

Persistent Systems Limited
CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2020

	Notes	As at March 31, 2020 In ₹ Million	As at March 31, 2019 In ₹ Million
ASSETS			
Non-current assets			
Property, plant and equipment	6.1	2,224.60	2,331.24
Capital work-in-progress		166.18	12.10
Right of use assets	6.2	566.81	-
Goodwill	6.3	88.94	81.24
Other Intangible assets	6.4	1,434.93	1,595.41
Intangible assets under development		137.20	303.54
		4,618.66	4,323.53
Financial assets			
- Investments	7	4,620.97	4,345.71
- Loans	8	176.13	164.00
- Other non-current financial assets	9	358.93	344.33
Deferred tax assets (net)	10	960.08	405.05
Other non-current assets	11	331.31	68.31
		11,066.08	9,650.93
Current assets			
Financial assets			
- Investments	12	5,164.77	3,295.53
- Trade receivables (net)	13	5,921.96	4,923.01
- Cash and cash equivalents	14	1,899.99	1,739.45
- Other bank balances	15	2,672.19	4,989.35
- Loans	16	13.71	7.87
- Other current financial assets	17	2,068.54	2,377.00
Current tax assets (net)		163.93	185.06
Other current assets	18	1,950.52	1,387.79
		19,855.61	18,905.06
TOTAL		30,921.69	28,555.99
EQUITY AND LIABILITIES			
EQUITY			
Equity share capital	5	764.25	791.19
Other equity		23,093.30	22,655.61
		23,857.55	23,446.80
LIABILITIES			
Non-current liabilities			
Financial liabilities			
- Borrowings	19	46.22	11.97
- Other long-term financial liabilities	20	361.32	1.83
Provisions	21	182.79	174.94
		590.33	188.74
Current liabilities			
Financial liabilities			
- Trade payables [(dues of micro and small enterprises ₹ 5.15 million (Previous year: ₹ 15.63 million))]	22	2,247.09	1,517.07
- Other financial liabilities	23	1,163.44	441.93
Other current liabilities	24	1,320.13	1,122.44
Provisions	25	1,610.99	1,764.21
Current tax liabilities (net)		132.16	74.80
		6,473.81	4,920.45
TOTAL		30,921.69	28,555.99
Summary of significant accounting policies	4		

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date

For Walker Chandio & Co LLP
Chartered Accountants
Firm Registration No.: 001076N/N500013

For and on behalf of the Board of Directors of
Persistent Systems Limited

Bharat Shetty
Partner
Membership No.: 106815

Dr. Anand Deshpande **Kiran Umrootkar**
Chairman and Managing Director
Director

Sunil Sapre **Amit Atre**
Executive Director and Company Secretary
Chief Financial Officer

Place: Mumbai
Date : May 5, 2020

Place: Pune
Date : May 5, 2020

Persistent Systems Limited**CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2020**

	Notes	For the year ended	
		March 31, 2020 In ₹ Million	March 31, 2019 In ₹ Million
Income			
Revenue from operations (net)	26	35,658.08	33,659.41
Other income	27	1,323.77	876.55
Total income (A)		36,981.85	34,535.96
Expenses			
Employee benefits expense	28.1	21,556.40	19,249.53
Cost of professionals	28.2	3,918.94	3,490.45
Finance costs (refer note 35)		63.32	3.05
Depreciation and amortization expense	6.5	1,659.62	1,572.51
Other expenses	29	5,260.15	5,357.03
Total expenses (B)		32,458.43	29,672.57
Profit before tax (A - B)		4,523.42	4,863.39
Tax expense			
Current tax		1,354.70	1,343.20
Tax charge in respect of earlier years		52.55	88.81
Deferred tax credit		(286.72)	(85.41)
Total tax expense		1,120.53	1,346.60
Net profit for the year (C)		3,402.89	3,516.79
Other comprehensive income			
Items that will not be reclassified to profit and loss (D)			
- Remeasurements of the defined benefit liabilities / asset (net of tax)		(34.80)	(47.15)
		(34.80)	(47.15)
Items that may be reclassified to profit and loss (E)			
- Effective portion of cash flow hedge (net of tax)		(429.15)	168.43
- Exchange differences in translating the financial statements of foreign operations		323.15	113.82
		(106.00)	282.25
Total other comprehensive income for the year (D) + (E)		(140.80)	235.10
Total comprehensive income for the year (C) + (D) + (E)		3,262.09	3,751.89
Earnings per equity share			
[Nominal value of share ₹10 (Previous year: ₹10)]	30		
Basic (In ₹)		44.38	43.99
Diluted (In ₹)		44.38	43.99
Summary of significant accounting policies	4		

The accompanying notes are an integral part of the consolidated financial statements.

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Persistent Systems Limited
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2020

	For the year ended	
	March 31, 2020 In ₹ Million	March 31, 2019 In ₹ Million
Cash flow from operating activities		
Profit before tax	4,523.42	4,863.39
Adjustments for:		
Interest income	(545.28)	(287.72)
Finance costs	63.32	3.05
Dividend income	(13.98)	(180.77)
Depreciation and amortization expense	1,659.62	1,572.51
Amortization of lease premium	-	0.58
Unrealised exchange loss/ (gain) (net)	(131.29)	106.52
Change in foreign currency translation reserve	119.30	(86.85)
Exchange loss on derivative contracts	58.51	20.51
Exchange (gain) / loss on translation of foreign currency cash and cash equivalents	(46.77)	71.36
Donations in kind	-	1.40
Bad debts	-	71.18
Provision for doubtful receivables (net) / (provision written back)	83.86	(4.89)
Employee stock compensation expenses	236.79	-
Provision for doubtful deposits and advances	248.48	182.50
Provision for diminution in value of investments	-	13.98
Remeasurements of the defined benefit liabilities / asset (before tax effects)	(46.14)	(70.36)
Excess provision in respect of earlier years written (back)	(6.95)	(33.89)
(Gain)/ loss on fair valuation of assets designated at FVTPL	(119.02)	68.92
Profit on sale of investments (net)	(164.81)	(366.09)
Loss / (Profit) on sale of property, plant and equipment (net)	5.96	(4.02)
Operating profit before working capital changes	5,925.02	5,941.31
Movements in working capital :		
(Increase) in non-current and current loans	(14.44)	(5.55)
(Increase) in other non current assets	(235.30)	(1.68)
(Increase) in other current financial assets	(232.15)	(135.26)
(Increase) / decrease in other current assets	(559.10)	175.62
(Increase) in trade receivables	(894.77)	(246.03)
Increase / (decrease) in trade payables, current liabilities and non current liabilities	712.56	(180.13)
(Decrease) / increase in provisions	(145.37)	179.91
Operating profit after working capital changes	4,556.45	5,728.19
Direct taxes paid (net of refunds)	(1,328.27)	(1,405.07)
Net cash generated from operating activities	(A) 3,228.18	4,323.12
Cash flows from investing activities		
Payment towards capital expenditure (including intangible assets)	(758.39)	(379.06)
Proceeds from sale of property, plant and equipment	12.68	5.04
Acquisition of step-down subsidiary including cash and cash equivalents of ₹ 37.35 million (Previous year ₹ 0.35 million)	(435.48)	(148.15)
Purchase of bonds	(901.61)	(1,175.31)
Proceeds from sale/ maturity of bonds	819.87	199.43
Purchase of non-current investments	-	(144.96)
Proceeds from sale of non-current investments	25.22	-
Investments in mutual funds	(19,456.95)	(22,418.13)
Proceeds from sale / maturity of mutual funds	17,670.49	25,010.64
Maturity / (Investments) of bank deposits having original maturity over three months	2,108.15	(4,049.96)
Investments in deposits with financial institutions	-	(300.00)
Maturity of deposits with financial institutions	250.00	650.35
Non current loans placed	-	(16.96)
Interest received	503.60	327.33
Dividends received	13.98	180.77
Net cash generated (used in) investing activities	(B) (148.44)	(2,258.97)

Persistent Systems Limited
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2020

	For the year ended	
	March 31, 2020 In ₹ Million	March 31, 2019 In ₹ Million
Cash flows from financing activities		
(Repayment) of long term borrowings	(4.62)	(4.58)
Shares bought back	(1,677.01)	(571.41)
Loan received as a part of COVID-19 relief measures	39.14	-
Specific project related grant received	3.00	-
Interest paid	(63.31)	(3.66)
Dividends paid	(1,146.38)	(881.41)
Tax on dividend paid	(154.14)	(137.41)
Net cash (used in) financing activities	(C) (3,003.32)	(1,598.47)

	For the year ended	
	March 31, 2020 In ₹ Million	March 31, 2019 In ₹ Million
Net increase / (decrease) in cash and cash equivalents (A + B + C)	76.42	465.68
Cash and cash equivalents at the beginning of the year	1,739.45	1,345.13
Cash and cash equivalents acquired on acquisition	37.35	-
Effect of exchange difference on translation of foreign currency cash and cash equivalents	46.77	(71.36)
Cash and cash equivalents at the end of the year	1,899.99	1,739.45

Components of cash and cash equivalents		
Cash on hand (refer note 14)	0.24	0.22
Cheques on hand (refer note 14)	-	-
Balances with banks		
On current accounts* (refer note 14)	1,566.06	1,300.93
On saving accounts (refer note 14)	0.36	0.91
On Exchange Earner's Foreign Currency accounts (refer note 14)	261.86	114.91
On deposit accounts with original maturity less than three months (refer note 14)	71.47	229.54
On Escrow accounts** (refer note 14)	-	92.94
Cash and cash equivalents	1,899.99	1,739.45

* Out of the cash and cash equivalent balance as at March 31, 2020, the Group can utilise ₹ 6.62 Million (Previous year: ₹ 2.15 Million) only towards research and development activities specified in the agreement.

** The Parent Company concluded the buyback scheme on June 27, 2019 and minimum balance maintained in Escrow account was released on completion of statutory formalities.

Summary of significant accounting policies - refer note 4

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date

For Walker Chandio & Co LLP
Chartered Accountants
Firm Registration No.: 001076N/N500013

For and on behalf of the Board of Directors of
Persistent Systems Limited

Bharat Shetty
Partner
Membership No.: 106815

Dr. Anand Deshpande **Kiran Umrootkar**
Chairman and Managing Director
Director

Sunil Sapre **Amit Atre**
Executive Director and Chief Financial Officer
Company Secretary

Place: Mumbai
Date : May 5, 2020

Place: Pune
Date : May 5, 2020

Persistent Systems Limited**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED****A. Share capital**

(refer note 5)

(In ₹ Million)

Balance as at April 1, 2019	Changes in equity share capital during the year	Balance as at March 31, 2020
791.19	(26.94)	764.25

(In ₹ Million)

Balance as at April 1, 2018	Changes in equity share capital during the year	Balance as at March 31, 2019
800.00	(8.81)	791.19

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Persistent Systems Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2020

B. Other equity

(In ₹ Million)

Particulars	Reserves and surplus						Items of other comprehensive income		Total	
	Securities premium	General reserve	Share options outstanding reserve	Gain on bargain purchase	Capital redemption reserve	Special Economic Zone re-investment reserve	Retained earnings	Effective portion of cash flow hedges		Exchange differences on translating the financial statements of foreign operations
Balance as at April 1, 2019	774.10	10,565.95	76.29	52.71	8.81	70.00	10,657.52	185.06	265.17	22,655.61
Net profit for the period	-	-	-	-	-	-	3,402.89	-	-	3,402.89
Other comprehensive income for the period	-	-	-	-	-	-	(34.80)	(429.15)	323.15	(140.80)
Transfer to capital redemption reserve	-	-	-	-	26.94	-	(26.94)	-	-	-
Transitional impact on adoption of Ind AS 116 (net of taxes)	-	-	-	-	-	-	(123.60)	-	-	(123.60)
Dividend	-	-	-	-	-	-	(1,146.38)	-	-	(1,146.38)
Tax on dividend	-	-	-	-	-	-	(154.14)	-	-	(154.14)
Transfer from Special Economic Zone re-investment reserve	-	-	-	-	-	(20.05)	20.05	-	-	-
Transfer to general reserve	-	1,630.89	-	-	-	-	(1,630.89)	-	-	-
Employee stock compensation expenses	-	-	236.79	-	-	-	-	-	-	236.79
Adjustments towards employees stock options	-	25.61	(25.61)	-	-	-	-	-	-	-
Utilised towards buy back of shares (refer note 5)	(774.10)	-	-	-	-	-	(875.97)	-	-	(1,650.07)
Other changes during the year	-	4.96	3.04	5.00	-	-	-	-	-	13.00
Balance at March 31, 2020	-	12,227.41	290.51	57.71	35.75	49.95	10,087.74	(244.09)	588.32	23,093.30

(In ₹ Million)

Particulars	Reserves and surplus						Items of other comprehensive income		Total	
	Securities premium	General reserve	Share options outstanding reserve	Gain on bargain purchase	Capital redemption reserve	Special Economic Zone re-investment reserve	Retained earnings	Effective portion of cash flow hedges		Exchange differences on translating the financial statements of foreign operations
Balance as at April 1, 2018	1,336.70	9,306.27	90.52	26.39	-	-	9,544.13	16.63	151.35	20,471.99
Net profit for the year	-	-	-	-	-	-	3,516.79	-	-	3,516.79
Other comprehensive income for the year	-	-	-	-	-	-	(47.15)	168.43	113.82	235.10
Dividend	-	-	-	-	-	-	(880.00)	-	-	(880.00)
Tax on dividend	-	-	-	-	-	-	(137.41)	-	-	(137.41)
Transfer to general reserve	-	1,260.03	-	-	-	-	(1,260.03)	-	-	-
Transfer to capital redemption reserve	-	-	-	-	8.81	-	(8.81)	-	-	-
Transfer to Special Economic Zone re-investment reserve	-	-	-	-	-	70.00	(70.00)	-	-	-
Adjustments towards employees stock options	-	14.23	(14.23)	-	-	-	-	-	-	-
Addition on business combination	-	-	-	0.25	-	-	-	-	-	0.25
Utilised towards buy back of shares (refer note 5)	(562.60)	-	-	-	-	-	-	-	-	(562.60)
Other changes during the year	-	(14.58)	-	26.07	-	-	-	-	-	11.49
Balance at March 31, 2019	774.10	10,565.95	76.29	52.71	8.81	70.00	10,657.52	185.06	265.17	22,655.61

