

Persistent Systems Limited

Twenty Third Annual Report 2012-13



Orchestrating Harmony

23rd Annual General Meeting

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

From the Chairman's Desk	2
Directors' Profile	4
Corporate Information	10
Committees of the Board	11
Global Presence	12
Historical Financials	14
Highlights	15
Report of the Directors	25
Report on Corporate Governance	46
Voluntary Secretarial Compliance Certificate	70
Management Discussion and Analysis	82
Report on Risk Management	92

Persistent Systems Limited (Consolidated Financials)

Auditors' Report on Consolidated Financial Statements	96
Consolidated Financial Statements	98
Section 212 Statement	136

Persistent Systems Limited (Unconsolidated Financials)

Auditors' Report on Unconsolidated Financial Statements	140
Unconsolidated Financial Statements	144

Report on Activities of Persistent Foundation	186
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Orchestrating Harmony

Sustaining a successful business is very similar to conducting a perfect concert. A musical concert earns applause for being a success only when it achieves perfect harmony. This requires a delicate balance : widely-differing yet gifted individual performers playing an astonishing variety of instruments, that too in such a way that the resulting fusion is simply uplifting. Individual notes differ, yet their combination creates a perfectly modulated melody. Only then does the performance end in an inspiring finale, and the audience gives the musicians a standing ovation.

The strategy for elevating Persistent's prospering business to still greater heights involves the same kind of multi-tasking : synthesizing a wide spectrum of factors, assimilating new technologies, identifying expert personnel, entering promising markets, zeroing in on untapped geographies, consolidating valuable assets, and executing many other initiatives to ensure that the end result yields significant awards, accolades and applause.

Persistent's Annual Report for 2012-13 highlights our efforts in this direction. While providing Persistent's customers with cutting-edge solutions, we successfully tapped into potential opportunities whenever the possibility arose and succeeded in bringing together a perfectly-synchronized ensemble of initiatives that are expected to yield substantial financial returns. In other words, while mapping our vision for the future, we orchestrated a delicate balance of continuing to focus on our core competence areas while taking our relationships with customers and partners to a still higher level. This strategy has paved the path to non-linear growth in IP-led business. We call it 'Orchestrating Harmony'.

From the Chairman's Desk

As I share our Twenty Third Annual Report with you, I am pleased to report that the strategy we formulated over the last two years has started to yield results.

Like music, which is a fusion of sound and silence, company strategy must combine different aspects of market realities, internal capabilities and chime in consonance with opportunities to deliver products and services that will resonate with customers. In our quest to provide enduring value to our customers, we decided to extend beyond product engineering by adding three service lines -- technology consulting, strategic partnerships to build platform solutions and IP-led business. During this year, we were able to see revenue contributions from these lines of business and that has encouraged us to do more in these areas in subsequent years.

Technology disruptions are driving change and growth. New technologies such as cloud computing and smart mobile devices are getting mainstream in the enterprise and they are forcing the software industry to look at new ways to do business. Smart mobile computing devices such as mobile phones, tablets and sensors are getting all-pervasive in the enterprise. The ability to connect these devices in the cloud and ability to analyze large volumes of data collected through big data technology are creating new possibilities for companies to gather insights into improving the efficiency of their business. Evolution of cloud technology promises significant cost saving to enterprises and helps extend collaboration beyond the enterprise.

These changes provide tremendous opportunities for Persistent. For nearly five years, we have been working with product companies in the areas of cloud computing, analytics, social enterprise and enterprise mobility. The products that we are building with our customers today will be mainstream products in the market tomorrow. Extending our relationships with our customers, we have set up teams that focus on building platform solutions and deploying these solutions in the market. We have observed that our product engineering skills strike a chord with enterprises and are extremely valuable in building platform solutions. This has opened up new markets for us beyond our traditional product developers.

In conversation with our customers, it became clear that our customers have products that are widely deployed but do not fit well in their long-term roadmap. We believe that our experience and ability to build and service products makes us the perfect partner to

Orchestrating Harmony





PERSISTENT

acquire and extend these products. We started by acquiring two products last year, and during this year, we acquired four such products. This strategy has helped us move our relationship from that of a vendor to a partner and has provided us a seat across the table to discuss product roadmaps. These acquisitions have given us new customers and new relationships for us to extend and build on. These acquisitions have also provided us with anchor teams to enhance our presence near our customers. This will be very important as we broaden our platform solutions business. Financially, focus on IP-led activities has introduced non-linearity in our business. Our revenues in this line of business are no more directly proportional to headcount, providing some diversity in our revenue and profit mix.

