and BSE.

The ISIN of the Company for its shares is INE262H01013.

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

Registrar and Share Transfer Agent

Link Intime India Private Limited
(Unit – Persistent Systems Limited)
Website : www.linkintime.co.in
Contact Person: Mr. Bhagwant Sawant
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 : persistent@linkintime.co.in

Depositories of the Company

a. National Securities Depository Limited
4th and 5th Floor, 'A' Wing, Trade World
Kamala Mills Compound, Senapati Bapat Marg
Lower Parel, Mumbai 400 013, India.
Tel. : +91 (22) 2499 4200
Fax : +91 (22) 2497 6351
E-mail : info@nsdl.co.in
Website : www.nsdl.co.in

b. Central Depository Services (India) Limited
Phiroze Jeejeebhoy Towers
16th Floor, Dalal Street
Fort, Mumbai 400 001, India.
Tel. : +91 (22) 2272 3333
Fax : +91 (20) 2272 3199
E-mail : investors@cdslindia.com
Website : www.cdslindia.com

x. 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 the financial year 2002-03, one equity share of ₹ 100 was sub-divided into 10 fully paid equity share of ₹ 10 each.

xi. Legal Proceedings

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

xii. 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 mentioned above.

As on March 31, 2011, 39,816,517 Equity Shares comprising 99.54% of the Company's shares are held in dematerialised form.

xiii. Share Transfer System

The Company has 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.

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 under this report.

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.

xiv. Distribution of shareholding as on March 31, 2011

Shareholding of nominal value	Shareholders	Percentage	Nominal value of Equity Shares (in ₹)	Percentage
1 – 5000	29,004	96.29	13,741,470	3.43
5001 – 10000	401	1.33	3,144,530	0.79
10001 – 20000	231	0.77	3,455,540	0.86
20001 – 30000	114	0.38	2,836,450	0.71
30001 – 40000	84	0.28	2,909,850	0.73
40001 – 50000	45	0.15	2,049,480	0.51
50001 – 100000	101	0.33	7,225,770	1.81
100001 and above	139	0.47	364,636,910	91.16
	30,119	100.00	400,000,000	100.00

xv. Shareholding pattern as on March 31, 2011

Sr. No.	Category of Shareholders	No. of Shareholders	No. of Equity Shares	Nominal Value of Equity Shares (in ₹)	Percentage
1	Promoters	2	15,187,250	151,872,500	37.97
2	Promoters Group	5	366,650	3,666,500	0.92
3	Institutions				
a	Mutual Funds	27	1,332,845	13,328,450	3.33
b	Financial Institutions / Banks	3	5,850	58,500	0.01
c	Foreign Institutional Investors	22	2,659,850	26,598,500	6.65
d	Foreign Venture Capital Investors	2	7,348,297	73,482,970	18.37
e	Foreign Company	2	1,100,277	11,002,770	2.75
4	Non-institutions				
a	Bodies Corporate	406	553,657	5,536,570	1.38
b	Individuals	29,127	6,943,345	69,433,450	17.37
c	Any other				
i	NRI	425	391,458	3,914,580	0.98
ii	Trust	6	4,061,628	40,616,280	10.15
iii	Directors	2	23,050	230,500	0.06
iv	Clearing Members	90	25,843	258,430	0.06
		30,119	40,000,000	400,000,000	100.00

xvi. Shareholders (other than Promoters) holding more than 1% of the share capital as on March 31, 2011

Shareholder's name	No. of Shares	Percentage of holding
Norwest Venture Partners FVCI – Mauritius	5,404,581	13.51
PSPL ESOP Management Trust*	4,032,967	10.08
Gabriel Venture Partners II (Mauritius)	1,943,716	4.86
Smallcap World Fund, Inc.	1,466,000	3.67
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
The Royal Bank of Scotland Plc as Depository of First State Indian Subcontinent Fund A Sub Fund of First State Investments ICVC	422,700	1.06

* Shares held by Mr. Prabhakar Bhagwant Kulkarni jointly with Mr. Rajesh Bhimrao Ghonasgi, as trustees of PSPL ESOP Management Trust

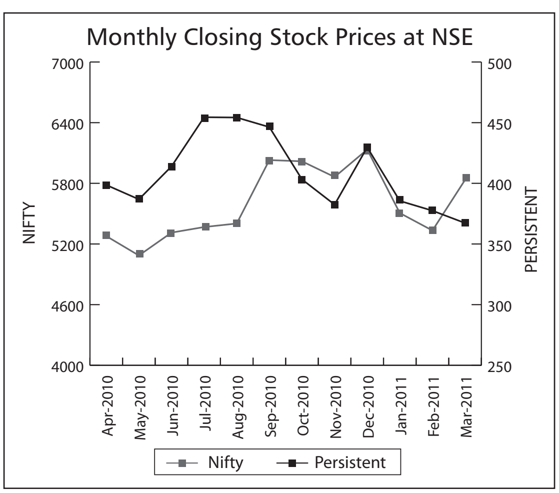
xvii. Market Price Data

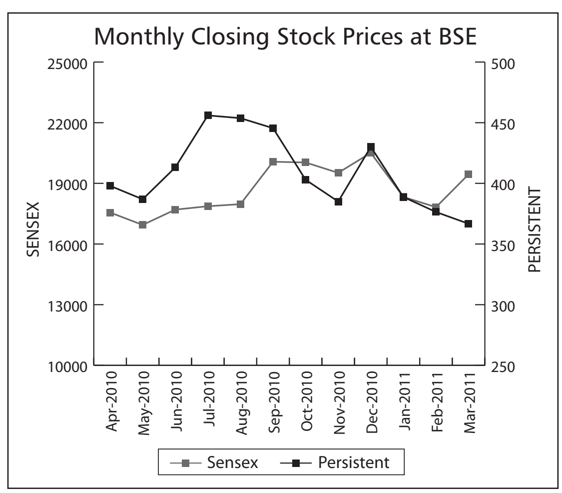
The equity shares of the Company were listed on the National Stock Exchange of India Limited (NSE) and the Bombay Stock Exchange Limited (BSE) on April 6, 2010. Accordingly, the highest traded price and the lowest traded price and total volume for the period from April 6, 2010 to March 31, 2011 on a monthly basis are as below

Month ended	BSE			NSE		
	High (₹)	Low (₹)	Total Volume (No.)	High (₹)	Low (₹)	Total Volume (No.)
April 2010	448.00	382.65	22,428,659	447.30	361.60	34,608,974
May 2010	404.70	365.00	1,093,168	404.45	360.20	1,828,264
June 2010	423.80	370.35	1,211,995	423.45	370.00	1,612,334
July 2010	504.00	435.00	2,784,153	504.70	440.00	4,325,662
August 2010	496.90	450.25	1,675,997	497.90	451.20	2,731,214
September 2010	474.00	400.55	1,647,798	474.80	380.00	2,445,492
October 2010	454.20	395.00	467,684	454.00	395.00	892,366
November 2010	424.90	373.25	455,939	425.00	371.55	827,271
December 2010	444.00	370.00	262,921	440.00	375.00	590,042
January 2011	467.15	381.80	566,730	467.70	382.05	1,055,298
February 2011	407.70	371.00	220,243	412.00	372.55	541,937
March 2011	409.40	337.05	339,095	411.00	335.00	718,472

(Source: www.bseindia.com and www.nseindia.com)

Graphical presentation of movement of Company's stock price as compared to Nifty and Sensex from April 6, 2010 to March 31, 2011.





xviii. American Depository Receipts / Global Depository Receipts / Warrants

As on March 31, 2011, 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 2010-11.

xix. Plant locations

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

xx. Calendar for financial reporting for the quarters in the financial year 2011-12 (tentative and subject to change)

Quarter Ending	Proposed date of meeting of the Board
June 30, 2011	July 18, 2011
September 30, 2011	October 17, 2011
December 31, 2011	January 16, 2012
March 31, 2012	April 16, 2012

8. ESOP Schemes of the Company

The status of various ESOP schemes as on March 31, 2011 is shown in the following table

Particulars		<------ Plans ------>										
		I	II	III	IV	V	VI	VII	VIII	IX	X	Total
Granted	a	2,280,250	376,600	1,266,650	3,479,125	945,262	608,125	892,487	21,000	687,231	594,925	11,151,655
Vested	b	1,606,449	230,177	637,657	1,547,589	657,025	355,468	311,160	14,000	118,196	-	5,477,721
Encashed and Exercised	c	1,601,992	214,987	490,546	1,090,670	461,663	296,624	212,784	12,250	2,482	-	4,383,998
Vested & Not exercised (b-c)	d	4,457	15,190	147,111	456,919	195,362	58,844	98,376	1,750	115,714	-	1,093,723
Lapsed	e	672,704	138,057	406,066	977,142	275,941	215,250	456,050	3,500	214,051	47,000	3,405,761
Not Vested (a – c - d - e)	f	1,097	8,366	222,927	954,394	12,296	37,407	125,277	3,500	354,984	547,925	2,268,173
Total Outstanding (d + f)	g	5,554	23,556	370,038	1,411,313	207,658	96,251	223,653	5,250	470,698	547,925	3,361,896
Weighted Average remaining contractual life (in years)		Note 1*	9.73	Note 1*	11.7	Note 1*	10.74	11.75	3.46	12.15	6.63	-
Weighted Average fair value of options granted (in ₹)		9.37	47.52	58.47	83.07	51.06	50.11	117.05	143.57	137.05	401.41	-

* Note 1: No contractual life is defined in the schemes.

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 has proactively and voluntarily prepared the 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. The Corporate Governance Handbook is updated on an 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, New Delhi vide their letter dated February 15, 2011 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 had received ISO 9001: 2008 Certification.

13. Awards and recognitions for Corporate Governance for the year 2009-10.

a. The Company was recognized as one of the top five companies for Excellence in Corporate Governance by the Institute of Company Secretaries of India for the year 2009-10 at the National Award ceremony on December 16, 2010. The Company was conferred the Certificate of Recognition for the Company's dynamic leadership in imbibing a culture of good governance practices in the organization and contribution made by Mr. Vivek Sadhale, Company Secretary in advising the Company towards promoting good governance practices and procedures.

b. The Company won the Titanium Award at the Asset Triple A Corporate Awards 2010 for Excellence in Corporate Governance, Social Responsibility and Investor Relations.

14. Recognition by the Institute of Chartered Accountants of India (ICAI), New Delhi for Financial Reporting

The Company was recognised with Silver Shield Award by the Institute of Chartered Accountants of India for excellence in financial reporting for the year 2009-10.

15. Secretarial standards

The Company substantially complies with the Secretarial Standards issued by the Institute of Company Secretaries of India (ICSI).

16. Corporate Governance Voluntary Guidelines, 2009

The Company substantially follows the Corporate Governance Voluntary Guidelines, 2009 issued by the Ministry of Corporate Affairs.

17. Corporate Social Responsibility Voluntary Guidelines, 2009 issued by the Ministry of Corporate Affairs

The Company follows the Corporate Social Responsibility Voluntary Guidelines, 2009 issued by the Ministry of Corporate Affairs in the letter as well as spirit.

18. Vendor Code of Conduct

In line with the best international governance practices, the Company has prepared 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.

19. Miscellaneous

Shareholders holding shares in physical form are requested to notify to Link Intime India Private Limited, Registrar and Share Transfer Agent about 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, if any, etc., directly to their Depository Participants (DP) as the same are maintained by respective DPs.

Non-resident shareholders are requested to notify to Link Intime India Private Limited at the earliest on the following

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.

20. 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 being required to go through the process of obtaining Succession Certificates / Probate of the Will, etc. It would therefore, be in the best interest 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 Share 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 information, 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 information, 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 period 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. The Company's other certifying officers and 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. The Company's other certifying officers and 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; and

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

7. There was no change in accounting policies during the year;
8. 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
9. We further declare that all Board members and senior managerial personnel have affirmed compliance with the Code of Conduct for the financial year 2010-11.

For and on behalf of the Board of Directors

Dr. Anand Deshpande	Rajesh Ghonasgi
Chairman and Managing Director	Chief Financial Officer

Pune, June 13, 2011

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, 2011. 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 and the following is the observation in respect of Audit committee meeting held on October 20, 2010.

In terms of clause 49 (II)(B) of the Listing Agreement, 2 Independent Directors needs to be present to form a quorum for the Audit Committee Meeting. At the Audit committee meeting held on October 20, 2010, Mr. P. B. Kulkarni, Chairman of the Audit Committee attended the meeting through tele-conference and Mr. Kiran Umrootkar, Independent Director and Mr. S. P. Deshpande, Non-Executive Director attended the meeting in person.

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, June 13, 2011

Analysing Intelligently

ANALYTICS

Making sense of data deluge

We are getting overwhelmed by data. The proliferation of sensors and personal data capture devices, low cost of storage, coupled with the exponential growth of the internet, has meant that very large amounts of data is being captured, stored and is all available online.

More than 80% of the new data being collected is unstructured documents, images and video.

Businesses are able to derive competitive benefit by successfully analysing large amounts of public data in real-time.

The need to derive business insights, despite the diversity of data structures, sheer size of the data and complexity of real-time processing, has made Analytics an important business requirement.

Analytics is challenging. As a result, it is critical to develop products and tools to analyse data and to provide meaningful information to business leaders, scientists, doctors, etc. Traditional data management tools such as relational databases are not adequate to handle today's analytics needs. We at Persistent are working on next generation products and tools to handle and analyse large complex data systems.

Some of the data management trends we observe are:

- **Data on the cloud and available as a service is redefining business models.**
- **Processing unstructured data is moving beyond search and from the internet to the enterprise.**
- **New techniques, beyond relational databases, are getting developed to analyse large volumes of semi-structured data typically generated by sensors and logs and classified as 'big data'.**
- **Visualisation is important to make sense of large volumes of data. New technologies and interaction paradigms are taking visualisation beyond graphs and charts.**

The integration of enterprise data, aggregated data and public data available as a service and on the cloud will have a significant impact on Analytics of the future.

Voluntary Secretarial Compliance Certificate

CIN: L72300PN1990PLC056696

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, Equity Listing Agreement (Listing Agreement) with Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE) and also the provisions contained in the Memorandum and Articles of Association of the Company for the period from April 1, 2010 to March 31, 2011. 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 the Central Government, within the time prescribed under the Act and the rules made there under;

3. The Board of Directors duly met 4 (Four) times on April 23, 2010, July 21, 2010, October 21, 2010 and January 20, 2011 in respect of which proper notices were given and proceedings were properly recorded and signed in the Minutes Book maintained for the purpose of including the circular resolutions passed;

4. The Audit Committee of the Board of Directors duly met 4 (Four) times on April 21, 2010, July 20, 2010, October 20, 2010 and January 19, 2011 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.	April 21, 2010	2 (Two) Independent Directors, 1 (One) Non-Executive Director
2.	July 20, 2010	1 (One) Independent Director, 1 (One) Non-Executive Director
3.	October 20, 2010#	2 (Two) Independent Directors, 1(One) Non-Executive Director
4.	January 19, 2011	2 (Two) Independent Directors, 1 (One) Non-Executive Director

In terms of clause 49 (II)(B) of the Listing Agreement, 2 Independent Directors need to be present to form a quorum for the Audit Committee Meeting. At the Audit committee meeting held on October 20, 2010, Mr. P. B. Kulkarni, Chairman of the Audit Committee attended the meeting through tele-conference and Mr. Kiran Umrootkar, Independent Director and Mr. S. P. Deshpande, Non-Executive Director attended the meeting in person.

5. The Shareholders' / Investors' Grievance Committee of the Board of Directors did not have a meeting during the period under report. However, certain decisions were taken by passing the resolutions by circulation. The said resolutions were subsequently ratified by the Board at its next meeting. The Committee consists of 1 (One) Chairman and Managing Director, 2 (Two) Independent Directors and 1 (One) Non-Executive Director as on date;

6. The Executive Committee of the Board of Directors did not have a meeting during the period under report. However, certain decisions were taken by passing the resolution by circulation on March 4, 2011 and March 10, 2011 and were subsequently ratified by the Board at its next meeting. The Committee constitutes of 1 (One) Chairman and Managing Director, 2 (Two) Independent Directors and 1 (One) Non-Executive Director as on date;

7. The Nomination and Governance Committee of the Board of Directors duly met 3 (Three) times on April 21, 2010, July 21, 2010 and January 20, 2011 in respect of which proper notices were given and proceedings were properly recorded and signed in the Minutes Book maintained for the purpose. However, certain decisions were taken by passing the resolution by circulation on October 2, 2010 and were subsequently ratified by the Board at its next meeting;

The Composition of Nomination and Governance Committee as on the date of the meeting were as follows

Sr. No.	Date of Meeting	Composition of Nomination and Governance Committee as on the date of the Meeting
1.	April 21, 2010	3 (Three) Independent Directors
2.	July 21, 2010	2 (Two) Independent Directors
3.	January 20, 2011	4 (Four) Independent Directors

8. The Compensation Committee (erstwhile Remuneration Committee) of the Board of Directors duly met 2 (Two) times on April 23, 2010 and January 20, 2011 in respect of which proper notices were given and proceedings were properly recorded and signed in the Minutes Book maintained for the purpose. However, certain decisions were taken by passing the resolution by circulation and were subsequently ratified by the Board at its next meeting.

The Composition of Compensation Committee as on the date of meeting was as follows

Sr. No.	Date of Meeting	Composition of Compensation Committee as on the date of the Meeting
1.	April 23, 2010	2 (Two) Independent Directors and 1 (One) Non-Executive Director
2.	January 20, 2011	3 (Three) Independent Directors

9. No extra ordinary general meeting was held during the period under report;

10. The Annual General Meeting of the Company for the financial year ended on March 31, 2010 was held on July 20, 2010, in respect of which proper notice was given and proceedings were properly recorded and signed in the Minutes Book maintained for the purpose;

11. The Company had closed its Register of Members and Share Transfer Books on May 5, 2010 and February 2, 2011 (Book Closure) to ascertain names of shareholders for the payment of interim dividend for the Financial Year 2009-10 and financial year 2010-11, respectively and had fixed July 19, 2010 as the Record Date to ascertain names of shareholders for the payment of final dividend for the financial year 2009-10;

12. The Company has deposited the amount of dividends declared in a financial year in a separate bank account within five days from declaration of such dividends;

13. The Company has paid / posted warrants for dividends to all the members within period of 30 (Thirty) days from the date of declaration of dividend and unpaid dividend has been transferred to separate bank account after completion of 37 days from declaration of such dividends;

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

15. 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;

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

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

18. The Company had made an application to the Central Government, the Ministry of Corporate Affairs on October 29, 2010 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 of the Company for the financial year 2010-11. The Company received an has approval from the Central Government vide Letter No. 47/13/2011 CL-III dated January 20, 2011;

19. The Company had made an application in terms of Section 314(1B) of the Companies Act, 1956, to the Ministry of Corporate Affairs on December 25, 2009 seeking its approval 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 Hemadri Buzruk, relative of Dr. Anand Deshpande, Chairman and Managing Director and Mr. S. P. Deshpande, Director.

    The Company had received an approval for the said enhancement in the limits for payment of remuneration within which the Board of Directors may grant increments upto an amount of ₹ 12,57,000. However, it was noted that an amount of ₹ 12,57,000 was the current remuneration of Mrs. Buzruk for the Financial Year 2009-10 and the Company through its application had applied for higher amount of remuneration for approval from the Central Government.

The Company immediately made an application for modification in the approval letter received from the Central Government. The revised letter of approval from the Central Government was awaited.

20. During the period under review, the Company has approved transfer of 4,94,051 equity shares from PSPL ESOP Management Trust to respective employees pursuant to exercise of vested stock options;

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

    With the resignation of Mr. Ram Gupta, Independent Director of the Company on June 8, 2010, the Company was required to appoint one Non-Executive Independent Director as per the regulations for composition of Audit Committee as per section 292A of the Companies Act, 1956 and as per the regulations for composition of Audit Committee as per Clause 49 of the Listing Agreement. As per Clause 49 of the Listing Agreement, the Composition of the Audit Committee is required to be reinstated within a period of 180 days. The Company appointed Mr. Kiran Umrootkar and Mr. Prakash Telang as the Independent Directors on August 19, 2010. The re-constitution of the Audit Committee as per Section 292A of the Companies Act, 1956 and the Listing Agreement requirements was reported to be done on October 5, 2010 by nominating Mr. Kiran Umrootkar, Independent Director on the Audit Committee of the Board of Directors of the Company. Also, the Company has appointed Dr. Dinesh Keskar as an Independent Director with effect from October 29, 2010;

22. The Company has not appointed Managing Director / Whole-time Director during the financial year. However, the Company complies provisions of Section 269 read with Schedule XIII of the Act for the existing appointment of the Managing Director;

23. 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;

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

25. The Company has not issued any securities during the period under report;

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

27. The amount borrowed by the Company from banks during the period under report, is within the borrowing limits of the Company;

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

29. 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 period under report;

30. The Company has not altered the provisions of the Memorandum of Association with respect to the objects of the Company during the period under report;

31. The Company has not altered the provisions of the Memorandum of Association with respect to the name of the Company during the period under report;

32. The Company has not altered the provisions of the Memorandum of Association with respect to share capital of the Company during the period under report and complied with the provisions of the Act;

33. The Company has not altered its Articles of Association; and

34. There is no prosecution initiated against the Company for alleged offences under the Act.

a. The Company received a Notice from the Registrar of Companies, Maharashtra, Pune (RoC) vide Notice No. MH/20052006/043105/1085 dated June 17, 2010 for default under section 159/166/210/220 for the financial year 2005-06.

   It was observed that there was no such non-compliance. Accordingly, the Company had replied to the above mentioned Notice by a letter bearing No. PSL / Corp Secretarial / 2010-11 dated June 22, 2010 followed by eForm 61 filed on June 22, 2010 providing the necessary proof of filing the Annual Return and Balance Sheet / Profit and Loss Account for the financial year ended March 31, 2006.

   The RoC withdrew the said Notice by its letter ref no: ROCP/CLSS&EES/2010/2458 dated July 21, 2010 and stated that the notice was sent inadvertently.

b. The Company received a notice from the Bombay Stock Exchange Limited (BSE) dated November 4, 2010 for non-compliance with clause 49 of the Listing Agreement in terms of submission of quarterly compliance report for quarter ended September 30, 2010.

It is observed that there was no such non-compliance. The said compliance report had been filed by the Company through its letter dated October 14, 2010 and accordingly the Company replied to the abovementioned Notice by a letter dated November 23, 2010 along with the copy of the report submitted.

Shridhar S. Kulkarni
Company Secretary
FCS 5631; CP No. 3950

Date : April 18, 2011
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'

Forms and Returns as filed by the Company with the Registrar of Companies during the year ending on March 31, 2011

Sr. No.	Form No / Return	Filed For	Filed u/s	Date of Event	Date of Filling	Whether filed with in the prescribed time
1	e-Form 2	Allotment of 41,39,000 Equity Shares (see Note 1)	75	March 30, 2010	April 13, 2010	Yes
2	e-Form 23AC and 23ACA	Balance Sheet and Profit & Loss Account for the year ending March 31, 2010	220	July 20, 2010	August 13, 2010	Yes
3	e-Form 32	Change in designation of Dr. Promod Haque from Nominee Director to Non-executive Director	303(2)	April 23, 2010	May 20, 2010	Yes
4	e-Form 62	Intimation to the Registrar of Companies of change in the designation of Mr. Vivek Sadhale	NA	April 23, 2010	May 10, 2010	Yes
5	e-Form 23	Payment of remuneration to Dr. Anand Deshpande for financial year 2010-11	269 read with 198, 309, 310	April 23, 2010	May 23, 2010	Yes
6	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	May 29, 2010	June 5, 2010	Yes
7	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	June 2, 2010	June 5, 2010	Yes
8	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	June 8, 2010	June 18, 2010	Yes
9	e-Form 32	Resignation of Mr. Ram Gupta from Directorship of Company	303(2)	June 8, 2010	July 5, 2010	Yes
10	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	June 15, 2010	June 18, 2010	Yes
11	e-Form 61	Reply to ROC Notice No. MH/20052006/043105/1085 dated June 17, 2010 for default under section 159/166/210/220	159/166/ 210/220	June 17, 2010	June 22, 2010	Yes
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	July 06, 2010	August 03, 2010	Yes
13	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	July 13, 2010	August 12, 2010	Yes

Sr. No.	Form No / Return	Filed For	Filed u/s	Date of Event	Date of Filling	Whether filed with in the prescribed time
14	e-Form 20B	Annual Return as on July 20, 2010 being the date of AGM	159	July 20, 2010	August 26, 2010	Yes
15	e-Form 23	Approval of ESOP - X Scheme for grant of Stock Options to eligible employees / Directors of the Company and its subsidiaries	192	July 20, 2010	July 27, 2010	Yes
16	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	July 21, 2010	August 20, 2010	Yes
17	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	July 27, 2010	August 25, 2010	Yes
18	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	July 28, 2010	August 25, 2010	Yes
19	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	August 03, 2010	August 25, 2010	Yes
20	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	August 11, 2010	September 10, 2010	Yes
21	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	August 17, 2010	September 13, 2010	Yes
22	e-Form 32	Appointment of Mr. Kiran Umrootkar and Mr. Prakash Telang as the Additional Directors of the Company	260/303(2)	August 19, 2010	August 26, 2010	Yes
23	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	August 24, 2010	September 13, 2010	Yes
24	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	September 07, 2010	September 13, 2010	Yes
25	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	September 14, 2010	September 17, 2010	Yes

Sr. No.	Form No / Return	Filed For	Filed u/s	Date of Event	Date of Filling	Whether filed with in the prescribed time
26	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	September 21, 2010	October 11, 2010	Yes
27	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	October 05, 2010	October 11, 2010	Yes
28	e-Form 23AAB	Application for exemption from attaching the annual accounts of the subsidiary companies	212(8)	NA	October 29, 2010	NA
29	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	October 13, 2010	November 10, 2010	Yes
30	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	October 21, 2010	November 10, 2010	Yes
31	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	October 26, 2010	November 10, 2010	Yes
32	e-Form 32	Appointment of Dr. Dinesh Keskar as an Additional Director of the Company	260 / 303 (2)	October 29, 2010	November 18, 2010	Yes
33	e-Form 32	Resignation of Mr. Promod Haque from Directorship of the Company	303(2)	November 1, 2010	November 9, 2010	Yes
34	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	November 4, 2010	November 10, 2010	Yes
35	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	November 6, 2010	November 10, 2010	Yes
36	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	November 10, 2010	November 29, 2010	Yes
37	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	November 11, 2010	November 29, 2010	Yes

Sr. No.	Form No / Return	Filed For	Filed u/s	Date of Event	Date of Filling	Whether filed with in the prescribed time
38	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	November 15, 2010	November 29, 2010	Yes
39	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	November 24, 2010	November 29, 2010	Yes
40	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	December 7, 2010	December 21, 2010	Yes
41	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	December 14, 2010	December 21, 2010	Yes
42	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	December 15, 2010	December 21, 2010	Yes
43	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	December 24, 2010	January 24, 2011	Yes
44	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	December 28, 2010	January 27, 2011	Yes
45	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	January 06, 2011	February 04, 2011	Yes
46	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	January 12, 2011	February 11, 2011	Yes
47	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	January 27, 2011	February 25, 2011	Yes
48	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	January 31, 2011	March 02, 2011	Yes