Summary of significant accounting policies - refer note 4

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date

For Walker Chandio & Co LLP
 Chartered Accountants
 Firm Registration No.: 001076N/N500013

For and on behalf of the Board of Directors of
Persistent Systems Limited

Bharat Shetty
 Partner
 Membership No.: 106815

Dr. Anand Deshpande
 Chairman and Managing Director

Kiran Umrookar
 Director

Sunil Sapre
 Executive Director and
 Chief Financial Officer

Amit Atre
 Company Secretary

Place: Mumbai
 Date : May 5, 2020

Place: Pune
 Date : May 5, 2020

Nature and purpose of reserves

a) Securities premium

Securities premium is used to record the premium on issue of shares. The reserve is utilised in accordance with the provisions of Section 52 of the Companies Act, 2013.

b) General reserve

General reserve represents amounts transferred from profit for the year and from Share options outstanding reserve on exercise / expiry of employee share options. It is a free reserve as per section 2 (43) of the Companies Act, 2013.

c) Share options outstanding reserve

Share options outstanding reserve represents the cumulative expense recognized for equity-settled transactions at each reporting date until the employee share options are exercised / expired upon which such amount is transferred to General reserve.

d) Gain on bargain purchase

The excess of the Group's portion of equity of the acquired company over its cost is treated as gain on bargain purchase in the financial statements.

e) Capital redemption reserve

Capital redemption reserve represents the nominal value of the shares bought back; and is created and utilised in accordance with Section 69 of the Companies Act, 2013.

f) Special Economic Zone re-investment reserve

The Special Economic Zone re-investment reserve has been created out of the profit in terms of the provisions of Section 10AA(1)(ii) of the Income tax Act, 1961. The reserve should be utilised by the Group for acquiring new plant and machinery for the purpose of its business in accordance with Section 10AA(2) of the Income tax Act, 1961.

g) Cash flow hedge reserve

The cash flow hedge reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into towards highly probable transactions. Such gains or losses are subsequently recognised in the statement of profit and loss in the period in which the said transaction occurs / hedging instruments are cancelled.

h) Foreign currency translation reserve

The foreign exchange differences arising from the translation of financial statements of foreign operations with functional currency other than Indian rupees is recognised in other comprehensive income and is presented under equity in the foreign currency translation reserve. The amount is transferred to retained earnings upon disposal of investment in foreign operation.

1. Nature of operations

Persistent Systems Limited (the "Parent Company" or "PSL") is a public Company domiciled in India and incorporated under the provisions of the Companies Act, 1956. The shares of the Company are listed on Bombay Stock Exchange and National Stock Exchange. The Company is a global Company specializing in software products, services and technology innovation. The Company offers complete product life cycle services.

Persistent Systems, Inc. (PSI) based in the USA, a wholly owned subsidiary of PSL, is engaged in software product, services and technology innovation.

Persistent Systems Pte. Ltd. (PS Pte.) based in Singapore, a wholly owned subsidiary of PSL, is engaged in software development, professional and marketing services.

Persistent Systems France SAS (PSFS) based in France, a wholly owned subsidiary of PSL, is engaged in software products, services and technology innovation

Persistent Telecom Solutions, Inc. (PTSI) based in the USA, a wholly owned subsidiary of Persistent Systems, Inc., is engaged in software products, services and technology innovation in telecom and Product Lifecycle Management domains.

Persistent Systems Malaysia Sdn. Bhd. (PSM) based in Malaysia, a wholly owned subsidiary of PSL, is engaged in software products and services.

Akshat Corporation (RGen Solutions) based in USA, is a wholly owned subsidiary of Persistent Systems, Inc.

Akshat Corporation has been dissolved with effect from December 21, 2018. Persistent Systems, Inc., its holding Company, took over all the assets and liabilities of Akshat Corporation on the date of dissolution.

Aepona Holdings Limited (was an Ireland based wholly owned subsidiary of Persistent Systems, Inc.) operated as the holding Company of Aepona Group Limited.

Aepona Holdings Limited has been dissolved with effect from October 24, 2019. Persistent Systems, Inc., its holding Company, took over all the assets and liabilities of Aepona Holdings Limited on the date of dissolution.

Aepona Group Limited, an Ireland based wholly owned subsidiary of Persistent Systems, Inc. (previously owned by Aepona Holdings Limited) operates as the holding Company of Aepona Limited and Valista Limited.

Aepona Limited (a UK based wholly owned subsidiary of Aepona Group Limited) is engaged in the business of a telecommunication API gateway for defining, exposing, controlling and monetizing telecom services to partners and application developers and an Internet of Things service creation platform that allows enterprises to add a service layer (or "business logic") to the basic APIs exposed to by connected devices, and to expose and monetize these APIs.

Valista Limited (an Ireland based wholly owned subsidiary of Aepona Group Limited) has adopted indirect sales model, with services revenue being billed to Aepona Limited. Sale of services are then contracted between Aepona Limited and customers. The company is under liquidation.

Persistent Systems Lanka (Private) Limited (a Sri Lanka based wholly owned subsidiary of Valista Limited) has adopted indirect sales model, with services revenue being billed to Aepona Limited. Sale of services are then contracted between Aepona Limited and customers.

Persistent Systems Mexico, S.A. de C.V (a Mexico based wholly owned subsidiary of Persistent Systems Inc.) has adopted indirect sales model, with services revenue being billed to Persistent Systems Inc. Sale of services are then contracted between Persistent Systems Inc. and customers.

Persistent Systems Israel Ltd. (an Israel based wholly owned subsidiary of Persistent Systems Inc.) has adopted indirect sales model, with services revenue being billed to Persistent Systems Inc. Sale of services are then contracted between Persistent Systems Inc. and customers.

Persistent Systems Germany GmbH (wholly owned subsidiary of Persistent Systems Limited) operates as the holding Company of PARX Werk AG.

PARX Werk AG (a Switzerland based wholly owned subsidiary of Persistent Systems Germany GmbH) is engaged in the business of software products, services and technology innovation in the digital practice.

PARX Consulting GmbH (a Germany based wholly owned subsidiary of PARX Werk AG) is engaged in the business of software products, services and technology innovation in the digital practice.

Herald Technologies Inc. (HTI), based in the USA a wholly owned subsidiary of Persistent Systems Inc., was working on implementation of platforms and related IT services for the healthcare industry.

Herald Technologies Inc. has been dissolved with effect from June 24, 2019. Persistent Systems Inc, its holding company, took over all the assets and liabilities of Herald Technologies, Inc. on the date of dissolution.

Youperience GmbH (a Germany based wholly owned subsidiary of Persistent Systems Germany GmbH) is engaged in Salesforce related implementation services. (refer note 44)

Youperience Limited (a United Kingdom based wholly owned subsidiary of Youperience GmbH) is engaged in Salesforce related implementation services. (refer note 44)

Klisma e-Services Private Limited is engaged in the business of internet, telecommunications, mobile technology and other media enabling electronic commerce.

2. Basis of preparation

The consolidated financial statements of the Group have been prepared on an accrual basis and under the historical cost convention except for certain financial instruments, equity settled employee stock options and initial recognition of assets acquired under business combinations which have been measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The accounting policies are consistently applied by the Group during the year and are consistent with those used in previous year except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

All assets and liabilities have been classified as current or non-current as per the Group operating cycle and other criteria set out in the Schedule III of the Companies Act, 2013 (the "Act"). Based on the nature of products/ services and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Group has ascertained its operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities

Statement of compliance:

In accordance with the notification issued by the Ministry of Corporate Affairs, the Group has adopted Indian Accounting Standards (referred to as "Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015.

3. Principles of consolidation

The consolidated financial statements of the Parent Company and its subsidiaries ("the Group") for the year ended March 31, 2020 are prepared in accordance with generally accepted accounting principles applicable in India, and the Indian Accounting Standard 110 (Ind AS 110) on 'Consolidated Financial Statements', notified by Companies (Accounting Standards) Rules, 2015, ("Indian Accounting Standards") by and to the extent possible in the same format as that adopted by the Parent Company for its separate financial statements.

The Parent Company consolidates entities which it owns or controls. The consolidated financial statements comprise the financial statements of the company and its subsidiaries as disclosed below. Control exists when the parent company has power over the entity, is exposed or has rights to variable returns from its involvement with the entity; and has the ability to affect those returns by using its power over the entity. Power is demonstrated through existing rights that give the ability to direct relevant activities, those which significantly affect the entity's returns. Subsidiaries are consolidated from the date control commences until the date control ceases.

The financial statements of the Parent 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 eliminating intra group balances and intra group transactions except where cost cannot be recovered. The unrealized profits or losses resulting from the intra group transactions and balances have been eliminated.

The consolidated financial statements include the share of profit / loss of associate companies, which are accounted for under the 'Equity method'. The share of profit / loss of the associate company has been adjusted to the cost of investment in the associate, as per the 'Equity method'. An associate is an enterprise in which the investor has significant influence and which is neither a subsidiary nor a joint venture.

The excess of the cost to the Company of its investment in a subsidiary and the Company's portion of equity of subsidiary on the date at which investment in the subsidiary is made, is described as goodwill and recognized separately as an asset in the consolidated financial statements. The excess of the Company's portion of equity of the acquired company over its cost is treated as gain on bargain purchase in the financial statements. Goodwill arising on consolidation is not amortized. It is tested for impairment on a periodic basis and written off if found impaired.

Persistent Systems Limited**Notes forming part of 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. The consolidated financial statements are presented in the same manner as the Parent Company's separate financial statements.

The financial statements of the subsidiary companies used in the consolidation are drawn up to the same reporting date as of the Parent Company.

The subsidiary and associate companies considered in consolidated financial statements are as follows:

Name of the subsidiary/ associate	Ownership Percentage as at		Country of incorporation
	March 31, 2020	March 31, 2019	
Persistent Systems, Inc.	100%	100%	USA
Persistent Systems Pte Ltd.	100%	100%	Singapore
Persistent Systems France SAS	100%	100%	France
Persistent Telecom Solutions Inc.	100%	100%	USA
Persistent Systems Malaysia Sdn. Bhd.	100%	100%	Malaysia
Aepona Holdings Limited (Dissolved with effect from October 24, 2019)	-	100%	Ireland
Aepona Group Limited	100%	100%	Ireland
Aepona Limited	100%	100%	UK
Valista Limited	100%	100%	Ireland
Persistent Systems Lanka (Private) Limited	100%	100%	Sri Lanka
Persistent Systems Mexico, S.A. de C.V.	100%	100%	Mexico
Persistent Systems Israel Ltd.	100%	100%	Israel
Persistent Systems Germany GmbH	100%	100%	Germany
PARX Werk AG	100%	100%	Switzerland
PARX Consulting GmbH	100%	100%	Germany
Herald Technologies Inc (Dissolved with effect from June 24, 2019)	-	100%	USA
Youperience GmbH (Acquired with effect from July 1, 2019) (Refer note 44)	100%	-	Germany
Youperience Limited (Acquired with effect from July 1, 2019) (Refer note 44)	100%	-	United Kingdom
Klisma e-Services India Pvt. Ltd.	50%	50%	India

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Persistent Systems Limited

Notes forming part of consolidated financial statements

The share of subsidiaries in the consolidated net assets, consolidated profit or loss and consolidated other comprehensive income is as follows:

Name of the Company	Share in Net assets		Share in Profit or (loss)		Share in Other Comprehensive Income (OCI)		Share in Total Comprehensive Income	
	As a % of consolidated net assets	Amount (₹ million)	As a % of consolidated profit	Amount (₹ million)	As a % of consolidated OCI	Amount (₹ million)	As a % of consolidated Total Comprehensive Income	Amount (₹ million)
Parent Company:								
Persistent Systems Limited	83.14	22,985.38	107.51	4,077.23	99.06	(459.61)	108.69	3,617.62
Foreign subsidiaries:								
Persistent Systems, Inc.	11.53	3188.75	(8.45)	(320.62)	-	-	(9.63)	(320.62)
Persistent Systems Pte. Ltd.	0.40	111.72	0.23	8.55	-	-	0.26	8.55
Persistent Systems France SAS	0.60	165.98	(0.29)	(11.02)	-	-	(0.33)	(11.02)
Persistent Telecom Solutions Inc.	(0.25)	(67.84)	4.41	167.32	-	-	5.03	167.32
Persistent Systems Malaysia Sdn. Bhd.	0.70	193.71	1.48	56.29	-	-	1.69	56.29
Aepona Group Limited	(0.82)	(227.61)	(3.23)	(122.16)	-	-	(3.67)	(122.16)
Aepona Limited	(1.34)	(370.65)	1.90	71.99	-	-	2.16	71.99
Valista Limited	0.95	261.97	0.01	0.23	-	-	0.01	0.23
Persistent Systems Lanka (Private) Limited	0.62	171.28	0.87	33.04	0.94	(4.34)	0.86	28.70
Persistent Systems Israel Ltd.	0.44	121.66	(0.08)	(3.09)	-	-	(0.09)	(3.09)
Persistent Systems Mexico, S.A. de C.V.	0.03	8.60	0.61	23.05	-	-	0.69	23.05
Persistent Systems Germany GmbH	4.22	1,168.79	(1.47)	(55.87)	-	-	(1.68)	(55.87)
PARX Werk AG	0.22	60.95	(0.07)	(2.72)	-	-	(0.08)	(2.72)
PARX Consulting GmbH	(0.34)	(94.97)	(1.29)	(48.85)	-	-	(1.47)	(48.85)
Youperience Limited	0.08	20.92	0.06	2.33			0.07	2.33
Youperience GmbH	(0.18)	(50.86)	(2.20)	(83.36)			(2.50)	(83.36)
Subtotal	100.00%	27,647.78	100.00%	3,792.34	100.00%	(463.95)	100.00%	3,328.39
Associates:								
Klisma e-Service Private Limited	-	-	-	-	-	-	-	-
FCTR						323.15		323.15
Consolidation adjustments		(3,790.23)						
Amortization of Intangibles recognized on Business Combination				(225.70)				(225.70)
Adjustment for eliminating margin on cost transfer for capitalization				12.78				12.78
DTA on items recognised on consolidation				3.58				3.58
Dividend from subsidiaries				(396.73)				(396.73)
Others				216.62				216.62
Total		23,857.55		3,402.89		(140.80)		3,262.09

4. Summary of significant accounting policies**(a) Use of estimates**

The preparation of the consolidated financial statements in conformity with Ind AS requires the management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and disclosure of contingent liabilities at the end of year. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

Estimation of uncertainties relating to the global health pandemic from COVID-19:

The Group has evaluated likely impact of the COVID - 19 on the overall business of the Group. Though it is too early to estimate the same in view of the volatility in the global economic condition pursuant to this pandemic; the Group as at the date of the approval of these financials, has used various available sources of information to analyse the carrying amount of its financial assets and exposures. The impact of COVID - 19 on the Group's financial statement may differ from the estimate as on the date of the approval of the financial statements.