I am glad to inform you that over the last two years, we have added diversity to our teams and to our leadership, with individuals from different geographies and with different skills and experience joining Persistent. The fusion of what is existing and what is new has helped us orchestrate harmony, which provides the theme of this year's annual report.

New additions through acquisitions have helped us set up new locations for our offices. Beyond Grenoble, France, we have added development teams at Bengaluru in India, Kuala Lumpur in Malaysia, Seattle in Washington (USA) and Charlotte in North Carolina (USA). Continuing our market expansion, we have added a sales office in Sydney, Australia and signed up partners in South Africa and Morocco.

We continue to invest in new product development and research. Over the last two years, we have set up partnerships with leading national and international research institutions and have established a research center that is recognized by the Indian Government, making our research investment eligible for tax benefits. We take pride in being innovators and early developers of new technology. This can be illustrated by our identification and investments in cloud computing, analytics, social enterprise and enterprise mobility way back in 2009. To provide further impetus to innovation and make innovation all-pervasive, we have created several programs to encourage innovation across all parts of Persistent. These are led by our Chief Innovation Officer. Your Board has approved setting up Persistent Ventures which will explore, partner and fund innovation beyond the confines of Persistent.

Corporate Governance continues to be a focus area for Persistent. With guidance from the Board, I am proud to say that we have continued to push the benchmark in transparency and corporate governance practices across Persistent. We are happy that our efforts have been recognized by fellow professionals.

Persistent has been contributing 1% of the previous year's net profit towards social responsibility for more than 15 years. Persistent Foundation, established in 2009, has done excellent work through projects in healthcare, education and community development. The Foundation has active participation from employees of Persistent across all our centers. Persistent has decided to increase its contribution to socially responsible activities to 1.25% of the previous year's net profit.

The Board of Directors recognizes the importance of shareholder's investment and has consistently increased its dividend payout.

Clearly, the market is changing and the industry is at a crossroad. There are disruptions in the technology landscape and companies are experimenting with different business models. Disruptions provide opportunities for new companies and make new business alignments possible. In a fast-changing world, it is important for leaders in companies to be agile and to respond swiftly to changes in the market.

We have a team that is proud of working at Persistent and believes that we are well-poised to be successful. We have invested in technology areas that are poised for growth and will become waves. We have established partnerships to deploy platform solutions for opening up new markets. IP-led business has allowed us to become true partners for our customers and has provided us diversity in the revenue mix.

Finally, I thank all our shareholders, customers and employees for their continued support and assure them of our sustained best efforts to ensure the success of Persistent.

Sincerely,

Anand Deshpande, Ph.D.

Founder, Chairman and Managing Director

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 (Honors) in Computer Science and Engineering from the Indian Institute of Technology, Kharagpur in 1984. He earned a Master's Degree in Computer Science and Engineering in 1986 and earned a Doctorate in Computer Science in 1989 both from Indiana University, Bloomington (USA). Before returning to India, he worked at Hewlett-Packard Laboratories as a Member of Technical Staff in Palo Alto, California from 1989 to 1990. He is the Founder of Persistent Systems Limited and has been the Chairman of the Board since 1990. At Persistent, he is responsible for overall leadership and management of the Company and drives the sales and technology efforts.

He is also a member of the Association of Computing Machinery (ACM), Institute of Electrical and Electronics Engineers (IEEE), Institution of Engineers (India), Computer Society of India. He is currently a member of the Association of Computing Machinery (ACM) India Council as a past President, member of the Executive Committee of NASSCOM, serves on the Board of Trustees of the Computer History Museum in Mountain View, California, serves on the Dean's Advisory Council of the School of Informatics of Indiana University, is on the Executive Committee of MCCIA and is Chairman of the IT Committee of MCCIA. In the past, he was the President of SEAP from 2005-07 and Chairman of the Pune Chapter of CSI from 2003-05 and was the Chairman of CII, Pune Zonal Council in 2009-10.

As an active member of the database community, he was responsible for hosting VLDB 1996 in Mumbai and ICDE 2003 in Bengaluru. He has actively participated in program committees of international conferences like member of Industrial Program Committee: VLDB 2003 in Berlin, VLDB 2004 in Toronto, IEEE 2005, ICDE 2005 in Tokyo, VLDB 2007 in Vienna, Program Committee Chair for Annual Convention CSI 2009 in Pune, General Chair for COMAD 2008 in Mumbai, Industrial Program Committee Chair for DASFAA 2008 in New Delhi, Organizing Committee Chair for ISEC 2009 in Pune, launched the ACM India Council, 2009.

