Persistent Systems Limited

Eighteenth Annual Report 2007-2008

PERSISTENT

We are
Different



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PERSISTENT



We are Different

- First Company to operate from the Software Technology Park (STP) in Pune
- First Company to export software under the STPI scheme
- Singularly focused on Outsourced Software Product Development (OPD) for 18 years
- Compounded Annual Growth Rate in revenue (INR) of 53.06% for the last 5 years
- Distinguished for being a profitable company since inception and paying dividend for the last 17 years
- 80% of our employees are Computer Science graduates, and 15+ are PhDs
- 27% women employees
- Voluntarily follows Corporate Governance norms

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Chairman and Managing Director

- Dr. Anand Deshpande

Directors

- Mr. S. P. Deshpande - Executive Director
- Mr. Ram Gupta
- Dr. Promod Haque
- Mr. P. B. Kulkarni
- Prof. Krithivasan Ramamritham

Company Secretary and Head - Legal

- Mr. Vivek Sadhale

Auditors

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

Bankers

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

Registered Office

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

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CONTENTS

From the Chairman's Desk 2
Highlights 4
Core Competence, Niche Excellence 7
Crossing Milestones 8
Directors' Profile 13

Persistent Systems Limited

Report of the Directors 17
Report on Corporate Governance 27
Voluntary Secretarial Compliance Certificate ... 46
Management Discussion and Analysis 53
Report on Risk Management 63
Auditors' Report on Financial Statements 67
Financial Statements 70
Balance Sheet Abstract 100

Persistent Systems Limited (Consolidated)

Auditors' Report on Consolidated Financial Statements 103
Financial Statements 104
Section 212 Statements 133

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FROM THE CHAIRMAN'S DESK



Delivering Value through Innovation

Scaling the business continued to be our focus this year. We grew more than 51% year-on-year in dollar terms and crossed the important USD 100 million revenue mark this year. It has taken us eighteen years to get to this milestone. We are on the right track and will continue to pursue aggressive growth this year as well.

Focus has been an important attribute for Persistent Systems. We started in the early '90s by working with product companies with an offshore centric model focused on technology excellence. As our unique differentiator, we have continued to develop and refine our expertise in this area and have built leadership in Outsourced Software Product Development (OPD).

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We are relentless in our pursuit of delivering highest quality software to our customers. This has helped us in growing our existing customers and has also helped us to start new projects. During the year, we started offering to our customers very specific offerings, depending on the stage of the product in the technology adoption life-cycle. In this context, our service offerings around product innovations, time-to-market accelerators, product engineering, deployment and professional services and end-of-life gained significant traction. Our approach of taking the responsibility to create value for our customers through these service offerings has helped us create partnerships that have long term potential.

Our employees are critical to our success. Our focus on product development helps us to attract and retain those who have a passion for building products. During the year, we implemented a role-based organization. This has provided growth opportunities for individuals who choose to specialize in specific areas of expertise.

We continue to strengthen our management team and have added Yeshwanth Subramanian as the Chief Marketing Officer and Rajesh Ghonasgi as the Chief Financial Officer. We also conducted a year-long program to build and nurture the next generation of managers. The Arjuna program was designed and conducted by Dr. Ashok Korwar. This program has helped the top-50 leaders of the Company to understand the intricacies of business and to operate under difficult conditions while nurturing Persistent's core values.

The coming year will be challenging. Financial markets in the US are going through hard times and that has had an effect on the global market. Inflation in the local market is a source of concern and the sharp rise in fuel prices has had an impact across all sectors of the market.

Difficult times also provide opportunities for those who can grab them. Speed will be of essence. We will continue in our pursuit of delivering value to our customers through innovative technology and business models.