Expected credit loss:

The Group has considered the current and anticipated future economic conditions relating to the industries the Group deals with and the countries where it operates. In calculating expected credit loss, the Group has also considered related credit information for its customers to estimate the probability of default in future and has taken into account estimates of possible effect from the pandemic relating to COVID -19 using the forward looking approach prescribed by Ind AS 109.

Impact on unhedged foreign currency exposure:

Based on its assessment, the Group believes that the probability of occurrence of its forecasted transaction are not likely to be impacted by COVID - 19. Hence, the Group continues to believe that there is no foreseeable impact on effectiveness of its cash flow hedges due to this global pandemic.

Carrying value of financial instruments:

Investments in mutual funds are classified as "Level 1" having fair value marked to an active market which factors in the uncertainties arising out of COVID - 19. These financial assets, are mainly investments in liquid debt securities and hence, any material volatility in their carrying value is not expected.

Impact on revenue:

The Group has re-evaluated the probable revenue from customers in various verticals to assess any possible drops in revenue from any of these verticals due to the economic stress caused by COVID - 19. Accordingly, it is of the opinion that the customers could re-prioritise their discretionary spend in immediate future to conserve resources.

The impact assessment of COVID - 19 is a continuing process given the uncertainties associated with its nature and duration. The Group has considered the same to the extent known currently and has taken steps to measure the cost budget required to complete its performance obligations in respect of fixed price contracts and incorporated impact of likely delays and costs in meeting its obligations.

Critical accounting estimates**i. Revenue recognition**

The Group uses the percentage-of-completion method in accounting for its fixed-price contracts. Use of the percentage-of-completion method requires the Group to estimate the efforts or costs expended to date as a proportion of the total efforts or costs to be expended. Efforts or costs expended have been used to measure progress towards completion. Provisions for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the expected contract estimates at the reporting date.

Further, the Group uses significant judgement while determining the transaction price allocated to performance obligations using the expected cost plus margin approach.

In respect of the contracts where the transaction price is payable as revenue share at pre-defined percentage of customer revenue and bearing in mind, the time gap between the close of the accounting period and availability of the revenue report from the customer, the Group is required to use its judgement to ascertain the income from revenue share on the basis of historical trends of customer revenue.

ii. Income taxes

The Group's two major tax jurisdictions are India and the United States, though the Group also files tax returns in other overseas jurisdictions. Significant judgements are involved in determining the provision for income taxes.

iii. Intangible assets and contingent consideration in business combinations

Business combinations are accounted for using Ind AS 103, Business Combinations. Ind AS 103 requires the identifiable intangible assets and contingent consideration to be fair valued in order to ascertain the net fair value of identifiable assets, liabilities and contingent liabilities of the acquiree. Significant estimates are required to be made in determining the value of contingent consideration and intangible assets. These valuations are conducted by independent valuation experts.

iv. Property, plant and equipment

Property, plant and equipment represent a significant proportion of the asset base of the Group. The charge in respect of depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. The useful lives and residual values of Group's assets are determined by management at the time the asset is acquired and reviewed periodically. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology.

v. Impairment of Goodwill

Goodwill is tested for impairment on an annual basis and whenever there is an indication that the recoverable amount of a cash generating unit is less than its carrying amount based on a number of factors including operating results, business plans, future cash flows and economic conditions. The recoverable amount of cash generating units is determined based on higher of value-in-use and fair value less cost to sell. The goodwill impairment test is performed at the level of the cash-generating unit or groups of cash-generating units which are benefiting from the synergies of the acquisition and which represents the lowest level at which goodwill is monitored for internal management purposes. Market related information and estimates are used to determine the recoverable amount. Key assumptions on which management has based its determination of recoverable amount include estimated long term growth rates, weighted average cost of capital and estimated operating margins. Cash flow projections take into account past experience and represent management's best estimate about future developments.

vi. Provisions

Provisions are determined based on the best estimate required to settle the obligation at the reporting date. If the effect of time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. These estimates are reviewed at each balance sheet date and adjusted to reflect the best estimates of the amount required.

vii. Internally generated Intangible assets

During the year, the management continued to assess the recoverability of the Group's internally generated intangible assets including those under development. Based on the current revenue generated from these lines of business, expected future revenue and the basis of amortization followed, the management considers the carrying value of these intangible assets as recoverable.

Viii. Leases

Ind AS 116 requires lessees to determine the lease term as the non-cancellable period of a lease adjusted with any option to extend or terminate the lease, if the use of such option is reasonably certain. The Group makes an assessment on the expected lease term on a lease-by-lease basis and thereby assesses whether it is reasonably certain that any options to extend or terminate the contract will be exercised. In evaluating the lease term, the Group considers factors such as any significant leasehold improvements undertaken over the lease term, costs relating to the termination of the lease and the importance of the underlying asset to the Group operations taking into account the location of the underlying asset and the availability of suitable alternatives. The lease term in future periods is reassessed to ensure that the lease term reflects the current economic circumstances. After considering current and future economic conditions, the Group has concluded that no changes are required to lease periods relating to the existing lease contracts.

(b) Property, Plant and Equipment

Property, Plant and Equipment are stated at cost, less accumulated depreciation and accumulated impairment losses, if any. The cost comprises the purchase price and directly attributable costs of bringing the asset to its working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price. Capital work-in-progress includes cost of Property, Plant and Equipment that are not ready to be put to use.

Subsequent expenditure related to an item of Property, Plant and Equipment is added to its original cost only if it is probable that future economic benefits associated with the item will flow to the Group. All other expenses on existing Property, Plant and Equipment, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.

Gains or losses arising from disposal of Property, Plant and Equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is disposed.

(c) Intangible assets

Intangible assets including software licenses of enduring nature and contractual rights acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Cost comprises the purchase price and any directly attributable cost of bringing the asset to its working condition for its intended use.

Gains or losses arising from disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is disposed.

Research and development cost

Research costs are expensed as incurred. Development expenditure incurred on an individual project is recognized as an intangible asset when the Group can demonstrate:

- technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the asset;
- its ability to use or sell the asset;
- how the asset will generate probable future economic benefits;
- the availability of adequate resources to complete the development and to use or sell the asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during development.

Such development expenditure, until capitalization, is reflected as intangible assets under development.

Following the initial recognition, internally generated intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Amortization of internally generated intangible asset begins when the development is complete and the asset is available for use.

(d) Business combinations

Business combinations are accounted for using the acquisition method under the provisions of Ind AS 103 - Business Combinations.

The cost of an acquisition is measured at the fair value of the assets acquired and liabilities incurred or assumed on the date of acquisition, which is the date on which control is transferred to the Group. The cost of acquisition also includes the fair value of contingent consideration, if any. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value on the date of acquisition.

Transaction costs that the Group incurs in connection with a business combination are expensed as incurred.

(e) Goodwill/ Gain on bargain purchase

Goodwill represents the cost of business acquisition in excess of the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities of the acquiree. When the net fair value of the identifiable assets, liabilities and contingent liabilities acquired exceeds the cost of business acquisition, a gain is recognized in the other comprehensive income as gain on bargain purchase. Goodwill is measured at cost less accumulated impairment losses.

(f) Depreciation and amortization

Depreciation on Property, Plant and Equipment is provided using the Straight Line Method ('SLM') over the useful lives of the assets estimated by the management.

The management estimates the useful lives for the Property, Plant and Equipment as follows:

Assets	Useful lives
Buildings*	25 years
Computers	3 years
Computers - Servers and networks*	3 years
Office equipments	5 years
Plant and equipment*	5 years
Plant and equipment (Windmill)*	20 years
Plant and equipment (Solar Energy System) *	10 years
Furniture and fixtures*	5 years
Vehicles*	5 years

*For these classes of assets, based on internal assessment and independent technical evaluation carried out by external valuers the management believes that the useful lives as given above best represent the period over which the management expects to use these assets. Hence the useful lives of these assets are different from the useful lives as prescribed under Part C of Schedule II of the Companies Act 2013.

Individual assets whose cost does not exceed ₹ 5,000 are fully depreciated in the year of acquisition.

Leasehold improvements are amortized over the period of lease or useful life, whichever is lower.

Intangible assets are amortized on a straight-line basis over their estimated useful lives ranging from 3 to 6 years from the day the asset is made available for use.

(g) Financial instruments

i) Financial assets

Initial recognition and measurement

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets (other than financial assets at fair value through profit or loss) are added to the fair value of the financial assets on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

Subsequent measurement

For the purpose of subsequent measurement, financial assets are classified as:

- Financial assets at amortized cost

Financial assets that are held within a business model whose objective is to hold assets for collecting contractual cash flows and whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are subsequently measured at amortized cost using the effective interest rate method. The change in measurements are recognized as finance income in the statement of profit and loss.

- Financial assets at fair value through other comprehensive income (FVTOCI)

Financial assets that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling the financial assets and the assets' contractual cash flows represent solely payments of principal and interest on the principal amount outstanding are subsequently measured at fair value. Fair value movements are recognized in other comprehensive income.

- Financial assets at fair value through profit or loss (FVTPL)

Any financial asset which does not meet the criteria for categorization as financial assets at amortized cost or as FVTOCI, is classified as financial asset at FVTPL. Financial assets except derivative contracts included within the FVTPL category are subsequently measured at fair value with all changes recognized in the statement of profit and loss.

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

As per the accounting principles laid down in Ind AS 109 – “Financial Instruments” 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 under other comprehensive income and the ineffective portion is recognized to the statement of profit and loss. 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 recognized in the statement of profit and loss 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 recognized under other comprehensive income is transferred to the statement of profit and loss when the forecasted transaction occurs or affects profit or loss or when a hedged transaction is no longer expected to occur.

Derecognition

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income, and accumulated in equity, if any is recognised in profit or loss.

ii) Financial liabilities*Initial recognition and measurement*

Financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the issue of financial liabilities (other than financial liabilities at fair value through profit or loss) are deducted from the fair value of the financial liabilities on initial recognition. Transaction costs directly attributable to the issue of financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Subsequent measurement

For the purpose of subsequent measurement, financial liabilities are classified as:

- Financial liabilities at amortized cost

Financial liabilities such as loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. The change in measurements are recognized as finance costs in the statement of profit and loss.

- Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities include financial liabilities held for trading and financial liabilities designated upon initial recognition as fair value through profit or loss if the recognition criteria as per Ind AS 109 are satisfied. Gains or losses on liabilities held for trading are recognized in statement of profit and loss. Fair value gains or losses on liabilities designated as FVTPL attributable to changes in own credit risk are recognized in other comprehensive income. All other changes in fair value of liabilities designated as FVTPL are recognized in the statement of profit and loss. The Group has not designated any financial liability as FVTPL.

Derecognition

The Group derecognizes financial liabilities when the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognised in profit or loss.

(h) Impairment**i) Financial assets**

The Group applies Expected Credit Loss (ECL) model for measurement and recognition of impairment loss on financial assets measured at amortized cost and financial assets that are debts instruments and are measured at fair value through other comprehensive income (FVTOCI). ECL is the difference between contractual cash flows that are due and the cash flows that the Group expects to receive, discounted at the original effective interest rate.

For trade receivables, the Group recognizes impairment loss allowance based on lifetime ECL at each reporting date, right from its initial recognition. For other financial assets, the Group determines whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12 month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used.

ii) Non-financial assets

The carrying amounts of Property, Plant and Equipment and Goodwill are reviewed at each balance sheet date or whenever there is any indication of impairment based on internal/external factors. If any indications exist, the Group estimates the asset's recoverable amount unless the asset does not generate cash flows that are largely independent of those from other assets.

In such cases, the recoverable amount is determined for the Cash Generating Unit (CGU) to which the asset belongs. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The recoverable amount is the greater of the asset's fair value and its 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. An impairment loss is recognised in the statement of profit and loss.

Recoverable amount of intangible assets under development that is not yet available for use is estimated at least at each financial period end even if there is no indication that the asset is impaired.

(i) Borrowing costs

Borrowing cost includes interest and amortization of ancillary costs incurred in connection with the arrangement of borrowings.

Borrowing costs directly attributable to the acquisition, construction or development of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the year they occur.