In recognition of his contribution to the Information Technology sector, he was awarded the Entrepreneur Award at the Brihan Maharashtra Mandal Convention held in Atlanta, USA, 2005. He is a recipient of the CSI Fellowship Award in 2007 for outstanding achievement in the field of Information Technology. He was awarded the Career Achievement Award of the School of Informatics at Indiana University, Bloomington in 2009. He was awarded the IIT Kharagpur Distinguished Alumnus Award in 2012.



Mr. Pradeep Kumar Bhargava
Independent Director

► Mr. Pradeep Kumar Bhargava is an Independent Director on our Board. Mr. Bhargava is a Director of Cummins India Limited. Mr. Bhargava was working as the Managing Director of Cummins Generator Technologies India Limited from May 2003 till April 2012. He has steered the growth of the organization, made it a market leader and a major global player. Mr. Bhargava's association with Cummins started way back in 2000, when he was first responsible for steering growth and transforming a leading engine business into a wholesome energy solutions enterprise.

A veteran in the Industry, Mr. Bhargava has held responsible positions in both private and public sector organizations. His tenure with the State sector spanned a decade, during which he worked with Indian Space Research Organization, Atomic Energy Commission, Electronics Commission and Bharat Heavy Electricals Limited (BHEL).

He also had tenure of 1 year and 6 months with the UNDP and the World Bank, respectively, during his working with the Government. In the private sector, he has held various positions at the Kalyani Group, first helping them diversify and thereafter spearheading the Group's entry into consumer electronics (Kalyani Sharp India). He then helped steer the foray of the Group into the Infrastructure sector. He was the CEO of the lighting business at General Electric, Bengaluru, prior to joining Cummins.

Mr. Bhargava has been actively participating in industry forums, education institutions as well as various platforms of civic society. His primary focus has been to integrate the experience and knowledge of industry into causes which benefit both the society and the environment.

Within Confederation of Indian Industries (CII), he was the Chairman of Pune Zonal Council during the year 2004-05, thereafter Chairman of Maharashtra State Council during the year 2008-09. He was the Chairman of Western Region Council for the year 2012-13. His key contributions have been conceiving, steering and implementing the now famous "Pune Model" by virtue of which the city of Pune has been able to mitigate Load Shedding for the last 5 years. Likewise, he had a significant role to play in establishing a finishing school with Symbiosis as part of affirmative action. Both these initiatives have since been scaled up and replicated in other communities. He has considerable engagement in the Skill Development Charter and establishing links between educational institutions and industry.

Mr. Bhargava was the Executive Member of National Assessment and Accreditation Council (NAAC), an autonomous institution of the University Grant Commission for three years. He is involved with education institutions such as TMTC, YASHADA, IIM Ahmedabad, IIM Bengaluru, as a guest faculty. The engagement with Symbiosis is long and involved - Member of the Planning Cell as well as the Board of Management of Symbiosis University. Mr. Bhargava has been on the Executive Council of Maharashtra Chamber of Commerce, Industries and Agriculture (MCCIA) for the last 4 years. He earned his Bachelor of Science (Honors) from Rajasthan University, Jaipur and earned Bachelor of Engineering in Electronics and Communications from Indian Institute of Science, Bengaluru. He further earned Master in Business Administration from Indian Institute of Management, Ahmedabad.

He has been a member of our Board since April 2012.



Mr. S. K. Bhattacharyya
Independent Director

▶ Mr. Sanjay Kumar 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 areas such as international and corporate banking across geographies, retail banking, credit and 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 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 held a number of important positions, including those of Chief General Manager of Hyderabad Circle and DGM (Vigilance) at Chennai Circle. Mr. Bhattacharyya was also posted abroad as Managing Director of SBI International (Mauritius) Ltd., Mauritius.

Mr. Bhattacharyya brings in 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 shareholders' 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 a 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. Anant Jhingran
Independent Director

▶ Dr. Anant Jhingran is an Independent Director on our Board. Dr. Jhingran, a recipient of the President of India's Gold Medal and Distinguished Alumni of Indian Institute of Technology, Delhi, earned his Bachelor's Degree in Technology from Indian Institute of Technology, Delhi and earned his Doctorate in Computer Science from the University of California, Berkeley. Dr. Jhingran has had a remarkable career at IBM Corporation with numerous recognitions in research and technology leadership. Currently, Dr. Jhingran is Vice President, Data & Analytics at Apigee Corporation.

During his tenure at IBM, Dr. Jhingran was an IBM Fellow, which is IBM's highest technical honor. At IBM, he was also recognized for establishing IBM's data warehousing technology business and other critical businesses such as search, e-commerce and Big Data.