Best regards,

Anand Deshpande
Founder, Chairman and Managing Director

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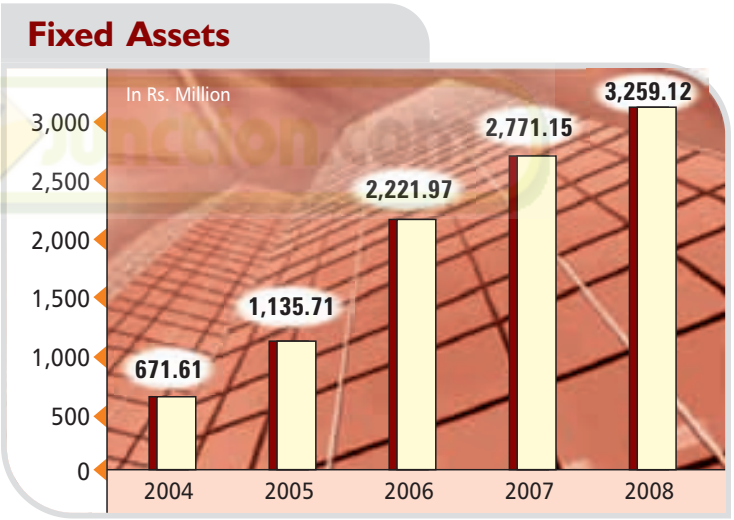
HIGHLIGHTS*

Profit After Tax



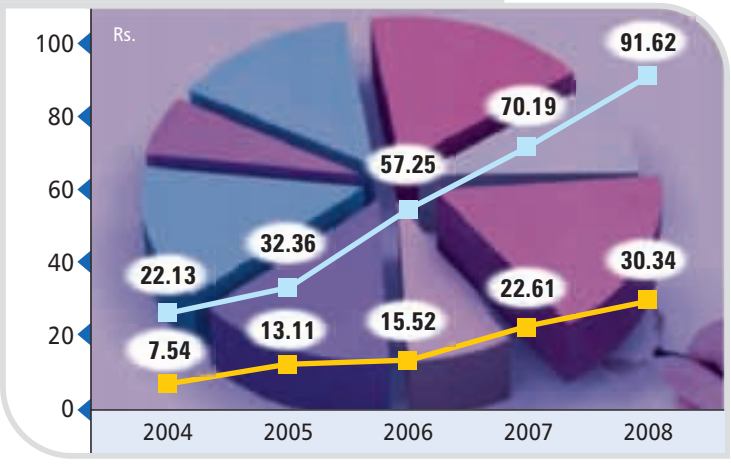
Financial year ending March 31
(after extraordinary items)

Fixed Assets



Financial year ended March 31
(including Capital work-in-progress)

Book Value# and Earning Per Equity Share (Basic)#



Financial year ending March 31

Book Value
Earning Per Equity Share

 # Adjusted to give effect to issue of bonus shares and conversion of preference shares into equity shares.

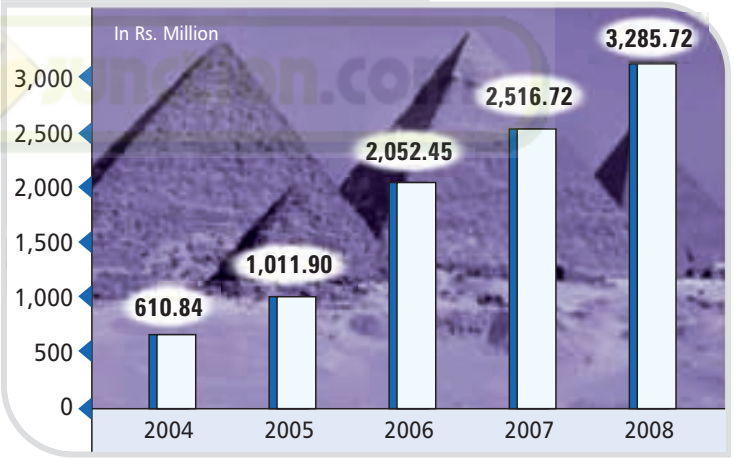
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Total Revenue



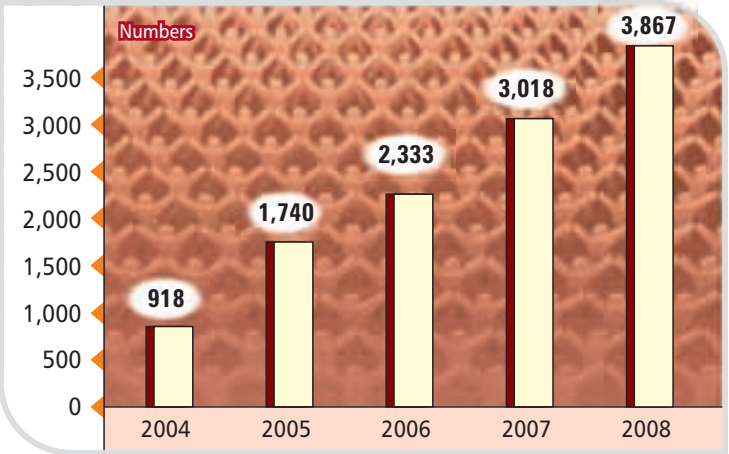
Financial year ending March 31

Net Worth



Financial year ended March 31

Human Resource Strength



Financial year ending March 31 (including trainees and associates)