(j) Leases

The Group's lease asset classes primarily consist of leases for land and office premises. The Group assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- (i) the contract involves the use of an identified asset
- (ii) the Group has substantially all of the economic benefits from use of the asset through the period of the lease and
- (iii) the Group has the right to direct the use of the asset

Where the Group is a lessee

The Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract and allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group recognises right-of-use asset representing its right to use the underlying asset for the lease term at the lease commencement date. The cost of the right-of-use asset measured at inception shall comprise of the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date less any lease incentives received, plus any initial direct costs incurred and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset or restoring the underlying asset or site on which it is located.

The right-of-use assets is subsequently measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability. The right-of-use assets is depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset. The estimated useful lives of right-of use assets are determined on the same basis as those of property, plant and equipment.

Right-of-use assets are tested for impairment whenever there is any indication that their carrying amounts may not be recoverable. Impairment loss, if any, is recognised in the statement of profit and loss.

The Group measures the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses incremental borrowing rate.

The lease payments shall include fixed payments, variable lease payments based on an index or rate, residual value guarantees, exercise price of a purchase option where the Group is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is subsequently remeasured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or statement of profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected not to apply the requirements of Ind AS 116 to short-term leases of all assets that have a lease term of 12 months or less and leases for which the underlying asset is of low value. The lease expenses associated with these leases are recognized in the statement of profit and loss on a straight line basis.

Group as a lessor

At the inception of the lease, the Group classifies each of its leases as either an operating lease or a finance lease. The Group recognises lease payments received under operating leases as income over the lease term on a straight line basis.

Transition

Effective April 1, 2019, the Group adopted Ind AS 116 "Leases" and applied the standard to all applicable lease contracts existing on April 1, 2019 using the modified retrospective method and has taken the cumulative adjustment to retained earnings, on the date of initial application. Consequently, the Group recorded the lease liability at the present value of the lease payments discounted at the incremental borrowing rate and the right of use asset at its carrying amount as if the standard had been applied since the commencement date of the lease, but discounted at the Group's incremental borrowing rate at the date of initial application. Comparatives as at and for the year ended March 31, 2019 have not been retrospectively adjusted and therefore will continue to be reported under the accounting policies included as part of our Annual Report for year ended March 31, 2019.

On transition, the adoption of the new standard resulted in recognition of 'Right of Use' asset of ₹ 760.01 million, and a lease liability of ₹ 811.10 million. The cumulative effect of applying the standard, amounting to ₹ 123.60 million (net of taxes) was debited to retained earnings. The effect of this adoption is insignificant on the profit before tax, profit for the

period and earnings per share. Ind AS 116 will result in an increase in cash inflows from operating activities and an increase in cash outflows from financing activities on account of lease payments.

(k) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Group. Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

(i) Income from software services and products

The Group derives revenues primarily from IT services comprising of software development and related services and from the licensing of software products.

Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration expected to receive in exchange for those products or services.

Arrangements with customers for software related services are either on a time-and-material or a fixed-price basis.

Revenue on time-and-material contracts are recognized as and when the related services are performed. Revenue from fixed-price contracts, where the performance obligations are satisfied over time and where there is no uncertainty as to measurement or collectability of consideration, is recognized as per the percentage-of-completion method. When there is uncertainty as to measurement or ultimate collectability, revenue recognition is postponed until such uncertainty is resolved.

Revenue from licenses where the customer obtains a "right to use" the licenses is recognized at the time the license is made available to the customer. Revenue from licenses where the customer obtains a "right to access" is recognized over the access period.

When support services are provided in conjunction with the licensing arrangement and the license and the support services have been identified as two separate performance obligations, the transaction price for such contracts are allocated to each performance obligation of the contract based on their relative standalone selling prices. Maintenance revenue is recognized proportionately over the period in which the services are rendered.

Revenue from royalty is recognized in accordance with the terms of the relevant agreements.

The Group accounts for volume discounts and pricing incentives to customers as a reduction of revenue based on the proportionate allocation of the discounts amount to each of the underlying performance obligation that corresponds to the progress by the customer towards earning the discount. Also, when the level of discount varies with increases in levels of revenue transactions, the Group recognizes the liability based on its estimate of the customer's future purchases. If it is probable that the criteria for the discount will not be met, or if the amount thereof cannot be estimated reliably, then discount is not recognized until the payment is probable and the amount can be estimated reliably. The Group recognizes changes in the estimated amount of obligations for discounts in the period in which the change occurs.

Unbilled revenue represents revenue recognized in relation to work done 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 recognized.

The Group collects Goods and Services Tax, on behalf of the government and, therefore, these are not economic benefits flowing to the Group. Hence, they are excluded from revenue.

(ii) Interest

Interest income is recognized on a time proportion basis taking into account the carrying amount and the effective interest rate. Interest income is included under the head 'Other income' in the statement of profit and loss.

(iii) Dividend

Dividend income is recognized when the Group's right to receive dividend is established. Dividend income is included under the head 'Other income' in the statement of profit and loss.

(l) Government grants

Government grants are recognised at fair value when there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. Grants related to purchase of assets are treated as deferred income and allocated to income statement over the useful lives of the related assets while grants related to expenses are deducted in reporting the related expenses in the income statement.

(m) Foreign currency translation**Foreign currency transactions and balances*****Initial recognition***

Foreign currency transactions are recorded in the respective functional currencies of the entities in the Group, by applying to the foreign currency amount the exchange rate between the functional currency of each individual entity and the foreign currency at the date of the transaction.

Conversion

Foreign currency monetary items are reported using the exchange rate prevailing at the reporting date. Non-monetary items, which are measured in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction. Non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates at the date when the values were determined.

Exchange differences

Exchange differences arising on conversion / settlement of foreign currency monetary items and on foreign currency liabilities relating to Property, Plant and Equipment acquisition are recognized as income or expenses in the year in which they arise.

Translation of foreign operations

The Group presents the financial statements in INR which is the functional currency of the Parent Company.

The assets and liabilities of a foreign operation are translated into the reporting currency (INR) at the exchange rate prevailing at the reporting date. Their statement of profit and loss are translated at exchange rates prevailing at the dates of transactions or weighted average rates, where such rates approximate the exchange rate at the date of transaction. The exchange differences arising on translation are accumulated in the foreign currency translation reserve under other comprehensive income. On disposal of a foreign operation, the accumulated foreign currency translation reserve relating to that foreign operation is recognized in the statement of profit and loss.

(n) Retirement and other employee benefits**(i) Provident fund**

Provident fund is a defined contribution plan covering eligible employees. The Parent 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 contributions to the provident fund are charged to the statement of profit and loss for the year when the contributions are due. The Parent Company has no obligation, other than the contribution payable to the provident fund.

(ii) Gratuity

Gratuity is a defined benefit obligation plan operated by Persistent Systems Limited and Persistent Systems Lanka (Private) Limited for their employees covered under Group's Gratuity Scheme. The cost of providing benefit under gratuity plan is determined on the basis of actuarial valuation using the projected unit credit method at the reporting date and are charged to the statement of profit and loss, except for the remeasurements, comprising of actuarial gains and losses which are recognized in full in the statement of other comprehensive income in the reporting period in which they occur. Remeasurements are not reclassified to profit and loss subsequently.

(iii) Superannuation

Superannuation is a defined contribution plan covering eligible employees of the Parent Company. The contribution to the superannuation fund managed by the insurer 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 statement of profit and loss on an accrual basis. There are no other contributions payable other than contribution payable to the respective fund.

(iv) Leave encashment

Accumulated leave, which is expected to be utilized within the next twelve months, is treated as short-term employee benefit. The Group measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Group treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation

using the projected unit credit method at the reporting date. Remeasurements, comprising of actuarial gains and losses are recognized in full in the statement of profit and loss. Expense on non-accumulating compensated absences is recognized in the period in which the absences occur.

The Group presents the entire leave encashment liability as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement beyond twelve months after the reporting date.

(v) Long service awards

Long service awards are other long term benefits to all eligible employees, as per Group's policy. The cost of providing benefit under long service awards scheme is determined on the basis of actuarial valuation using the projected unit credit method at the reporting date. Remeasurements, comprising of actuarial gains and losses are recognized in full in the statement of profit and loss.

(o) 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 Income Tax Act, 1961 enacted in India and tax laws prevailing in the respective tax jurisdictions where the Group operates. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in equity is recognized in equity and not in statement of profit and loss.

Deferred income taxes reflect the impact of temporary differences between tax base of assets and liabilities and their carrying amounts. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except deferred tax liability arising from initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, affects neither accounting nor taxable profit/ loss at the time of transaction. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses, except deferred tax assets arising from initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, affects neither accounting nor taxable profit/ loss at the time of transaction. Deferred tax assets are recognized only to the extent that sufficient future taxable income will be available against which such deferred tax assets can be realized.

In the situations where the Group is entitled to a tax holiday under the Income-tax Act, 1961 enacted in India or tax laws prevailing in the respective tax jurisdictions where it operates, no deferred tax (asset or liability) is recognized in respect of temporary differences which reverse during the tax holiday period, to the extent the Group's gross total income is subject to the deduction during the tax holiday period. Deferred tax in respect of temporary differences which reverse after the tax holiday period is recognized in the year in which the temporary differences originate.

The carrying amount of deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available against which such deferred tax assets can be realized.

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 same taxable entity and the same taxation authority.

Deferred tax relating to items recognized outside the statement of profit and loss is recognized in co-relation to the underlying transaction either in other comprehensive income or directly in equity.

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. MAT credit available is recognized as an asset only to the extent that there is convincing evidence that the Group will pay normal income tax during the period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Group recognizes MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the statement of profit and loss and shown as "MAT Credit Entitlement." The Group reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the Group does not have convincing evidence that it will pay normal tax during the specified period.

(p) Segment reporting**(i) Identification of segment**

The Group's operations predominantly relate to providing software products, services and technology innovation covering full life cycle of product to its customers.

The components of the Group that engage in business activities from which they earn revenue and incur expenses, whose operating results are regularly reviewed by the Group's Chief Operating Decision Maker are identified as operating segments.

(ii) Allocation of income and direct expenses

Income and direct expenses allocable to segments are classified based on items that are individually identifiable to that segment such as salaries, project related travel expenses etc. The remainder is considered as un-allocable expense and is charged against the total income.

(iii) Unallocated items

Unallocated items include general corporate income and expense items which are not allocated to any business segment.

Segregation of assets, liabilities, depreciation and amortization and other non-cash expenses into various reportable segments have not been presented except for trade receivables as these items are used interchangeably between segments and the Group is of the view that it is not practical to reasonably allocate these items to individual segments and an ad-hoc allocation will not be meaningful.

(iv) Inter-segment transfers

There are no inter-segments transactions.

(v) Segment accounting policies

The Group prepares its segment information in conformity with accounting policies for preparing and presenting the financial statements of the Group as a whole.

(q) 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 outstanding during the reporting period is adjusted for events such as bonus issue, bonus element in a rights issue, share split, and reverse share split (consolidation of shares), if any occurred during the reporting period, that have changed the number of equity shares outstanding, without a corresponding change in resources.

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.

The number of shares and potential dilutive equity shares are adjusted retrospectively for all periods presented for any bonus shares issues including for changes effected prior to the approval of the financial statements by the Board of Directors.

(r) Provisions

A provision is recognized when the Group has a present obligation as a result of past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are determined based on the best estimate of the amount required to settle the obligation at the reporting date. If the effect of time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. These estimates are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

(s) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably.

(t) Cash and cash equivalents

Cash and cash equivalents in the cash flow statement comprises of cash at bank, cash in hand and short term deposits with an original maturity period of three months or less.

(u) Employee stock compensation expenses

Employees of the Group receive remuneration in the form of share based payment transactions, whereby employees render services as consideration for equity instruments granted (equity-settled transactions).

In accordance with Ind AS 102 – “Share Based Payments”, the cost of equity-settled transactions is determined by the fair value of the options at the date of the grant and recognized as employee compensation cost over the vesting period. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects

the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

The expense or credit recognized in the statement of profit and loss for a year represents the movement in cumulative expense recognized as at the beginning and end of that year and is recognized in employee benefits expense. In case of the employee stock option schemes having a graded vesting schedule, each vesting tranche having different vesting period has been considered as a separate option grant and accounted for accordingly.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction or is otherwise beneficial to the employee as measured at the date of modification.

The employee stock option expenses in respect of the employees of the subsidiaries are charged to the respective subsidiary.

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5. Share capital

	As at March 31, 2020 In ₹ Million	As at March 31, 2019 In ₹ Million
Authorized shares (No. in million) 200 (Previous year: 200) equity shares of ₹ 10 each	2,000.00	2,000.00
	2,000.00	2,000.00
Issued, subscribed and fully paid-up shares (No. in million) 76.43 (Previous year: 79.12) equity shares of ₹ 10 each	764.25	791.19
Issued, subscribed and fully paid-up share capital	764.25	791.19

a) Reconciliation of the shares outstanding at the beginning and at the end of the year

The reconciliation of the number of shares outstanding and the amount of share capital is set out below:

	(In Million)			
	As at March 31, 2020		As at March 31, 2019	
	No of shares	Amount ₹	No of shares	Amount ₹
Number of shares at the beginning of the year	79.12	791.19	80.00	800.00
Less: Shares bought back	2.69	26.94	0.88	8.81
Number of shares at the end of the year	76.43	764.25	79.12	791.19

b) Terms / rights attached to equity shares

The Group has only one class of equity shares having a par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. The Group declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

The Parent Company paid Final Dividend of ₹ 3.00 per share for FY 2018-19.

The Parent Company declared first interim dividend of ₹ 9 per share on January 30, 2020 and second interim dividend of ₹ 3 per share on March 11, 2020, on the face value of ₹ 10 each; for the Financial Year 2019-20.

The Parent Company declares and pays dividends in Indian rupees. The Finance Act, 2020 in India has repealed Dividend Distribution Tax (DDT). The Companies are now required to pay/ distribute dividend after deducting applicable taxes. The remittance of dividends outside India is governed by Indian law on foreign exchange and is also subject to withholding tax at applicable rates as per Finance Act, 2020.