Sr. No.	Form No / Return	Filed For	Filed u/s	Date of Event	Date of Filling	Whether filed with in the prescribed time
49	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 08, 2011	March 10, 2011	Yes
50	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 17, 2011	March 18, 2011	Yes
51	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 23, 2011	March 25, 2011	Yes

Note 1: This form was required to be re-submitted by the Company on May 6, 2010 due to some technical issues in earlier Form filed on April 13, 2010

Details of filing made with the Stock Exchanges under the Listing Agreement, the SEBI (Substantial Acquisition of Shares & Takeovers) Regulations, 1997 and the SEBI (Prohibition of Insider Trading) Regulations, 1992 during the year ending on March 31, 2011

Sr. No.	Particulars	Clause of Listing Agreement	Quarter / Event	Date of Filling	Whether filed with in the prescribed time
1	Closure of Transfer Books	Clause 16	March 2010 - Interim Dividend	April 16, 2010	Yes
			June 2010 - Final Dividend	June 17, 2010	Yes
			December 2010 - Interim Dividend	December 29, 2010	Yes
2	Declaration of Dividend	Clause 19	March 2010 - Interim Dividend	April 23, 2010	Yes
			June 2010 - Final Dividend	June 17, 2010	Yes
			December 2010 - Interim Dividend	December 29, 2010	Yes
			March 2011	March 24, 2011	Yes
3	Proceedings of the Board Meeting	Clause 20	March 2010	April 23, 2010	Yes
			June 2010	July 21, 2010	Yes
			September 2010	October 21, 2010	Yes
			December 2010	January 20, 2011	Yes
4	Declaration of Dividend	Clause 21	March 2010 - Interim Dividend	April 16, 2010	Yes
			June 2010 - Final Dividend	June 17, 2010	Yes

Sr. No.	Particulars	Clause of Listing Agreement	Quarter / Event	Date of Filling	Whether filed with in the prescribed time
5	Change in Directorate	Clause 30	June 9, 2010	June 9, 2010	Yes
			August 19, 2010	August 19, 2010	Yes
			November 1, 2011	November 2, 2011	Yes
6	Proceeding of the Annual General Meeting for the financial year 2009-10	Clause 31	July 20, 2010	July 20, 2010	Yes
7	Soft copy of Annual Report to the Stock Exchanges	Clause 31	July 20, 2010	September 1, 2010	Yes
8	Shareholding Pattern	Clause 35	March 2010	April 15, 2011	Yes
			June 2010	July 14, 2010	Yes
			September 2010	October 5, 2010	Yes
			December 2010	January 6, 2011	Yes
9	Significant events	Clause 36	February 2, 2011	February 2, 2011	Yes
			March 4, 2011	March 4, 2011	Yes
10	Intimation of Board meeting	Clause 41	March 2010	April 7, 2010	Yes
			June 2010	April 17, 2010	Yes
			September 2010	September 21, 2010	Yes
			December 2010	December 29, 2010	Yes
			March 2011	March 24, 2011	Yes
11	Intimation on Publishing the financial results in the newspapers	Clause 41 (VI) (b) (i)	March 2010	April 15, 2010	Yes
12	Proceedings of the Board Meeting	Clause 41	March 2010	April 23, 2010	Yes
			June 2010	July 21, 2010	Yes
			September 2010	October 21, 2010	Yes
			December 2010	January 20, 2011	Yes
13	Financial Statements for the Quarter	Clause 41	March 2010	April 23, 2010	Yes
			June 2010	July 21, 2010	Yes
			September 2010	October 21, 2010	Yes
			December 2010	January 20, 2011	Yes
14	Press Release regarding Financial Results	N.A.	March 2010	April 23, 2010	Yes
			June 2010	July 21, 2010	Yes
			September 2010	October 21, 2010	Yes
			December 2010	January 20, 2011	Yes
15	Filing of Certificate from Practicing Company Secretary for transfer of shares	Clause 47 (c)	March 2010	April 23, 2010	Yes
			September 2010	October 16, 2010	Yes
16	Fact Sheet	N.A.	March 2010	April 23, 2010	Yes

Sr. No.	Particulars	Clause of Listing Agreement	Quarter / Event	Date of Filling	Whether filed with in the prescribed time
			June 2010	July 21, 2010	Yes
			September 2010	October 21, 2010	Yes
			December 2010	January 20, 2011	Yes
17	Compliance Report on Corporate Governance	Clause 49 (VI)	March 2010	April 15, 2010	Yes
			June 30, 2010	July 15, 2010	Yes
			September 2010	October 14, 2010	Yes
			December 2010	January 6, 2011	Yes
18	Filing of Certificate from of Practicing Company Secretary for reconciliation share capital	Clause 55A and (1) of the SEBI (Depositories Participants) Regulations, 1996	March 2010	April 23, 2010	Yes
			June 2010	July 23, 2010	Yes
			September 2010	October 14, 2010	Yes
			December 2010	January 14, 2010	Yes
19	Disclosure pursuant to Regulation 8(3) of SEBI (Substantial Acquisition of Shares & Takeovers) Regulations, 1997	Regulation 8(3) of SEBI (Substantial Acquisition of Shares & Takeovers) Regulations, 1997	July 5, 2010	July 7, 2010	Yes
			July 19, 2010	July 30, 2010	Yes
			February 2, 2011	February 24, 2011	Yes
20	Disclosure by a Director for change in shareholding	Regulation 13(4) of SEBI (Prohibition of Insider Trading) Regulations, 1992	September 23, 2010	September 23, 2010	Yes
			October 1, 2010	October 1, 2010	Yes
21	Disclosure by newly joined Director	Regulation 13(2) of SEBI (Prohibition of Insider Trading) Regulations, 1992	August 19, 2010	September 6, 2010	Yes
			October 29, 2010	December 2, 2010	Yes

Shridhar S. Kulkarni
Company Secretary
FCS 5631; CP No. 3950

Date : April 18, 2011
Place : Pune

Connecting Socially

COLLABORATION

Leveraging new collaborative platforms

Focused on Growth

Social networking is growing rapidly. Facebook has more than 700 million members and Twitter has seen more than 1,000% monthly growth rate.

Enterprises cannot ignore the impact of social networking and collaboration on their business. Some of the new collaboration methods that have evolved in the consumer space are getting adopted within the enterprise. Enterprises are leveraging crowd-sourcing and social gaming to address corporate problems.

Externally, businesses will want to understand what customers are saying about the company and their products. There are opportunities for companies to gain access to real-time customer data that can help them make rapid decisions in areas such as product design and customer service.

Social networking is also being used as a powerful marketing tool to drive market and commerce. New business models such as Groupon have emerged, based on social networking. Internally, companies will realize the power of social networking and collaboration tools to capture, retain and most importantly share knowledge throughout the company. Companies are beginning to integrate collaboration features into their customer management, knowledge databases and company portals.

Management Discussion and Analysis

Business Strategy

Year 2010-11 started with the backdrop of the global economic recession and the industry was watching how the IT services sector would re-establish itself in the changing demand scenarios. With some varied global recovery in pockets or domains and re-assured business value propositions by the IT service providers, the year started by marking cautious growth and continued to sustain it.

Persistent is a global company specialising in software product development services. For more than two decades Persistent has partnered closely with the world's largest technology brands, innovative enterprises and pioneering start-ups to provide end-to-end product development services.

Here at Persistent, with primary focus on providing end-to-end software development services to IT product companies, it was a year of keeping a close eye on rapidly changing market strategies of product companies and the changing market dynamics of global IT services sector. Our strategy to have focused service offerings in technology thrust areas: cloud computing, analytics, enterprise collaboration and enterprise mobility paid off well and our choice of these areas has been absolutely spot-on. With absolute focus on providing enhanced business value proposition to our customers we were able to achieve our business goals for the year.

As part of our strategy to maintain market leadership and expand our margins, we will focus primarily on the following

1. Sales Strategy

a. Sell To

Persistent has a customer base of 297 customers and we are engaged in long-term software development contracts with most of these customers. Most of the customers are experiencing good growth in their business and this is reflected in our growth in business with these Customers.

To drive business volume growth we are establishing account management teams that will focus on developing deeper customer relationships and accelerating revenue growth in accounts that are newly opened as well the ones where we already have strong relationships.

Our sales team is constantly engaged in seeking new customers.

b. Sell With (Partnership and alliances)

Working with leading product development Companies in upcoming growth areas such as Cloud computing, Analytics, Collaboration and Mobility, we have built expertise in products that are likely to be dominant in the next few years. Because of the expertise that we have already accumulated through software development work that we are doing for these customers, we are now in a position to help our product development customers deploy our products to their customers.

During the year, we established sell-with partnerships with Nokia and Salesforce.com.

c. IP Led Solutions

We appreciate the intense time-to-market pressures facing the software industry today. We are relentless in our efforts to optimize the product development cycle so that our customers can create and maintain, a clear competitive edge. We continue to focus on three main areas of innovation: platform innovation, product development process innovation and domain specific innovation. Our efforts have resulted in the development of value-added products and services including time-to-market accelerators, connectors and integration services and other technology-based components.

We continue to invest in intellectual property (IP) led solutions to build and offer systems that establish our credibility and technical expertise in new areas. Five percent of Persistent's employee base is dedicated to research and IP development and continuously tracking technology disruptions in the market. This team is constantly innovating new technology solutions that are focused on the four key building blocks of our IP portfolio: Cloud Computing, BI & Analytics, Collaboration and Mobility.

We have created several IPs such as ChemLMS (Laboratory Information Management System (LIMS) solution for the complete lifecycle of analytical information), ViewMOR (Mail Discovery Platform), Enterprise Search Accelerators, Skype on Embedded Devices and more.

d. Top Accounts

We are working with our strategic accounts to provide them the much needed agility which is otherwise difficult for larger groups to achieve. We understand that our customers are looking for partners and not just suppliers and therefore we are focusing on creating deeper relationships with customers and becoming a seamless and invaluable extension of their development and engineering organizations.

We are reorganizing our sales force and making strategic investments in account management to focus on growing our top accounts.

2. End-to-End Solutions

We constantly hear our customers demand end-to-end solutions that are customized to their specific requirements. Persistent Systems is focusing on providing end-to-end solutions to our customers by creating a number of partnerships with players in the ecosystem and by increased investments in new technologies and solution accelerators to expand our capabilities to address a wider set of customer needs.

3. Acquisitions

We have been closely observing the changes taking place in the world economy and global markets. We believe that it is important to align the organization to the shifts in the emerging business conditions. We continue to explore opportunities for partnerships, acquisitions or joint ventures or alliances that expand our product portfolio, build on our existing system capabilities, or give us a presence in complementary markets. We plan to pursue strategic acquisitions and other inorganic initiatives that will strengthen our competitive position as well as drive profitable revenue growth.

Continued investment in key focus areas and growth in business domains

At Persistent, we are continuously tracking major business technology trends and aligning our areas of expertise with these market trends. Today technology disruptions are forcing customers to either rebuild their products or create next-generation products to support the changes in the way businesses are governed and technology is being adopted. Technology areas such as cloud computing, analytics, enterprise collaboration and mobility are set to redefine the market and will see us playing a vital role in delivering efficient and cost effective, products. For the past couple of years Persistent has proactively taken the lead in investing in these areas by focusing on technology, training and resources.

1. Cloud Computing

Persistent has been an early adopter in cloud space. Persistent has successfully positioned as Cloud Ecosystem Integrator delivering comprehensive professional services for the cloud, building solutions and accelerators in the cloud and building strong partnerships with all the key cloud providers – Force.com, Amazon, Microsoft and Google. While current economic conditions popularized the pay per use model to organizations, Persistent acquired 13 new customers for whom various applications were built or migrated on to cloud infrastructure. At the same time Persistent has played crucial role in contributing to building Cloud infrastructure software as well for key Cloud providers in the market. Persistent continues to invest in Cloud space to be the leader in the ISV & Enterprise business segments for assessment, implementation and enablement for cloud and cloud based development of products / services.

Persistent has been actively looking at building tools and accelerators facilitating for its customers not only faster migration to cloud infrastructure but also a thorough analysis of applications providing their readiness and feasibility to move on to Cloud. Persistent is also actively building partnerships with such product companies that offer tools in this space that can be leveraged while accelerating the development life cycle and delivering greater value to the enterprises.

2. Telecom and Mobility

The Telecom & Mobility business at Persistent has been a key vertical focus for the Company and has been growing steadily. This year, this line of business contributed to a little more than 20% to the top-line revenues.

For the Telecom and Mobility OPD business, our market segment focus is on the Network Equipment Vendors (NEVs), the Telecom Operators, the ODMs (Handset Manufacturers) and the Application ISVs. Some of the key trends we are seeing relate to significant growth in traffic with a very large proportion of Mobile video component , newer category of devices (Tablets, M2M components), "Internet of Things", Ubiquitous Mobile connectivity, Proliferation of Mobile Broadband (to the extent of replacing wired broadband), Tiered pricing (with QoS / SLAs) etc.

The above trends are driving the Operators to become intelligent and value-added service providers (not just big, fat-pipe providers). Consequently, this is driving the Network Equipment (Routers, Switches, and Gateways) Vendors to open up their respective network elements for 3rd party application development that can add significant value to the Operators. This key trend is opening up the market for many such application developers (including partners such as Persistent Systems) to create value-adding applications that can be monetized.

Persistent has been tracking this market and has service offerings and expertise to expand their Telecom business through their thought leadership position in this emerging world and leveraging other areas of expertise like Cloud and Analytics to bring a unique blend of service offerings to their customer base.

3. BI and Analytics

Persistent's BI and Analytics group continues (1) building and managing smart BI systems for large enterprises, (2) working with Enterprise Software Vendors (ESV)s to enhance their analytical offerings, (3) helping organizations deal with the data deluge by enabling them with new technologies, and (4) working with BI Tool Vendors to enhance their offerings and offer vertical solutions. In addition to this, the group has built competence around text analytics and large scale data analytics using Hadoop.

With a decade-long experience in developing large-scale Data Warehousing, Business Intelligence and Analytics solutions, Persistent has formed a strong team of 400+ members including 7 PhDs. It continues to grow with the pace of the Market.

In the last financial year, BI & Analytics group added 8 customers and contributed to almost 6% of the revenue of the Company.

4. Collaboration

Since the formation of the dedicated group for Collaboration, it has grown by 50%. Gartner research predicts the enterprise social software market will hit $769 million in 2011. The market is growing 15% a year and should top $1 billion through 2012. The Collaboration group has formed alliances with a few of the key players in market like Microsoft and Cisco. It has created the edge for Persistent while creating next generation collaboration solutions for its customers.

While focusing on various ISV's and enterprises, the group also works on creating collaboration solutions for knowledge management, idea generation and function workflows. Persistent's Enterprise Collaboration practice has developed key tools and solutions in the areas of Social networking, Collaborative business processes, Social analytics, Enterprise search.

With our end-to-end solutions for leveraging collaboration technologies, Persistent has become the ideal partner for companies looking to harness the power of employee-centric collaboration. At a high level, Persistent Systems offers consulting, implementation and solution building services to its customers in this space.

5. Enterprise Focused Business

Over the period of last 20 years Persistent has developed strong relationship with few of the large Enterprises. It plans to create more compelling value propositions for them and grow over next few years.

Business with Enterprises in India is also a key to Persistent and it is seeing a lot of thrust too around the same. A few recent partnerships and acquisitions position Persistent to be an end to end solution provider in addition to providing consulting over various domains.

We plan to build yet stronger domain capabilities, identify various investment areas, and create business critical roles this year. Persistent intends to launch various such initiatives to meet changing demands of market and to create significant competitive advantage to our customers.

Persistent's Enterprise business has seen average 30% YoY growth over years. 14+ customers were acquired in last year all over the globe including India. Enterprise Focused group leverages the capabilities of other groups like Collaboration, Mobility, BI & Analytics, and Cloud to create various solutions and act as a consultant to Enterprises implementing their strategies through adequate domain knowledge acquired over years and bring greater ROI to Customers.

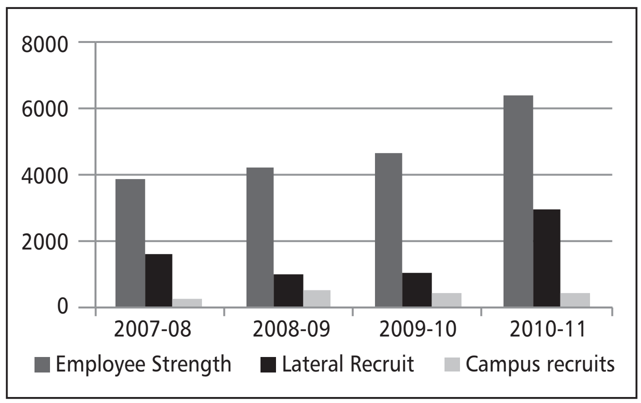
6. IP Led Business

Our IP led business, now in its third year, has been growing steadily and providing the non-linearity to the business that we expect out of IP. In the financial year 2009-10, 7.2% of our revenues came from IP, which grew to 8.8% in the financial year 2010-11. Our strategy for IP business is to proactively identify and develop solutions that augment our customers' product roadmap, thereby extending their solution in a way that is strategic and monetarily significant for both organizations. The IP we develop is also aligned to our strategic growth areas – Cloud, Mobility, BI & Analytics, Collaboration, Telecom and Life Sciences. Some of the IPs we develop are also aligned directly to the customer with whom we are partnering. Around five percent of Persistent's employee base is dedicated to research and IP development and continuously tracking technology disruptions in the market.

Human Resources Strategy

The Company considers its employees as its greatest asset. This year Persistent added around 3400 new employees, out of which around 2900 were lateral recruits and 450 were campus recruits. The Company continued focusing on Computer Science graduates. During the year, the Company has continued efforts around the following areas through executing successful programs and taking initiatives to enable employee motivation, satisfaction and growth, amongst them

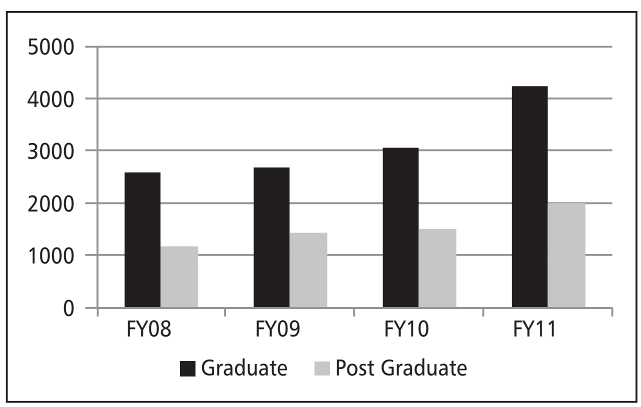
1. Career growth and aspiration management



Opportunities for further growth in the organization are provided through Career Planning and Career Aspiration Tracking. The career aspirations of the employees are tracked through Annual appraisal which is further followed up at Mid-term appraisal. There are various forums provided for the employees to formally connect to the managers and HR. These forums help the employees to voice their suggestions/ feedback/concerns to the appropriate authorities.

The forums are

a) Skip Level Meetings
b) One-on-One meetings with the employees
c) All Hands Meetings
d) Meeting with the Delivery Head
e) Listening Posts



2. Employee Interactions creating healthy environment

Feedback from employees is collated at regular intervals through various surveys like Recruitment Survey (immediately after joining), 90-Days Feedback, 1 year completion survey, BU-Specific Surveys, Employee Satisfaction Survey and so on. The feedback is accordingly shared with the respective stakeholders for further action as necessary. Along with the feedback mechanism, Persistent also encourages Employee Engagement initiatives in order to facilitate healthy interaction and grooming a great culture. There are 40 interest groups formed under Employee Engagement Initiatives. In the financial year 2010-11, 3500+ employees participated in various events, 1200+ family members participated in various activities.

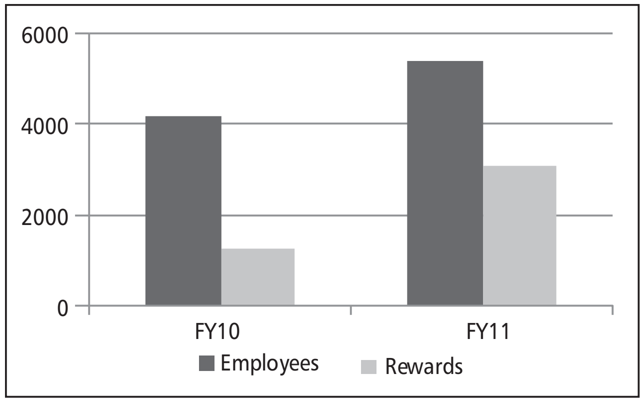
In addition to these, there is a specific focus on achieving perfect work life balance for the employees. Continuous efforts to provide a better work life balance by providing various forums like Yoga, Brahmavidya, Sports facility, Restaurant discount coupons, Day care Centre sponsorship, Education Assistance Plan, and many more.

In the financial year 2010-11, 600+ employees and family members participated in Yoga/ Brahmavidya sessions, 1500+ employees participated in various sports events.

The Company also has a program called Prerana, a platform for enabling interaction between women employees and leadership development amongst women.

3. Effective Reward and Recognition Program

Good performers are recognized in the form of an effective Reward and Recognition Program. There are various kinds of monetary awards like Spot Award, Team Award to recognize and appreciate individual and team contribution. The awardees are recognized at various platforms such as Project teams, Delivery Unit Meetings, All Hands Meeting etc.



4. Corporate Social Responsibility (CSR)

To institutionalize 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 on October 29, 2008. The Company donates 1% of its consolidated net profit to CSR activities.

In the financial year 2010-11, the Company donated ₹ 10.77 million to Persistent Foundation, and ₹ 0.73 million to other charitable institutions. This has been more specifically reported in the section relating to Persistent Foundation.

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. Limited 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 2010-11 has been referred as "the year" and the financial year 2009-10 has been referred as "the previous year".

Share Capital

At present, we have only one class of shares – equity shares of par value of ₹ 10/- each. Our authorized share capital is ₹ 1,000 million divided into 100 million equity shares of ₹ 10/- each. The issued, subscribed and paid up capital as at March 31, 2011 as well as at March 31, 2010 was ₹ 400 million.

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 Accountants of India. The amount of stock options outstanding as at March 31, 2011 was ₹ 34.76 million as against ₹ 32.02 million as at March 31, 2010, corresponding to 3.36 million options and 3.64 million options outstanding on the respective dates.

Reserves and surplus

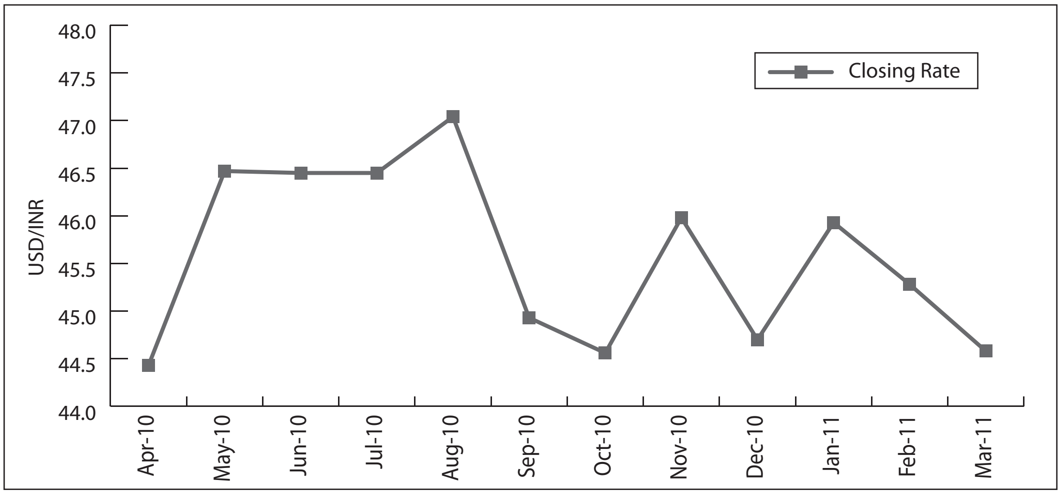
The opening balance of the Securities Premium account stood at ₹ 1,738.60 million. The Company's share of IPO expenses amounted to ₹ 82.49 million, of this ₹ 80.59 was booked against Securities premium account in the previous year and the balance ₹ 1.90 million has been booked into the current year. After this adjustment the closing balance of Securities Premium accounts stood at ₹ 1,736.70 million.

The Company has transferred ₹ 534.40 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.

The historical monthly closing rates for the Rupee against the USD are given below, indicating the volatility that the curreny faced through the year



The Company enters into various forward 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, such stop-loss and net-open-position being defined by the CFO as explained below.

The Company covers a defined ratio of net exposure (net-open-position), based on a 12 month rolling plan. The ratio is evaluated dynamically based on market stimuli. Hedging decisions are made on a stop-loss level, so that if the rupee depreciates the stop loss level is not breached, however if the opposite happens, the hedge has to be completed at the stop-loss level, thus safeguarding the rate at which the hedge has been made.

With effect from April 1, 2009 the Company has 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 recognized in hedge reserve (i.e. reflected in the Balance Sheet under the head Reserves & Surplus) and if the hedge is ineffective, then the ineffective portion is recognized 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.

Also, such derivative instruments which qualify for hedge accounting and where the Company has met all the conditions of hedge accounting, are fair-valued at the Balance Sheet date and the resultant gain (or loss) is credited (or debited) to the Hedge Reserve. Accordingly, the balance in Hedge Reserve as at March 31, 2011 stood at ₹ 79.11 million as against ₹159.85 million as at March 31, 2010.

The balance in the foreign currency translation reserve (which reflects the variation in value of the investment of our overseas subsidiaries) decreased to ₹ 1.91million as at March 31, 2011 from ₹ 2.05 million as at March 31, 2010, due to a translation loss of ₹ 0.14 million arising during the year on the net investment in a foreign subsidiary companies due to a change in the foreign exchange rates at the end of the year relating to the previous year.

Deferred Payment liabilities

Deferred Payment liabilities were ₹ 30.07 million as at March 31, 2011 as against ₹ 45.11 million as at March 31, 2010. This represents a deferred credit facility provided by a vendor to the Company for purchase of software.

Fixed assets

The gross block of fixed assets amounted to ₹ 4,542.75 million as at March 31, 2011 as against ₹ 3,714.79 million as at March 31, 2010.

Capital work-in-progress (Capital WIP) (including capital advances) stood at ₹ 604.52 million as against ₹ 484.75 million as at March 31, 2010. These amounts mostly included ongoing construction of software development centres at Hinjawadi in Pune and at Nagpur.

Including Capital WIP, the total investment in Fixed Assets amounted to ₹ 5,147.27 million as at March 31, 2011, as against ₹ 4,199.54 million as at March 31, 2010.

During the year, the Company disposed off / retired assets having an original cost of ₹ 24.38 million and written down value of ₹ 0.45 million.

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 optimization of returns. The unutilized IPO proceeds as at March 31, 2011 amounting to ₹ 802.58 million have also been invested as stated in the Prospectus.

Persistent Systems Pte. Ltd., our subsidiary in Singapore, had made an investment of an amount equal to ₹ 9.58 million in Ciqual Limited UK. 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 ₹ 59.85 million as at March 31, 2011 as compared to deferred tax assets of ₹ 6.82 million as at March 31, 2010.

The increase in deferred tax assets was mainly due to provision for doubtful debts made and the treatment of leave liability and long term employee benefits as per the provisions the Income Tax Act 1961.