** Based on consolidated figures.*

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PERSISTENT

VOICES



The employee comes first, that's what I love about Persistent. I look at Persistent as an organisation with opportunities. It is upto you to grab one, own it and take it to completion. The beauty is that the Company allows you to do all that and supports you whole heartedly. When I joined Persistent in 1999, we were close to 100 employees and I always used to have this fear of losing the great family environment if we expanded and became a big organisation. Today, we are 3800+ employees and I am glad to find out that I was wrong. We are still a close family.

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Hemant Ramnani
Manager - Business Development

Hemant joined Persistent in 1999 as a fresh engineer from Pune Institute of Computer Technology. He re-joined the delivery unit in Persistent after completing his MS from the University of Minnesota in 2003. Currently, Hemant is with the Sales Team in USA.



It has been an enriching and exciting journey for me at Persistent over the past 9 years. My learning curve has been tremendous. I have seen immense personal growth as the Company has gone from strength to strength. There have been opportunities to set up new competencies and gain hands-on experience of expanding into new domains, and we really appreciate that.

Kaushal Kapadia
Domain Expert

Kaushal works with Security Practice and leads a team of Ethical Hackers working in the area of Network Penetration Testing / Web Application Vulnerability Assessment. Kaushal has over 12 years of experience in the IT industry. He is a subject-matter expert in the area of Security and Identity Management.

CORE COMPETENCE, NICHE EXCELLENCE

Focus on Innovation

Persistent is different from most of outsourcing firms because we are focus exclusively on the software product development. This singular focus has allowed the Company to innovate on three fronts.

- **Expertise aligned with the entire product life cycle**

  Persistent offers an entire array of service offerings that match the client's situation, from product conception to end-of-life.

- **Time-to-market accelerators**

  Persistent has developed asset-based process accelerators that leverage both domain expertise and development best practices.

- **Value-focused business model**

  Persistent works with the clients to find the right approach for a given product effort, including revenue share models that align product investment with market demand.

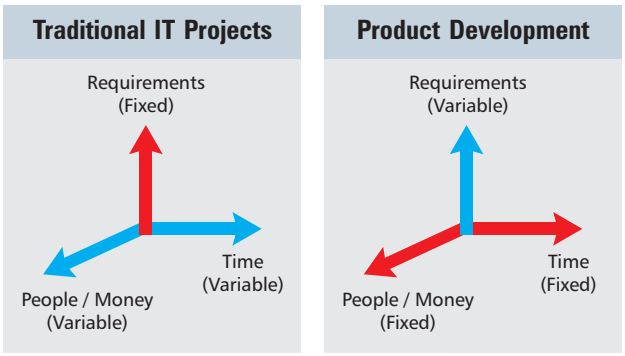
Strengths

- Outsourced Software Product Development (OPD) specialist with deep rooted product development culture
- Broad product development service offerings including value added products and services
- Depth of experience and knowledge in targeted industry segments
- Track record of well established sophisticated processes
- Long-term relationship with customers
- ISO 27001:2005 certified Company
- Strong team of highly skilled professionals
- Management which nurtures a long term vision

We are different

OPD is different from IT services outsourcing. Typically, IT projects start with well defined requirements. Given these fixed requirements, vendors use time and money as variables to arrive at a reasonable cost estimate for the project. After completion, the project goes into a maintenance mode.

In product development, requirements are less clearly defined. Instead, most product developers are given ship dates for the product that are typically determined by external factors. Once the ship-dates are decided, the budgets for the product are frozen. So, unlike a typical IT project where requirements are fixed and time and money are variables, a product development project starts with fixed time and money, thus leaving requirements as the only variable. So essentially, the product development team's task is to produce the best set of requirements within a fixed time and budget.



Thus, in product development projects, all requirements can never be completely fulfilled in a particular version. As a result, most product companies plan multiple product versions for their product. While product teams must focus on developing the best product for the current release, every team member on the product development team must have an overall vision of the product direction. Each team member must contribute not only to building the features for the current release, but also by providing enhancements and providing feedback for future releases of the product.