In the event of liquidation of the Parent Company, the holders of equity shares will be entitled to receive remaining assets of the Parent Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

c) Aggregate number of bonus shares issued, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date

	For the period of five years ended March 31, 2020 No in Million	For the period of five years ended March 31, 2019 No in Million
Equity shares allotted on March 12, 2015 as fully paid bonus shares by capitalization of securities premium ₹400 million	40.000	40.000
Equity shares bought back	3.575	0.881

d) Buyback of Equity Shares of the Parent Company:

The Board of Directors, at its meeting in January 2019, had approved the buyback of the Parent Company's fully paid-up equity shares of the face value of ₹ 10 each from its shareholders/beneficial owners excluding promoters, promoter group and persons who are in control of the Parent Company, via the "open market" route through the stock exchanges, for a total amount not exceeding ₹ 2,250 million ("Maximum Buyback Size"), and at a price not exceeding ₹ 750 per Equity Share ("Maximum Buyback Price").

The buyback was offered to all eligible equity shareholders of the Parent Company (other than the Promoters, the Promoter Group and Persons in Control of the Group) under the open market route through the stock exchanges. The buyback of equity shares through the stock exchange commenced on February 8, 2019 and was completed on June 27, 2019. During this buyback period the Parent Company had purchased and extinguished a total of 3,575,000 equity shares from the stock exchange at an average buy back price of ₹628.93/- per equity share comprising 4.47% of the pre buyback paid-up equity share capital of the Parent Company. The buyback resulted in a cash outflow of ₹2,248.42 million (excluding transaction costs). The Parent Company funded the buyback from utilization of its securities premium and free reserves. The total number of equity shares outstanding as on March 31, 2020 post buyback stands at 76,425,000.

e) Details of shareholders holding more than 5% shares in the Group

Name of the shareholder*	As at March 31, 2020		As at March 31, 2019	
	No. in million	% Holding	No. in million	% Holding
Dr. Anand Deshpande jointly with Mrs. Sonali Anand Deshpande	22.96	30.04	22.95	29.01
Schemes of HDFC Mutual Fund	6.53	8.54	3.73	4.71

* The shareholding information is based on legal ownership of shares and has been extracted from the records of the Group including register of shareholders / members.

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Persistent Systems Limited

Notes forming part of consolidated financial statements

6.1 Property, plant and equipment

(In ₹ Million)

	Land - Freehold	Buildings *	Computers	Office equipments	Plant and Equipment	Leasehold improvements	Furniture and fixtures	Vehicles	Total
Gross block (At cost)									
As at April 1, 2019	220.47	2,447.72	2,441.59	89.63	1,408.24	94.23	679.87	8.44	7,390.19
Additions	-	0.30	294.11	0.40	14.38	-	9.91	-	319.10
Additions through business combination (refer note 44)	-	-	5.23	-	0.06	-	-	-	5.29
Disposals	-	-	328.80	0.03	25.10	46.43	7.45	1.20	409.01
Effect of foreign currency translation from functional currency to reporting currency	0.90	4.02	45.64	3.20	1.83	(1.88)	10.79	-	64.50
As at March 31, 2020	221.37	2,452.04	2,457.77	93.20	1,399.41	45.92	693.12	7.24	7,370.07
Accumulated Depreciation									
As at April 1, 2019	-	983.41	2,160.36	70.13	1,166.93	76.58	597.31	4.23	5,058.95
Additions through business combination (refer note 44)	-	-	1.69	-	0.06	-	-	-	1.75
Charge for the period	-	98.93	234.72	8.16	59.02	6.62	44.88	1.02	453.35
Disposals	-	-	328.80	0.03	20.78	46.43	7.30	1.20	404.54
Effect of foreign currency translation from functional currency to reporting currency	-	1.24	24.08	2.31	0.97	(1.26)	8.62	-	35.96
As at March 31, 2020	-	1,083.58	2,092.05	80.57	1,206.20	35.51	643.51	4.05	5,145.47
Net block									
As at March 31, 2020	221.37	1,368.46	365.72	12.63	193.21	10.41	49.61	3.19	2,224.60
As at March 31, 2019	220.47	1,464.31	281.23	19.50	241.31	17.65	82.56	4.21	2,331.24

* Note: Buildings include those constructed on leasehold land:

- Gross block as on March 31, 2020 ₹ 1,454.30 million (Previous year ₹ 1,454.06 million)
- Depreciation charge for the period ₹ 59.07 million (Previous year ₹ 58.95 million)
- Accumulated depreciation as on March 31, 2020 ₹ 499.03 million (Previous year ₹ 439.96 million)
- Net book value as on March 31, 2020 ₹ 955.27 million (Previous year ₹ 1,014.10 million)

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Persistent Systems Limited

Notes forming part of consolidated financial statements

6.1 Property, plant and equipment

(In ₹ Million)

	Land - Freehold	Buildings	Computers	Office equipments	Plant and Equipment	Leasehold improvements	Furniture and fixtures	Vehicles	Total
Gross block (At cost)									
As at April 1, 2018	221.03	2,450.18	2,392.46	86.63	1,408.62	94.84	665.41	4.73	7,323.90
Additions	-	0.07	179.46	3.75	22.56	-	8.86	4.66	219.36
Additions through business combination	-	-	0.08	-	-	-	0.03	-	0.11
Disposals	-	0.04	143.23	2.70	22.82	-	0.59	0.95	170.33
Effect of foreign currency translation from functional currency to reporting currency	(0.56)	(2.49)	12.82	1.95	(0.12)	(0.61)	6.16	-	17.15
As at March 31, 2019	220.47	2,447.72	2,441.59	89.63	1,408.24	94.23	679.87	8.44	7,390.19
Accumulated Depreciation									
As at April 1, 2018	-	885.26	2,078.80	62.14	1,097.81	69.78	544.39	4.42	4,742.60
Charge for the year	-	98.95	214.59	9.59	92.06	7.66	50.78	0.76	474.39
Additions through business combination	-	-	0.02	-	-	-	0.01	-	0.03
Disposals	-	0.03	142.52	2.40	22.82	-	0.59	0.95	169.31
Effect of foreign currency translation from functional currency to reporting currency	-	(0.77)	9.47	0.80	(0.12)	(0.86)	2.72	-	11.24
As at March 31, 2019	-	983.41	2,160.36	70.13	1,166.93	76.58	597.31	4.23	5,058.95
Net block									
As at March 31, 2019	220.47	1,464.31	281.23	19.50	241.31	17.65	82.56	4.21	2,331.24
As at March 31, 2018	221.03	1,564.92	313.66	24.49	310.81	25.06	121.02	0.31	2,581.30

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Persistent Systems Limited

Notes forming part of consolidated financial statements

6.2 Right -of- use assets

	(In ₹ Million)		
	Leasehold Land	Office premises	Total
Office premises			
Gross block (At cost)			
As at April 1, 2019	-	-	-
Additions (Transitional impact on adoption of Ind AS 116)	37.50	722.51	760.01
Additions during the period	-	77.80	77.80
Disposals	-	9.35	9.35
Effect of foreign currency translation of foreign operations from functional currency to reporting currency	-	5.79	5.79
As at March 31, 2020	37.50	796.75	834.25
Accumulated Depreciation			
As at April 1, 2019	-	-	-
Charge for the period	0.60	260.73	261.33
Disposals	-	1.12	1.12
Effect of foreign currency translation of foreign operations from functional currency to reporting currency	-	7.23	7.23
As at March 31, 2020	0.60	266.84	267.44
Net block			
As at March 31, 2020	36.90	529.91	566.81

6.3 Goodwill

	(In ₹ Million)	
	As at March 31, 2020	As at March 31, 2019
Cost		
Balance at beginning of year	81.24	76.61
Effect of foreign currency translation of foreign operations from functional currency to reporting currency	7.70	4.63
Balance at end of year	88.94	81.24

6.4 Other Intangible assets

	(In ₹ Million)		
	Software	Acquired contractual rights	Total
Gross block			
As at April 1, 2019	2,575.58	4,208.58	6,784.16
Additions	30.88	97.75	128.63
Additions through business combination	-	527.31	527.31
Effect of foreign currency translation from functional currency to reporting currency	173.11	380.78	553.89
As at March 31, 2020	2,779.57	5,214.42	7,993.99
Accumulated Amortization			
As at April 1, 2019	2,479.52	2,709.23	5,188.75
Charge for the period	80.84	864.10	944.94
Effect of foreign currency translation from functional currency to reporting currency	172.36	253.01	425.37
As at March 31, 2020	2,732.72	3,826.34	6,559.06
Net block			
As at March 31, 2020	46.85	1,388.08	1,434.93
As at March 31, 2019	96.06	1,499.35	1,595.41

	(In ₹ Million)		
	Software	Acquired contractual rights	Total
Gross block			
As at April 1, 2018	2,422.24	3,983.87	6,406.11
Additions	52.38	39.61	91.99
Effect of foreign currency translation from functional currency to reporting currency	100.96	185.10	286.06
As at March 31, 2019	2,575.58	4,208.58	6,784.16
Accumulated Amortization			
As at April 1, 2018	2,076.02	1,866.55	3,942.57
Charge for the year	319.05	779.07	1,098.12
Effect of foreign currency translation from functional currency to reporting currency	84.45	63.61	148.06
As at March 31, 2019	2,479.52	2,709.23	5,188.75
Net block			
As at March 31, 2019	96.06	1,499.35	1,595.41
As at March 31, 2018	346.22	2,117.32	2,463.54

6.5 Depreciation and amortization

	(In ₹ Million)	
	For the year ended	
	March 31, 2020	March 31, 2019
On Property, Plant and Equipment	453.35	474.39
On Other Intangible assets	944.94	1,098.12
On Right of Use assets	261.33	-
	1,659.62	1,572.51

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Persistent Systems Limited

Notes forming part of consolidated financial statements

7. Non-current financial assets : Investments (refer note 32)

	As at March 31, 2020 In ₹ Million	As at March 31, 2019 In ₹ Million
Investments carried under equity accounting method		
Unquoted Investments		
Investments in equity instruments		
In associates		
Klisma e-Services Private Limited [Holding 50%. (Previous year 50%)]		
0.005 million (Previous year : 0.005 million) shares of ₹10 each, fully paid up	0.05	0.05
Less : Impairment of non-current unquoted investments	(0.05)	(0.05)
	-	-
Total investments carried equity accounting method (A)	-	-
Investments carried at amortised cost		
Quoted Investments		
In bonds		
[Market value ₹ 2,236.81 million (Previous year ₹ 2,120.86 million)]	2,171.52	2,088.35
Add: Interest accrued on bonds	68.69	68.33
Total investments carried at amortised cost (B)	2,240.21	2,156.68
Designated as fair value through profit and loss		
Quoted Investments		
- Investments in mutual funds		
Fair value of long term mutual funds (refer Note 7a)	2,174.51	1,974.91
	2,174.51	1,974.91
Unquoted Investments		
Investments in Common Stocks / Preferred Stocks		
- Others*		
Ciquial Limited [Holding 2.38% (Previous year 2.38%)]		
0.04 million (Previous year : 0.04 million) shares of GBP 0.01 each, fully paid up	14.36	13.81
Less : Impairment of non-current unquoted investments	(14.36)	(13.81)
	-	-
Altizon Systems Private Limited	6.00	6.00
3,766 equity shares (Previous year : 3,766 equity shares) of ₹ 10 each, fully paid up	6.00	6.00
Hygenx Inc.	15.13	13.82
0.25 million (Previous year : 0.25 million) Preferred stock of \$ 0.001 each, fully paid up		
Less : Impairment of non-current unquoted investments	(15.13)	(13.82)
	-	-
OpsDataStore Inc.	15.13	13.82
0.20 million (Previous year : 0.20 million) Preferred stock of \$ 0.001 each, fully paid up		
Less : Impairment of non-current unquoted investments	(15.13)	(13.82)
	-	-
Trunomi Inc.	18.92	17.28
0.28 million (Previous year : 0.28 million) Preferred stock of \$ 0.002 each, fully paid up		
Jocata Corporation	-	25.22
Nil (Previous year : 0.006 million) Preferred stock of \$ 0.001 each, fully paid up		
Ampool Inc.	18.92	17.28
0.55 million (Previous year : 0.55 million) Preferred stock of \$ 0.4583 each, fully paid up		
Cazena Inc.		
0.59 million Common Stock of \$ 0.0001 each (Previous year: 0.35 million Preferred Stock of \$ 0.0001 each), fully paid up	151.33	138.22
	189.17	198.00

Persistent Systems Limited

Notes forming part of consolidated financial statements

7. Non-current financial assets : Investments (refer note 32) (contd)

	As at March 31, 2020	As at March 31, 2019
	In ₹ Million	In ₹ Million
- Investments in Convertible Notes		
DxNow	9.46	8.64
1 (Previous year : 1) convertible note of USD 125,000 each, fully paid up		
Less : Impairment of non-current unquoted investments	(9.46)	(8.64)
	-	-
Ustyme	18.92	17.28
1 (Previous year : 1) convertible note of USD 250,000 each, fully paid up		
Less : Impairment of non-current unquoted investments	(18.92)	(17.28)
	-	-
Akumina Inc.	11.08	10.12
1 (Previous year : 1) convertible note of USD 146,429 each, fully paid up		
	11.08	10.12
Total Investments carried at Fair Value (C)	2,380.76	2,189.03
Total investments (A) + (B) + (C)	4,620.97	4,345.71
Aggregate amount of impairment in value of investments	73.05	67.42
Aggregate amount of quoted investments	4,414.72	4,131.59
Aggregate amount of unquoted investments	279.30	281.54

* Investments, where the Group does not have joint-control or significant influence including situations where such joint-control or significant influence is intended to be temporary, are classified as "investments in others".