In this regard, it is pertinent to note that the Company enjoyed a tax holiday until March 31, 2011 under Section 10A of the Income Tax Act, 1961. This holiday is no longer available from the year commencing on April 1, 2011. Thus amounts written off after this period, which were provided prior to that date, will lead to a deduction from taxable income.

Sundry debtors

Sundry Debtors (net of provisions) amounted to ₹ 1,582.11 million as at March 31, 2011 as against ₹ 1,363.25 million as at March 31, 2010. Overdue amount beyond 60 days is ₹ 146.07million as at March 31, 2011 and it was ₹ 186.20 million as at March 31, 2010.

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 ₹ 229.65 million as at March 31, 2011 from ₹ 197.32 as at March 31, 2010.

Provision towards bad and doubtful debts during the year amounted to 2.96% of revenue of the year as compared to 3.28% in the previous year.

Cash and bank balances

Cash and bank balances amounted to ₹ 999.94 million as at March 31, 2011 as compared to ₹ 1,917.72 million as at March 31, 2010. The balance was high at the end of the previous year in current accounts with scheduled banks due to funds from the IPO which were received at the end of March 2010 and were deployed after the end of the year.

Other current assets

Other current assets include income accrued, unbilled revenue, forward contract receivable, fixed assets held for sale. The other current assets as at March 31, 2011 amounted to ₹ 226.20 million as against ₹ 339.90 million as at March 31, 2010.

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 ₹ 104.30 million as at March 31, 2011 represents the Mark-To-Market (MTM) valuation which signifies the fair value of the contracts had these been settled on the Balance Sheet date.

Loans and advances

Loans and advances amounted to ₹ 869.15 million as at March 31, 2011 as against ₹ 722.73 million as at March 31, 2010. The following table provides details of significant changes in loans and advances under different heads.

(In ₹ Million)

Particulars	Financial year 2010-11	Financial year 2009-10
Advance to PSPL ESOP Management Trust	58.43	106.94
Advance income tax (net of provision)	101.57	43.26
Advance recoverable in cash or in kind or for value to be received	136.71	154.87
Value Added Tax (VAT) receivable and service tax receivable	105.64	78.72
MAT credit entitlement	419.61	294.82
Deposits (Net of provision)	47.19	44.12
Total	869.15	722.73

The reduction in advance to the PSPL ESOP Management Trust, of ₹ 48.51 million, was due to repayment of advance by the Trust and adjustment to general reserve. Funds repaid by the Trust were out of money received on exercise of options by employees and dividend received by the Trust. The advance to the Trust also includes ₹ 55.05 million, towards surplus earned by the Trust on the shares exercised, which is included in the Reserves of 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, over the next ten years.

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

Current liabilities

Current liabilities amounted to ₹ 1,206.28 million as at March 31, 2011 as against ₹ 1,478.79 million as at March 31, 2010. The following table provides details of significant changes in current liabilities under different heads.

(In ₹ Million)

Particulars	Financial year 2010-11	Financial year 2009-10
Advance from customers	114.72	118.23
Sundry creditors	464.97	398.33
Payable to selling shareholders	-	372.08
Unearned revenue	96.04	83.64
Accrued employee liabilities	488.48	461.99
Unpaid dividend	0.26	-
Other liabilities	41.81	44.52
Total	1,206.28	1,478.79

Sundry Creditors increased on account of dues to vendors towards 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.

Provisions

Provisions amounted to ₹ 396.03 million as at March 31, 2011 as against ₹ 316.72 million as at March 31, 2010. These are mainly on account of provisions for Gratuity, Leave encashment, Dividends, etc.

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 two pay-hikes during the year.

Income

The Company is engaged in providing Outsourced Software 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. The revenue for the year was up by 33.7% at USD 170.24 million as against USD 127.31 million in the previous year. In rupee terms the increase was by 29.1% with the revenue at ₹ 7,758.41 million as against ₹ 6,011.56 million in the previous year.

(In ₹ Million, except percentage)

Particulars	Financial year 2010-11	Financial year 2009-10	Change %
Software services and products (Export)	7,242.21	5,698.11	27.1%
Software services and products (Domestic)	516.20	313.45	64.7%
Total revenue	7,758.41	6,011.56	29.1%

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 safeguards us from market risks.

Write back of excess provision during the year was ₹ 6.76 million as against ₹ 29.75 million in the previous year, details of which are given below

Other income increased mainly on account of foreign exchange gain of ₹ 173.21 million during the year, as against ₹ 31.56 million in the previous year and income from investment of funds of ₹ 144.38 million during the year, as against ₹ 43.98 million in the previous year.

Personnel expenses

Personnel expenses for the year amounted to ₹ 5,122.95 million, as against ₹ 3,687.42 million for the previous year, recording an increase of 38.9%. Consequently, as a percentage of total income, these expenses increased to 66.0% during the year compared to 61.3% in the previous year, as shown in the following table

(In ₹ Million, except percentage)

Particulars	Financial year 2010-11	Financial year 2009-10	Change %
Salary and allowances	4,449.17	3,216.81	38.3%
Software professional charges	306.72	202.45	51.5%
Contribution to provident fund	103.83	80.91	28.3%
Gratuity expenses	82.48	41.16	100.0%
Contribution to other funds	24.96	23.14	7.9%
Staff welfare and benefits	148.68	103.50	43.7%
Employee compensation charges	7.11	19.45	-63.44%
Total	5,122.95	3,687.42	38.9%
Percentage of total income	66.0%	61.3%	

During 2010-11, there were two pay-hikes; the first pay-hike, effective April 1, 2010 at an average of 12% and the second pay-hike, effective January 1, 2011, at an average of 10% which was mainly to curb attrition. This increase was against an average pay-hike of 9% in the previous year effective October 1, 2009.

In addition, there was an increase in headcount from 6,360 in March 2011 as against 4,662 in March 2010.

As regards gratuity, actuarial liability increased due to reduction in the rate of interest on long term securities in addition to the increase in salary and increase in headcount.

The Company strengthened its sales and marketing team by adding more resources to its USA and European team.

These aforesaid reasons led to an increase in the personnel cost compared to the previous year.

Operating and other expenses

Operating and other expenses for the year amounted to ₹ 1,052.40 million as against ₹ 860.49 million in the previous year recording an overall increase of 22.3%. As a percentage of total revenue, however, the expenses decreased to 13.6% during the year, from 14.3% in the previous year.

Some major variations in expense heads are explained below

1. Increase in travelling and conveyance expenses was mainly due to increase in non-billable travel and increase in travel by sales team. Increase in the costs of US visa expenses also led to increase in overall travel expenses;
2. Increase in electricity tariff caused an increase in Electricity and fuel expenses;
3. Rent increased on account of acquiring rental premise for SEZ Pune during Q4 of the financial year 2011;
4. Increase in insurance expenses was on account of enhancement in the commercial liability cover;
5. Rate and Taxes include ₹ 8.36 million, Previous Year ₹ 1.32 million, on account of VAT, which was borne by the Company;
6. Increase in repairs and maintenance cost was due to increase in facility management staff and some civil work carried out in the premises at Pune and Nagpur; and
7. There was considerable increase in the recruitment and training cost during the year.

Earnings before interest, depreciation and tax (EBIDTA)

During the year, the Company reported EBIDTA of ₹ 1,927.42 million representing a 22.3% increase over EBIDTA of ₹ 1,575.98 million during the previous year.

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

The decrease in EBIDTA as a percentage of revenue was mainly on account of increase in personnel cost as a result of pay-hikes and rise in headcount.

Depreciation

The depreciation charge for the year amounted to ₹ 423.89 million as against ₹ 335.24 million in the previous year showing an increase of 26.4%. This increase is mainly due to addition of fixed assets amounting to ₹ 852.22 million during the year.

Depreciation as a percentage to total income remained flat at 5.5% in the current 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.

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. This being the last year of tax holiday for the Company, the effective tax rate was at 7.1%.

With effect from April 1, 2007, the Company was exposed to Minimum Alternative Tax (MAT) on its book profits as per the revised 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 ₹ 284.03 million. However, the MAT credit available against future tax liability amounted to ₹ 124.79 million. The net income tax liability for the year amounted to ₹ 159.24 million as against ₹ 60.12 million for the previous year. The deferred tax credit for the year was ₹ 51.34 million as against deferred tax charge of ₹ 13.64 million for the previous year.

The total tax expense for the year amounted to ₹ 107.90 million as against ₹ 90.50 million for the previous year. As a proportion of total income, tax expense for the year reduced to 1.4% from 1.5% 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 ₹ 1,395.63 million as against the net profit of ₹ 1,150.24 million for the previous year recording an increase of 21.3%. The net profit margin for the year was however, at 18.0% as compared to 19.1% in the previous year.

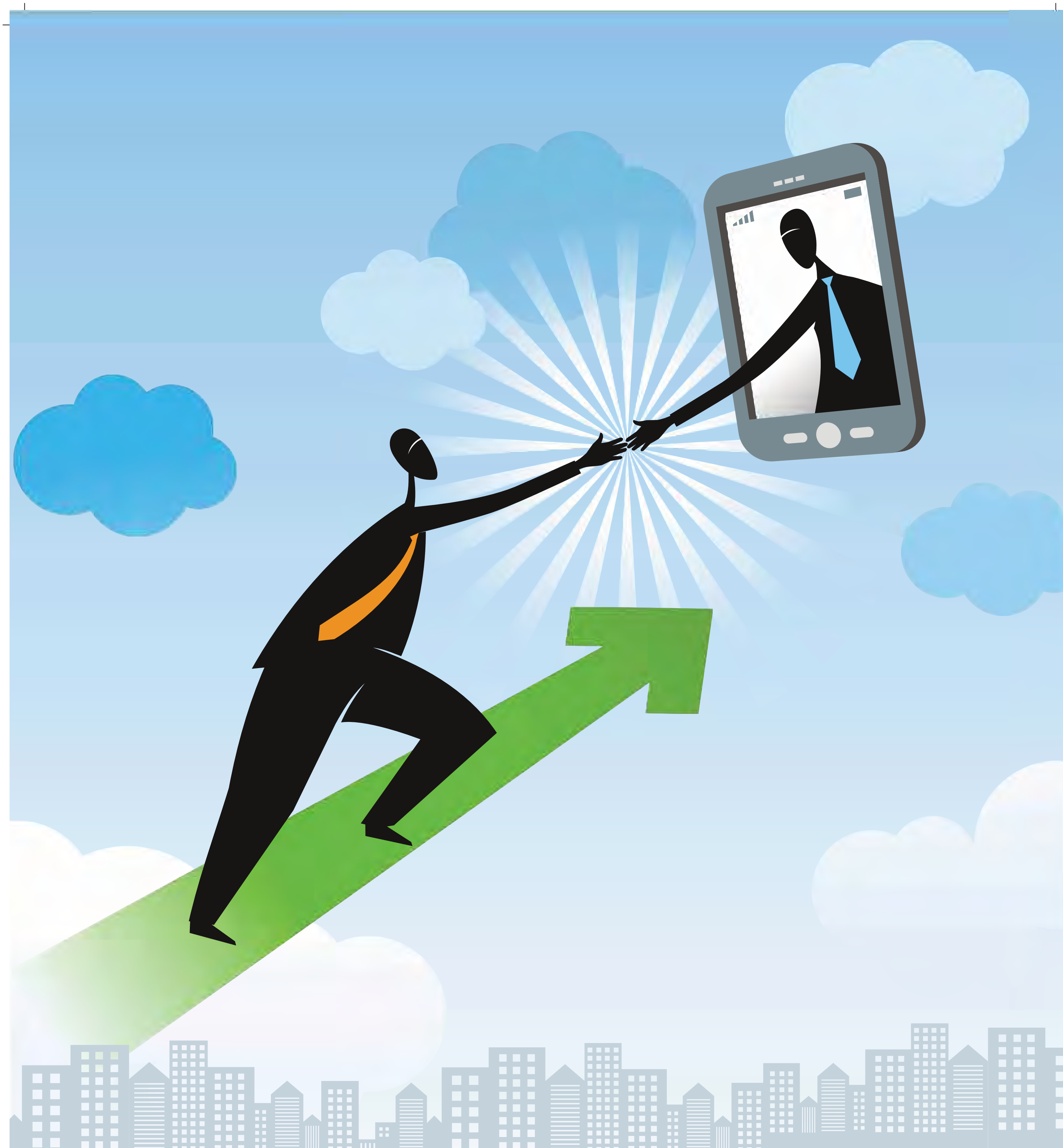
Net profit after exceptional and prior period items

The Company's net profit after tax, exceptional and prior period items increased to ₹ 1,397.37 million in the year from ₹ 1,150.24 million in the previous year recording an increase of 21.5%. The net profit margin as a percentage of total income was 18.0% in the year as against 19.1% in the previous year.

Dividend

An interim dividend of 20% and a special one-time dividend of 20% on the occasion of completion of twenty years of the Company were declared at the Board meeting held on January 20, 2011. The Directors have recommended a final dividend of 15%. In the previous year total dividend paid was 25%.

The total payout towards dividend in the year, including the proposed 15%, is ₹ 220.00 million as against ₹ 97.93 million in the previous year. The Company paid dividend tax of ₹ 36.54 million as against ₹ 16.64 million in the previous year.



Communication Simplified

MOBILITY

Delivering holistic solutions for mobile devices

Cell-phone penetration has continued at exponential pace and we have more than 700 million subscribers in India.

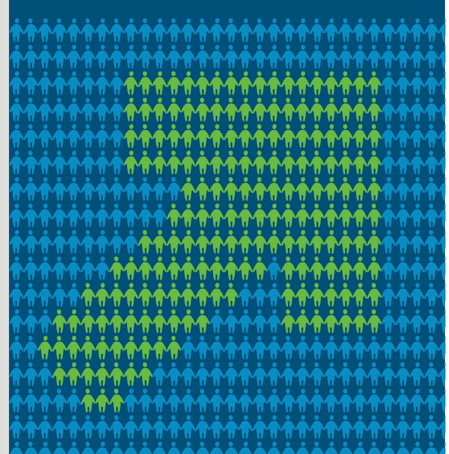
This year we have seen widespread deployment of 3G mobile networks in India. These networks are capable of high bandwidth data and video streaming, and that has made a new generation of applications possible on the mobile network.

Consumers are looking to replicate their Internet experiences from wired broadband services even while they are on the move. As a result, telecom carriers are pushing fast towards wireless networks that will allow the consumer a faster and better experience when video streaming or 3D gaming. These networks have opened the door for a variety of devices to have communications or internet components incorporated in them leading to the internet of things.

The launch of the iPhone, the iPad and the Android phone and tablet have set a new benchmark for tablets and smart phones. We expect smart phones to be the standard mobile device for employees in any enterprise in the future.

Video is the new voice:

We are currently at the tipping point for video traffic over voice traffic in a carrier network. Video-conferencing over the internet and over mobile devices is poised for take-off. This is evidenced by all new Smart phone manufacturers announcing phones with two cameras and video chat on their mobile phones. Skype, which is one of the most widely-used Voice-over and Video-over IP brand today, has over 560 million registered users and 300K new users joining every day.



Report on Risk Management

Overview

The Risk Management practices at Persistent aim at identifying, assessing, monitoring and mitigation of various risks to our business. It seeks to minimize adverse impact on our business objectives and sustain competitive advantage to the Company.

Structure

The responsibility for identification, assessment, management and reporting of risks and opportunities primarily rests with the Executive Management. A Risk Management Committee makes an overall assessment of risks impacting the activities of the Company. It comprises the Risk Manager and Risk Officers. The Committee provides oversight and reports to the Board of Directors who have the responsibility for overseeing all risks.

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

Risk Management Process

Risk Identification: The risk management process starts with the systematic identification of key risks and their root causes. The mechanism for identification and prioritization of risks includes surveys and business risk scanning through functional groups. Surveys are conducted across units/functions in relation to business and other risks,periodically. Internal audit findings also provide pointers for risk identification.

Risk measurement, mitigation and monitoring: For high rated risks, the Company has dashboards that track risk levels. Analysis of exposure and potential impact of risks are carried out and risk owners identified. Mitigation plans are developed by risk owners. The progress of mitigation plans are monitored and reviewed.

Risk Reporting: Important risks are reported - outlining risk levels. Their probability, impact and status of mitigation plansare discussed by the Risk Management Committee. Risk status updates are provided to the Board of Directors through the Audit Committee.

Integration with Business strategy: The Risk Management report is used as a key input in business strategies.

Risk Categories

The risks which were critical to the Company's business for the year 2010-11 are grouped into following categories.

Business model related risk	Financial risks	Operational risks	Legal risks
Geographical concentration	Foreign currency fluctuation	Timely staffing	Information Security
Competition	Credit Risk	Employee Retention	Contractual Compliance
Customer Satisfaction		Succession Planning	

The key risks and mitigation strategies, related to the business in FY 2010-11 are given below:

1. Geographic Concentration

A major portion of the Company's revenues come from the USA (85.6%).

The Company has been evaluating ways to increase revenues from other regions. During the year the Company has acquired Infospectrum, an Outsourced Product Development Company, which had substantial exposure to Europe and will enable us increase our share in the European market. The Company has also opened an office in Europe to establish its presence in Europe.

2. Competition

Like any other business, competition risk is a continuing risk the Company manages. The competition is not only from the other Indian software companies but also from other emerging regions like China.

The Company has been tracking competitors in every area of operations.

Our sales staff is led by senior personnel, with experience and market contacts. Our sales organization is structured to pay special attention to innovative and non-linear deals. This in turn will help in addressing growth through:

a. New lead generation
b. New logo acquisition
c. Opening new regions
d. New initiatives and technologies
e. New partnership structures, such as the Sell-with partnership concept, or Technology Consulting Groups

3. Customer Satisfaction

The Company carries out customer satisfaction surveys to obtain customer feedback on deliverables.

Amongst various initiatives - a Risk Management workshop has been developed for business managers. The workshop helps them evaluate and manage risks that could arise during execution of development, testing and support projects.

4. Foreign Currency Fluctuations

As the major portion of Company's revenue is in foreign currency and a major portion of expenditure is in Indian currency, we are exposed to foreign currency fluctuation risk.

We have been constantly reviewing the economic scenario and updating our strategies accordingly. The Company has a Foreign Exchange Risk Management Framework in place, addressing such volatility through a defined stop-loss and net-open-position process, such stop-loss and net-open-position being defined by the CFO, in consultation with select consultants.

This stop-loss and net-open-position is evaluated dynamically, considering revenue and expense trends and perception about the movement of foreign exchange rates.

5. Credit Risk

The Company addresses this risk through several measures:

a. Constant feedback from finance to sales and delivery teams on amounts due and actionable, combined with vigorous follow-up with customers

b. Formal system of credit evaluation

c. Aligning incentive structures with collection efficiency

6. Timely Staffing

In-appropriate staffing leads to customer dis-satisfaction. Hence, building a generic pool of resources and training them in anticipation of new projects is a mandated risk mitigation plan. Internal staffing across Business Units and monitoring use of resources efficiently across units is done to ensure productive use of these resources. The Company monitors demand and supply of talent to ensure preparedness without unnecessary downtime.

7. Employee Retention

Good talent is always in short supply and retaining it is one of the major risks faced by all Technology companies. The Company follows exemplary HR Policies to ensure maximum retention of good and useful staff.

We engage our staff through other non-monetary processes, such as employee welfare groups, Prerana (a platform for interaction amongst women employees and for developing women leaders), career growth and aspiration management, an effective rewards and recognition program and CSR initiatives.

Another step taken in this direction was a mid-term pay hike carried out with effect from January 1, 2011. This has address attrition and place us well in terms of power to hold on to our talent base.

8. Succession Plan

The Company acknowledges that talent acquisition and developing leaders is an essential activity. Towards this, the Company is in the process of developing a formal succession planning process, determining key positions that need to be planned for. This involves identification of positions needing succession planning, selecting, grooming and mentoring potential successors and assessment of progress.

9. Information Security

In the information based world, information security is a risk all organizations face.

The Company has adopted the framework provided by the Standard ISO/IEC 27001: 2005 and BS ISO/IEC 1799: 2005 for building information security into normal business processes.

The Company has strict policies and control mechanisms in place to tackle these risks: access to all computing resources, data and repositories is password protected. Complex Password Policies are in place, secure access methods and secure channels like VPN are used in controlled access environment.

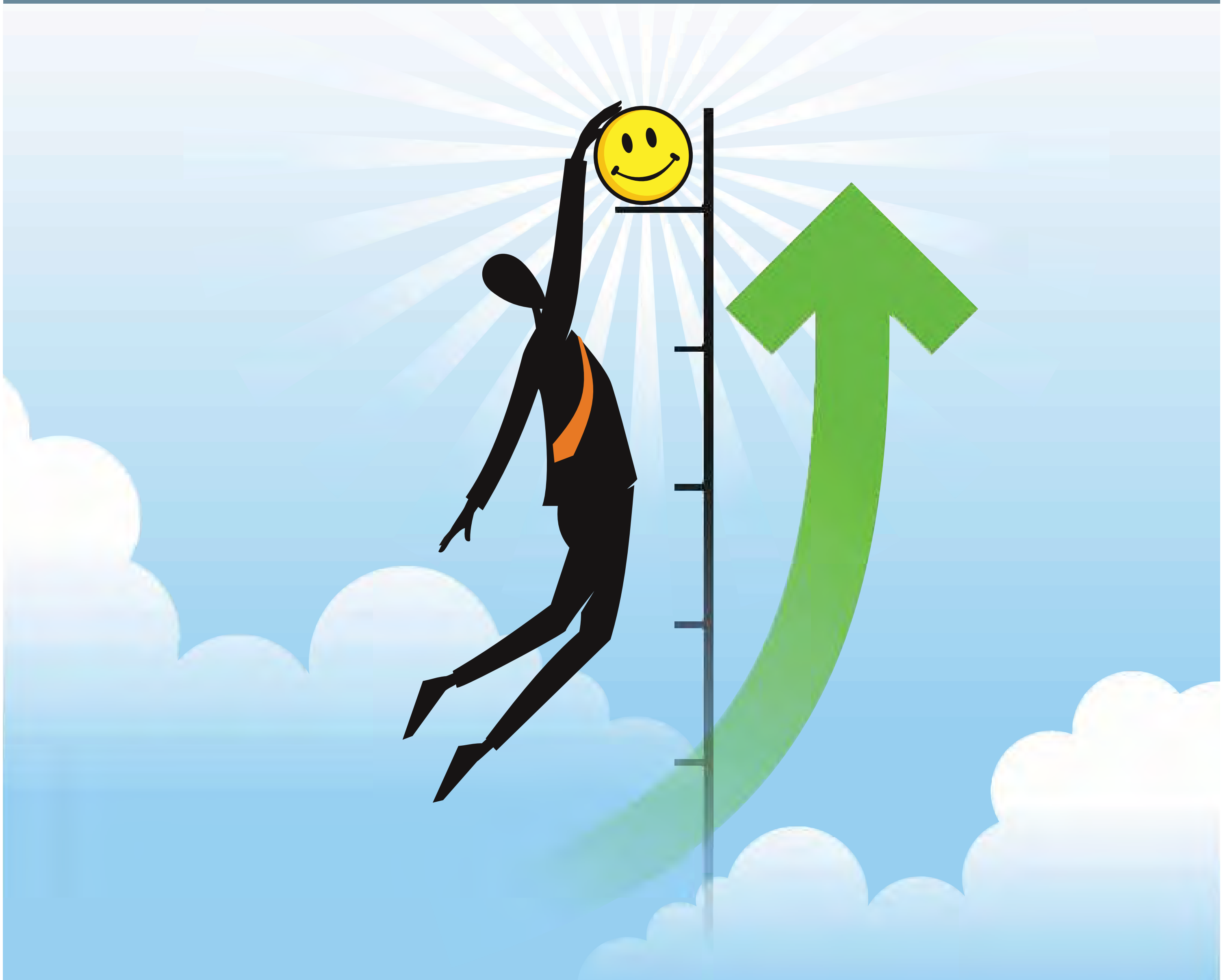
Mobile devices being used onsite are protected by full disk encryption, which prevent unauthorized access to these devices.

10. Contractual Compliance

Product development companies are exposed to legal risks which could arise from violation of intellectual property rights, leakage of confidentiality information and non-performance 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 non-performance of contracts. The Company has taken a comprehensive insurance policy to cover possible risks arising from errors and omissions and commercial general liability.

Beautiful Balance



Much beyond the desk

Personal growth and well-being of employees is of absolute importance at Persistent. Growth cannot be in terms of just revenues and profits. We at Persistent believe that every employee must have an opportunity for personal growth.

There are nearly 40 interest groups formed under Employee Engagement Initiatives. In the financial year 2010-11, more than 3,500 employees and more than 1,200 family members participated in various events.