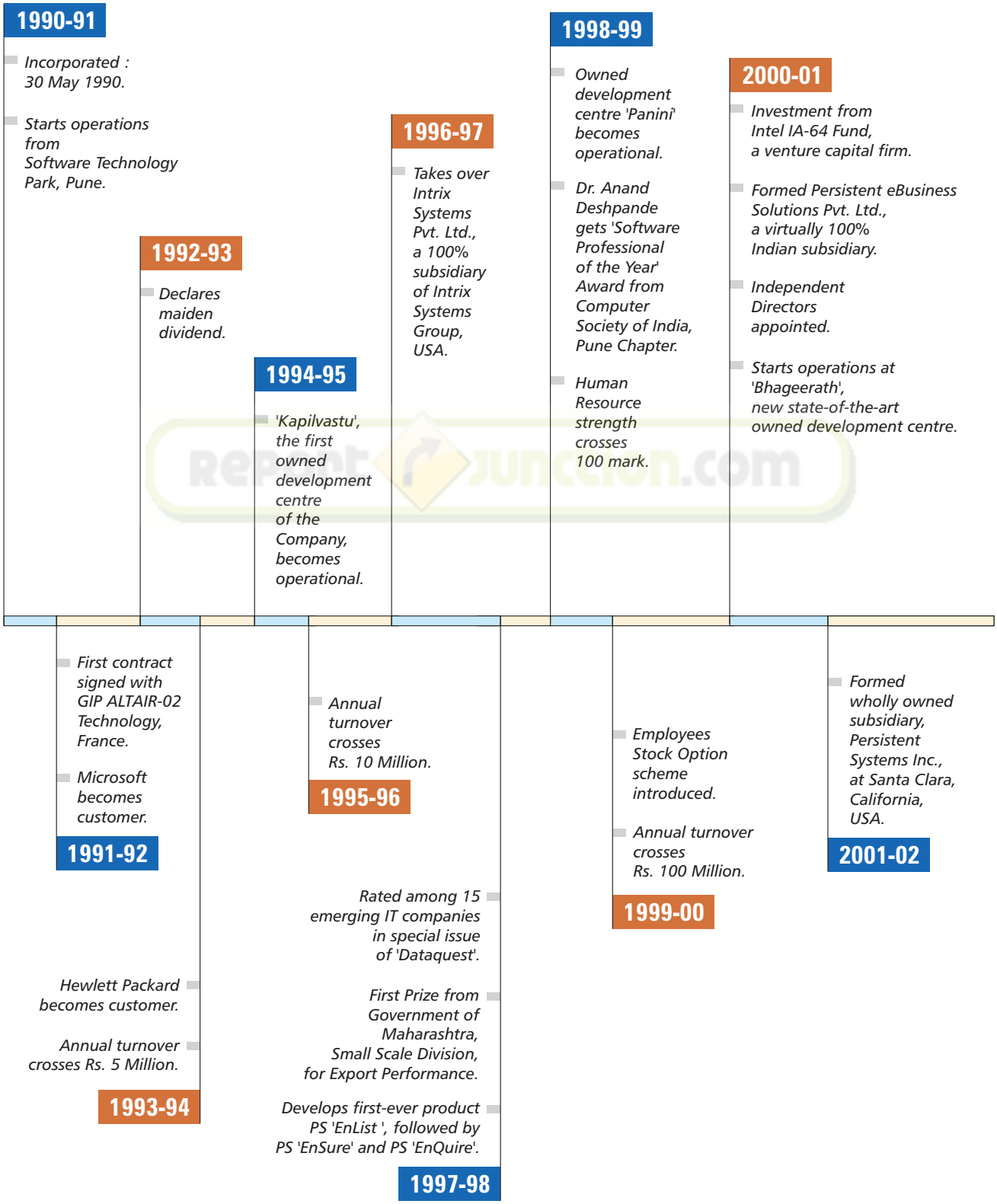
Poised to achieve new heights

Our goal is to be a leading global provider of OPD services. We intend to accomplish this by:

- Maintaining our leading position in OPD
- Growing our business with existing clients
- Growing our business through intellectual property capabilities
- Partnering with players across the software product development industry
- Focusing on small and medium sized markets
- Pursuing strategic acquisitions and other inorganic initiatives
- Investing in people and culture

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CROSSING MILESTONES



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