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Persistent Systems Limited

Notes forming part of consolidated financial statements

7 a) Details of fair value of investment in long term Mutual Funds (Quoted)

	As at March 31, 2020	As at March 31, 2019
	In ₹ Million	In ₹ Million
Axis Mutual Fund	898.93	304.96
IDFC Mutual Fund	630.06	50.13
ICICI Prudential Mutual Fund	141.38	550.21
Kotak Mutual Fund	105.86	294.32
UTI Mutual Fund	105.73	160.32
Aditya Birla Sun Life Mutual Fund	82.65	191.44
SBI Mutual Fund	71.06	65.18
HDFC Mutual Fund	35.66	205.96
PGIM India Mutual Fund (formerly known as DHFL Pramerica Mutual Fund)	35.03	32.10
DSP Mutual Fund	35.00	32.09
Sundaram Mutual Fund	33.15	30.15
Nippon India Mutual Fund (formerly known as Reliance Mutual Fund)	-	58.05
	2,174.51	1,974.91

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Persistent Systems Limited

Notes forming part of consolidated financial statements

8. Non-current financial assets : Loans (refer note 32)

	As at March 31, 2020 In ₹ Million	As at March 31, 2019 In ₹ Million
Carried at amortised cost		
Security deposits		
Unsecured, considered good	176.13	142.80
	176.13	142.80
Loan to others (Unsecured, considered good)		
Loans	-	21.20
	-	21.20
Other loans and advances		
Unsecured, considered good	-	-
Unsecured, credit impaired	0.58	0.58
	0.58	0.58
Less: Impairment of non-current loans	(0.58)	(0.58)
	-	-
	176.13	164.00

9. Other non-current financial assets (refer note 32)

	As at March 31, 2020 In ₹ Million	As at March 31, 2019 In ₹ Million
Non-current bank balances (refer note 15)	344.55	94.39
Add: Interest accrued but not due on non-current bank deposits (refer note 15)	14.38	1.46
Non-current deposits with banks (Carried at amortised cost)	358.93	95.85
Deposits with financial institutions	430.00	430.00
Add: Interest accrued on deposit with financial institutions	0.98	0.98
Less: Credit impaired (refer note 45)	(430.98)	(182.50)
	-	248.48
	358.93	344.33

10. Deferred tax asset (net) *

	As at March 31, 2020 In ₹ Million	As at March 31, 2019 In ₹ Million
Deferred tax liabilities		
Differences in book values and tax base values of block of Property, Plant and Equipment and intangible assets	120.96	226.85
Capital gains	76.67	79.12
Others	21.63	105.04
	219.26	411.01
Deferred tax assets		
Provision for leave encashment	127.70	141.33
Provision for long service awards	83.27	124.16
Provision for doubtful debts	62.50	39.98
Provision for gratuity	2.86	2.41
Differences in book values and tax base values of block of Property, Plant and Equipment and intangible assets	91.81	83.81
Brought forward and current year losses	112.94	60.30
Tax credits	328.80	226.35
Difference in Book values and tax base values of ROU asset and Lease liability	37.29	-
Others	332.17	137.72
	1,179.34	816.06
Deferred tax liabilities after set off	219.26	411.01
Deferred tax assets after set off	1,179.34	816.06

* Deferred tax assets and deferred tax liabilities have been offset wherever the Group has a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority. In all other cases the same have been separately disclosed.

11. Other non-current assets

	As at March 31, 2020 In ₹ Million	As at March 31, 2019 In ₹ Million
Capital advances (Unsecured, considered good)	27.14	2.06
Balances with government authorities (refer note 43)	296.55	-
Advances recoverable in cash or kind or for value to be received	7.62	66.25
	331.31	68.31

Persistent Systems Limited**Notes forming part of consolidated financial statements****12. Current financial assets : Investments (refer note 32)**

	As at March 31, 2020 In ₹ Million	As at March 31, 2019 In ₹ Million
Designated as fair value through profit and loss		
- Quoted investments		
Investments in mutual funds		
Fair value of current mutual funds (refer Note 12a)	5,164.77	3,295.53
	5,164.77	3,295.53
Total carrying amount of investments	5,164.77	3,295.53
Aggregate amount of quoted investments	5,164.77	3,295.53
Aggregate amount of unquoted investments	-	-

12 (a) Details of fair value of current investment in mutual funds (Quoted)

	As at March 31, 2020 In ₹ Million	As at March 31, 2019 In ₹ Million
Aditya Birla Sun Life Mutual Fund	973.04	386.73
ICICI Prudential Mutual Fund	940.50	399.98
UTI Mutual Fund	809.46	625.92
L&T Mutual Fund	734.90	407.39
IDFC Mutual Fund	640.78	106.40
Kotak Mutual Fund	421.51	-
Axis Mutual Fund	396.02	426.87
HDFC Mutual Fund	185.88	493.59
Nippon India Mutual Fund (formerly known as Reliance Mutual Fund)	62.68	-
SBI Mutual Fund	-	162.14
DSP Mutual Fund	-	103.35
Tata Mutual Fund	-	115.97
Sundaram Mutual Fund	-	67.19
	5,164.77	3,295.53

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Persistent Systems Limited

Notes forming part of consolidated financial statements

13. Trade receivables (refer note 32)

	As at March 31, 2020 In ₹ Million	As at March 31, 2019 In ₹ Million
Unsecured, considered good	5,921.96	4,923.01
Unsecured, credit impaired	242.13	134.54
	6,164.09	5,057.55
Less : Allowance for credit loss	(242.13)	(134.54)
	5,921.96	4,923.01
	5,921.96	4,923.01

14. Cash and cash equivalents (refer note 32)

	As at March 31, 2020 In ₹ Million	As at March 31, 2019 In ₹ Million
Cash and cash equivalents as presented in cash flow statement		
Cash in hand	0.24	0.22
Cheques on hand	-	-
Balances with banks		
On current accounts *	1,566.06	1,300.93
On saving accounts	0.36	0.91
On Exchange Earner's Foreign Currency accounts	261.86	114.91
On deposit accounts with original maturity less than three months	71.47	229.54
On Escrow account**	-	92.94
	1,899.99	1,739.45

* Out of the cash and cash equivalent balance as at March 31, 2020, the Group can utilise ₹ 6.62 Million (Previous year: ₹ 2.15 Million) only towards research and development activities specified in the agreement.

** The Parent Company completed buyback on June 27, 2019 and minimum balance maintained in Escrow account was released on completion of formalities.

15. Other bank balances (refer note 32)

	As at March 31, 2020 In ₹ Million	As at March 31, 2019 In ₹ Million
Deposits with banks*	2,909.58	5,017.73
Add: Interest accrued but not due on deposits with banks	117.49	65.20
Deposits with banks (carried at amortised cost)	3,027.07	5,082.93
Less: Deposits with maturity more than twelve months from the balance sheet date disclosed under other non-current financial assets (refer note 9)	(344.55)	(94.39)
Less: Interest accrued but not due on non-current deposits with banks (refer note 9)	(14.38)	(1.46)
	2,668.14	4,987.08
Balances with banks on unpaid dividend accounts**	4.05	2.27
	2,672.19	4,989.35

* Out of the balance, fixed deposits of ₹ 71.10 million (Previous year : ₹ 87.99 million) have been earmarked against credit facilities and bank guarantees availed by the Group.

** The Group can utilize these balances only towards settlement of the respective unpaid dividend.

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Persistent Systems Limited

Notes forming part of consolidated financial statements

16. Current financial assets : Loans (refer note 32)

	As at March 31, 2020 In ₹ Million	As at March 31, 2019 In ₹ Million
Carried at amortised cost		-
Loan to related parties (Unsecured, credit impaired) (refer note 41)		
Unsecured, considered good	-	-
Klisma e-Services Private Limited	27.43	27.43
	27.43	27.43
Less: Impairment of current loans	(27.43)	(27.43)
	-	-
Security deposits		
Unsecured, considered good	13.71	7.87
	13.71	7.87

17. Other current financial assets (refer note 32)

	As at March 31, 2020 In ₹ Million	As at March 31, 2019 In ₹ Million
Fair value of derivatives designated and effective as hedging instruments		
Forward contracts receivable	-	281.27
Advances to related parties (Unsecured, credit impaired) (refer note 41)		
Unsecured, credit impaired	0.81	0.81
Less: Impairment of current financial assets	(0.81)	(0.81)
	-	-
Deposits with financial institutions	-	250.00
Add: Interest accrued but not due on deposits with financial institutions	-	10.97
Deposits with financial institutions (Carried at amortised cost)	-	260.97
Unbilled revenue	2,068.54	1,834.76
	2,068.54	2,377.00

18. Other current assets

	As at March 31, 2020 In ₹ Million	As at March 31, 2019 In ₹ Million
Advances to suppliers (Unsecured, considered good)		
Advances recoverable in cash or kind or for value to be received	931.97	432.25
Excess fund balance with Life Insurance Corporation (refer note 31)	128.54	-
Other advances (Unsecured, considered good)		
VAT receivable (net)	31.50	35.07
Service tax and GST receivable (net) (refer note 43)	858.51	920.47
	890.01	955.54
	1,950.52	1,387.79

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Persistent Systems Limited
Notes forming part of consolidated financial statements

19. Non-current financial liabilities : Borrowings (refer note 32)

	As at March 31, 2020 In ₹ Million	As at March 31, 2019 In ₹ Million
Unsecured Borrowings carried at amortised cost		
Term loans		
Indian rupee loan from others	11.93	16.55
Interest accrued but not due on term loans	0.18	0.17
Foreign currency loan from others	39.14	-
	51.25	16.72
Less: Current maturity of long-term borrowings transferred to other current financial liabilities (refer note 23)	(4.85)	(4.58)
Less: Current maturity of interest accrued but not due on term loan transferred to other current financial liabilities (refer note 23)	(0.18)	(0.17)
	(5.03)	(4.75)
	46.22	11.97

The term loans from Government departments have the following terms and conditions:

Loan I - amounting to ₹ 2.69 million (Previous year ₹ 5.46 million) with interest payable @ 2% per annum has been guaranteed by a bank guarantee by the Group and is repayable in ten equal semi annual installments over a period of five years commencing from September 2016.

Loan II - amounting to ₹ 9.24 million (Previous year ₹ 11.09 million) with Interest payable @ 3% per annum repayable in ten equal annual installments over a period of ten years commencing from October 2015.

Loan III - amounting to ₹ 39.14 million (Previous year Nil). The interest free loan is given under a Covid-19 scheme for medium and small scale Industries by the Government of Switzerland to a subsidiary company with a repayment period of five years from March 2020.

20. Other long term financial liabilities (refer note 32)

	As at March 31, 2020 In ₹ Million	As at March 31, 2019 In ₹ Million
Security Deposits	7.96	1.83
Lease liabilities	662.42	-
Less: Current maturity of lease liabilities (refer note 23)	(309.06)	-
	361.32	1.83

Movement of lease liabilities

	For the year ended	
	March 31, 2020 In ₹ Million	March 31, 2019 In ₹ Million
Opening balance	-	-
Additions (Transitional impact on adoption of Ind AS 116)	811.10	-
Additions during the year	77.80	-
Add: Interest recognised during the year	61.22	-
Less: Payments made	287.70	-
Closing balance	662.42	-

Persistent Systems Limited
Notes forming part of consolidated financial statements

21. Non current liabilities : Provisions

	As at March 31, 2020 In ₹ Million	As at March 31, 2019 In ₹ Million
Provision for employee benefits (refer note 31)		
- Gratuity	-	16.48
- Long service awards	182.79	158.46
	182.79	174.94

22. Trade payables (refer note 32)

	As at March 31, 2020 In ₹ Million	As at March 31, 2019 In ₹ Million
Trade payables for goods and services [(dues of micro and small enterprises ₹ 5.15 million (Previous year: ₹ 15.63 million)]	2,247.09	1,517.07
	2,247.09	1,517.07

Disclosure of payable to vendors as defined under the "Micro, Small and Medium Enterprise Development Act, 2006" is based on the information available with the Parent Company regarding the status of registration of such vendors under the said Act, as per the intimation received from them on requests made by the Parent Company. There are no overdue principal amounts / interest payable amounts for delayed payments to such vendors at the Balance Sheet date. There are no delays in payment made to such suppliers during the period or for any earlier years and accordingly there is no interest paid or outstanding interest in this regard in respect of payment made during the period or on balance brought forward from previous year.

23. Other current financial liabilities (refer note 32)

	As at March 31, 2020 In ₹ Million	As at March 31, 2019 In ₹ Million
Capital creditors	36.24	55.16
Current maturity of long-term borrowings (refer note 19)	4.85	4.58
Current maturity of interest on long-term borrowings (refer note 19)	0.18	0.17
Current maturity of lease liabilities (refer note 20)	309.06	-
Accrued employee liabilities	421.17	377.88
Unpaid dividend*	4.05	2.27
Other liabilities	-	1.87
Fair value of derivatives designated and effective as hedging instruments		
Forward contracts payable	387.89	-
	1,163.44	441.93

* Unpaid dividend is transferred to Investor Education and Protection Fund as and when due.

Persistent Systems Limited
Notes forming part of consolidated financial statements

24. Other current liabilities

	As at March 31, 2020 In ₹ Million	As at March 31, 2019 In ₹ Million
Unearned revenue	887.20	842.08
Advance from customers	264.82	26.34
Other payables		
- Statutory liabilities	157.19	247.67
- Other liabilities	10.92	6.35
	1,320.13	1,122.44

25. Current liabilities : Provisions

	As at March 31, 2020 In ₹ Million	As at March 31, 2019 In ₹ Million
Provision for employee benefits		
- Gratuity (refer note 31)	20.41	95.06
- Leave encashment	638.05	548.87
- Long service awards	21.35	19.02
- Other employee benefits	931.18	1,101.26
	1,610.99	1,764.21

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Persistent Systems Limited
Notes forming part of consolidated financial statements

26. Revenue from operations (net)

	For the year ended	
	March 31, 2020 In ₹ Million	March 31, 2019 In ₹ Million
Software services	34,494.34	32,169.39
Software licenses	1,163.74	1,490.02
	35,658.08	33,659.41

The table below presents disaggregated revenues from contracts with customers by segments, geography and customers' industry type. The Group believes that this disaggregation best depicts how the nature, amount, timing and uncertainty of our revenues and cash flows are affected by industry, market and other economic factors.