We at Persistent believe that work-life balance must include

- A balance between professional and personal life
- High quality of life at the work place

We provide employees

Open and informal work culture
Reward and Recognition programme
Mentoring at the work place
Skip level meeting
Listening post
Buddy Program
Prerana Women's Forum
Anti-harassment Committee
Home drop facility for women employees who work late
Insurance coverage and medical care for employee and family
Doctor and Counsellor at the work place
Annual health check-up
Yoga classes at work
Gymnasium at the workplace
Sports facilities at the workplace and outside
Events of Persistent Arts Circle (PAC), Fun Games,
Welfare Activity Group (WAG)
Children Carnival for employees' children

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, 2011 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;

   v. On the basis of the written representations received from the directors, as on March 31, 2011, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2011 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, 2011;

      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 18, 2011

For JOSHI APTE & Co.
Firm Registration No. 104370W
Chartered Accountants

C. K. Joshi
Partner
Membership No.: 30428

Place: Pune
Date: April 18, 2011

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 4(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 441A 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 material 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 (₹)	Period to which the amount relates	Forum where dispute is pending
Finance Act, 1994 (Chapter V)	Service Tax in respect of Annual Maintenance Contracts	1,949,466	Financial Year 2007-08	The Superintendent of Central Excise (Service Tax Cell)
Income Tax Act, 1961	Regular Assessment Dues	43,253,747	Financial Year 2006-07	Commissioner of Income Tax Appeals – II, Pune

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 18, 2011

For JOSHI APTE & Co.
Firm Registration No. 104370W
Chartered Accountants

C. K. Joshi
Partner
Membership No.: 30428

Place: Pune
Date: April 18, 2011

Balance Sheet as at March 31, 2011

(In ₹ Million)

	Sch.	As at March 31, 2011	As at March 31, 2010
Sources of funds			
Shareholders' funds			
Share capital	1	400.00	400.00
Stock options outstanding (Refer note 11 to Schedule 16)		34.76	32.02
Reserves and surplus	2	7,008.61	5,991.56
		7,443.37	6,423.58
Deferred payment liabilities [Due within one year ₹ 22.41 Million (previous year ₹ 15.04 Million)]		30.07	45.11
		7,473.44	6,468.69
Application of funds			
Fixed assets	3		
Gross block		4,339.32	3,633.72
Less: Accumulated depreciation and amortisation		2,215.79	1,843.55
Net block		2,123.53	1,790.17
Capital work-in-progress (including capital advances)		604.52	476.08
		2,728.05	2,266.25
Investments	4	2,687.34	1,757.65
Deferred tax assets (net) (Refer note 7 to Schedule 16)		56.47	8.00
Current assets, loans and advances			
Sundry debtors	5	1,199.91	1,045.09
Cash and bank balances	6	870.14	1,771.87
Other current assets	7	191.35	302.47
Loans and advances	8	938.59	761.62
	(A)	3,199.99	3,881.05
Less: Current liabilities and provisions			
Current liabilities	9	846.22	1,149.83
Provisions	10	352.19	294.43
	(B)	1,198.41	1,444.26
Net current assets	(A - B)	2,001.58	2,436.79
		7,473.44	6,468.69
Notes to Accounts	16		

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.
Firm Registration No. 301003E
Chartered Accountants

per Arvind Sethi
Partner
Membership No. 89802

Pune, April 18, 2011

For JOSHI APTE & Co.
Firm Registration No. 104370W
Chartered Accountants

C. K. Joshi
Partner
Membership No. 30428

Pune, April 18, 2011

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 18, 2011

Profit and Loss Account for the year ended March 31, 2011

(In ₹ Million)

	Sch.	For the year ended March 31, 2011	March 31, 2010
Income			
Sale of software services and products	11	6,101.27	5,044.13
Other Income	12	352.62	117.01
		6,453.89	5,161.14
Expenditure			
Personnel expenses	13	3,825.31	2,913.20
Operating and other expenses	14	800.33	682.31
		4,625.64	3,595.51
Operating profit before depreciation and amortisation		1,828.25	1,565.63
Depreciation and amortisation	3	395.09	324.95
Profit before tax		1,433.16	1,240.68
Provision for tax			
Current tax		270.55	211.13
Less: MAT credit entitlement		124.79	162.38
Net current tax		145.76	48.75
Tax (credit) / charge in respect of earlier years		-	13.02
Deferred tax (credit) / charge		(48.47)	8.39
Total tax expense		97.29	70.16
Profit after tax		1,335.87	1,170.52
Balance brought forward from previous year		2,368.46	1,780.71
Profit available for appropriation		3,704.33	2,951.23
Appropriations			
Transfer to general reserve		534.40	468.20
Interim dividend		80.00	77.93
Special dividend		80.00	-
Proposed final dividend		60.00	20.00
Tax on dividend		36.54	16.64
Surplus carried to Balance Sheet		2,913.39	2,368.46
Earnings Per Share	15		
Basic [Nominal value of equity shares ₹ 10 (previous year ₹ 10)]		35.41	36.37
Diluted [Nominal value of equity shares ₹ 10 (previous year ₹ 10)]		33.40	32.62
Notes to Accounts	16		

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.
Firm Registration No. 301003E
Chartered Accountants

per Arvind Sethi
Partner
Membership No. 89802

Pune, April 18, 2011

For JOSHI APTE & Co.
Firm Registration No. 104370W
Chartered Accountants

C. K. Joshi
Partner
Membership No. 30428

Pune, April 18, 2011

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 18, 2011

Schedules forming part of Balance Sheet

(In ₹ Million)

		As at March 31, 2011	As at March 31, 2010
Schedule 1			
Share capital			
Authorised			
100,000,000 (previous year 100,000,000) equity shares of ₹ 10 each		1,000.00	1,000.00
		1,000.00	1,000.00
Issued, subscribed and paid-up			
40,000,000 (previous year 40,000,000) equity shares of ₹ 10 each fully paid		400.00	400.00
(Of the above 25,615,000 equity shares were allotted on September 17, 2007 as fully paid-up bonus shares by capitalisation of Capital Redemption Reserves ₹ 9.79 Million and securities premium account ₹ 246.36 Million)			
		400.00	400.00
Schedule 2			
Reserves and surplus			
Securities premium account			
Opening balance		1,738.60	577.49
Add: Additions during the year		-	1,241.70
Less: Share issue expenses		1.90	80.59
Closing balance	(A)	1,736.70	1,738.60
General reserve			
Opening balance		1,724.65	1,209.23
Add: Transferred from Profit and Loss Account		534.40	468.20
		2,259.05	1,677.43
Add: Amount adjusted to Advance to PSPL ESOP Management Trust		20.36	47.22
(Refer note 11(iv) to Schedule 16)			
Closing balance	(B)	2,279.41	1,724.65
Hedge reserve (Refer note 19 of Schedule 16)	(C)	79.11	159.85
Profit and Loss Account	(D)	2,913.39	2,368.46
	(A)+(B)+(C)+(D)	7,008.61	5,991.56

Schedules forming part of Balance Sheet (Contd.)

Schedule 3

Fixed assets

(In ₹ Million)

Name of the Asset	Gross Block				Depreciation and Amortisation				Net Block	
	As at April 1, 2010	Additions during the period / year	Deductions / Transfers during the period / year	As at March 31, 2011	As at April 1, 2010	Charge for the year (See Note 1)	Deductions / Transfers during the period / year	As at March 31, 2011	As at March 31, 2011	As at March 31, 2010
Tangible assets										
Freehold Land	202.98	-	-	202.98	-	-	-	-	202.98	202.98
Leasehold Land	39.93	-	-	39.93	-	1.87	-	1.87	38.06	39.93
Buildings	1,257.51	25.59	-	1,283.10	225.38	50.71	-	276.09	1,007.01	1,032.13
Computers	703.42	161.69	22.47	842.64	574.57	112.04	22.47	664.14	178.50	128.85
Plant and Machinery	574.43	36.49	1.53	609.39	397.55	75.97	1.07	472.45	136.94	176.88
Furniture and fixtures	280.61	14.98	0.06	295.53	214.83	32.38	0.06	247.15	48.38	65.78
Vehicles	4.61	-	0.07	4.54	3.20	0.45	0.07	3.58	0.96	1.41
Intangible assets										
Softwares	570.23	258.44	-	828.67	428.02	118.74	-	546.76	281.91	142.21
Other Intangibles	-	232.54	-	232.54	-	3.75	-	3.75	228.79	-
Total	3,633.72	729.73	24.13	4,339.32	1,843.55	395.91	23.67	2,215.79	2,123.53	1,790.17
Total previous year	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
Capital work-in-progress including capital advances										
Total	476.08	475.72	347.28	604.52	-	-	-	-	604.52	476.08
Total previous year	377.44	216.40	117.76	476.08	-	-	-	-	476.08	377.44

Notes

1. Depreciation charge for the year

Particulars	For the year ended	
	March 31, 2011	March 31, 2010
Depreciation charge for the year as above	395.91	325.77
Less: Relating to Fixed Assets used for construction of Fixed Assets, included under Capital Work-In-Progress	0.82	0.82
Depreciation charge for the year as per profit and loss account	395.09	324.95

2. Capital work-in-progress includes capital advances of ₹ 130.56 Million (previous year ₹ 83.62 Million)

Schedules forming part of Balance Sheet (Contd.)

(In ₹ Million)

		As at March 31, 2011	As at March 31, 2010
Schedule 4			
Investments			
Long term investments (At cost)			
Trade (Unquoted)			
In Subsidiary companies (Also being companies under the same management)			
Persistent eBusiness Solutions Ltd.		42.28	42.28
920,300 (previous year 920,300) equity shares of ₹ 10 each, fully paid up			
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		165.92	165.92
	(B)	165.92	165.92
Persistent Systems Pte. Ltd.			
500,000 (previous year 500,000) shares of SGD 1 each, fully paid		15.50	15.50
Less: Provision for diminution in value of investment		9.00	-
	(C)	6.50	15.50
Persistent Systems and Solutions Limited			
1,450,000 (previous year 1,450,000) shares of ₹ 10 each, fully paid		14.50	14.50
	(D)	14.50	14.50
	(E)=(A)+(B)+(C)+(D)	186.92	195.92
Current Investments (At lower of cost and market value)			
Other than trade (Unquoted)			
Investment in mutual funds (Refer note 12 to Schedule 16)		2,500.42	1,561.73
	(F)	2,500.42	1,561.73
Aggregate amount of unquoted investments	(E)+(F)	2,687.34	1,757.65
Schedule 5			
Sundry debtors			
(Unsecured)			
Debts outstanding for a period exceeding six months			
Considered good		10.70	20.09
Considered doubtful		183.23	147.74
Other debts			
Considered good		1,189.21	1,025.00
Considered doubtful		10.55	14.00
		1,393.69	1,206.83
Less: Provision for doubtful debts		193.78	161.74
		1,199.91	1,045.09
Included in sundry debtors are dues from Companies under the same management as follows:			
Persistent Systems, Inc.		52.86	103.88
[Maximum amount outstanding during the year ₹ 129.23 Million (previous year ₹ 130.75 Million)]			
Persistent eBusiness Solutions Limited		-	18.11
[Maximum amount outstanding during the year ₹ 18.11 Million (previous year ₹ 29.01 Million)]			
Persistent Systems and Solutions Limited		-	0.67
[Maximum amount outstanding during the year ₹ 0.67 Million (previous year ₹ 2.41 Million)]			

Schedules forming part of Balance Sheet (Contd.)

(In ₹ Million)

	As at March 31, 2011	As at March 31, 2010
Schedule 6		
Cash and bank balances		
Cash in hand	0.15	0.21
Balances with scheduled banks		
On current accounts	115.22	1,766.70
On deposit accounts	752.30	1.15
	867.52	1,767.85
Balances with other banks		
On current accounts	2.01	3.81
On saving account	0.46	-
	2.47	3.81
	870.14	1,771.87
Bank balances with others include		
Bank of Tokyo - Mitsubishi - NS, Japan	0.46	-
[Maximum amount outstanding during the year ₹ 8.94 Million		
(previous year ₹ 0.84 Million)]		
Citibank Canada	2.01	3.81
[Maximum amount outstanding during the year ₹ 7.18 Million		
(previous year ₹ 8.46 Million)]		
Schedule 7		
Other current assets		
Income accrued	17.12	0.03
Forward contracts receivable	104.30	218.41
Unbilled revenue	69.93	82.82
Fixed Assets held for sale (at net book value or estimated net realisable value, whichever is lower)	-	1.21
	191.35	302.47
Schedule 8		
Loans and advances		
(Secured, considered good)		
Deposits (Secured by corporate guarantee)	10.00	10.00
(A)	10.00	10.00
(Unsecured, considered good)		
Advance to Subsidiary companies (Also being companies under the same management)	9.03	12.54
(B)	9.03	12.54
Loan to Subsidiary companies (Also being companies under the same management)	113.93	61.15
(C)	113.93	61.15
Advances recoverable in cash or kind or for value to be received	115.59	142.11
Advance to PSPL ESOP Management Trust	58.43	106.94
Advance Income Tax [Net of provision for Tax ₹ 720.05 Million (previous year ₹ 444.28 Million)]	86.82	33.07

Schedules forming part of Balance Sheet (Contd.)

(In ₹ Million)

	As at March 31, 2011	As at March 31, 2010
Schedule 8 (Contd.)		
MAT credit entitlement	419.61	294.82
VAT and Service tax receivable [Net of provision ₹ 116.39 Million (previous year ₹ 37.71 Million)]	102.42	75.87
Deposits	22.76	25.12
(D)	805.63	677.93
(Unsecured considered doubtful)		
Deposits	0.83	1.18
Less: Provision for doubtful deposits	0.83	1.18
(E)	-	-
Loans to companies under same management	25.53	25.53
Less: Provision for doubtful loans	25.53	25.53
(F)	-	-
(A)+(B)+(C)+(D)+(E)+(F)	938.59	761.62
Included in advances are		
Persistent Systems, Inc.	4.93	12.18
[Maximum amount outstanding during the year ₹ 30.96 Million		
(previous year ₹ 12.95 Million)]		
Persistent Systems Pte. Ltd.	1.04	0.27
[Maximum amount outstanding during the year ₹ 1.04 Million		
(previous year ₹ 0.27 Million)]		
Persistent Systems and Solutions Limited	3.06	0.09
[Maximum amount outstanding during the year ₹ 27.07 Million		
(previous year ₹ 7.59 Million)]		
Included in loans are		
Dues from companies under the same management		
Persistent eBusiness Solutions Limited	25.53	25.53
[Maximum amount outstanding during the year ₹ 25.23 Million		
(previous year ₹ 25.53 Million)]		
Persistent Systems, Inc.	54.93	53.65
[Maximum amount outstanding during the year ₹ 55.82 Million		
(previous year ₹ 60.57 Million)]		
Persistent Systems and Solutions Limited	59.00	7.50
[Maximum amount outstanding during the year ₹ 59.00 Million		
(previous year ₹ 7.50 Million)]		

Schedules forming part of Balance Sheet (Contd.)

(In ₹ Million)

	As at March 31, 2011	As at March 31, 2010
Schedule 9		
Current liabilities		
Advance from customers	91.73	84.45
Sundry creditors		
Dues to micro and small enterprises (Refer note 22 to Schedule 16)	-	-
Dues to other than micro and small enterprises	339.07	276.74
Payable to selling shareholders	-	372.08
Dues to Subsidiary companies (Also being companies under the same management)	41.48	43.94
Unearned revenue	18.66	18.46
Accrued employee liabilities	296.48	311.00
Unpaid dividend (Refer note 23 to Schedule 16)	0.26	-
Tax on unpaid dividend	-	-
Other liabilities	58.54	43.16
	846.22	1,149.83
Dues to companies under the same management		
Persistent eBusiness Solutions Limited	4.96	1.15
[Maximum amount outstanding during the period ₹ 4.96 Million		
(previous year ₹ 3.52 Million)]		
Persistent Systems, Inc.	34.79	42.57
[Maximum amount outstanding during the period ₹ 111.65 Million		
(previous year ₹ 56.46 Million)]		
Persistent Systems Pte Ltd.	1.73	0.22
[Maximum amount outstanding during the period ₹ 2.94 Million		
(previous year ₹ 0.22 Million)]		
Schedule 10		
Provisions		
Gratuity (Refer note 5 to Schedule 16)	89.37	42.49
Leave encashment	119.76	90.32
Other long-term employee benefits	73.09	68.03
Proposed dividend	60.00	80.00
Tax on proposed dividend	9.97	13.59
	352.19	294.43

Schedules forming part of Profit and Loss Account

(In ₹ Million)

	For the year ended	
	March 31, 2011	March 31, 2010
Schedule 11		
Sale of software services and products		
Overseas	5,597.44	4,739.82
Domestic	503.83	304.31
	6,101.27	5,044.13
Schedule 12		
Other Income		
Interest on bank deposits [Tax deducted at source ₹ 1.85 Million (previous year ₹ Nil)]	21.11	0.15
Interest on inter corporate deposit and others [Tax deducted at source ₹ 1.28 Million (previous year ₹ 1.30 Million)]	9.92	6.39
Foreign exchange gains (net)	178.80	41.13
Profit on sale of assets (net)	8.34	1.46
Dividend from non-trade current investments	117.93	42.73
Profit on sale of non-trade current investments (net)	2.40	0.01
Excess provision written back	2.26	17.65
Provision for doubtful deposit written back	0.35	1.50
Miscellaneous income	11.51	5.99
	352.62	117.01
Schedule 13		
Personnel expenses		
Salaries, bonus and allowances	2,984.92	2,358.62
Software professional charges	487.02	290.13
Contribution to provident fund	100.47	79.78
Gratuity expenses (Refer note 5 to Schedule 16)	81.38	40.56
Defined contribution to other funds	24.70	23.04
Staff welfare and benefits	139.71	101.62
Employee stock option expenses (Refer note 11 to Schedule 16)	7.11	19.45
	3,825.31	2,913.20
Schedule 14		
Operating and other expenses		
Travelling and conveyance	205.87	146.13
Electricity expenses	77.79	73.58
Internet link expenses	30.63	24.97
Communication expenses	21.78	16.97
Recruitment expenses	17.60	4.11
Training and seminars	15.61	14.85
Purchase of software licenses and support expenses	128.27	171.41
Provision for doubtful debts	33.52	44.39
Rent	14.05	10.64

Schedules forming part of Profit and Loss Account (Contd.)

(In ₹ Million)

		For the year ended	
		March 31, 2011	March 31, 2010
Schedule 14 (Contd.)			
Insurance		13.97	11.67
Rates, fees and profession tax		22.99	13.39
Legal and professional fees		22.83	12.50
Repairs and maintenance			
Plant and Machinery		36.30	25.48
Buildings		8.79	5.05
Others		10.83	10.05
Commission on sales to other than sole selling agents		36.06	30.31
Advertisement and sponsorship fees		8.69	6.88
Computer consumables		9.54	8.46
Auditors' remuneration (Refer note 13 to Schedule 16)		4.92	3.33
Donations		11.50	6.35
Books, memberships, subscriptions		1.69	1.63
Directors' sitting fees		0.26	0.27
Directors' commission		3.85	1.81
Provision for diminution in value of investments		9.00	-
Miscellaneous expenses		53.99	38.08
		800.33	682.31
Schedule 15			
Earnings Per Share			
Numerator for Basic and Diluted EPS			
Net Profit after tax (In ₹ Million)	a	1,335.87	1,170.52
Denominator for Basic EPS			
Weighted average number of equity shares	b	37,722,893	32,185,087
Denominator for Diluted EPS			
Weighted average number of equity shares and potential equity shares	c	40,000,000	35,883,680
Basic Earning Per Share of face value of ₹ 10 each (In ₹)	a/b	35.41	36.37
Diluted Earning Per Share of face value of ₹ 10 each (In ₹)	a/c	33.40	32.62

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
Number of shares considered as basic weighted average shares outstanding	37,722,893	32,185,087
Add: Effect of dilutive issues of stock options	2,277,107	3,698,593
Number of shares considered as weighted average shares and potential shares outstanding	40,000,000	35,883,680

Notes to Accounts

Schedule 16

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 Standards notified by Companies (Accounting Standards) Rules, 2006, (as amended) along with 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 during the period and are consistent with those used in the previous year.

B. 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.

C. Fixed assets

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 to be put to use and advances paid to construct or acquire fixed assets and intangible assets.

D. Intangible assets

Acquired intangible assets are stated at cost less amortization and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. These intangible assets are amortised over their respective useful lives of three to five years on straight-line basis.

Cost relating to software licenses, of enduring nature are capitalised on acquisition and amortised over their estimated useful lives.

In respect of internally developed assets, research costs are expensed as incurred. Development expenditure incurred on an individual project is recognized as an intangible asset when the Company can demonstrate that future economic benefits that are attributable to the asset will flow to the Company.

E. Depreciation and amortisation

Depreciation on fixed assets 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.

Leasehold land is amortised over the lease term.

Depreciation on assets purchased / sold during the period is charged on a pro-rata basis. Individual assets whose cost does not exceed ₹ 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, 1956 is as below.

Assets	Rates (SLM)	Rates as per Schedule XIV (SLM)
Buildings	4.00%	1.63%
Computers	33.33%	16.21%
Software	20% to 33.33%	16.21%
Plant and Machinery	20.00%	4.75%
Furniture and fixtures	20.00%	6.33%
Vehicles	20.00%	9.50%

Intangible assets are amortised on a straight line basis over the period of expected future economic benefits i.e. over their estimated useful lives of three to five years.

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 estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

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 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 with customers.

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 agreements.

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.

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 shareholder'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.

Notes to Accounts (Contd.)

iii. Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting such 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 on foreign currency liabilities relating to fixed assets acquisition are recognised as income or expenses in the year in which they arise.

iv. Forward exchange contracts not intended for trading or speculation purposes covered by notified "Accounting Standard ('AS') 11 The effects of changes in Foreign Exchange rates".

The premium or discount arising at the inception of forward exchange contracts is amortised 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 year 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 year.

v. Forward exchange contracts not intended for trading or speculation purposes, classified as derivative financial instruments

As per the accounting principles laid down in AS-30, 'Financial Instruments: Recognition and Measurement' relating to cash flow hedges, derivative financial instruments which qualify for cash flow 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. Derivative financial instruments are carried as forward contract receivable when the fair value is positive and as forward contract payable when the fair value is negative.

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 affects profit or loss or when a hedged transaction is no longer expected to occur.

vi. Translation of integral foreign operation

The financial statements of the integral foreign operations are translated as if the transactions of the foreign operations have been those of the Company itself.

J. Retirement and other employee benefits

i. Provident fund

Provident fund is a defined contribution plan covering eligible employees. The Company and the eligible employees make a monthly contribution to the provident fund maintained by the Regional Provident Fund Commissioner equal to the specified percentage of the basic salary of the eligible employees as per the scheme. The 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.

ii. Gratuity

Gratuity is a defined benefit obligation and is provided for based on actuarial valuation using the Projected Unit Credit (PUC) method, made at the end of each financial reporting period for employees covered under Group Gratuity Scheme.

iii. Superannuation

Superannuation is a defined contribution plan covering eligible employees. The contribution to the superannuation fund managed by Life Insurance Corporation of India is equal to the specified percentage of the basic salary of the eligible employees as per the scheme. The contribution to this scheme is charged to the 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 using the Projected Unit Credit (PUC) Method, made at the end of each financial reporting period.

v. Long service awards

Long service awards are other long term benefits to all eligible employees, as per Company's policy. These benefits are provided for based on actuarial valuation using the Projected Unit Credit (PUC) Method, made at the end of each financial reporting period.

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 tax. 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 year's timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier year.

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 and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. 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 re-assesses 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.

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 year. In the year 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 'ICAI'), 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 MAT credit entitlement at each balance sheet date and writes down the carrying amount 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 are 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 year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The weighted average number of equity 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 subscription to the shares issued by the Company from finance provided by the Company.

For the purpose of calculating diluted Earnings Per Share, the net profit for the year attributable to the equity shareholders and the weighted average number of equity shares outstanding during the year, are adjusted for the effects of all dilutive potential equity shares.

Notes to Accounts (Contd.)

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 option expenses

Measurement and disclosure of the equity settled employee share-based payment plans is done in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-based Payments, issued by the ICAI.

The employee stock option schemes have a graded vesting schedule. Each vesting tranche having different vesting period has been considered as a separate option grant and accounted for accordingly.

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.

The employee stock option expense is recognised together with a corresponding increase in stock options outstanding account in equity, over the period in which the service conditions are fulfilled. The cumulative employee stock option expense recognised at each reporting date up to the vesting date, reflects the extent to which, the vesting period has expired. The employee stock option expense for the year represents the movement in cumulative expense recognised as at the beginning and at the end of that year.

Q. Leases

Where the Company is a lessee

Leases where the lessor effectively retains substantially all the risks and benefits of the ownership of the leased item, are classified as operating leases.

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, 2011 and March 31, 2010.

4. Contingent Liabilities

(In ₹ Million)

Particulars	As At	
	March 31, 2011	March 31, 2010
Claims against the Company not acknowledged as debts		
- Legal claims filed by the ex employee for salary and other benefits (Note 1)	0.18	0.18
- Income Tax (Note 2)	81.70	24.03
Total	81.88	24.21

Note 1

This represents disputed salary demand arising from a legal claim filed by an ex-employee. The management is confident that the matter would be decided in favour of the Company. Consequently, no provision has been made in the books of account in respect of such disputed claims.

Note 2

This represents disputed income tax demands arising from partial disallowance of the Company's claim of tax holiday under Section 10A of the Income Tax Act, 1961.

The Company has filed appeals against assessment orders for respective years with relevant authorities. The management is confident that the matter would be decided in favour of the Company. Consequently, no provision has been made in the books of account in respect of such disputed income tax demands.

5. Gratuity and other post-employment benefit plans

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

The following tables summarize the components of net benefit expense 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 Profit and Loss Account)

(In ₹ Million)

Particulars	For the year ended				
	March 31, 2011	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007
Current service cost	63.46	37.15	28.24	28.07	17.61
Interest cost on benefit obligation	9.37	6.54	6.51	4.05	2.58
Expected return on plan assets	(7.95)	(6.97)	(5.63)	(4.37)	(2.43)
Net actuarial (gain) / loss recognised in the period	24.41	3.84	(27.25)	7.17	3.29
Interest income	(7.91)	-	-	(4.40)	-
Net benefit expense	81.38	40.56	1.87	30.52	21.05
Actual Return on Net Plan Assets	-	7.92	7.47	4.52	2.70

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

(In ₹ Million)

Particulars	For the year ended				
	March 31, 2011	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007
Opening fair value of plan assets	77.99	86.02	53.88	29.09	31.56
Interest received and accrued during the year/ adjustment to opening balance	7.91	-	-	-	-
Expected return / adjustment	7.95	6.97	5.63	4.37	2.43
Contribution by employer	34.50	-	30.18	20.35	0.04
Benefits paid	(19.14)	(8.03)	(5.52)	(2.79)	(2.51)
Actuarial gains / (losses)	(7.95)	(6.97)	1.85	2.86	(2.43)
Closing fair value of plan assets	101.26	77.99	86.02	53.88	29.09

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

(In ₹ Million)

Particulars	For the year ended				
	March 31, 2011	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007
Opening defined benefit obligation	120.48	87.95	84.13	52.00	33.46
Interest cost	9.37	6.54	6.51	4.05	2.58
Current service cost	63.46	37.15	28.24	28.07	17.61
Benefits paid	(19.14)	(8.03)	(5.52)	(2.79)	(2.51)
Actuarial (gains) / losses on obligation	16.46	(3.13)	(25.41)	2.80	0.86
Closing defined benefit obligation	190.63	120.48	87.95	84.13	52.00

Notes to Accounts (Contd.)

Summary statement of provision for gratuity is as follows

(In ₹ Million)

Particulars	As at				
	March 31, 2011	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007
Fair value of plan assets	101.26	77.99	86.02	53.88	29.09
Less : Defined benefit obligations	(190.63)	(120.48)	(87.95)	(84.13)	(52.00)
Less : Unrecognised past service cost	-	-	-	-	-
Plan asset / (liability)	(89.37)	(42.49)	(1.93)	(30.25)	(22.91)

The Company expects to contribute ₹ 89.37 Million to gratuity fund in financial year 2011-12

The Company maintains gratuity fund, which is being administered by Life Insurance Corporation of India

(In ₹ Million)

Particulars	As at				
	March 31, 2011	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007
Investments with insurer including accrued interest	101.26	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

Particulars	As at				
	March 31, 2011	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007
Discount rate	8.52%	8.45%	7.79%	8.00%	8.00%
Expected rate of return on assets	8.50%	8.50%	8.50%	9.00%	8.00%
Salary Increment rate	7.00%	6.00%	6.00%	7.00%	7.00%

Amounts for the current and previous periods are as follows

(In ₹ Million)

Particulars	As at				
	March 31, 2011	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007
Plan assets	101.26	77.99	86.02	53.88	29.09
Defined benefit obligation	(190.63)	(120.48)	(87.95)	(84.13)	(52.00)
(Deficit)	(89.37)	(42.49)	(1.93)	(30.25)	(22.91)
Experience adjustments on plan liabilities	16.46	(3.13)	(25.41)	2.80	0.86
Experience adjustments on plan assets	(7.95)	(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 un-hedged foreign currency exposures

Forward contracts outstanding at the balance sheet date

(In ₹ Million)

Particulars	As at	
	March 31, 2011	March 31, 2010
Sell: Hedging of expected future sales of USD 87.25 Million (previous year USD 79.00 Million)	4,136.68	3,824.48

Notes to Accounts (Contd.)

