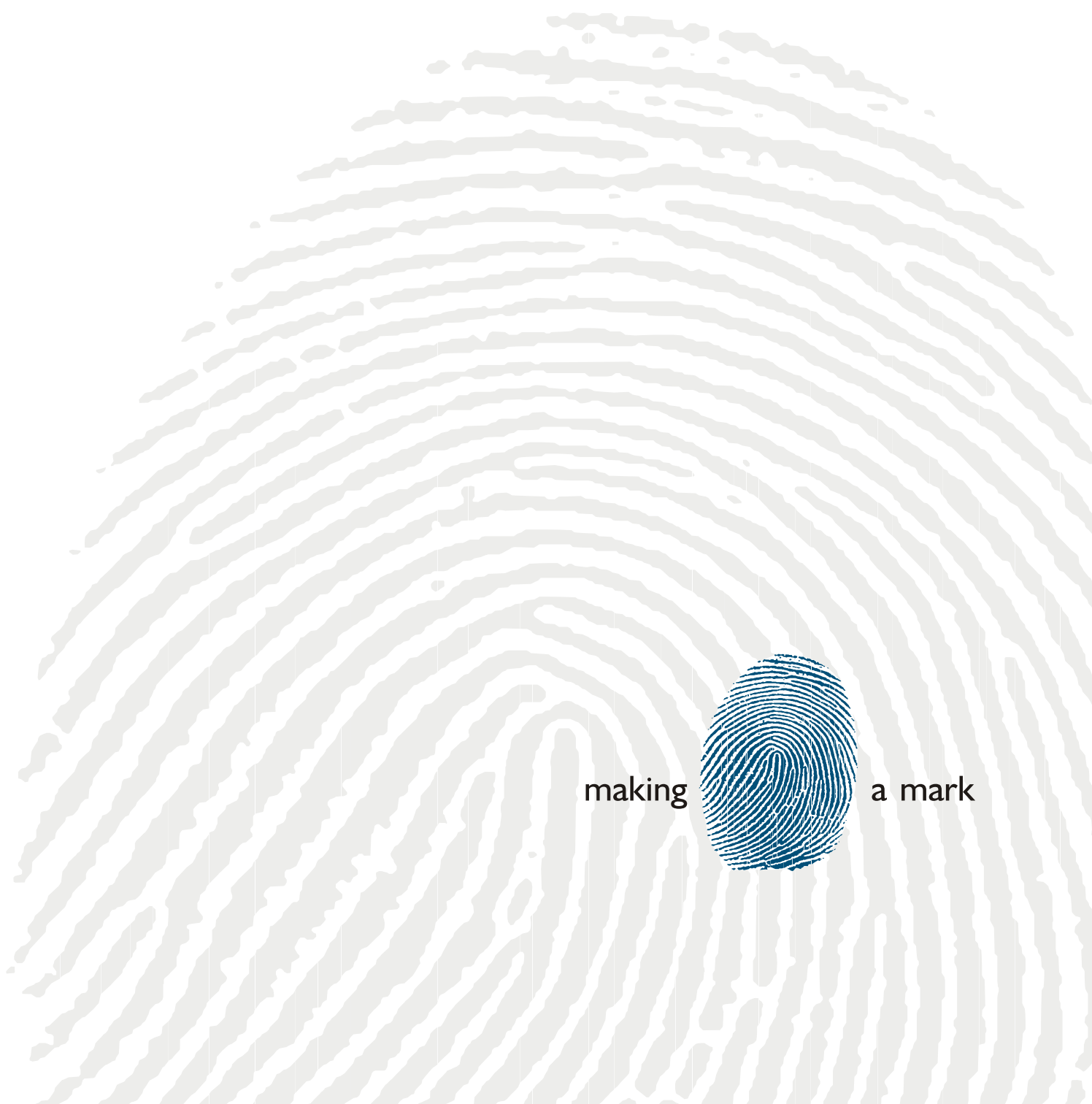


Persistent Systems Limited

Twentieth Annual Report 2009-10



PERSISTENT



making a mark

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

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

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



PERSISTENT

Dear Investors,

*We are grateful
for your overwhelming response
to our
Initial Public Offering.*

*Thank you
for the trust reposed in us.*

Dr. Anand Deshpande
Chairman and Managing Director

Great Moments, Great Debut : Listing Ceremony at NSE

April 6, 2010



06, 2010 09:00:13

NIFTY 50	NSE	PERSISTENT
5379.90	404.00	
(+11.50)	(+94.00)	
(+0.21 %)	(+30.32 %)	
		TTQ: 218511



Corporate Information

Board of Directors

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

Company Secretary and Head - Legal

- Mr. Vivek Sadhale

Auditors

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

Bankers

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

Registered Office

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

Contact Info

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

From the Chairman's Desk

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

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

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

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

We are very confident as we start our third decade. We are well-established as a leader in outsourced product

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

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

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

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

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

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

Sincerely,

Anand Deshpande

Founder, Chairman and Managing Director



MAKING A MARK



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



In 3 days
149,000+ applications
ISSUE OVERSUBSCRIBED BY
93 times
Retail by **21 times**
Non-institutional by
107 times
QIB by
144 times



Record Response !

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

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

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

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

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

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

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

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

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

Directors' Profile



Dr. Anand Deshpande
Founder, Chairman and Managing Director

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

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

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

He is an active member of the database community and has served as the Industrial Program Committee

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

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



S. P. Deshpande
Non-Executive Director

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

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