	For the year ended	For the year ended
	March 31, 2020 In ₹ Million	March 31, 2019 In ₹ Million
Segment wise disclosure		
Technology Services	24,922.47	22,018.03
Alliance	9,358.16	9,759.92
Accelerite (Products)	1,377.45	1,881.46
Total	35,658.08	33,659.41
Geographical disclosure		
India	2,657.29	2,349.29
North America	28,891.15	27,507.46
Rest of the World	4,109.64	3,802.66
Total	35,658.08	33,659.41
Customers' Industry wise disclosure		
ISV	14,148.50	13,403.64
Enterprise	14,247.31	11,868.44
IP Led	7,262.27	8,387.33
Total	35,658.08	33,659.41

While disclosing the aggregate amount of transaction price yet to be recognised as revenue towards unsatisfied (or partially) satisfied performance obligations, along with the broad time band for the expected time to recognize those revenues, the Group has applied the practical expedient in Ind AS 115. Accordingly, the Group has not disclosed the aggregate transaction price allocated to unsatisfied (or partially satisfied) performance obligations which pertain to contracts where revenue recognised corresponds to the value transferred to customer typically involving time and material, outcome based and event based contracts.

During the year, ₹ 1,721.62 million of opening unbilled revenue has been reclassified to trade receivables upon billing to customers on completion of milestones.

During the year, the Company recognised revenue of ₹ 822.73 million arising from opening unearned revenue.

In respect of the contracts wherein the transaction price is in the form of revenue share, the estimated revenue for the customer is considered based on the historical trends and management judgement with respect to customer business. The estimated revenue from these contracts included in the total revenue for the year is ₹1,016.80 million.

27. Other income

	For the year ended	
	March 31, 2020 In ₹ Million	March 31, 2019 In ₹ Million
Interest income		
On deposits carried at amortised cost	389.59	103.10
On Others	155.69	184.62
Foreign exchange gain (net)	364.35	-
Profit on sale of Property, Plant and Equipment (net)	-	4.02
Dividend income from investments	13.98	180.77
Profit on sale of investments (net)	164.81	366.09
Net gain/(loss) arising on financial assets designated as FVTPL	119.02	(68.92)
Excess provision in respect of earlier years written back	6.95	33.89
Miscellaneous income	109.38	72.98
	1,323.77	876.55

28. Personnel expenses

	For the year ended	
	March 31, 2020 In ₹ Million	March 31, 2019 In ₹ Million
28.1 Employee benefits expense		
Salaries, wages and bonus	19,594.62	17,428.04
Contribution to provident and other funds (refer note 31)	1,199.20	1,329.94
Staff welfare and benefits	525.79	491.55
Share based payments to employees (refer note 37)	236.79	-
	21,556.40	19,249.53
28.2 Cost of professionals		
	3,918.94	3,490.45
	25,475.34	22,739.98

Persistent Systems Limited**Notes forming part of consolidated financial statements****29. Other expenses**

	For the year ended	
	March 31, 2020	March 31, 2019
	In ₹ Million	In ₹ Million
Travelling and conveyance	936.86	933.11
Electricity expenses (net)	114.94	109.45
Internet link expenses	73.30	67.37
Communication expenses	105.72	100.72
Recruitment expenses	128.80	116.63
Training and seminars	34.63	30.22
Royalty expenses	76.82	65.01
Purchase of software licenses	1,724.51	1,473.20
Bad debts	-	71.18
Provision for doubtful receivables/ (provision for doubtful receivables written back) (net)	83.86	(4.89)
Rent (refer note 35)	135.25	463.72
Insurance	34.49	24.84
Rates and taxes	88.07	79.26
Legal and professional fees	517.13	566.92
Repairs and maintenance		
- Plant and Machinery	123.04	114.67
- Buildings	24.10	29.56
- Others	21.60	20.43
Selling and marketing expenses	7.85	4.12
Advertisement, conference and sponsorship fees	191.01	199.06
Discount allowed	127.41	76.92
Computer consumables	7.01	7.95
Auditors' remuneration (refer note 39)	18.89	21.71
Donations	86.35	80.64
Books, memberships, subscriptions	38.05	77.58
Loss on sale of Property, Plant and Equipment	5.96	-
Foreign exchange loss (net)	-	243.10
Directors' sitting fees	6.58	5.32
Directors' commission	14.85	14.21
Provision for doubtful deposits and advances (refer note 45)	248.48	182.50
Impairment of non current investments	-	13.98
Miscellaneous expenses	284.59	168.54
	5,260.15	5,357.03

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Persistent Systems Limited

Notes forming part of consolidated financial statements

30. Earnings per share

		For the year ended	
		March 31, 2020	March 31, 2019
<u>Numerator for Basic and Diluted EPS</u>			
Net Profit after tax (In ₹ Million)	(A)	3,402.89	3,516.79
<u>Denominator for Basic EPS</u>			
Weighted average number of equity shares	(B)	76,684,672	79,943,943
<u>Denominator for Diluted EPS</u>			
Number of equity shares	(C)	76,684,672	79,943,943
Basic Earnings per share of face value of ₹ 10 each (In ₹)	(A/B)	44.38	43.99
Diluted Earnings per share of face value of ₹ 10 each (In ₹)	(A/C)	44.38	43.99
For the year ended			
		March 31, 2020	March 31, 2019
Number of shares considered as basic weighted average shares outstanding		76,684,672	79,943,943
Add: Effect of dilutive issues of stock options		-	-
Number of shares considered as weighted average shares and potential shares outstanding		76,684,672	79,943,943

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Persistent Systems Limited
Notes forming part of consolidated financial statements

31. Gratuity plan:

Persistent Systems Limited and Persistent Systems Lanka (Private) Limited have defined benefit gratuity plans. Each employee in the companies 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 recognized in the statement of profit and loss and the funded status and amounts recognized in the Balance Sheet for the respective plans.

Statement of profit and loss

Net employee benefit expense (recognized in statement of profit and loss)

	In ₹ Million	
	For the year ended	
	March 31, 2020	March 31, 2019
Current service cost	194.91	156.88
Interest cost on benefit obligation	70.65	55.82
Expected return on plan assets	(68.89)	(60.96)
Curtailement of benefits*	(272.59)	-
Other	(3.50)	3.71
Net benefit expense	(79.42)	155.45
Net actuarial (gain) / loss recognized in the year	36.67	70.51
Actual return on plan assets		68.89

Balance sheet

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

	In ₹ Million	
	For the year ended	
	March 31, 2020	March 31, 2019
Opening fair value of plan assets	831.31	773.89
Expected return	68.89	60.96
Adjustment to expected return	(8.88)	(4.97)
Contribution by employer	184.25	85.95
Benefits paid	(89.96)	(84.52)
Closing fair value of plan assets	985.61	831.31

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

	In ₹ Million	
	For the year ended	
	March 31, 2020	March 31, 2019
Opening defined benefit obligation	942.85	745.50
Interest cost	70.65	55.82
Current service cost	194.91	156.88
Benefits paid	(95.37)	(84.52)
Curtailements*	(272.59)	-
Actuarial losses on obligation	36.67	70.51
Exchange difference	0.36	(1.34)
Closing defined benefit obligation	877.48	942.85

Benefit asset / (liability)

	In ₹ Million	
	As at	
	March 31, 2020	March 31, 2019
Fair value of plan assets	985.61	831.31
(Less) : Defined benefit obligations	(857.07)	(942.85)
Plan asset / (liability) for Persistent Systems Limited	128.54	(94.34)
Gratuity liability for Persistent Systems Lanka (Private) Limited	(20.41)	(17.20)

The principal assumptions used in determining gratuity for the Group's plans are shown below:

Persistent Systems Limited
Notes forming part of consolidated financial statements

Persistent Systems Limited

	As at	
	March 31, 2020	March 31, 2019
Discount rate	6.77%	7.60%
Attrition rate	PS: 0 to 1 : 17% PS: 1 to 3 : 14% PS: 3 to 4 : 10% PS: 4 to 7 : 5% PS: 7 to 10 : 3% PS:10 to 47 :1%	PS: 1 to 5 : 16.5% PS: 5 to 42 : 3.5%
Increment rate	5.50%	5.50%

The major categories of plan assets as a percentage of the fair value of total plan assets:

	As at	
	March 31, 2020	March 31, 2019
Investments with insurer including accrued interest	100%	100%

Persistent Systems Lanka (Private) Limited

	As at	
	March 31, 2020	March 31, 2019
Discount rate	10.17%	11.35%
Attrition rate	PS: 0 to 5 : 1% PS: 5 to 42 : 2%	PS: 0 to 5 : 1% PS: 5 to 42 : 2%
Increment rate	6.00%	6.00%

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.

As at March 31, 2020, every percentage point increase / decrease in discount rate will affect the gratuity benefit obligation by approximately ₹ 97.26 million / ₹ 115.94 million (previous year: ₹ 104.67 million/ ₹ 124.96 million) respectively.

As at March 31, 2020, every percentage point increase / decrease in rate of increase in compensation levels will affect the gratuity benefit obligation by approximately ₹ 108.86 million / ₹ 87.88 million (previous year: ₹ 123.51 million/ ₹ 105.04 million) respectively.

Amounts for the current and previous year are as follows:

	In ₹ Million	
	March 31, 2020	March 31, 2019
Plan assets	985.61	831.31
Defined benefit obligation	(857.07)	(942.85)
Plan asset / (liability) for Persistent Systems Limited	108.13	(94.34)
Gratuity liability for Persistent Systems Lanka (Private) Limited	(20.41)	(17.20)
Experience adjustments on plan liabilities - Loss/ (gain)	36.67	70.51

Maturity Profile of defined benefit obligations:

	(In ₹ Million)	
	March 31, 2020	March 31, 2019
Within 1 year	46.27	42.98
1-2 years	43.40	47.06
2-3 years	36.71	50.45
3-4 years	32.76	51.49
4-5 years	35.57	50.89
5-10 years	181.58	302.9

Superannuation Fund

The Group contributed ₹ 41.12 million and ₹ 39.25 million to superannuation fund during the years ended March 31, 2020 and March 31, 2019 respectively and the same is recognised in the Statement of profit and loss under the head employee benefit expenses.

Defined contribution plan - Provident Fund

The Parent Company has certain defined contribution plans. Contributions are made to provident fund for its employees @ 12% of Basic salary as per regulation. The contributions are made to registered provident fund administered by the Government of India. The obligation of the Parent Company is limited to the amount contributed, and it has no further contractual nor any constructive obligation. The expense recognised during the period towards defined contribution plan (provident fund) is INR 404.90 million (Previous year - INR 328.33 million).

*The gratuity scheme has an element in its structure which caps the basic salary beyond a certain amount. Giving effect to that in valuation of benefit obligation has resulted into curtailment of benefits to the extent of INR 272.59 million which is reflected in the report.

Persistent Systems Limited

Notes forming part of consolidated financial statements

32. Financial assets and liabilities

The carrying values and fair values of financial instruments by categories are as follows:

Financial assets/ financial liabilities	Basis of measurement	(In ₹ million)				Fair value hierarchy
		As at March 31, 2020		As at March 31, 2019		
		Carrying value	Fair value	Carrying value	Fair value	
Assets:						
Investments in associates (net)	Equity accounting	-	-	-	-	
Investments in equity instruments, preferred stock and convertible notes	Fair value	206.25	206.25	214.12	214.12	Level 3
Investments in bonds*	Amortised cost	2,240.21	2,236.81	2,156.68	2,120.86	
Investments in mutual funds	Fair value	7,339.28	7,339.28	5,270.44	5,270.44	Level 1
Loans	Amortised cost	189.84	189.84	171.87	171.87	
Deposit with banks and financial institutions (net)	Amortised cost	3,027.07	3,027.07	5,592.38	5,592.38	
Cash and cash equivalents (including unpaid dividend)	Amortised cost	1,904.04	1,904.04	1,741.72	1,741.72	
Trade receivables (net)	Amortised cost	5,921.96	5,921.96	4,923.01	4,923.01	
Unbilled revenue	Amortised cost	2,068.54	2,068.54	1,834.76	1,834.76	
Forward contracts receivables	Fair value	-	-	281.27	281.27	Level 2
Total		22,897.19	22,893.79	22,186.25	22,150.43	
Liabilities:						
Borrowings (including accrued interest)	Amortised cost	51.25	51.25	16.72	16.72	
Trade payables	Amortised cost	2,247.09	2,247.09	1,517.07	1,517.07	
Other financial liabilities (excluding borrowings)	Amortised cost	770.52	770.52	437.18	437.18	
Other long term financial liabilities	Amortised cost	361.32	361.32	1.83	1.83	
Forward contracts payable	Fair value	387.89	387.89	-	-	Level 2
Total		3,818.07	3,818.07	1,972.80	1,972.80	

* Fair value includes interest accrued.

Fair value hierarchy:

The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable and consists of the following three levels:

Level 1 — Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 — Inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 — Inputs are not based on observable market data (unobservable inputs). Fair values are determined in whole or in part using a valuation model based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

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Persistent Systems Limited

Notes forming part of consolidated financial statements

32 (b) Financial risk management**Financial risk factors and risk management objectives**

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's focus is to foresee the unpredictability of financial markets and seek to minimize potential adverse effects on its financial performance. The primary market risk to the Group is foreign exchange risk. The Group uses derivative financial instruments to mitigate foreign exchange related risk exposures. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors which provide written principles on foreign exchange hedging. The Group's exposure to credit risk is mainly for receivables that are overdue for more than 90 days. The Credit Task Force is responsible for credit risk management. Investment of excess liquidity is governed by the Investment policy of the Group. The Group's Risk Management Committee monitors risks and policies implemented to mitigate risk exposures.