Particulars of un-hedged foreign currency exposures as at the balance sheet date

Particulars	As at March 31, 2011			As at March 31, 2010		
	In ₹ Million	Foreign Currency (In Million)	Foreign Currency Conversion Rate (₹)	In ₹ Million	Foreign Currency (In Million)	Foreign Currency Conversion Rate (₹)
Bank balances	0.46	JP ¥ 0.85	0.5385	0.00028	JP ¥ 0.001	0.48
	51.53	USD 1.15	44.58	49.62	USD 1.10	44.91
	7.78	GBP 0.11	71.64	0.54	GBP 0.01	68.07
	2.01	CAD 0.04	45.94	3.81	CAD 0.09	44.26
Investments	164.95	USD 3.70	44.58	166.20	USD 3.70	44.91
	17.69	SGD 0.50	35.38	16.05	SGD 0.50	32.10
Import creditors	36.85	USD 0.83	44.59	42.67	USD 0.95	44.92
	1.73	SGD 0.05	35.38	0.22	SGD 0.01	32.10
Inter corporate deposit	54.93	USD 1.23	44.58	53.44	USD 1.19	44.91
Advances	4.93	USD 0.11	44.58	12.13	USD 0.27	44.91
	1.04	SGD 0.03	35.38	0.27	SGD 0.01	32.10
Debtors	674.94	USD 15.14	44.58	389.82	USD 8.68	44.91
	31.01	EUR 0.49	63.29	38.15	EUR 0.63	60.55
	11.46	GBP 0.16	71.64	8.85	GBP 0.13	68.07
	1.84	CAD 0.04	45.94	(3.98)	CAD 0.09	44.26
	0.46	AUD 0.01	46.07	0.41	AUD 0.01	41.08
	0.65	NOK 0.08	8.08	-	-	-

7. Deferred Tax

The Company had a tax holiday under Section 10A of the Income Tax Act, 1961, up to March 31, 2011. The timing differences arising and reversing during the tax holiday period has not been recognized in the books of accounts.

(In ₹ Million)

Particulars		As at	
		March 31, 2011	March 31, 2010
Differences in depreciation and other differences in a block of fixed assets as per the tax books and financial books		64.06	20.41
Gross deferred tax liabilities	(A)	64.06	20.41
Provision for Leave liability		39.78	9.16
Provision for long service awards		24.28	19.25
Provision for doubtful debts		56.47	-
Gross deferred tax assets	(B)	120.53	28.41
Net deferred tax (assets)/liability	(A) - (B)	(56.47)	(8.00)

The Company believes that the gratuity liability as at March 31, 2011 would be paid before the due date of filing of the return of income and hence such outstanding amount would be eligible for a deduction and accordingly, no deferred tax asset has been recognised.

8. Operating leases

The Company has taken office premises under non-cancellable operating lease agreement for a period of 3 years. There are no escalations during non-cancellable lease period. There are no restrictions imposed by the lease agreements. The Company has an option to renew the lease agreements at the end of the lease period.

Notes to Accounts (Contd.)

Maximum obligation on long-term non-cancellable operating lease payable as per the rentals stated in respective agreement is as follows

(In ₹ Million)

Particulars	Year ended	
	March 31, 2011	March 31, 2010
Lease Rentals during the year	14.05	10.64
Obligation on non-cancellable operating leases Not later than one year	6.18	-
Later than one year and not later than three years	23.13	-

9. Capital commitments

(In ₹ Million)

Particulars	As at	
	March 31, 2011	March 31, 2010
Estimated amount of contracts remaining to be executed on capital account and not provided	446.72	285.79

10. Related party transactions

I. Names of related parties

Names of related parties where control exists irrespective of whether transactions have occurred or not

Subsidiaries

i. Persistent eBusiness Solutions Limited
ii. Persistent Systems, Inc.
iii. Persistent Systems Pte. Ltd.
iv. Persistent Systems and Solutions Limited

Names of other related parties with whom transactions have taken place during the year

Key Management Personnel

i. Dr. Anand Deshpande, Chairman and Managing Director
ii. Mr. Suresh Deshpande, Non-Executive Director (Executive Director up to 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 Deshpande (Relative of the Chairman and Managing Director and a Director)

Related party transactions (In ₹ Million)

Particulars	Name of the Related Party and Nature of Relationship	Year ended	
		March 31, 2011	March 31, 2010
Revenue from services rendered	Subsidiaries		
	Persistent Systems, Inc.	408.19	456.04
	Persistent Systems and Solutions Limited	-	3.60
	Persistent eBusiness Solutions Limited	42.70	40.29
	Total	450.89	499.93
Sale of Assets	Subsidiaries		
	Persistent Systems and Solutions Limited	1.86	-
	Total	1.86	-
Reimbursement of project travel expenses and other expenses received	Subsidiaries		
	Persistent eBusiness Solutions Limited	0.39	0.15
	Persistent Systems, Inc.	1.86	4.45
	Persistent Systems and Solutions Limited	1.09	-
	Total	3.34	4.60

Notes to Accounts (Contd.)

(In ₹ Million)

Particulars	Name of the Related Party and Nature of Relationship	Year ended	
		March 31, 2011	March 31, 2010
Interest received	Subsidiaries		
	Persistent eBusiness Solutions Limited	1.91	1.91
	Persistent Systems and Solutions Limited	1.85	-
	Persistent Systems, Inc.	3.79	3.82
	Total	7.55	5.73
Services received	Subsidiaries		
	Persistent Systems, Inc.	415.66	242.69
	Persistent Systems Pte. Ltd.	7.91	0.61
	Total	423.57	243.30
Commission paid	Subsidiaries		
	Persistent Systems, Inc.	31.33	27.65
	Total	31.33	27.65
Purchase of assets	Subsidiaries		
	Persistent Systems and Solutions Limited	0.26	-
	Total	0.26	-
Project travel expenses and other expenses paid	Subsidiaries		
	Persistent Systems, Inc.	17.13	5.02
	Total	17.13	5.02
Remuneration paid	Key Management Personnel		
	Dr. Anand Deshpande	9.35	7.63
	Mr. Suresh Deshpande	-	1.57
	Relatives of Key Management Personnel		
	Mrs. Chitra Buzruk	2.14	2.60
	Dr. Mukund Deshpande	2.81	2.34
	Total	14.30	14.14
Dividend paid	Dr. Anand Deshpande	68.25	5.69
	Mr. Suresh Deshpande	22.84	1.90
	Mrs. Chitra Buzruk	0.16	0.01
	Mrs. Sonali Deshpande	0.33	0.03
	Mrs. Sulabha Deshpande	1.69	0.14
	Total	93.27	7.77
Inter-corporate deposits given during the year	Subsidiaries		
	Persistent Systems and Solutions Limited	51.50	7.50
	Total	51.50	7.50

Outstanding Balances

(In ₹ Million)

Particulars	Name of the Related Party and Nature of Relationship	As at	
		March 31, 2011	March 31, 2010
Loans and advances	Subsidiaries		
	Persistent Systems, Inc.	4.93	12.18
	Persistent Systems Pte. Ltd.	1.04	0.27
	Persistent Systems and Solutions Limited	3.06	0.09
	Total	9.03	12.54
Creditors	Subsidiaries		
	Persistent Systems Pte. Ltd.	1.73	0.22
	Persistent Systems, Inc.	34.79	42.57
	Total	36.52	42.79

Notes to Accounts (Contd.)

(In ₹ Million)

Particulars	Name of the Related Party and Nature of Relationship	As at	
		March 31, 2011	March 31, 2010
Debtors	Subsidiaries		
	Persistent Systems, Inc.	52.86	103.88
	Persistent eBusiness Solutions Limited	-	18.11
	Persistent Systems and Solutions Limited	-	0.67
	Total	52.86	122.66
Inter-corporate deposits	Subsidiaries		
	Persistent eBusiness Solutions Limited	25.53	25.53
	Persistent Systems, Inc.	54.93	53.65
	Persistent Systems and Solutions Limited	59.00	7.50
	Total	139.46	86.68
Investments	Subsidiaries		
	Persistent Systems, Inc.	165.92	165.92
	Persistent eBusiness Solutions Limited	42.28	42.28
	Persistent Systems Pte. Ltd.	15.50	15.50
	Persistent Systems and Solutions Limited	14.50	14.50
	Total	238.20	238.20
Advance taken	Subsidiaries		
	Persistent eBusiness Solutions Limited	4.96	1.15
	Total	4.96	1.15
Dividend payable	Dr. Anand Deshpande	17.06	22.75
	Mr. Suresh Deshpande	5.72	7.60
	Mrs. Chitra Buzruk	0.04	0.05
	Mrs. Sonali Deshpande	0.08	0.11
	Mrs. Sulabha Deshpande	0.42	0.56
	Total	23.32	31.07

11. Employees Stock Options (ESOP)

The details of various equity settled ESOP schemes adopted by the Board of Directors are as follows

ESOP Scheme	Date of adoption by the Board/Members	Initial Grant Date	Exercise Price Range (in ₹)	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
Scheme X	June 10, 2010	October 29, 2010	389.05 – 403.25	3 Years

Note 1. No contractual life is defined in the scheme.

The vesting pattern of Scheme I to V, VII and VIII & X is as follows

Time Period from the Date of Grant	<----------------- Cumulative Percentage of Share Vesting ----------------->		
	Scheme I to V & X	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 as at March 31, 2011, is shown in the following table

Plan		I	II	III	IV	V	VI	VII	VIII	IX	X	Total
Granted	a	2,280,250	376,600	1,266,650	3,479,125	945,262	608,125	892,487	21,000	687,231	594,925	11,151,655
Vested	b	1,606,449	230,177	637,657	1,547,589	657,025	355,468	311,160	14,000	118,196	-	5,477,721
Encashed and Exercised	c	1,601,992	214,987	490,546	1,090,670	461,663	296,624	212,784	12,250	2,482	-	4,383,998
Vested & Not exercised (b-c)	d	4,457	15,190	147,111	456,919	195,362	58,844	98,376	1,750	115,714	-	1,093,723
Lapsed	e	672,704	138,057	406,066	977,142	275,941	215,250	456,050	3,500	214,051	47,000	3,405,761
Not Vested (a - c - d - e)	f	1,097	8,366	222,927	954,394	12,296	37,407	125,277	3,500	354,984	547,925	2,268,173
Outstanding (d + f)	g	5,554	23,556	370,038	1,411,313	207,658	96,251	223,653	5,250	470,698	547,925	3,361,896
Weighted Average remaining contractual life (in years)		Note 1*	9.73	Note 1*	11.7	Note 1*	10.74	11.75	3.46	12.15	6.63	-
Weighted Average Fair Value of Options Granted (₹)		9.37	47.52	58.47	83.07	51.06	50.11	117.05	143.57	137.05	401.41	-

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

Plan		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	13.15	-
Weighted Average Fair Value of Options Granted (₹)		9.37	47.52	58.47	83.07	51.06	50.11	117.05	143.57	137.05	-

All the numbers provided in the above tables are rounded off.

Notes

1. No contractual life is defined in the schemes.
2. Compensation expense arising from employee share based payment plans for the year ended March 31, 2011 amounted to ₹ 7.11 Million (previous year ₹ 19.45 Million).

Notes to Accounts (Contd.)

3. Advance to the Trust, as on the balance sheet date in respect of shares allotted by the Company to the Trust, amounted to ₹ Nil (previous year ₹ Nil). 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 ₹ Nil (previous year ₹ Nil) and Share Premium would have been reduced by ₹ Nil (previous year ₹ Nil)

4. The Company has adjusted ₹ 20.36 Million (previous year ₹ 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 and SEBI Guidelines.

Movement for the year ended March 31, 2011 and March 31, 2010

ESOP Scheme	Particulars	Year ended	Outstanding at the beginning of the year	Granted during the year	Forfeited during the year	Exercised during the year	Outstanding at the end of the year	Exercisable at the end of the year
Scheme I	Number of Options	March 31, 2011	12,204	-	3,502	3,148	5,554	4,457
	Weighted Average Price	March 31, 2011	9.95	-	4.77	13.04	11.37	11.99
	Number of Options	March 31, 2010	59,926	-	2,154	45,568	12,204	6,398
	Weighted Average Price	March 31, 2010	11.26	-	15.22	11.43	9.95	13.38
Scheme II	Number of Options	March 31, 2011	42,991	-	9,449	9,986	23,556	15,190
	Weighted Average Price	March 31, 2011	84.36	-	96.41	96.41	74.41	62.29
	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
Scheme III	Number of Options	March 31, 2011	489,031	-	30,207	88,786	370,038	147,111
	Weighted Average Price	March 31, 2011	62.17	-	65.03	59.60	62.55	61.33
	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
Scheme IV	Number of Options	March 31, 2011	1,844,402	-	160,599	272,490	1,411,313	456,919
	Weighted Average Price	March 31, 2011	94.33	-	112.69	54.56	99.92	66.85
	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
Scheme V	Number of Options	March 31, 2011	312,018	-	9,601	94,759	207,658	195,362
	Weighted Average Price	March 31, 2011	51.29	-	58.44	47.20	52.82	50.08
	Number of Options	March 31, 2010	699,128	-	20,206	366,904	312,018	47,217
	Weighted Average Price	March 31, 2010	49.91	-	52.29	48.61	51.29	52.48
Scheme VI	Number of Options	March 31, 2011	96,251	-	-	-	96,251	58,844
	Weighted Average Price	March 31, 2011	54.26	-	-	-	54.26	52.70
	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
Scheme VII	Number of Options	March 31, 2011	292,953	-	52,150	17,150	223,653	98,376
	Weighted Average Price	March 31, 2011	83.56	-	99.16	57.63	81.91	66.58
	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
Scheme VIII	Number of Options	March 31, 2011	14,000	-	3,500	5,250	5,250	1,750
	Weighted Average Price	March 31, 2011	96.41	-	96.41	96.41	96.41	96.41
	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
Scheme IX	Number of Options	March 31, 2011	534,493	-	61,313	2,482	470,698	115,714
	Weighted Average Price	March 31, 2011	109.48	-	109.48	109.48	109.48	109.48
	Number of Options	March 31, 2010	-	687,231	152,738	-	534,493	-
	Weighted Average Price	March 31, 2010	-	109.48	109.48	-	109.48	-
Scheme X	Number of Options	March 31, 2011	-	594,925	47,000	-	547,925	-
	Weighted Average Price	March 31, 2011	-	401.41	403.25	-	401.25	-
	Number of Options	March 31, 2010	-	-	-	-	-	-
	Weighted Average Price	March 31, 2010	-	-	-	-	-	-

The weighted average share price for the period over which stock options were exercised was ₹ 414.63.

Fair valuation of stock options granted

The weighted average fair value of the stock options granted during the current year is ₹ 401.41. The Binomial tree valuation model has been used for computing the weighted average fair value considering the following inputs

	March 31, 2011	March 31, 2010	
	Scheme X	Scheme IV and VII	Scheme IX
Weighted average share price (₹)	401.41	129.50	137.05
Exercise Price (₹)	389.05 - 403.25	122.24	109.48
Expected Volatility	31.90%, 32.56%	61.52%	61.52%
Historical Volatility	31.52% - 61.52%	31.52% - 61.52%	31.52% - 61.52%
Life of the options granted (Vesting and exercise period)	7 years	14-15 years	12.5-15 years
Dividend Yield	1.00%	1.64%	1.64%
Average risk-free interest rate	7.93% - 8.01%	5.90%	5.90%
Expected dividend rate	40%	58%	58%

The expected volatility was determined based on historical volatility data. The historical volatility is calculated as the standard deviation of daily lognormal returns from the stock of the Company / comparable Companies. 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.

Proforma disclosures by applying fair value method

Since the Company uses intrinsic value method as required by the Guidance Note on Accounting for Employee Share-based Payments issued by ICAI, the impact on reported net profit and Earnings Per Share by applying the fair value method is set out as follows

(In ₹ Million)

	Year ended	
	March 31, 2011	March 31, 2010
Profit after tax	1,335.87	1,170.52
Add: Employee stock compensation under intrinsic value method	7.11	19.45
Less: Employee stock compensation under fair value method	(60.70)	(36.06)
Proforma profit	1,282.28	1,153.91
Earnings Per Share		
Basic		
- As reported	35.41	36.37
- Pro forma	33.99	35.85
Diluted		
- As reported	33.40	32.62
- Pro forma	32.06	32.16

12. Details of investments

Details of investment movement are as follows

(In ₹ Million)

Name of the Fund	Opening balance		Purchase		Sales		Closing balance	
	Units	Amount	Units	Amount	Units	Amount	Units	Amount
DSP Liquid Fund	-	-	19,513,713.37	1,294.56	4,513,713.37	1,144.56	15,000,000.00	150.00
Grindlays Cash Fund	22,850,645.02	228.85	24,005,110.15	389.89	23,855,755.17	388.73	23,000,000.00	230.01
HDFC Liquid Fund	24,812,537.26	248.13	66,852,984.33	676.97	72,000,510.87	725.09	19,665,010.72	200.01
ICICI Liquid Fund	23,270,731.16	233.21	58,189,336.40	1,865.96	61,446,013.78	1,898.89	20,014,053.78	200.28
Templeton India Fund	-	-	22,461,953.22	668.22	22,264,517.85	440.72	197,435.37	227.50
DWS Money Plus Fund	-	-	75,970,321.94	762.03	65,970,321.94	662.03	10,000,000.00	100.00

Notes to Accounts (Contd.)

(In ₹ Million)

Name of the Fund	Opening balance		Purchase		Sales		Closing balance	
	Units	Amount	Units	Amount	Units	Amount	Units	Amount
Birla Cash Plus Fund	23,499,127.82	235.08	73,780,969.31	749.22	77,816,065.63	788.06	19,464,031.50	196.24
Tata Liquid Fund	24,119,559.27	241.70	39,814,393.65	448.14	49,530,808.91	545.80	14,403,144.01	144.04
Reliance Liquid plus	39,958.95	40.01	28,002,346.55	389.02	4,689,463.71	180.24	23,352,841.79	248.79
Religeare Mutual Fund	-	-	115,099,646.85	1,152.12	100,099,646.85	1,002.12	15,000,000.00	150.00
SBI Mutual Fund	10,502,889.83	105.09	157,855,521.31	1,838.78	145,329,022.32	1,712.63	23,029,388.82	231.24
Kotak Liquid Fund	22,942,919.26	229.66	68,749,049.69	711.31	78,513,908.84	807.66	13,178,060.11	133.31
Canara Robeco	-	-	97,194,868.55	1,116.85	97,194,868.55	1,116.85	-	-
Sundaram BNP	-	-	96,426,803.89	969.72	86,426,803.89	869.72	10,000,000.00	100.00
Axis Mutual Fund	-	-	491,645.91	491.65	491,645.91	491.65	-	-
UTI Mutual Fund	-	-	18,169,039.09	822.85	7,740,896.86	633.85	10,428,142.23	189.00
Fidelity Mutual Fund	-	-	25,716,272.29	257.21	25,716,272.29	257.21	-	-
	152,038,368.57	1,561.73	988,293,976.50	14,604.50	923,600,236.74	13,665.81	216,732,108.33	2500.42

13. Auditors' Remuneration

(In ₹ Million)

Particulars	For the year ended	
	March 31, 2011	March 31, 2010
As auditors		
- Audit fee	3.58	3.03
- Tax audit matters	0.13	0.12
- Other matters*	1.07	4.96
- Out of pocket expenses	0.14	0.02
	4.92	8.13

* Fees for the other matters for the year ended March 31, 2010 include ₹ 4.80 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 ₹ Million)

Particulars	For the year ended	
	March 31, 2011	March 31, 2010
Directors' Remuneration		
Salaries	4.76	4.86
Commission / Performance linked incentives to Wholetime Directors	3.63	3.68
Commission to Non-Whole Time Directors	3.85	1.81
Perquisites	0.09	0.15
Sitting fees paid to Non-Whole Time Directors	0.26	0.27
Contribution to Superannuation fund	0.37	0.29
Contribution to Provident fund	0.29	0.23
	13.25	11.29

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. Earnings and expenditure in foreign currency (Accrual Basis)

(In ₹ Million)

A. Earnings in foreign currency	For the year ended	
	March 31, 2011	March 31, 2010
Sale of software	5,530.96	4,686.19
Reimbursement of expenses	66.48	53.63
Interest	9.68	3.82
	5,607.12	4,743.64

Notes to Accounts (Contd.)

(In ₹ Million)

B. Expenditure in foreign currency	For the year ended	
	March 31, 2011	March 31, 2010
Travelling and conveyance	108.03	80.41
Software professional charges	433.38	243.30
Salary and allowances	28.01	28.64
Commission on sale	36.18	29.88
Others	31.83	23.01
	637.43	405.24

16. Value of imports on CIF basis

(In ₹ Million)

Particulars	For the year ended	
	March 31, 2011	March 31, 2010
Capital goods	103.64	107.67

17. Net dividend remitted in foreign exchange

(In ₹ Million)

Particulars	For the year ended				
	Number of shares to which dividend relates	Amount in ₹ Million		Amount in USD Million	
		March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
Interim dividend for the financial year 2009-10	8,448,574	12.67	-	0.28	-
Final dividend for the financial year 2009-10	3,043,993	1.52	-	0.03	-
Interim dividend for the financial year 2010-11	3,043,993	12.18	-	0.27	-
Interim dividend for the financial year 2009-10	8,966,824	-	4.48	-	0.10

18. Computation of Net Profit in accordance with Section 349 of the Companies Act, 1956

(In ₹ Million)

Particulars	For the year ended	
	March 31, 2011	March 31, 2010
Profit before tax	1,433.16	1,240.68
Add:		
(a) Managerial Remuneration excluding sitting fees	12.99	11.02
(b) Provision for bad and doubtful debts	33.52	44.39
(c) Depreciation and amortisation as per books of accounts	395.09	324.95
Less:		
(a) Depreciation as per section 350 of the Companies Act, 1956*	395.09	324.95
(b) Doubtful debts written back	2.26	19.15
(c) Profit of a capital nature	6.36	-
Net Profit as per Section 349 of the Companies Act, 1956	1,471.05	1,276.94
Add: Directors' Remuneration	9.14	9.20
Net Profit as per Section 198 of the Companies Act, 1956	1,480.19	1,286.14

Notes to Accounts (Contd.)

(In ₹ Million)

Particulars	For the year ended	
	March 31, 2011	March 31, 2010
Commission to Managing and Whole Time Directors		
Maximum commission u/s 309 of the Companies Act, 1956, at 10% of net profits (net of remuneration other than commission)	141.60	122.17
Commission actually approved for payment	3.63	3.68
Commission to other Directors		
Maximum commission u/s 309 of the Companies Act, 1956, at 1% of net profits (net of remuneration other than commission)	14.71	12.77
Commission actually approved for payment	3.85	1.81

* 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 the Schedule XIV.

19. Movement in hedge reserves

(In ₹ Million)

Particulars	For the year ended	
	March 31, 2011	March 31, 2010
Balance at the beginning of the year	159.85	-
Change in fair value of effective portion of outstanding cash flow derivatives	78.22	208.96
Gains transferred to the income statement on occurrence of forecasted hedge transaction	(158.96)	(49.11)
Balance at the end of the year	79.11	159.85

20. Requirement of Clause 3, 4C and 4D of Part II to Schedule VI of the Companies Act, 1956

The Company is predominantly engaged in the outsourced software product development services. The development 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.

21. Utilisation statement

The status of utilisation of net proceeds of IPO up to March 31, 2011 is as under

(In ₹ Million)

Activity	Funds allocated for the activity as per Prospectus	Actual utilisation up to March 31, 2011	Unutilised Money as on March 31, 2011
Establishment of development facilities	760.20	203.91	556.29
Capital expenditure through Subsidiaries for establishing development facilities in SEZ	29.59	29.59	-
Procuring hardware	204.50	92.92	111.58
Fund expenditure for general corporate purposes	206.31	71.60	134.71
	1,200.60	398.02	802.58

The unutilised amount of the proceeds of the IPO has been invested in Mutual Funds.

22. Dues to Micro and Small enterprises

There are no amounts that need to be disclosed pertaining to Micro, Small and Medium Enterprises under Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act, 2006).

As at March 31, 2011, 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.)

23. Compliance in relation to Unpaid dividend

    Unpaid dividend shall be credited to Investor Education and Protection Fund as and when due.

24. Previous year comparatives

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

As per our report of even date

For S. R. BATLIBOI & Co. Firm Registration no. 301003E Chartered Accountants	For JOSHI APTE & Co. Firm Registration no. 104370W Chartered Accountants	For and on behalf of the Board of Directors	
per Arvind Sethi Partner Membership No. 89802	C. K. Joshi Partner Membership No. 30428	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 18, 2011	Pune, April 18, 2011	Pune, April 18, 2011	

Cash Flow Statement for the year ended March 31, 2011

(In ₹ Million)

		For the year ended	
		March 31, 2011	March 31, 2010
Cash flow from operating activities			
Net profit before tax		1,433.16	1,240.68
Adjustments for			
Interest income		(31.03)	(6.54)
Dividend income		(117.93)	(42.73)
Depreciation and amortisation		395.09	324.95
Unrealised exchange loss / (gain) (net)		13.37	19.41
Exchange loss / (gain) on derivative contracts		33.37	(234.47)
Exchange difference on translation of foreign currency cash and cash equivalents		0.10	0.31
Provision for doubtful debts		33.52	44.39
Provision for diminution in value of investments		9.00	-
Employee compensation expenses		7.11	19.45
Provision for doubtful deposit written back		(0.35)	(1.50)
Excess provision written back		(2.26)	(17.65)
Profit on sale of investments (net)		(2.40)	(0.01)
Profit on sale of fixed assets (net)		(8.34)	(1.46)
Operating profit before working capital changes		1,762.41	1,344.83
Movements in working capital :			
(Increase) in sundry debtors		(199.76)	(284.02)
Decrease in other current assets		12.91	33.02
Decrease / (Increase) in loans and advances		18.78	(58.28)
Increase in current liabilities		119.11	274.00
Increase in provisions		81.36	50.77
Operating profit after working capital changes		1,794.81	1,360.32
Direct taxes paid (net of refunds)		(324.31)	(232.73)
Net cash from operating activities	(A)	1,470.50	1,127.59
Cash flows from investing activities			
Purchase of fixed assets (including capital work-in-progress)		(857.34)	(421.71)
Proceeds from sale of fixed assets		1.91	2.55
Purchase of investments		(15,355.62)	(7,029.14)
Proceeds from sale / maturity of investments		13,668.19	6,339.49
Interest income		17.53	6.65
Dividends received		114.37	42.73
Net cash (used in) investing activities	(B)	(2,410.96)	(1,059.43)
Cash flows from financing activities			
Proceeds from issuance of share capital		-	41.39
Increase in securities premium		-	1,241.70
Share issue expenses		(45.30)	(37.19)
(Payments) / receipts on behalf of selling shareholders in IPO		(372.08)	372.08
Deferred payment liabilities		(15.04)	45.11
Dividends paid		(239.74)	(21.52)
Tax on dividend paid		(40.16)	(5.49)
Net cash (used in) / generated from financing activities	(C)	(712.32)	1,636.08

(In ₹ Million)

	For the year ended	
	March 31, 2011	March 31, 2010
Net increase in cash and cash equivalents (A + B + C)	(1,652.78)	1,704.24
Cash and cash equivalents at the beginning of the year	1,770.72	66.79
Exchange difference on translation of foreign currency cash and cash equivalents	(0.10)	(0.31)
Cash and cash equivalents at the end of the year	117.84	1,770.72

(In ₹ Million)

Components of cash and cash equivalents as at	March 31, 2011	March 31, 2010
Cash in hand	0.15	0.21
With scheduled banks		
on current account	115.22	1,766.70
on deposit account	752.30	1.15
With other banks		
on current account	2.01	3.81
on saving account	0.46	-
Cash and bank balances as per Schedule 6	870.14	1,771.87
Less: Fixed deposits not considered for cash equivalents	752.30	1.15
Cash and cash equivalents in cash flow statement	117.84	1,770.72

As per our report of even date

For S. R. BATLIBOI & Co.
Firm Registration No. 301003E
Chartered Accountants

per Arvind Sethi
Partner
Membership No. 89802

Pune, April 18, 2011

For JOSHI APTE & Co.
Firm Registration No. 104370W
Chartered Accountants

C. K. Joshi
Partner
Membership No. 30428

Pune, April 18, 2011

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 18, 2011

Balance Sheet Abstract and Company's General Business Profile

(Amount in ₹ Million except per share data)

I.	Registration Details	
	Registration No.	L72300PN1990PLC056696
	Status Code No.	11
	Balance sheet date	March 31, 2011
II.	Capital raised during the year	
	Public Issue	NIL
	Rights Issue	NIL
	Bonus Issue	NIL
	Private Placement	NIL
III.	Position of Mobilisation and Deployment of Funds	
	Total Liabilities	7,473.44
	Total Assets	7,473.44
	Sources of Funds	
	Paid up Capital	400.00
	Reserves & Surplus	7,008.61
	Stock options outstanding	34.76
	Deferred payment liabilities	30.07
	Deferred Tax Liability	
	Application of Funds	
	Net Fixed Assets	2,728.05
	Investments	2,687.34
	Deferred tax asset	56.47
	Net Current Assets	2,001.58
	Preliminary Expenses	
IV.	Performance of Company	
	Turnover / Receipts	6,453.89
	Total Expenditure	5,020.73
	Profit / (Loss) before tax	1,433.16
	Profit / (Loss) after tax	1,335.87
	Earnings per Share in ₹ (Diluted)	33.40
	Dividend %	55%
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 & Managing Director

P. B. Kulkarni
Director

Rajesh Ghonasgi
Chief Financial Officer

Vivek Sadhale
Company Secretary & Head - Legal

Pune, April 18, 2011

A Culture of Winning

Earning Laurels

Thanks to flexible, reliable and innovative teams in different departments, Persistent has been able to emerge a winner on a multitude of fronts, which is a tribute to the Company's business foresight, technological ingenuity and its creative personnel.