He has contributed towards several academic and industry conferences like The World Wide Web conference and Hadoop Summit. He has an impressive count of academic papers and ten patents in the areas of information management and e-commerce. Dr. Jhingran is a renowned technology leader and is well-respected by his peers and senior management at IBM as well as by technology enthusiasts worldwide.

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



Dr. Dinesh Keskar
Independent Director

▶ Dr. Dinesh Keskar is an Independent Director on our Board. Dr. Keskar brings more than two decades of experience in the commercial and defense aerospace sectors. He is currently the Senior Vice President of Asia Pacific and India Sales for Boeing Commercial Airplanes, a position he assumed in February 2012. Dr. Keskar is responsible for business relationships and sales of commercial airplanes and services to customers in all countries in the region.

Prior to leading Asia Pacific and India Sales, Dr. Keskar was appointed as Vice President of Boeing International and President of Boeing India in March 2009. He was responsible for representing the entire enterprise and for leading Boeing world-wide efforts, focused on expanding the company's local presence and pursuing new growth and productivity initiatives in India. 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, former 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. From 2003 to 2007, 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.

In June 1999, Dr. Keskar was honored with the Distinguished Alumni Award by the University of Cincinnati for meritorious achievement, and recognized for stature and conspicuous success in the imaginative blending of engineering education with highly productive endeavors in industry. In September 2006, 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 a 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 Institute of Bankers and is a Fellow of the Economic Development Institute of the World Bank, Washington, D. C.

Mr. Kulkarni is a senior banker and renowned expert in the area of foreign exchange and commercial banking. He was the Executive Director of the Reserve Bank of India and is a former Chairman and Managing Director of the Bank of Maharashtra, a reputed nationalized bank in India. He was also a Non-Executive Chairman of the local advisory board of a foreign bank. He has over 50 years of experience in the fields of banking and finance and he is rendering advisory and consultancy services in finance and banking areas, and functioning as the director of some companies.

During his illustrious career spanning over 50 years, Mr. Kulkarni handled several responsibilities at the Reserve Bank of India, including management of foreign exchange reserves and exchange rate policy. He was on deputation to the Asian Development Bank, Manila, the Bangladesh Shilpa Bank, Dhaka, and the Myanmar Economic Bank, Yangon (Rangoon). He has also served as a Chairman of the Local Advisory Board for the Bank of Bahrain and Kuwait, B.S.C, and 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 served as a Chairman of the Finance Sector Sub-committee of the Mahratta Chamber of Commerce, Industries and Agriculture and is a past member of the Editorial Board of the journal of the National Institute of Bank Management.

He has been a member of Planning and Monitoring Board at the Gokhale Institute of Politics and Economics and was a Chairman of the Committee to monitor code of ethics of the Indian Banks Association. He is a Member of the Centre for Advanced Strategic Studies, Pune, the English Speaking Union, Pune and was a member of the Vision Committee of the Pune University. He is the Chief Trustee of Suparn Charitable Trust and a Founder Trustee of Persistent Foundation. He served on Arbitration Committee of Mahratta Chamber of Commerce, Industries and Agriculture and the Grievance Committee of Pune Stock Exchange.

He has been a member of our Board since June 2001.



Mr. Prakash Telang
Independent Director

▶ Mr. Prakash Telang is an Independent Director on our Board. 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 Master's Degree in Business Administration from IIM Ahmedabad in 1972. He joined the Tata Group through the prestigious Tata Administrative Service (TAS) in 1972 and retired in June 2012 after four decades of meritorious services as the Managing Director (India Operations), Tata Motors Limited.

During his service at Tata Motors Limited, Mr. Telang was involved in many new product developments in both commercial vehicle and passenger vehicle space and in setting up many greenfield plants both in India and abroad, and also in major acquisitions abroad. He is also credited with a massive cost reduction drive which helped Tata Motors Limited in a major turnaround about a decade earlier.

Currently, Mr. Telang is the Chairman of Tata Hitachi Construction Machinery Company Limited. He serves as a Director on the Boards of Cummins India Limited, SKF India Limited, Tata Advanced Systems Limited, Tata Lockheed Martin Aerostructures Limited and Tata Aerospace Systems Limited.

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.), LL.B., 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 List, with revenues exceeding USD 11 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, Vadodara and Navi Mumbai.

He worked with the 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 Director of Tata Home Finance Limited, a joint venture between Tata Home Finance and Abbey National Group, UK. During this period, he was also a 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 its inception. During 1991-92, he was deputed to establish treasury operations of the bank in East and West Africa.

In 1980, 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