Awards and Recognitions earned in 2010-11

- Samsung India Software Operations (SISO) 'Most Preferred Outsourcing Business Partner' Award for the year 2009.
- Persistent's PaxPro Packaging Solution awarded the 'Consumer Goods Technology Reader's Choice Survey' Award for the fourth consecutive year.
- Asia's 'Best Employer Brand Award' 2010-11 in the Western Region of India in the category 'Managing Health at the Workplace'.
- Bloomberg UTV's CXO Awards 2010 - The IT Chapter, in 'India's Emerging Software Company of the Year' category.
- Institute of Company Secretaries of India (ICSI) 'Excellence in Corporate Governance Award 2010'.
- Institute of Chartered Accountants of India (ICAI) Award (Silver Shield) for Excellence in Financial Reporting for the year 2009-10.
- Titanium Award at the Asset-Triple-A Corporate Awards 2010, for 'Excellence in Corporate Governance, Social Responsibility and Investor Relations'.
- League of American Communication Professionals (LACP) 2010 Platinum Award and Gold-Debut Award for Persistent Systems Annual Report 2010, and ranked 9th in the top 100 communication designs for the year 2009-10.

Certifications

- ISO 27001:2005 for Information Security Management Systems at all facilities of Persistent Systems Limited in Pune, Nagpur, Goa and Hyderabad.
- ISO 9001:2008 for software product design, development, testing, support and enabling function of Persistent Systems Limited.
- ISO 9001:2008 for software product design, development, testing, support and enabling function of Persistent Systems and Solutions Limited.
- ISO 9001:2008 for software design, development, testing, support and enhancement services for the Chem-LMS Product of Persistent Systems Limited.
- ISO 9001:2008 for provisioning of Legal, Corporate Secretarial and Investor Relationship service to Persistent Systems Limited and its subsidiaries.

Focused on Growth

Persistent Systems Limited

(Consolidated)

Auditors' Report on Consolidated Financial Statements

To

The Board of Directors 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 attached consolidated Balance Sheet of Persistent Systems Limited and its subsidiaries (collectively referred to as "the Group"), as at March 31, 2011, and also the consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year ended on that date, annexed thereto.

2. These financial statements are the responsibility of Group's management and have been prepared by the management on the basis of separate financial statements. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the 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. 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 ₹ Million)

Name of the Company	Extent of share in consolidated revenues	Extent of share in consolidated assets	Cash Flows
Persistent eBusiness Solutions Limited	56.44	29.98	(4.27)
Persistent Systems, Inc.	2325.36	642.28	(30.92)
Persistent Systems Pte. Ltd.	9.87	14.20	0.54
Persistent Systems and Solutions Limited	189.91	157.61	18.60

These financial statements 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.

4. We report that the consolidated financial statements have been prepared by the Group's management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated Financial Statements, notified by Companies Accounting Rules.

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 March 31, 2011;

(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 then 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 18, 2011

For JOSHI APTE & Co.
Firm Registration No. 104370W
Chartered Accountants

C. K. Joshi
Partner
Membership No.: 30428
Place: Pune
Date: April 18, 2011

Balance Sheet as at March 31, 2011

(In ₹ Million)

	Sch.	As at March 31, 2011	As at March 31, 2010
Sources of funds			
Shareholders' funds			
Share capital	1	400.00	400.00
Stock options outstanding (Refer note 13 to Schedule 16)		34.76	32.02
Reserves and surplus	2	7,036.31	5,957.90
		7,471.07	6,389.92
Deferred payment liabilities [Due within one year ₹ 22.41 Million (previous year ₹ 15.04 Million)]		30.07	45.11
		7,501.14	6,435.03
Application of funds			
Fixed assets	3		
Gross block		4,542.75	3,714.79
Less: Accumulated depreciation and amortisation		2,281.49	1,881.15
Net block		2,261.26	1,833.64
Capital work-in-progress		604.52	484.75
		2,865.78	2,318.39
Investments	4	2,500.42	1,561.73
Deferred tax assets (net) (Refer note 9 to Schedule 16)		59.85	6.82
Current assets, loans and advances			
Sundry debtors	5	1,582.11	1,363.25
Cash and bank balances	6	999.94	1,917.72
Other current assets	7	226.20	339.90
Loans and advances	8	869.15	722.73
	(A)	3,677.40	4,343.60
Less: Current liabilities and provisions			
Current liabilities	9	1,206.28	1,478.79
Provisions	10	396.03	316.72
	(B)	1,602.31	1,795.51
Net current assets	(A - B)	2,075.09	2,548.09
		7,501.14	6,435.03
Notes to Accounts	16		

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.
Firm Registration No. 301003E
Chartered Accountants

per Arvind Sethi
Partner
Membership No. 89802
Pune, April 18, 2011

For JOSHI APTE & Co.
Firm Registration No. 104370W
Chartered Accountants

C. K. Joshi
Partner
Membership No. 30428
Pune, April 18, 2011

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 18, 2011

PERSISTENT

Profit & Loss Account for the year ended March 31, 2011

(In ₹ Million)

	Sch.	For the year ended March 31, 2011	For the year ended March 31, 2010
Income			
Sale of software services and products	11	7,758.41	6,011.56
Other Income	12	344.36	112.33
		8,102.77	6,123.89
Expenditure			
Personnel expenses	13	5,122.95	3,687.42
Operating and other expenses	14	1,052.40	860.49
		6,175.35	4,547.91
Operating profit before depreciation and amortisation		1,927.42	1,575.98
Depreciation and amortisation	3	423.89	335.24
Profit before tax		1,503.53	1,240.74
Provision for tax			
Current tax		284.03	222.50
Less: MAT credit entitlement		124.79	162.38
Net current tax		159.24	60.12
Tax (credit) / charge in respect of earlier years		-	16.74
Deferred tax charge / (credit)		(51.34)	13.64
Total tax expense		107.90	90.50
Profit after tax and before prior period items		1,395.63	1,150.24
Prior period Item - Deferred tax credit		1.74	–
Profit after tax and after prior period items		1,397.37	1,150.24
Balance brought forward from previous year		2,322.95	1,755.48
Profit available for appropriation		3,720.32	2,905.72
Appropriations			
Transfer to general reserve		534.40	468.20
Interim dividend on equity shares		80.00	77.93
Special dividend		80.00	-
Proposed final dividend		60.00	20.00
Tax on dividend		36.54	16.64
Surplus carried to Balance Sheet		2,929.38	2,322.95
Earnings Per Share	15		
Basic [Nominal value of equity shares ₹ 10 (Previous year ₹ 10)]			
Computed on the basis of earnings after tax and after prior period items (₹)		37.04	35.74
Computed on the basis of earnings after tax and before prior period items (₹)		37.00	35.74
Diluted [Nominal value of equity shares ₹ 10 (Previous year ₹ 10)]			
Computed on the basis of earnings after tax and after prior period items (₹)		34.93	32.06
Computed on the basis of earnings after tax and before prior period items (₹)		34.89	32.06
Notes to Accounts	16		

The schedules referred to above and Notes to Accounts form an integral part of the Profit & Loss Account.

As per our report of even date

For S. R. BATLIBOI & Co.
Firm Registration No. 301003E
Chartered Accountants

per Arvind Sethi
Partner
Membership No. 89802
Pune, April 18, 2011

For JOSHI APTE & Co.
Firm Registration No. 104370W
Chartered Accountants

C. K. Joshi
Partner
Membership No. 30428
Pune, April 18, 2011

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 18, 2011

Schedules forming part of Consolidated Balance Sheet

(In ₹ Million)

		As at March 31, 2011	As at March 31, 2010
Schedule 1			
Share capital			
Authorised			
100,000,000 (Previous year 100,000,000) equity shares of ₹ 10 each.		1,000.00	1,000.00
		1,000.00	1,000.00
Issued, subscribed and paid-up			
40,000,000 (Previous year 40,000,000) equity shares of ₹ 10 each fully paid.		400.00	400.00
(Of the above 25,615,000 equity shares were allotted on September 17, 2007 as fully paid-up bonus shares by capitalisation of capital redemption reserves ₹ 9.79 Million and securities premium account ₹ 246.36 Million)			
		400.00	400.00
Schedule 2			
Reserves and surplus			
Securities premium account			
Opening balance		1,738.60	577.49
Add: Additions during the year		-	1,241.70
Less: Share issue expenses		1.90	80.59
Closing balance	(A)	1,736.70	1,738.60
General reserve			
Opening balance		1,734.45	1,219.03
Add: Transferred from Profit and Loss Account		534.40	468.20
Add: Amount adjusted to Advance to PSPL ESOP Management Trust (Refer note 13 to Schedule 16)		20.36	47.22
Closing balance	(B)	2,289.21	1,734.45
Foreign currency translation reserve			
Opening balance		2.05	16.60
(Less) / Add: Exchange difference during the year on net investment in non-integral foreign operation		(0.14)	(14.55)
Closing balance	(C)	1.91	2.05
Hedge reserve (Refer note 16 of Schedule 16)	(D)	79.11	159.85
Profit and Loss Account	(E)	2,929.38	2,322.95
	(A)+(B)+(C)+(D)+(E)	7,036.31	5,957.90

Schedule 3

Fixed assets

(In ₹ Million)

Name of the Asset	Gross Block					Depreciation and Amortisation					Net Block	
	As at April 1, 2010	Additions during the period	Deductions / Transfers during the period	Currency translation adjustment	As at March 31, 2011	As at April 1, 2010	For the period	Deductions / Transfers during the period	Currency translation adjustment	As at March 31, 2011	As at March 31, 2011	As at March 31, 2010
Freehold Land	202.98	-	-	-	202.98	-	-	-	-	-	202.98	202.98
Leasehold Land	39.93	-	-	-	39.93	-	1.87	-	-	1.87	38.06	39.93
Buildings	1,257.51	25.59	-	-	1,283.10	225.38	50.71	-	-	276.09	1,007.01	1,032.13
Computers	723.57	193.58	22.48	0.45	895.12	585.37	119.77	22.53	(0.07)	682.54	212.58	138.20
Plant and Machinery	576.00	61.48	1.53	(0.01)	635.94	398.46	78.30	1.08	(0.01)	475.67	160.27	177.54
Leasehold Improvements	-	10.15	-	-	10.15	-	2.07	-	-	2.07	8.08	-
Furniture and fixtures	281.78	27.40	0.30	-	308.88	215.67	35.18	0.25	(0.01)	250.59	58.29	66.11
Vehicles	4.61	-	0.07	-	4.54	3.20	0.45	0.07	-	3.58	0.96	1.41
Intangible assets												
Softwares	628.41	258.45	-	(0.32)	886.54	453.07	131.92	-	(0.36)	584.63	301.91	175.34
Other intangibles	-	275.57	-	-	275.57	-	4.45	-	-	4.45	271.12	-
Total	3,714.79	852.22	24.38	0.12	4,542.75	1,881.15	424.72	23.93	(0.45)	2,281.49	2,261.26	1,833.64
Total previous year	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
Capital work-in-progress including capital advances												
Total	484.75	498.20	378.43	-	604.52	-	-	-	-	-	604.52	484.75
Total previous year	377.44	225.07	117.76	-	484.75	-	-	-	-	-	484.75	377.44

Notes

1. Depreciation charge for the year

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
Depreciation charge for the year as above	424.72	336.06
Less: Relating to Fixed Assets used for construction of Fixed Assets, included under Capital Work-in-Progress	0.83	0.82
Depreciation charge for the year as per Profit and Loss Account	423.89	335.24

2. Capital work-in-progress includes capital advances of ₹ 130.60 Million (Previous year ₹ 89.82 Million).

Schedules forming part of Consolidated Balance Sheet (Contd.)

(In ₹ Million)

		As at March 31, 2011	As at March 31, 2010
Schedule 4			
Investments			
Long term investments (At cost)			
Other than trade (Unquoted)			
Ciqual Limited		9.58	8.69
10,000,000 (Previous year 10,000,000) Shares of GBP 0.01 each fully paid up			
Less : Provision for diminution in value of investment		9.58	8.69
	(A)	-	-
Current Investments (At lower of cost and market value)			
Other than trade (Unquoted)			
Investment in mutual funds (Refer note 14 to Schedule 16)		2,500.42	1,561.73
	(B)	2,500.42	1,561.73
Aggregate amount of unquoted investments	(A)+(B)	2,500.42	1,561.73
Schedule 5			
Sundry debtors			
(Unsecured)			
Debts outstanding for a period exceeding six months			
Considered good		88.71	27.86
Considered doubtful		217.12	183.32
Other debts			
Considered good		1,493.40	1,335.39
Considered doubtful		12.53	14.00
		1,811.76	1,560.57
Less: Provision for doubtful debts		229.65	197.32
		1,582.11	1,363.25
Schedule 6			
Cash and bank balances			
Cash in hand		0.18	0.22
Balances with scheduled banks			
On current accounts		141.11	1,778.27
On deposit accounts		758.63	10.53
		899.74	1,788.80
Balances with other banks			
On current accounts		88.41	117.47
On deposit accounts		11.15	11.23
On saving account		0.46	-
		100.02	128.70
		999.94	1,917.72

Schedules forming part of Consolidated Balance Sheet (Contd.)

(In ₹ Million)

		As at March 31, 2011	As at March 31, 2010
Schedule 6 Cash and bank balances (Contd.)			
Bank balances with others include			
Bank of Tokyo - Mitsubishi- NS, Japan [Maximum amount outstanding during the period ₹ 8.94 Million (previous year ₹ 0.84 Million)]		0.46	-
Citibank Canada [Maximum amount outstanding during the period ₹ 7.18 Million (previous year ₹ 8.46 Million)]		2.01	3.81
Bank of America [Maximum amount outstanding during the period ₹ 0.27 Million (previous year ₹ 0.29 Million)]		0.24	0.25
Sillicon Valley Bank [Maximum amount outstanding during the period ₹ 258.54 Million (previous year ₹ 223.33 Million)]		82.06	112.87
Citibank NA - Singapore [Maximum amount outstanding during the period ₹ 4.95 Million (previous year ₹ 12.72 Million)]		4.10	0.52
Wells Fargo Bank [Maximum amount outstanding during the period ₹ 0.02 Million (previous year ₹ 0.03 Million)]		-	0.02
Deposit with Wells Fargo Bank [Maximum amount outstanding during the period ₹ 11.23 Million (previous year ₹ 11.23 Million)]		11.15	11.23
Schedule 7			
Other current assets			
Income accrued		17.15	0.14
Forward contracts receivable		104.30	218.41
Unbilled revenue		104.75	120.14
Fixed assets held for sale (at net book value or estimated net realisable value whichever is lower)		-	1.21
		226.20	339.90
Schedule 8			
Loans and advances			
Secured, considered good			
Deposits (Secured by corporate guarantee)		10.00	10.00
	(A)	10.00	10.00
Unsecured, considered good			
Advances recoverable in cash or kind or for value to be received		136.71	154.87
Advance to PSPL ESOP Management Trust		58.43	106.94
Advance Income Tax [Net of provision for Tax ₹ 749.85 Million (previous year ₹ 468.30 Million)]		101.57	43.26
MAT credit entitlement		419.61	294.82
VAT and Service tax receivable [Net of provision ₹ 129.92 Million (previous year ₹ 43.65 Million)]		105.64	78.72
Deposits		37.19	34.12
	(B)	859.15	712.73
Unsecured considered doubtful			
Deposits		0.83	1.18
Less: Provision for non-recoverable deposits		0.83	1.18
	(C)	-	-
(A)+(B)+(C)		869.15	722.73

Schedules forming part of Consolidated Balance Sheet (Contd.)

(In ₹ Million)

	As at March 31, 2011	As at March 31, 2010
Schedule 9		
Current liabilities		
Advance from customers	114.72	118.23
Sundry creditors		
Dues to micro, medium and small enterprises (Refer note 17 to Schedule 16)	-	-
Dues to other than micro, medium and small enterprises	464.97	398.33
Payable to selling shareholders	-	372.08
Unearned revenue	96.04	83.64
Accrued employee liabilities	488.48	461.99
Unpaid dividend (Refer note 19 to Schedule 16)	0.26	-
Other liabilities	41.81	44.52
	1,206.28	1,478.79
Schedule 10		
Provisions		
Gratuity (Refer note 6 to Schedule 16)	90.51	43.16
Leave encashment	160.83	111.20
Other long-term employee benefits	74.72	68.77
Proposed dividend	60.00	80.00
Tax on proposed dividend	9.97	13.59
	396.03	316.72

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Schedules forming part of Consolidated Profit and Loss Account

(In ₹ Million)

	For the year ended March 31, 2011	For the year ended March 31, 2010
Schedule 11		
Sale of software services and products		
Overseas	7,242.21	5,698.11
Domestic	516.20	313.45
	7,758.41	6,011.56
Schedule 12		
Other Income		
Interest on bank deposits [Tax deducted at source Nil (previous year Nil)]	21.19	0.27
Interest on inter corporate deposit and others [Tax deducted at source ₹ 1.28 Million (previous year ₹ 1.30 Million)]	2.44	0.74
Foreign exchange gains (net)	173.21	31.56
Profit on sale of assets (net)	8.27	1.01
Dividend from non-trade current investments	118.35	42.96
Profit on sale of non-trade current investments (net)	2.40	0.01
Provision for doubtful debts written back	4.14	10.57
Excess provision written back	2.27	17.68
Provision for doubtful deposit written back	0.35	1.50
Miscellaneous income	11.74	6.03
	344.36	112.33
Schedule 13		
Personnel expenses		
Salaries, bonus and allowances	4,449.17	3,216.81
Software professional charges	306.72	202.45
Contribution to provident fund	103.83	80.91
Gratuity (Refer note 6 to Schedule 16)	82.48	41.16
Defined contribution to other funds	24.96	23.14
Staff welfare and benefits	148.68	103.50
Employee stock option expenses (Refer note 13 to Schedule 16)	7.11	19.45
	5,122.95	3,687.42

Schedules forming part of Consolidated Profit and Loss Account (Contd.)

(In ₹ Million)

	For the year ended March 31, 2011	For the year ended March 31, 2010
Schedule 14		
Operating and other expenses		
Travelling and conveyance	344.65	212.13
Electricity expenses	79.02	74.20
Internet link expenses	35.68	28.17
Communication expenses	33.22	26.32
Recruitment expenses	22.54	4.93
Training and seminars	15.62	15.19
Purchase of software licenses and support expenses	139.21	183.66
Provision for doubtful debts	47.64	57.03
Rent (Refer note 10 to Schedule 16)	38.41	30.41
Insurance	14.15	11.81
Rates, fees and profession tax	25.01	14.80
Legal and professional fees	51.13	41.14
Repairs and maintenance		
Plant and Machinery	36.40	25.49
Building	8.81	5.24
Others	11.02	10.20
Commission on sales to other than sole selling agents	4.73	2.66
Advertisements, sponsorship fees	12.55	12.35
Computer consumables	11.47	8.94
Auditors’ remuneration (Refer note 15 to Schedule 16)	5.57	3.90
Donations	11.50	6.35
Books, memberships, subscriptions	2.09	2.11
Directors’ sitting fees	0.26	0.27
Directors’ commission	3.85	1.81
Miscellaneous expenses	97.87	70.66
Bad debts	-	1.72
Provision for diminution in value of investments	-	9.00
	1,052.40	860.49

Schedules forming part of Consolidated Profit and Loss Account (Contd.)

		For the year ended March 31, 2011	For the year ended March 31, 2010
Schedule 15			
Earnings Per Share (after prior period items)			
Numerator for Basic and Diluted EPS Net Profit after tax and after prior period items (₹ Million)	a	1,397.37	1,150.24
Denominator for Basic EPS Weighted average number of equity shares	b	37,722,893	32,185,087
Denominator for Diluted EPS Weighted average number of equity shares and potential equity shares	c	40,000,000	35,883,680
Basic Earning Per Share of face value of ₹ 10 each (₹) (After exceptional items)	a/b	37.04	35.74
Diluted Earning Per Share of face value of ₹ 10 each (₹) (After exceptional items)	a/c	34.93	32.06
Earnings Per Share (before prior period items)			
Numerator for Basic and Diluted EPS Net Profit after tax and before prior period items (₹ Million)	d	1,395.63	1,150.24
Denominator for Basic EPS Weighted average number of equity shares	e	37,722,893	32,185,087
Denominator for Diluted EPS Weighted average number of equity shares and potential equity shares	f	40,000,000	35,883,680
Basic Earnings Per Share of face value of ₹ 10 each (₹)	d/e	37.00	35.74
Diluted Earnings Per Share of face value of ₹ 10 each (₹)	d/f	34.89	32.06

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
Number of shares considered as basic weighted average shares outstanding	37,722,893	32,185,087
Add: Effect of dilutive issues of stock options	2,277,107	3,698,593
Number of shares considered as weighted average shares and potential shares outstanding	40,000,000	35,883,680

Notes to Accounts

Schedule 16

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, 2011 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 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 except where cost cannot be recovered. 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 as follows

Name of the subsidiary	Ownership Percentage as at		Country of Incorporation
	March 31, 2011	March 31, 2010	
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 for the year ended on March 31, 2011, have been prepared to comply in all material respects with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006, (as amended) along with 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 during the period and are consistent with those used in the previous year.

Notes to Accounts (Contd.)

B. 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.

C. Fixed assets

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 to be put to use and advances paid to construct or acquire fixed assets and intangible assets.

D. Intangible assets

Acquired intangible assets are stated at cost less amortisation and impairment losses if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. These intangible assets are amortised over their respective useful lives of three to five years on straight-line basis.

Cost relating to software licenses, of enduring nature are capitalised on acquisition and amortised over their estimated useful lives.

In respect of internally developed assets, research costs are expensed as incurred. Development expenditure incurred on an individual project is recognized as an intangible asset when the Group can demonstrate that future economic benefits that are attributable to the asset will flow to the Group.

E. Depreciation and amortisation

Depreciation on fixed assets 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.

Leasehold land is amortised over the lease term.

Depreciation on assets purchased / sold during the year is charged on a pro-rata basis. Individual assets whose cost does not exceed ₹ 5,000 are depreciated at 100%.

A comparative statement of rates of depreciation followed by the Group and applicable rates as per the Schedule XIV of the Companies Act, 1956 as below

Assets	Rates (SLM)	Rates as per Schedule XIV (SLM)
Buildings	4.00%	1.63%
Computers	33.33%	16.21%
Software	20% to 33.33%	16.21%
Plant and Machinery	20.00%	4.75%
Furniture and fixtures	20.00%	6.33%
Vehicles	20.00%	9.50%

Intangible assets are amortised on a straight line basis over the period of expected future economic benefits i.e. over their estimated useful lives of three to five years.

Notes to Accounts (Contd.)

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 estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

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 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 with customers.

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 agreements.

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.

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 Group’s right to receive payment is established by the balance sheet date.

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.

Notes to Accounts (Contd.)

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 such 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 on foreign currency liabilities relating to fixed assets acquisition are recognised as income or expenses in the year in which they arise.

iv. Forward exchange contracts not intended for trading or speculation purposes covered by notified "Accounting Standard ('AS') 11 - The effects of changes in Foreign Exchange rates"

The premium or discount arising at the inception of forward exchange contracts is amortised 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 year 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 year.

v. Forward exchange contracts not intended for trading or speculation purposes, classified as derivative financial instruments

As per the accounting principles laid down in AS-30, 'Financial Instruments: Recognition and Measurement' relating to cash flow hedges, derivative financial instruments which qualify for cash flow 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. Derivative financial instruments are carried as forward contract receivable when the fair value is positive and as forward contract payable when the fair value is negative.

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 affects profit or loss or when a hedged transaction is no longer expected to occur.

vi. Translation of integral and Non-integral foreign operation

In translating the financial statements of a non-integral foreign operations for incorporation in consolidated financial statement, the assets and liabilities, both monetary and non-monetary, 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 period / year; and all resulting exchange differences are accumulated in a foreign currency translation reserve until the disposal of the net investment.

The financial statements of the integral foreign operations are translated as if the transactions of the foreign operations have been those of the Company itself.

J. Retirement and other employee benefits

i. Provident fund

Provident fund is a 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

Notes to Accounts (Contd.)

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.

ii. Gratuity

Gratuity is a defined benefit obligation and is provided for based on actuarial valuations using the Projected Unit Credit (PUC) method, made at the end of each financial reporting period for employees covered under Group Gratuity Scheme.

iii. Superannuation

Superannuation is a defined contribution plan covering eligible employees. The contribution to the superannuation fund managed by Life Insurance Corporation of India is equal to the specified percentage of the basic salary of the eligible employees as per the scheme. The contribution to this scheme is charged to the 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 using the Projected Unit Credit (PUC) Method made at the end of each financial reporting period.

v. Long service awards

Long service awards are other long term benefits to all eligible employees, as per Group's policy. These benefits are provided for based on actuarial valuation by using the Projected Unit Credit (PUC) Method, made at the end of each financial reporting period.

vi. Actuarial gains and losses

Actuarial gains / losses are immediately taken to Profit and Loss Account and are not deferred.

K. 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 and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. 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 re-assesses 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.

Notes to Accounts (Contd.)

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 Institute of Chartered Accountants of India (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 MAT credit entitlement at each balance sheet date and writes down the carrying amount to the extent there is no longer convincing evidence to the effect that Group will pay normal Income Tax during the specified period.

L. 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.

There were no inter-segmental transactions during the year.

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.

M. Earnings Per Share (EPS)

Basic Earnings Per Share are calculated by dividing the net profit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares 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 subscription to the shares issued by the Group from finance provided by the Group.

For the purpose of calculating diluted Earnings Per Share, the net profit for the year attributable to the equity shareholders and the weighted average number of equity shares outstanding during the year, are adjusted for the effects of all dilutive potential equity shares.

N. Provisions

A provision is recognised 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.

Notes to Accounts (Contd.)

O. 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.

P. Employee stock option expenses

Measurement and disclosure of the equity settled employee share-based payment plans is done in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-based Payments, issued by the ICAI.

The employee stock option schemes have a graded vesting schedule. Each vesting tranche having different vesting period has been considered as a separate option grant and accounted for accordingly.

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.

The employee stock option expense is recognised together with a corresponding increase in stock options outstanding account in equity, over the period in which the service conditions are fulfilled. The cumulative employee stock option expense recognised at each reporting date up to the vesting date reflects the extent to which, the vesting period has expired. The employee stock option expense for the year represents the movement in cumulative expense recognised as at the beginning and at the end of that year.

Q. Leases

Where the Group is a lessee

Leases where the lessor effectively retains substantially all the risks and benefits of the ownership of the leased item, are classified as operating leases.

Operating lease payments are recognised as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

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 Bank of India and Citibank N.A. There is no balance payable as at March 31, 2011 (Previous year: NIL).

5. Contingent Liabilities

(In ₹ Million)

Particulars	As at	
	March 31, 2011	March 31, 2010
Claims against the Group not acknowledged as debts		
Legal claims filed by the ex employee for salary and other benefits (Note 1)	0.18	0.18
Income Tax (Note 2)	81.70	24.03
Total	81.88	24.21

Note 1

This represents disputed salary demand arising from a legal claim filed by an ex-employee. The management is confident that the matter would be decided in favour of the Group. Consequently no provision has been made in the books of accounts in respect of such disputed claims.

Note 2

This represents disputed income tax demands arising from partial disallowance of the Group's claim of tax holiday under Section 10A of the Income Tax Act, 1961.

Notes to Accounts (Contd.)

The Group has filed appeals against assessment orders for respective years with relevant authorities. The management is confident that the matter would be decided in favour of the Group. Consequently no provision has been made in the books of account in respect of such disputed income tax demands.

6. Gratuity and other post-employment benefit plans

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

The following tables summarise 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 Profit and Loss Account)

(In ₹ Million)

Particulars	For the year ended				
	March 31, 2011	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007
Current service cost	64.38	37.54	28.43	28.07	17.61
Interest cost on benefit obligation	9.44	6.55	6.51	4.05	2.58
Expected return on plan assets	(7.92)	(6.98)	(5.63)	(4.37)	(2.43)
Net actuarial (gain) / loss recognised in the period	24.49	4.05	(27.26)	7.17	3.29
Interest income	(7.91)	-	-	(4.40)	-
Net benefit expense	82.48	41.16	2.05	30.52	21.05
Actual Return on Net Plan Assets	-	7.92	7.47	4.52	2.70

Changes in the fair value of plan assets (recognised in the balance sheet) are as follows

(In ₹ Million)

Particulars	For the year ended				
	March 31, 2011	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007
Opening fair value of plan assets	78.11	86.02	53.88	29.09	31.56
Interest received and accrued during the year	0.01	-	-	-	-
Expected return / adjustment	15.90	6.98	5.63	4.37	2.43
Contribution by employer	35.04	0.11	30.18	20.35	0.04
Benefits paid	(19.14)	(8.03)	(5.52)	(2.79)	(2.51)
Actuarial gains / (losses)	0.92	(6.97)	1.85	2.86	(2.43)
Closing fair value of plan assets	110.84	78.11	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 ₹ Million)

Particulars	For the year ended				
	March 31, 2011	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007
Opening defined benefit obligation	121.27	88.14	84.13	52.00	33.46
Interest cost	9.44	6.55	6.51	4.05	2.58
Current service cost	64.38	37.54	28.43	28.07	17.61
Benefits paid	(19.14)	(8.03)	(5.52)	(2.79)	(2.51)
Actuarial (gains) / losses on obligation	25.40	(2.93)	(25.41)	2.80	0.86
Closing defined benefit obligation	201.35	121.27	88.14	84.13	52.00

Summary statement of provision for gratuity is as follows

(In ₹ Million)

Particulars	As at				
	March 31, 2011	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007
Fair value of plan assets	110.84	78.11	86.02	53.88	29.09
Less: Defined benefit obligations	(201.35)	(121.27)	(88.14)	(84.13)	(52.00)
Less: Unrecognised past service cost	-	-	-	-	-
Plan asset / (liability)	(90.51)	(43.16)	(2.12)	(30.25)	(22.91)

The Group expects to contribute ₹ 90.51 Million to gratuity fund in financial year 2011-12.

The Group maintains gratuity fund, which is being administered by Life Insurance Corporation of India.

(In ₹ Million)

Particulars	As at				
	March 31, 2011	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007
Investments with insurer including accrued interest	110.84	78.11	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

Particulars	As at				
	March 31, 2011	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007
Discount rate	8.52%	8.45%	7.79%	8.00%	8.00%
Expected rate of return on assets	8.50%	8.50%	8.50%	9.00%	8.00%
Increment rate	7.00%	6.00%	6.00%	7.00%	7.00%

Notes to Accounts (Contd.)

Amounts for the current and previous years are as follows

(In ₹ Million)

Particulars	As at				
	March 31, 2011	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007
Plan assets	110.84	78.11	86.02	53.88	29.09
Defined benefit obligation	(201.35)	(121.27)	(88.14)	(84.13)	(52.00)
(Deficit)	(90.51)	(43.16)	(2.12)	(30.25)	(22.91)
Experience adjustments on plan liabilities	25.40	(2.93)	(25.41)	2.80	0.86
Experience adjustments on plan assets	0.92	(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.

7. Derivative instruments and unhedged foreign currency exposures

Forward exchange contracts outstanding at the balance sheet date

(In ₹ Million)

Particulars	As at	
	March 31, 2011	March 31, 2010
Sell: Hedging of expected future sales of USD 87.25 Million (Previous year USD 79.00 Million)	4,136.68	3,824.48

Particulars of Unhedged foreign currency exposures as at the balance sheet date

Particulars	As at March 31, 2011			As at March 31, 2010		
	In ₹ Million	Foreign Currency (In Million)	Foreign Currency Conversion Rate (₹)	In ₹ Million	Foreign Currency (In Million)	Foreign Currency Conversion Rate (₹)
Bank Balances	0.46	JP ¥ 0.85	0.5385	0.00028	JP ¥ 0.001	0.48
	11.06	USD 0.24	44.58	48.64	USD 1.08	44.91
	7.78	GBP 0.11	71.64	0.54	GBP 0.01	68.07
	2.01	CAD 0.04	45.94	3.81	CAD 0.09	44.26
	1.68	SGD 0.05	35.38	0.51	SGD 0.02	32.10
Debtors	668.23	USD 27.49	44.58	389.82	USD 8.68	44.91
	31.01	EUR 0.49	63.29	38.15	EUR 0.63	60.55
	11.46	GBP 0.16	71.64	8.85	GBP 0.13	68.07
	1.84	CAD 0.04	45.94	(3.98)	CAD 0.09	44.26
	0.46	AUD 0.01	46.07	0.41	AUD 0.01	41.08
	0.65	NOK 0.08	8.08	-	-	-

Notes to Accounts (Contd.)

8. Capital commitments

(In ₹ Million)

Particulars	As at	
	March 31, 2011	March 31, 2010
Estimated amount of contracts remaining to be executed on capital account and not provided	464.21	301.22

9. Deferred tax

The Group had a tax holiday under Section 10A of the Income Tax Act, 1961, up to March 31, 2011. The timing differences arising and reversing during the tax holiday period has not been recognized in the books of account.

(In ₹ Million)

Particulars		As at	
		March 31, 2011	March 31, 2010
Differences in depreciation and other differences in a block of fixed assets as per the tax books and financial books		64.15	20.56
Provision for doubtful debts		-	1.03
Gross deferred tax liabilities	(A)	64.15	21.59
Provision for Leave liability		(39.86)	9.16
Provision for Long service awards		(27.08)	19.25
Provision for doubtful debts		(57.06)	-
Gross deferred tax assets	(B)	(124.00)	28.41
Net deferred tax (assets)	(A) - (B)	(59.85)	(6.82)

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.

The Group believes that the gratuity liability as at March 31, 2011 would be paid before the due date of filing of the return of income and hence such outstanding amount would be eligible for a deduction and accordingly, no deferred tax asset has been recognised.

10. Operating leases

The Group has taken office premises under non-cancellable operating lease agreements for a period of 3 years and 10 years. There are no escalations during non-cancellable lease period. 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 ₹ Million)

Particulars	Year ended	
	March 31, 2011	March 31, 2010
Lease Rentals during the year	38.41	30.41
Obligation on non-cancellable operating leases		
Not later than one year	27.65	-
Later than one year and not later than three years	127.18	-
Later than five years	257.96	-

Notes to Accounts (Contd.)

11. Segment information

The Group changed the primary reporting segments to incorporate and reflect the changes in the operating structure from March 31, 2010. 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.

(In ₹ Million)

Particulars	Year ended	Telecom and Wireless	Life Science and Healthcare	Infrastructure and Systems	Total
Segment Revenue	31-Mar-11	1,595.39	840.68	5,322.34	7,758.41
	31-Mar-10	1,375.43	668.57	3,967.56	6,011.56
Identifiable Expense	31-Mar-11	(779.54)	(320.76)	(2,719.69)	(3,819.99)
	31-Mar-10	(597.25)	(230.77)	(1,836.18)	(2,664.20)
Segment Results	31-Mar-11	815.85	519.92	2,602.65	3,938.42
	31-Mar-10	778.18	437.80	2,131.38	3,347.36
Un-allocable Expenses	31-Mar-11				(2,779.25)
	31-Mar-10				(2,218.95)
Operating Income	31-Mar-11				1,159.17
	31-Mar-10				1,128.41
Other Income (Net of Expenses)	31-Mar-11				344.36
	31-Mar-10				112.33
Profit before Taxes	31-Mar-11				1,503.53
	31-Mar-10				1,240.74
Income Tax	31-Mar-11				107.90
	31-Mar-10				90.50
Profit after tax and before prior period items	31-Mar-11				1,395.63
	31-Mar-10				1,150.24
Prior Period Item- Deferred Tax Credit	31-Mar-11				1.74
	31-Mar-10				-
Profit after tax and prior period items	31-Mar-11				1,397.37
	31-Mar-10				1,150.24

Notes to Accounts (Contd.)

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 ₹ Million)

Particulars	Year ended	North America	Europe	Asia Pacific	Total
Revenue	31-Mar-11	6,641.86	457.10	659.45*	7,758.41
	31-Mar-10	5,098.68	493.70	419.18	6,011.56

(*) Note: Revenue under the segment Asia Pacific for the year ended March 31, 2011 includes revenue of ₹ 11.01 Million generated in South Africa.

12. Related party

Names of related parties

Key Management Personnel

i. Dr. Anand Deshpande, Chairman and Managing Director

ii. Mr. Suresh Deshpande, Non-Executive Director (Executive Director up to October 31, 2009)

iii. Mr. T. M. Vijayraman, Chief Technology Officer and Director, Persistent Systems Inc., USA

iv. Mr. Hari Haran, President, Persistent Systems Inc., USA

v. Dr. Srikanth Sundararajan**

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 and a Director)

iv. Dr. Mukund Suresh Deshpande (Relative of the Chairman and Managing Director and a Director)

Related party transactions

(In ₹ Million)

Particulars	Name of the related party	For the year ended	
		March 31, 2011	March 31, 2010
Remuneration to Key Management personnel	Dr. Anand Deshpande	9.35	7.63
	Mr. Suresh Deshpande	-	1.57
	Mr. T. M. Vijayaraman*	2.95	10.42
	Mr. Hari Haran**	25.63	21.06
	Dr. Srikanth Sundararajan**	19.06	-
		56.99	40.68
Remuneration to relative of Key Management personnel	Mrs. Chitra Buzruk	2.14	2.60
	Dr. Mukund Deshpande	2.81	2.34
		4.95	4.94

Notes to Accounts (Contd.)

(In ₹ Million)

Particulars	Name of the related party	For the year ended	
		March 31, 2011	March 31, 2010
Dividend paid	Dr. Anand Deshpande	68.25	5.69
	Mr. Suresh Deshpande	22.84	1.90
	Mrs. Chitra Buzruk	0.16	0.01
	Mrs. Sonali Deshpande	0.33	0.03
	Mrs. Sulabha Deshpande	1.69	0.14
	Mr. T. M. Vijayaraman	0.59	-
		93.86	7.77

Outstanding balances

(In ₹ Million)

Particulars	Name of the related party	As at	
		March 31, 2011	March 31, 2010
Dividend payable	Dr. Anand Deshpande	17.06	22.75
	Mr. Suresh Deshpande	5.72	7.60
	Mrs. Chitra Buzruk	0.04	0.05
	Mrs. Sonali Deshpande	0.08	0.11
	Mrs. Sulabha Deshpande	0.42	0.56
	Mr. T. M. Vijayaraman	0.15	0.08
Total		23.47	31.15

* Mr. T. M. Vijayaraman resigned as Director w.e.f. July 1, 2010.

**Although Dr. Srikanth Sundararajan and Mr. Hari Haran were appointed on May 19, 2010 in the capacity of Director of Persistent Systems, Inc., their salary is disclosed from April 1, 2010.

13. Employees Stock Options (ESOP)

The details of various equity settled ESOP schemes adopted by the Board of Directors / Members are as follows

ESOP Scheme	Date of adoption by the Board / Members	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
Scheme X	June 10, 2010	October 29, 2010	389.05 – 403.25	3 Years

Note 1. No contractual life is defined in the scheme

The vesting pattern of Scheme I to V, VII and VIII & X is as follows

Time Period from the Date of Grant	<---------------- Cumulative Percentage of Share Vesting ---------------->

Notes to Accounts (Contd.)

	Scheme I to V & X	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 as at March 31, 2011 is shown in the following table

Plan ------------->		I	II	III	IV	V	VI	VII	VIII	IX	X	Total
Granted	a	2,280,250	376,600	1,266,650	3,479,125	945,262	608,125	892,487	21,000	687,231	594,925	11,151,655
Vested	b	1,606,449	230,177	637,657	1,547,589	657,025	355,468	311,160	14,000	118,196	-	5,477,721
Encashed and Exercised	c	1,601,992	214,987	490,546	1,090,670	461,663	296,624	212,784	12,250	2,482	-	4,383,998
Vested & Not exercised (b - c)	d	4,457	15,190	147,111	456,919	195,362	58,844	98,376	1,750	115,714	-	1,093,723
Lapsed	e	672,704	138,057	406,066	977,142	275,941	215,250	456,050	3,500	214,051	47,000	3,405,761
Not Vested (a - c - d - e)	f	1,097	8,366	222,927	954,394	12,296	37,407	125,277	3,500	354,984	547,925	2,268,173
Outstanding (d + f)	g	5,554	23,556	370,038	1,411,313	207,658	96,251	223,653	5,250	470,698	547,925	3,361,896
Weighted Average remaining contractual life(in years)		Note 1	9.73	Note 1	11.7	Note 1	10.74	11.75	3.46	12.15	6.63	-
Weighted Average Fair Value of Options Granted (₹)		9.37	47.52	58.47	83.07	51.06	50.11	117.05	143.57	137.05	401.41	-

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

Plan ------------->		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

Notes to Accounts (Contd.)

Plan -------------->		I	II	III	IV	V	VI	VII	VIII	IX	Total
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	13.15	-
Weighted Average Fair Value of Options Granted (₹)		9.37	47.52	58.47	83.07	51.06	50.11	117.05	143.57	137.05	-

All the number of options provided in the above tables are rounded off.

Notes

1. No contractual life is defined in the schemes.
2. Compensation expense arising from employee share based payment plans for the year ended March 31, 2011 amounted to ₹ 7.11 Million (Previous year ₹ 19.45 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 ₹ Nil (Previous year ₹ Nil). 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 ₹ Nil (Previous year ₹ Nil) and Share Premium would have been reduced by ₹ Nil (Previous year ₹ Nil)
4. The Company has adjusted ₹ 20.36 Million (Previous year ₹ 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 and SEBI Guidelines.

Movement for the year ended March 31, 2011 and March 31, 2010

ESOP Scheme	Particulars	Year ended	Outstanding at the beginning of the year	Granted during the year	Forfeited during the year	Exercised during the year	Outstanding at the end of the year	Exercisable at the end of the year
Scheme I	Number of Options	March 31, 2011	12,204	-	3,502	3,148	5,554	4,457
	Weighted Average Price	March 31, 2011	9.95	-	4.77	13.04	11.37	11.99
	Number of Options	March 31, 2010	59,926	-	2,154	45,568	12,204	6,398
	Weighted Average Price	March 31, 2010	11.26	-	15.22	11.43	9.95	13.38
Scheme II	Number of Options	March 31, 2011	42,991	-	9,449	9,986	23,556	15,190
	Weighted Average Price	March 31, 2011	84.36	-	96.41	96.41	74.41	62.29
	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
Scheme III	Number of Options	March 31, 2011	489,031	-	30,207	88,786	370,038	147,111
	Weighted Average Price	March 31, 2011	62.17	-	65.03	59.60	62.55	61.33
	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
Scheme IV	Number of Options	March 31, 2011	1,844,402	-	160,599	272,490	1,411,313	456,919
	Weighted Average Price	March 31, 2011	94.33	-	112.69	54.56	99.92	66.85
	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
Scheme V	Number of Options	March 31, 2011	312,018	-	9,601	94,759	207,658	195,362
	Weighted Average Price	March 31, 2011	51.29	-	58.44	47.20	52.82	50.08
	Number of Options	March 31, 2010	699,128	-	20,206	366,904	312,018	47,217
	Weighted Average Price	March 31, 2010	49.91	-	52.29	48.61	51.29	52.48

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 at the end of the year
Scheme VI	Number of Options	March 31, 2011	96,251	-	-	-	96,251	58,844
	Weighted Average Price	March 31, 2011	54.26	-	-	-	54.26	52.70
	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
Scheme VII	Number of Options	March 31, 2011	292,953	-	52,150	17,150	223,653	98,376
	Weighted Average Price	March 31, 2011	83.56	-	99.16	57.63	81.91	66.58
	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
Scheme VIII	Number of Options	March 31, 2011	14,000	-	3,500	5,250	5,250	1,750
	Weighted Average Price	March 31, 2011	96.41	-	96.41	96.41	96.41	96.41
	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
Scheme IX	Number of Options	March 31, 2011	534,493	-	61,313	2,482	470,698	115,714
	Weighted Average Price	March 31, 2011	109.48	-	109.48	109.48	109.48	109.48
	Number of Options	March 31, 2010	-	687,231	152,738	-	534,493	-
	Weighted Average Price	March 31, 2010	-	109.48	109.48	-	109.48	-
Scheme X	Number of Options	March 31, 2011	-	594,925	47,000	-	547,925	-
	Weighted Average Price	March 31, 2011	-	401.41	403.25	-	401.25	-
	Number of Options	March 31, 2010	-	-	-	-	-	-
	Weighted Average Price	March 31, 2010	-	-	-	-	-	-

The weighted average share price for the period over which stock options were exercised was ₹ 414.63.

Fair valuation of Stock Options granted

The weighted average fair value of the stock options granted during the current year is ₹ 401.41. The Binomial tree valuation model has been used for computing the weighted average fair value considering the following inputs

Particulars	March 31, 2011	March 31, 2010	
	Scheme X	Scheme IV and VII	Scheme IX
Weighted average share price (₹)	401.41	129.50	137.05
Exercise Price (₹)	389.05 - 403.25	122.24	109.48
Expected Volatility	31.90%, 32.56%	61.52%	61.52%
Historical Volatility	31.52% - 61.52%	31.52% - 61.52%	31.52% - 61.52%
Life of the options granted (Vesting and exercise period)	7 years	14 - 15 years	12.5 - 15 years
Dividend Yield	1.00%	1.64%	1.64%
Average risk-free interest rate	7.93% - 8.01%	5.90%	5.90%
Expected dividend rate	40%	58%	58%

The expected volatility was determined based on historical volatility data. The historical volatility is calculated as the standard deviation of daily lognormal returns from the stock of the Company / comparable companies. 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.

Notes to Accounts (Contd.)

Proforma disclosures by applying fair value method

Since the Group uses intrinsic value method as required by the Guidance Note on Accounting for Employee Share-based Payments issued by ICAI, the impact on reported net profit and Earnings Per Share by applying the fair value method is set out as follows

(In ₹ Million)

Particulars	For the year ended	
	March 31, 2011	March 31, 2010
Profit after tax and before prior period items	1,395.63	1,150.24
Add: Employee stock compensation under intrinsic value method	7.11	19.45
Less: Employee stock compensation under fair value method	(60.70)	(36.06)
Proforma profit	1,342.04	1,133.63
Earnings Per Share		
Basic		
As reported	37.00	35.74
Pro forma	35.58	35.22
Diluted		
As reported	34.89	32.06
Pro forma	33.55	31.59

14. Investments

Details of investment movement are as follows

(Amount in ₹ Million)

Name of the Fund	Opening balance		Purchase		Sales		Closing balance	
	Units	Amount	Units	Amount	Units	Amount	Units	Amount
DSP Liquid Fund	-	-	19,513,713.37	1,294.56	4,513,713.37	1,144.56	15,000,000.00	150.00
Grindlays Cash Fund	22,850,645.02	228.85	24,005,110.15	389.89	23,855,755.17	388.73	23,000,000.00	230.01
HDFC Liquid Fund	24,812,537.26	248.13	82,920,097.33	842.87	88,067,623.87	890.99	19,665,010.72	200.01
ICICI Liquid Fund	23,270,731.16	233.21	58,189,336.40	1,865.96	61,446,013.78	1,898.89	20,014,053.78	200.28
Templeton India Fund	-	-	22,461,953.22	668.22	22,264,517.85	440.72	197,435.37	227.50
DWS Money Plus Fund	-	-	75,970,321.94	762.03	65,970,321.94	662.03	10,000,000.00	100.00
Birla Cash Plus Fund	23,499,127.82	235.08	73,780,969.31	749.22	77,816,065.63	788.06	19,464,031.50	196.24
Tata Liquid Fund	24,119,559.27	241.70	39,814,393.65	448.14	49,530,808.91	545.80	14,403,144.01	144.04
Reliance Liquid Plus	39,958.95	40.01	28,002,346.55	389.02	4,689,463.71	180.24	23,352,841.79	248.79
Religeare Mutual Fund	-	-	115,099,646.85	1,152.12	100,099,646.85	1,002.12	15,000,000.00	150.00
SBI Mutual Fund	10,502,889.83	105.09	157,855,521.31	1,838.78	145,329,022.32	1,712.63	23,029,388.82	231.24
Kotak Liquid Fund	22,942,919.26	229.66	68,749,049.69	711.31	78,513,908.84	807.66	13,178,060.11	133.31
Canara Robeco	-	-	97,194,868.55	1,116.85	97,194,868.55	1,116.85	-	-
Sundaram BNP	-	-	96,426,803.89	969.72	86,426,803.89	869.72	10,000,000.00	100.00
Axis Mutual Fund	-	-	491,645.91	491.65	491,645.91	491.65	-	-
UTI Mutual Fund	-	-	18,169,039.09	822.85	7,740,896.86	633.85	10,428,142.23	189.00
Fidelity Mutual Fund	-	-	25,716,272.29	257.21	25,716,272.29	257.21	-	-
	152,038,368.57	1,561.73	1,004,361,089.50	14,770.40	939,667,349.74	13,831.71	216,732,108.33	2500.42

Notes to Accounts (Contd.)

15. Auditors' remuneration

(In ₹ Million)

Particulars	For the year ended	
	March 31, 2011	March 31, 2010
As Auditors		
Audit fee	4.13	3.49
Tax audit matters	0.19	0.18
Other matters*	1.10	5.00
Out of pocket expenses	0.14	0.03
	5.57	8.70

*Fees for other matters include ₹ Nil (Previous year ₹ 4.80 Million towards fees for services rendered in connection with the Initial Public Offer which have been included in share issue expenses.

16. Movement of hedge reserves

(In ₹ Million)

Particulars	For the year ended	
	March 31, 2011	March 31, 2010
Balance at the beginning of the year	159.85	-
Changes in fair value of effective portion of outstanding cash flow derivatives	78.22	208.96
Gains transferred to the income statement on occurrence of forecasted hedge transaction	(158.96)	(49.11)
Balance at the end of the year	79.11	159.85

17. Dues to Micro and Small enterprises

There are no amounts that need to be disclosed pertaining to Micro, Small and Medium Enterprises under Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act, 2006).

As at March 31, 2011, 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. Utilisation Statement

The status of utilisation of net proceeds of IPO up to March 31, 2011 is as under

(In ₹ Million)

Activity	Funds allocated for the activity as per Prospectus	Actual utilisation up to March 31, 2011	Unutilised Money as on March 31, 2011
Establishment of development facilities	760.20	203.91	556.29
Capital expenditure through Subsidiaries for establishing development facilities in SEZ	29.59	29.59	-
Procuring hardware	204.50	92.92	111.58
Fund expenditure for general corporate purposes	206.31	71.60	134.71
Total	1,200.60	398.02	802.58

The unutilised amount of the proceeds of the IPO has been invested in Mutual Funds.

Notes to Accounts (Contd.)

19. Compliance in relation to unpaid dividend

Unpaid dividend shall be credited to Investor Education and Protection Fund as and when due.

20. Previous Year Comparatives

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

As per our report of even date

For S. R. BATLIBOI & Co.
Firm Registration No. 301003E
Chartered Accountants

per Arvind Sethi
Partner
Membership No. 89802
Pune, April 18, 2011

For JOSHI APTE & Co.
Firm Registration No. 104370W
Chartered Accountants

C. K. Joshi
Partner
Membership No. 30428
Pune, April 18, 2011

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 18, 2011

Consolidated Cash Flow Statement for the year ended March 31, 2011

(In ₹ Million)

Particulars		For the year ended March 31, 2011	For the year ended March 31, 2010
Cash flow from operating activities			
Net profit before tax and prior period		1,503.53	1,240.74
Adjustments for			
Interest income		(23.63)	(1.01)
Dividend income		(118.35)	(42.96)
Depreciation and amortisation		423.89	335.24
Unrealised exchange (gain) / loss (net)		13.25	5.46
Exchange loss / (gain) on derivative contracts		33.37	(234.47)
Exchange difference on translation of foreign currency cash and cash equivalents		0.10	0.31
Bad debts		-	1.72
Provision for doubtful debts (net of doubtful debt provision written back)		43.50	46.46
Employee compensation expenses		7.11	19.45
Provision for doubtful deposit written back		(0.35)	(1.50)
Excess provision written back		(2.27)	(17.68)
Provision for diminution in value of investment		-	9.00
Profit on sale of investments (net)		(2.40)	(0.01)
Profit on sale of fixed assets (net)		(8.27)	(1.01)
Operating profit before working capital changes		1,869.48	1,359.74
Movements in working capital			
(Increase) / Decrease in sundry debtors		(274.33)	(396.53)
(Increase) / Decrease in other current assets		15.39	8.78
(Increase) / Decrease in loans and advances		53.92	(61.82)
(Decrease) / Increase in current liabilities		150.22	519.87
Increase in provisions		102.93	56.07
Operating profit after working capital changes		1,917.61	1,486.11
Direct taxes paid (net of refunds)		(342.34)	(247.53)
Net cash from operating activities	(A)	1,575.27	1,238.58
Cash flows from investing activities			
Purchase of fixed assets (including capital work-in-progress)		(971.74)	(476.40)
Proceeds from sale of fixed assets		1.84	1.04
Purchase of investments		(15,527.77)	(7,089.02)
Proceeds from sale / maturity of investments		13,844.06	6,378.84
Interest income		10.17	1.01
Dividends received		114.79	42.96
Net cash (used in) investing activities	(B)	(2,528.65)	(1,141.57)

(In ₹ Million)

Particulars		For the year ended March 31, 2011	For the year ended March 31, 2010
Cash flows from financing activities			
Proceeds from issuance of share capital		-	41.39
Increase in securities premium		-	1,241.70
Share issue expenses		(45.30)	(37.19)
(Payment) / receipt on behalf of selling shareholders in IPO		(372.08)	372.08
Deferred payment liabilities		(15.04)	45.11
Interim / final dividends paid		(239.74)	(21.52)
Tax on interim / final dividend paid		(40.16)	(5.49)
Net cash (used in) / from financing activities	(C)	(712.32)	1,636.08
Net increase in cash and cash equivalents (A + B + C)		(1,665.70)	1,733.09
Cash and cash equivalents at the beginning of the year		1,895.96	163.18
Exchange difference on translation of foreign currency cash and cash equivalents		(0.10)	(0.31)
Cash and cash equivalents at the end of the year		230.16	1,895.96

(In ₹ Million)

Components of cash and cash equivalents as at	March 31, 2011	March 31, 2010
Cash in hand	0.18	0.22
With scheduled banks		
on current account	141.11	1,778.27
on deposit account	758.63	10.53
With other banks		
on current account	88.41	117.47
on deposit account	11.15	11.23
on saving account	0.46	-
Cash and bank balances as per Schedule 6	999.94	1,917.72
Less: Fixed deposits not considered for cash equivalents	769.78	21.76
Cash and cash equivalents in cash flow statement	230.16	1,895.96

As per our report of even date

For S. R. BATLIBOI & Co.
Firm Registration No. 301003E
Chartered Accountants

per Arvind Sethi
Partner
Membership No. 89802
Pune, April 18, 2011

For JOSHI APTE & Co.
Firm Registration No. 104370W
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C. K. Joshi
Partner
Membership No. 30428
Pune, April 18, 2011

For and on behalf of the Board of Directors

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Chairman and
Managing Director

P. B. Kulkarni
Director

Rajesh Ghonasgi
Chief Financial Officer

Vivek Sadhale
Company Secretary
and Head - Legal

Pune, April 18, 2011

Statement pursuant to Section 212(1)(e) of the Companies Act, 1956, relating to subsidiaries

(In ₹ Million unless otherwise stated)

Sr. No.	Name of the Subsidiary Company	Persistent Systems, Inc.	Persistent eBusiness Solutions Limited	Persistent Systems Pte. Ltd.	Persistent Systems and Solutions Limited
1.	Financial Year / Period of the Subsidiary ended on	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011
2.	Holding company's interest				
	(i) The number of equity shares held	37,000,000 Equity Shares of USD 0.10 each fully paid are held by Persistent Systems Ltd.	920,300 Equity Shares of ₹ 10 each fully paid are held by Persistent Systems Ltd.	100,000 Common Shares of SGD 1 each fully paid are held by Persistent Systems Ltd.	1,450,000 Equity Shares of ₹ 10 each fully paid are held by Persistent Systems Ltd.
	(ii) Extent of interest in the capital of subsidiary	100.00%	100.00%	100.00%	100.00%
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	9.00	Nil
	(ii) not dealt within the accounts of the holding company.	21.72	5.09	1.28	24.4
4.	The net aggregate amount of profits / (loss) 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	(42.28)	Nil	Nil
	(ii) not dealt within the accounts of holding company	(66.89)	7.90	2.07	15.37

Statement pursuant to Section 212(1)(e) of the Companies Act, 1956, relating to subsidiaries (Contd.)

(In ₹ Million unless otherwise stated)

Sr. No.	Name of the Subsidiary Company	Persistent Systems, Inc.	Persistent eBusiness Solutions Limited	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	Not Applicable	Not Applicable	Not Applicable	Not Applicable
	(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	Not Applicable	Not Applicable	Not Applicable	Not Applicable

For and on behalf of the Board of Directors

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Chairman and
Managing Director

P. B. Kulkarni
Director

Rajesh Ghonasgi
Chief Financial Officer

Vivek Sadhale
Company Secretary
and Head - Legal

Pune, April 18, 2011

Statement pursuant to Section 212 of the Companies Act, 1956, relating to subsidiaries

(In ₹ Million unless otherwise stated)

Sr. No	Name of the Subsidiary Company	Persistent Systems, Inc.	Persistent eBusiness Solutions Limited	Persistent Systems Pte. Ltd.	Persistent Systems and Solutions Limited
	Currency	USD	INR	SGD	INR
	Exchange Rate on last day of Financial Year	44.59	NA	35.38	NA
	Financial Year Ending On	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011
1	Share Capital	165.92	9.20	15.50	14.50
	(Including Share Application money pending Allotment)				
2	Reserves	(45.71)	(6.89)	(3.24)	39.77
3	Liabilities	522.06	27.66	1.93	103.34
4	Total Liabilities	642.27	29.97	14.19	157.61
5	Total Assets	642.27	29.97	14.19	157.61
6	Investments	-	-	-	-
7	Turnover	2,322.15	55.19	9.79	189.49
8	Profit before Tax	29.53	5.83	1.29	24.70
9	Provision for Taxation	7.81	2.48	0.01	0.30
10	Profit after Tax	21.72	3.35	1.28	24.40
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

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Chairman and
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Company Secretary
and Head - Legal

Pune, April 18, 2011

Planting Care

Sensitive to surroundings

Contributing to society is one of our core values. We believe that, while profit is important for all businesses, profit cannot be the only reason for our existence. We must make a difference, and profits help us achieve our mission as well as to contribute to the society.

Corporate Social Responsibility encompasses within itself sustainability which means creating an awareness of climate change and social imbalance and demanded suitable action. We were promptly responsive to the call. Be it in infrastructure building or social initiatives, conservation, conscience and commitment became Persistent's watchwords.

Participating with CII to encourage 'Zero Load Shedding' in Pune, designing and developing the Pune Municipal Corporation and Pune Municipal Transport websites and setting up a Cyber Lab for Pune Police in collaboration with NASSCOM, are some of our initiatives.

For more than 15 years, we have contributed 1% of our profit for charitable and social causes. Giving back to society is a non-negotiable part of the Persistent cultural ethos. To institutionalize the Corporate Social Responsibility initiative, we formed Persistent Foundation, a public charitable trust in 2008.

With one step at a time and one drop at a time, we can make the world a better place!

Persistent Foundation

www.persistentfoundation.org

Persistent Foundation

Persistent Foundation, a public charitable trust, was started in 2009 to institutionalise the CSR initiatives of the Company. Persistent Foundation has successfully executed value-addition initiatives in health, education, civic facilities and rural development, totaling almost ` 75 lakhs in the financial year 2010-11.

Beyond the financial contribution, Persistent Foundation believes in leveraging the enthusiasm of 6,000+ Persistent employees and their families in making a difference to the society we live in.

Highlights

- Total Corpus ` 22 Million
- Social Projects worth ` 41.57 Lakhs

Important CSR Projects

- Rectification work at Kusumtai Bagal Vidyalaya, Pune
- Water Supply at Leprosy Colony, Pune
- Infrastructure Development at Phoenix School, Pune
- Provision of benches to Z. P. School at Hinjawadi, Pune
- H1N1 Vaccination of slum area students at Pune
- Teach Computers and English Program at Goa
- School Education Program in ZPHS Darga at Hyderabad
- School Education Program at Nagpur
- Girls Scholarship Program
- Blood Donation Camps

Activities of Foundation in last 2 years

Donations to Institutions

More than ` 55 Lakhs in donations to 44 Associate Institutions.

Focus area wise break-up :
- Health : 10
- Education : 20
- Community Development : 14

Location wise break-up :
- Pune : 39
- Nagpur : 5

Projects by Foundation

41 Projects in a span of 2 years.

Focus area wise break-up :
- Health : 10
- Education : 17
- Community Development : 14

Location wise break-up :
- Pune : 20
- Nagpur : 17
- Hyderabad : 14
- Goa : 5

Contribution by Employees

Contribution by 2,800+ Employees in the last 2 years through various drives.

Preferred modes of contribution :
- Donation in kind
- Donation of funds
- Skill and Knowledge Contribution
- Time Contribution

Report on activities of Persistent Foundation

In order to fulfill the Company's Corporate Social Responsibility, Persistent Systems Limited (the "Company") was donating to the institutions, working primarily in the field of Health and Education since financial year 1995-96.

To institutionalize 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 has been registered with the office of the Deputy Charity Commissioner, Pune on March 21, 2009.

Management of the Foundation

The Trustees of the Foundation are as under

a. Mrs. Sonali Deshpande, Chairperson and Founder Trustee
b. Dr. Anand Deshpande, Founder Trustee
c. Mr. P. B. Kulkarni, Founder Trustee
d. Dr. Mukund Deshpande, Founder Trustee
e. Mr. Rajesh Ghonasgi being Head of Finance function of Persistent Systems Limited
f. Mr. S. R. Joshi being Head of Administration function of Persistent Systems Limited
g. Mr. Kishor Bhalerao being Head of HR function of Persistent Systems Limited
h. The Maharashtra Executor and Trustee Company Private Limited (METCO)

Financials

During the financial year 2010-11 the Foundation has received donations as per details given below

Sr. No.	Particulars	Amount in ₹ Million
1.	Donation towards corpus	
	- Persistent Systems Limited	5.77
	- From Trustees and Employees	0.11
	Sub-total (A)	5.88
2.	Donations towards charity operations	
	- Persistent Systems Limited	5.00
	- From Trustees	0.50
	- Donations received from employees towards Students' Scholarship Program (Project executed through CASP)	1.53
	- Donations received from employees towards Breast Cancer Screening Program (Project executed through Samavedna)	0.06
	Sub-total (B)	7.09

As on March 31, 2011, the corpus of the Foundation is ₹ 22 Million.

The Foundation received an interest income of ₹ 1.61 Million on the investments made.

The funds available for Foundation's activities were ₹ 8.70 Million as per the following details

Sr. No.	Particulars	Amount in ₹ Million
1.	Donations towards charity operations as per the preceding table	7.09
2.	Interest received on Fixed Deposits (including tax deposited as source by Banks)	1.61
	Total Funds Available for Foundation's Activities	8.70

The details of utilization of funds of the Foundation during the period under report are as under

(In ₹ Million)

Sr. No.	Particulars	Amount Donated to other Institutions	Amount used for Projects by Foundation	Total Amount
1.	Education	1.55	2.91*	4.46
2.	Healthcare	0.83	0.82**	1.65
3.	Community Development	0.87	0.43	1.30
	Total	3.25	4.16	7.41

(*Includes amount of ₹ 1.74 Million utilized for Students Scholarship Program from donations received from employees)
(**Includes amount of ₹ 0.06 Million utilized for Breast Cancer Screening Program from donations received from employees)

The remaining amount of ₹ 1.29 Million [₹ 8.70 Million minus ₹ 7.40 Million] was partly utilised for establishment and other expenses ₹ 0.19 Million. The balance amount of ₹ 1.10 Million has been shown as surplus in the Income and Expendure Account.

Activities of the Foundation

Financial year 2010-11 was the second year of operations of the Foundation. As per the current Policy of the Foundation, the Foundation undertakes the projects / makes donations to those institutions which are in the immediate vicinity of the offices of the Company viz. Pune, Nagpur, Goa and Hyderabad.

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

The Foundation carried out its activities under aforesaid areas through the following verticals

1. Donations to Institutions: The Foundation provided aid and assistance to institutions working in the focus areas.
2. Projects by the Foundation: The Foundation conducted certain projects in the focus areas. The Foundation carried out these projects through its volunteers. The details are explained later in this report.
3. Contribution by employees: Employees of the Company initiated some drives and contributed through voluntary participation along with donating for various causes. The details are explained later in this report.

A) Activities directly executed by the Foundation

The key projects undertaken by the Foundation during the Financial Year 2010-11 are as follows

1. Rectification work at Kusumtai Bagal Vidyalaya, Pune

The Foundation provided the financial assistance for fabrication for the roof, erection of new doors and windows for the school building, construction of corridor of the school and painting of the school building.

2. Water Supply at Leprosy Colony, Pune

Persistent Foundation constructed a Farm Pond near the existing well at Leprosy Colony, which supplies drinking water to the adjacent areas. Due to percolation of water from the farm pond to the well, the well has now adequate water in it.

3. Infrastructure Development at Phoenix School, Pune

During the heavy rains during the first week of June 2010, existing roof for six rooms out of 14 rooms of the school were destroyed due to fall of nearby trees on it. The Foundation provided immediate financial assistance of ₹ 0.11 Million for repairing the roofs of six damaged class rooms.

4. Girls Scholarship Program

With an objective to support education of girls pursuing engineering degree from CS or IT streams from colleges in Pune, Nagpur, Hyderabad and Goa; this program was launched. Applications were invited from Associate Engineering colleges and 29 girls were shortlisted for interviews. An eminent panel constituting Chairperson of the Foundation – Mrs. Sonali Deshpande and other prominent personalities in education field selected 10 girls persuing first year of engineering. The Foundation rewarded these girls with a Scholarship ₹ 25,000 per year for the educational year 2010-11.

5. H1N1 Vaccination of Slum area students

As a preventive measure to protect the slum area children from H1N1 virus, H1N1 vaccination program was conducted by the Foundation in 2 slum area schools in Pune –

a. Hutatma Rajguru Vidyalaya, S. B. Road, Pune

b. Prerana Vidyalaya, Ambegaon, Pune

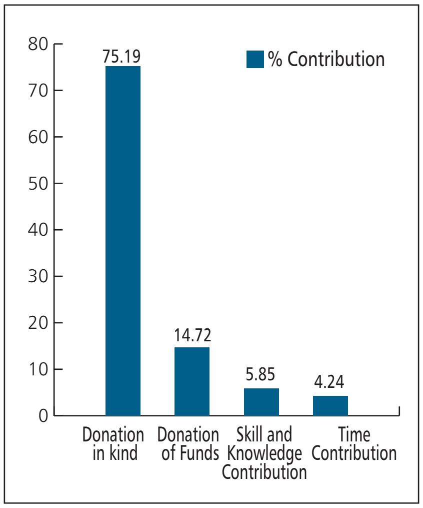
1,050 slum students were vaccinated. This program was conducted in association with Serum Institute and A. J. Medical Care.

6. Provision of benches to Z. P. School at Hinjawadi, Pune

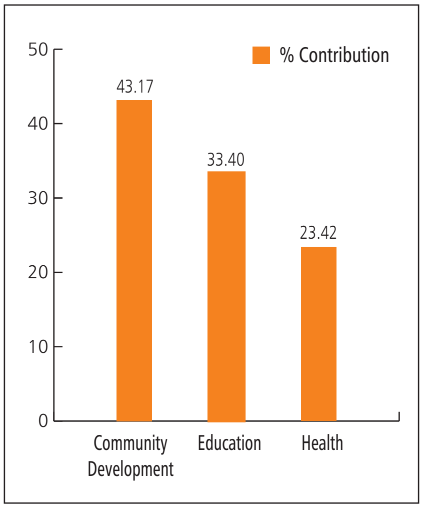
Z. P. School at Hinjawadi requested for a support from the Foundation to provide benches to 5th, 6th and 7th standard students who earlier used to sit on the floor. The Foundation supported them by donating 175 benches to the school.

B) Activities executed by Persistent Foundation with support from employees of Persistent Systems Limited and its Subsidiaries.

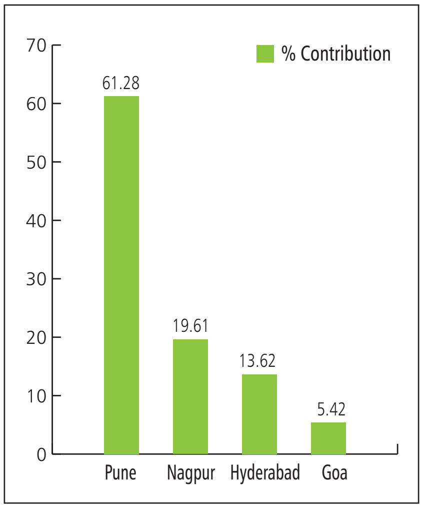
Persistent Foundation has always focused on engaging employees in its work and motivating them to contribute to the society in the structured and constructive ways. The few highlights of employees participation in the Foundation's activities is as under



Contribution Based on Nature of Work



Focus Area Specific Contribution



City Specific Contribution

The key projects undertaken by the Foundation with support from employees of Persistent Systems Limited and its Subsidiaries during the financial year 2010-11 are as follows

1. Shram Daan Activity at Nagpur

This activity was about cleaning of Water holes and small dams created by Shrusti Paryvaran Mandal in previous years. This activity is carried out every year just before monsoon, to ensure the water holes and dams are ready for storing rain water. This would ensure that plenty of drinking water is available for wild animals inside the sanctuary and would ultimately reduce man-animal conflict. A team of 30 volunteers conducted this activity on May 30, 2010. 16 of them were volunteers of the Foundation.

2. Tree Plantation at Nagpur

This project was executed in association with Srushti Paryavaran Mandal. 50 trees have been planted by the volunteers of the Foundation. 15 volunteers of the Foundation contributed in this drive.

3. Capacity Building of NGOs through Exhibitions

As a Capacity Building initiative for the associated NGOs who work for the needy sections of the society, the exhibitions of the products made by the NGOs were organized in Persistent Facilities during August to October at Pune, Nagpur and Hyderabad. Some of the stalls were for Organic T-shirts, Sapling Sell, Rakhi Sale, Stalls to sell the products made by the tribals, Chocolate Sale to support the education of slum students, Diwali Lanterns Stall at Nagpur by physically challenged children.

4. School Education Program in ZPHS Darga at Hyderabad

School Education program has kicked off from July 9, 2010 at ZPHS Darga School in Hyderabad. 12 Persistent employees visit the school on rotation to take Spoken English and English Grammar classes for students of standard 6th to 10th. Total 600 students are being covered and the classes took place from 8 a.m. to 8.45 a.m. everyday.

5. SCRATCH Teaching Program at schools in Pune

To contribute a bit in improving the quality of Computer education in schools, the SCRATCH teaching initiative was taken up by the Foundation Team at three schools in Pune. SCRATCH is a tool from MIT that aims to develop problem solving and analytical skills in school going children. It enables users to create stories, advertisements, games, cartoons etc. in a multimedia environment. It can be thought of as flash for school children or as the next generation of Logo. The children do not need to learn any syntax or a formal programming language but end up learning basic and sophisticated programming concepts in a fun way.

6. Cyber Genius and National ICT Quiz -Inter School Programming Contests at Pune

Dr. Kalmadi Shamarao High school conducts Inter School Contest 'Cyber Genius' for last twelve years. This is a district level competition (Pune District) and more than 1,000 students from 50 schools participate in the contest. Contest is conducted in four groups – Mini (Std. 3-4), Sub Junior (Std. 5-6), Junior (Std. 7-8) and Senior (Std. 9-10). Contest is conducted in different topics for different groups – e.g. Logo and Paint Brush for Mini, Paint Brush and Quiz for Sub Junior, Q-basic and Power Point for Junior and Photoshop and Web designing for Senior. The Foundation supported the cause by providing financial support of 50,000 and technical support through volunteers. Approx. 60 volunteers worked on this project. On the same lines, volunteer support for end to end execution was provided for National ICT Quiz.

7. School Education Program at Nagpur

This is the second year of this program at Nagpur. In financial year 2009-10, a team of volunteers have conducted English and Mathematics classes for the 10th standard students of Vanita Vikas School. As a result, the SSC result of the school as improved from 50% to 80%. The same program has been initiated since July 2010 at Bal Sadan School and is being continued at Vanita Vikas School, Nagpur. 26 volunteers have participated in this program.

8. Teach Computers and English Program

The Foundation Team at Goa has initiated the project of Computer Teaching at Dnyansagar Mandir, a school which works for the education of slum students at Goa. Persistent Foundation Team visits the school on regular basis and conducts these classes for the students who have enrolled for the same. Also, the guidance on Computers and usage of Technology is being provided to the Teachers in the school. This is a continuous process. By involving more volunteers in this initiative and by providing different exposure to the students, the Foundation plans to conduct one day sessions of these students in the office premises of the Company.

9. Uniform Donation Drive at ZP School

With an objective to provide good uniforms to slum area students in Hyderabad, the Uniform Donation Project was taken up by the Foundation team for the schools - ZPHS, Darga and UPS, Darga. 325 students were benefited from this project.

10. Books Library for ZP schools students

With an objective to provide quality co-curricular education to the slum students, the Library project was initiated by the Hyderabad team for the schools – ZPHS, Darga and UPS, Darga. Libraries constituting 1,000 books each have been set-up in these schools.

11. Blood Donation Camps

To celebrate the occasion of October 31, 2010, when the Foundation filed papers with the Charity Commissioner for its registration, a blood donation camp was organized in Pune in association with Deenanath Mangeshkar Hospital. 307 Pune employees of the Company donated the blood. Subsequent, camps were conducted at Nagpur, Hyderabad and Goa contributing 255 more bottles of blood. Total bottles of blood donated through the Blood Donation Programs of the Foundation for financial year 2010-11 is 562.

C) Activities executed by Persistent Foundation with the help of outside institutions

The key projects undertaken by the Foundation with the help of outside institutions during the financial year 2010-11 are as follows

1. Drinking Water System for ZP schools in Goa

Rotary Club and Verna Industrial Association undertook a project of setting up safe drinking water systems at 6 schools in Verna Industrial Estate. The drinking water systems constitutes of feed water pump, water tank, interconnecting piping between system and existing piping and water level controller unit.

The Foundation supported the cause by funding of ₹ 25,000.

2. Student Sponsorship Program

This is the second year of Student Sponsorship Program. In financial year 2009-10, 256 employees had participated as sponsors. In financial year 2010-11, 353 employees have sponsored 326 students i.e rise of 37%. The program was executed in association with CASP, Pune. Location specific break-up of students sponsorship program is as follows

1. Pune – 267
2. Nagpur – 34
3. Hyderabad – 28
4. Goa – 24

3. School Kit Donation at Hyderabad and Nagpur

In association with Seva Sahayog, a School Kit Donation Drive for slum area students was conducted at Hyderabad and Nagpur in June 2010. 302 kits donated by employees

- 200 by 91 employees at Nagpur
- 102 by 61 employees at Hyderabad

4. Breast Cancer Screening Program

In association with Samavedana, the Foundation launched a Breast Cancer Screening program for timely detection of the Breast Cancer, if any, among slum area women in Pune. Persistent Foundation sponsored 300 women (₹ 1,047 per women) and conducted awareness sessions in slum areas as a support to Samavedana volunteers. Also, 60 employees of the Company contributed to fund for the screening of 56 more women. The project was completed by Samavedana in association with Sahyadri Hospital.

5. Cancer Awareness Drive in Schools and Colleges

With an objective to prevent occurrences of cancer among students due to Smoking and Tobacco habits, the Foundation took up the project of conducting various awareness sessions at schools and colleges. The project was done in association with Arogya Bharati – an NGO working in the area of preventive health care for school students. The project constituted 25 awareness sessions followed by a check-up of school students to detect smoking and tobacco habits. The volunteers joined these drives with Arogya Bharati.

6. Books Donation Drive at Pune

In association with CASP, a book donation drive was launched in the month of May 2010. Employees were invited to donate the books of all kinds – right from academic to extracurricular. More than 1,100 books were donated by the employees of the Company. CASP took the responsibility of making these books available to relevant needy students through its various channels such as libraries, donation drives etc.

In addition, the Foundation made donations to 43 institutions to execute social projects in the area of health, education and community development.

Annual Day Celebration of the Foundation

The Foundation celebrated its first annual day on Tuesday, March 1, 2011 at Persistent Systems Limited, Dewang Mehta Auditorium, Bhageerath, 402 Senapati Bapat Road, Pune. Officials of 45 Associate Institutions of the Foundation, volunteers of the Foundation and employees of the Company were invited for the event. Mrs. Anu Aga, Chairperson, Akanksha Organization, Trustee of Thermax Social Initiative Foundation (TSIS) and former Chairperson, Thermax Group was the chief guest for the event. The program featured overview of Foundation activities by Mrs. Sonali Deshpande, Chairperson, Persistent Foundation, presentations by the officials of selected institutions, experience sharing by volunteers and speech by Mrs. Anu Aga. Around 225 people attended the event.

Media Coverage

Persistent Foundation's work and Annual Day program received a wide publicity by many reputed media houses in Pune. The publications covered are Sakaal, Sakaal Times, Navbharat Times, Lokmat, Pudhari, DNA and Prabhat.

Adding to this, DNA published an exclusive interview of Mrs. Sonali Deshpande, Chairperson about activities and plan of the Foundation in March 2011.

Acknowledgement

The Foundation places on record the help and cooperation received from the Deputy Charity Commissioner, Pune, the Assistant Charity Commissioner, Pune and the Commissioner of Income Tax. The Foundation would also like to express our sincere thanks to the Maharashtra Executor and Trustee Company Limited (METCO) for guidance on statutory and operational matters.

The Foundation also extends thanks to HDFC Bank Limited, Bank of Maharashtra and its officials for extending their excellent support in all banking related activities.

The Foundation also places on record its gratitude to employees of Persistent Systems Limited and its subsidiaries for the generous donations made by them for the activities of the Foundation. The Foundation acknowledges the co-operation and guidance received from the institutions with whom the Foundation collaborated for its various projects.

The Foundation takes this opportunity to express its sincere appreciation for the contribution made by its volunteers at all levels. The considerable achievement was made possible by their hard work, solidarity, cooperation and support.

Last but not at all the least, the Foundation would like to record its gratitude to Persistent Systems Limited, without whose financial and staff support, it would not have been possible to make any meaningful contribution.

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PUNE

'Bhageerath'
Built-up Area : 131,000 sq.ft.
Seating Capacity : 560

'Panini'
Built-up Area : 10,000 sq.ft.
Seating Capacity : 125

'Aryabhata-Pingala'
Built-up Area : 341,000 sq.ft.
Seating Capacity : 2,550

At Rajiv Gandhi Infotech Park, Hinjawadi*
Built-up Area : 423,000 sq.ft. ● Seating Capacity : 2,980

GOA

At Software Technology Park
Built-up Area : 35,306 sq.ft.
Seating Capacity : 382

NAGPUR

At IT Tower
Built-up Area : 32,000 sq.ft.
Seating Capacity : 361

New Building at M.I.D.C. Infotech Park*
Built-up Area : 200,000 sq.ft.
Seating Capacity : 1,200

*Under Construction

Persistent Systems Limited

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