Market risk

The Group operates globally with its operations spread across various geographies and consequently the Group is exposed to foreign exchange risk. Around 80% to 90% of the Group's foreign currency exposure is in USD. The Group holds plain vanilla forward contracts against expected future sales in USD to mitigate the risk of changes in exchange rates.

The following table analyses unhedged foreign currency risk from financial instruments as of March 31, 2020:

	In ₹ Million				
	USD	EUR	GBP	Other currencies	Total
Trade receivables	63.56	105.93	123.40	79.11	372.00
Cash and cash equivalents and bank balances	373.54	29.52	11.45	30.47	444.98
Other financial assets	-	0.14	8.67	1.80	10.61
Trade and other payables	21.48	8.78	34.91	10.00	75.17

The following table analyses unhedged foreign currency risk from financial instruments as of March 31, 2019:

	In ₹ Million				
	USD	EUR	GBP	Other currencies	Total
Trade receivables	126.29	101.62	41.84	47.58	317.33
Cash and cash equivalents and bank balances	226.68	5.43	13.72	30.07	275.90
Other financial assets	-	0.14	3.33	1.82	5.29
Trade and other payables	40.28	0.34	11.74	-	52.36

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Persistent Systems Limited**Notes forming part of consolidated financial statements****Foreign currency sensitivity analysis**

For the year ended March 31, 2020 and March 31, 2019, every percentage point depreciation / appreciation in the exchange rate between the Indian rupee and foreign currencies, would affect the Group's profit before tax margin (PBT) by approximately 0.02% and 0.02% respectively.

Derivative financial instruments

The Group holds derivative foreign currency forward contracts to mitigate the risk of changes in exchange rates on foreign currency exposures. These derivative financial instruments are valued based on quoted prices for similar assets in active markets or inputs that are directly or indirectly observable in the marketplace. The Group has designated foreign exchange forward contracts as cash flow hedges to mitigate the risk of foreign exchange exposure on highly probable forecast sales transactions.

The following table gives details in respect of outstanding foreign currency forward contracts:

	As at March 31, 2020			As at March 31, 2019		
	Foreign currency (million)	Average rate	₹ (million)	Foreign currency (million)	Average rate	₹ (million)
Derivatives designated as cash flow hedges						
Forward contracts						
USD	125.00	74.03	9,253.21	112.00	73.00	8,175.45

The foreign exchange forward contracts mature within twelve months. The table below analyses the derivative financial instruments into relevant maturity groupings based on the remaining period as of the balance sheet date:

	As at March 31, 2020			As at March 31, 2019		
	Foreign currency (million)	Average rate	₹ (million)	Foreign currency (million)	Average rate	₹ (million)
Not later than 3 months	30.00	72.74	2,182.07	30.00	69.95	2,098.38
Later than 3 months and not later than 6 months	32.00	73.70	2,358.34	30.00	74.00	2,220.06
Later than 6 months and not later than 9 months	30.00	74.16	2,224.70	30.00	74.84	2,245.19
Later than 9 months and not later than 12 months	33.00	75.40	2,488.10	22.00	73.26	1,611.82
Total	125.00		9,253.21	112.00		8,175.45

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Persistent Systems Limited**Notes forming part of consolidated financial statements****Credit risk**

Credit risk refers to the risk of default on its obligation by the counter party resulting in a financial loss. The maximum exposure to the credit risk at the reporting date is primarily from trade receivables amounting to ₹5,921.96 million and ₹4,923.01 million as at March 31, 2020 and March 31, 2019, respectively

Trade receivables are typically unsecured and are derived from revenue earned from customers primarily located in the United States. Credit risk is managed by the Group by Credit Task Force through credit approvals, establishing credit limits and continuously monitoring the recovery status of customers to which the Group grants credit terms in the normal course of business.

On account of adoption of Ind AS 109, the Group uses expected credit loss model to assess the impairment loss. The Group uses a provisioning policy approved by the Board of Directors to compute the expected credit loss allowance for trade receivables. The policy takes into account available external and internal credit risk factors and the Group's historical experience for customers.

Credit risk is perceived mainly in case of receivables overdue for more than 90 days. The following table gives details of risk concentration in respect of percentage of receivables overdue for more than 90 days:

	As at	
	March 31, 2020	March 31, 2019
Receivables overdue for more than 90 days (million)*	409.44	284.19
Total receivables (gross) (₹ million)	6,164.09	5,057.55
Overdue for more than 90 days as a % of total receivables	6.6%	5.6%

* Out of this amount, ₹ 242.13 million (March 31, 2019: ₹ 134.54 million) have been provided for.

Ageing of trade receivables

In ₹ Million

	As at	
	March 31, 2020	March 31, 2019
Within the credit period	4,196.46	4,180.82
1 to 30 days past due	1,070.08	320.33
31 to 60 days past due	234.12	153.87
61 to 90 days past due	253.99	118.34
91 to 120 days past due	89.41	70.02
121 and above past due	320.03	214.17
Less: Expected credit loss	(242.13)	(134.54)
Net trade receivables	5,921.96	4,923.01

Movement in expected credit loss allowance

In ₹ Million

	As at	
	March 31, 2020	March 31, 2019
Opening balance	134.54	146.97
Movement in expected credit loss allowance	83.86	(4.89)
Translation differences	23.73	(7.54)
Closing balance	242.13	134.54

Credit risk on cash and cash equivalents is limited as the Group generally invests in deposits with banks and financial institutions with high credit ratings. Investments primarily include investment in debts mutual funds, quoted bonds.

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Persistent Systems Limited**Notes forming part of consolidated financial statements****Liquidity risk**

The Group's principal sources of liquidity are cash and cash equivalents and the cash flow that is generated from operations. The Group has no outstanding bank borrowings. The investment of surplus cash is governed by the Group's investment policy approved by the Board of Directors. The Group believes that the working capital is sufficient to meet its current requirements. Accordingly, no liquidity risk is perceived.

As at March 31, 2020, the Group had a working capital of ₹ 13,381.80 million including cash and cash equivalents and current fixed deposits of ₹ 4,465.02 million and current investments of ₹ 5,164.77 million.

As at March 31, 2019, the Group had a working capital of ₹ 13,984.61 million including cash and cash equivalents and current fixed deposits of ₹ 6,912.79 million and current investments of ₹ 3,295.53 million.

The table below provides details regarding the contractual maturities of significant financial liabilities:

	In ₹ Million			
	As at			
	March 31, 2020		March 31, 2019	
	Less than 1 year	More than 1 year	Less than 1 year	More than 1 year
Borrowings (including accrued interest)	5.03	46.22	4.75	11.97
Trade payables and deferred payment liabilities	2,247.09	-	1,517.07	-
Other financial liabilities (excluding borrowings)	1,158.41	361.32	437.18	1.83

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32. c) Derivative instruments and un-hedged foreign currency exposures
(i) Forward contracts outstanding at the end of the year:

	(In ₹ Million)	
	As at March 31, 2020	As at March 31, 2019
Forward contracts to sell USD: Hedging of expected future receivables of USD 125 Million (Previous year USD 112 Million)	9,253.21	8,175.45

(ii) Details of un-hedged foreign currency exposures at the end of the year:

	As at March 31, 2020			As at March 31, 2019		
	In ₹ million	Foreign currency (In million)	Conversion rate (₹)	In ₹ million	Foreign currency (In million)	Conversion rate (₹)
Bank balances	0.34	JPY 0.49	0.70	0.91	JPY 1.47	0.62
	373.54	USD 4.93	75.66	226.68	USD 3.28	69.11
	11.45	GBP 0.12	93.49	13.72	GBP 0.15	90.50
	6.10	CAD 0.11	53.06	15.71	CAD 0.31	51.51
	29.52	EUR 0.35	82.76	5.43	EUR 0.07	77.62
	6.19	AUD 0.13	46.07	2.56	AUD 0.05	48.99
	17.84	ZAR 4.20	4.25	10.89	ZAR 2.28	4.77
Trade and other payables	21.48	USD 0.28	75.66	40.28	USD 0.58	69.11
	34.91	GBP 0.37	93.49	11.74	GBP 0.13	90.50
	8.78	EUR 0.11	82.76	0.34	EUR 0.004	77.62
	0.32	SGD 0.01	53.03	-	-	-
	0.63	ZAR 0.15	4.25	-	-	-
	8.53	CAD 0.16	53.06	-	-	-
	0.42	AUD 0.01	46.07	-	-	-
	0.10	CHF 0.001	78.28	-	-	-
Advances given and deposits placed	0.36	AUD 0.01	46.07	0.36	AUD 0.007	48.99
	8.67	GBP 0.10	93.49	3.33	GBP 0.04	90.50
	0.14	EUR 0.001	82.76	0.14	EUR 0.002	77.62
	-	-	-	0.01	ZAR 0.002	4.77
	-	-	-	0.01	MYR 0.001	16.94
	1.40	CAD 0.03	53.06	1.40	CAD 0.03	51.51
	0.04	JPY 0.06	0.70	0.04	JPY 0.064	0.62
Trade receivables	63.56	USD 0.84	75.66	126.29	USD 1.83	69.11
	105.93	EUR 1.28	82.76	101.62	EUR 1.31	77.62
	123.40	GBP 1.32	93.49	41.84	GBP 0.46	90.50
	-	-	-	0.84	CAD 0.02	51.51
	41.00	AUD 0.89	46.07	26.30	AUD 0.54	48.99
	29.47	ZAR 6.93	4.25	20.44	ZAR 4.29	4.77
	8.49	SGD 0.16	53.03	-	-	-
	0.15	BRL 0.01	14.61	-	-	-

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Persistent Systems Limited**Notes forming part of consolidated financial statements****33. Income taxes**

The reconciliation of estimated income tax expense at Indian statutory income tax rate to income tax expense reported in statement of profit and loss is as follows:

	For the year ended	
	March 31, 2020	March 31, 2019
	In ₹ Million	In ₹ Million
Profit before tax	4,523.42	4,863.39
Enacted tax rate in India	25.17%	34.94%
Computed tax expense at enacted tax rate	1,138.45	1,699.46
Effect of exempt income	(69.30)	(176.56)
Effect of non-deductible expenses	42.06	205.58
Effect of concessions (R&D allowance)	(127.18)	(56.00)
Effect of concessions (Tax holidays)	(12.37)	(233.82)
Effect of unused tax losses not recognised as deferred tax assets	78.54	26.64
Effect of previously unrecognised deferred tax assets now recognised	(58.40)	(18.44)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(4.11)	(13.78)
Effect of different tax rates for different heads of income	(31.80)	(30.69)
Effect of change in tax rates in India	24.76	-
Short Tax Provision of earlier years(Net)	52.55	88.81
Others	87.33	(144.60)
Income tax expense	1,120.53	1,346.60

Note:

The Parent Company has decided to opt for the new tax regime announced by the Government of India and avail of the benefit of Section 115BAA of the Income Tax Act.

This provides for concessional tax rate of 22% plus applicable surcharge and cess (totalling 25.17%) from April 1, 2019, without claiming the following major tax exemptions / incentives which were availed till earlier financial year.

- Tax holiday under section 10AA of the Income Tax Act available for units set up under the Special Economic Zone Act, 2005 (SEZ units)
- Weighted Deduction under section 35 (2AB) of the Income Tax Act on the expenditure on scientific research carried out in in-house research and development facility as approved by the prescribed authority under Income Tax Act.

The Income Tax expense and deferred tax expense for the year ended March 31, 2020 include the effect of the net benefit of section 115BAA opted for by the Parent Company from April 1, 2019.

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Persistent Systems Limited

Notes forming part of consolidated financial statements

34. Segment information

Operating segments are components of an enterprise for which discrete financial information is available that is evaluated regularly by the chief operating decision makers, in deciding how to allocate resources and assessing performance. The Group's chief operating decision makers are the Chief Executive Officer and the Chairman.

The Group reorganised itself into three business units from April 1, 2018, which form the operating segments for segment reporting. The operating segments are:

- Technology Services
- Alliance
- Accelerite (Products)

			(In ₹ Million)			
Particulars			Technology Services	Alliance	Accelerite (Products)	Total
Revenue	Year ended	Mar-31-2020	24,922.47	9,358.16	1,377.45	35,658.08
	Year ended	Mar-31-2019	22,018.03	9,759.92	1,881.46	33,659.41
Identifiable expense	Year ended	Mar-31-2020	15,461.49	6,546.05	734.02	22,741.56
	Year ended	Mar-31-2019	13,510.36	6,461.91	889.32	20,861.59
Segmental result	Year ended	Mar-31-2020	9,460.98	2,812.11	643.43	12,916.52
	Year ended	Mar-31-2019	8,507.67	3,298.01	992.14	12,797.82
Unallocable expenses	Year ended	Mar-31-2020				9,716.87
	Year ended	Mar-31-2019				8,810.98
Operating income	Year ended	Mar-31-2020				3,199.65
	Year ended	Mar-31-2019				3,986.84
Other income (net of expenses)	Year ended	Mar-31-2020				1,323.77
	Year ended	Mar-31-2019				876.55
Profit before taxes	Year ended	Mar-31-2020				4,523.42
	Year ended	Mar-31-2019				4,863.39
Tax expense	Year ended	Mar-31-2020				1,120.53
	Year ended	Mar-31-2019				1,346.60
Profit after tax	Year ended	Mar-31-2020				3,402.89
	Year ended	Mar-31-2019				3,516.79

			(In ₹ Million)			
Particulars			Technology Services	Alliance	Accelerite (Products)	Total
Segmental trade receivables (net)	As at	Mar-31-2020	4,780.49	637.13	504.34	5,921.96
	As at	Mar-31-2019	3,547.07	1,021.77	354.17	4,923.01
Unallocated assets	As at	Mar-31-2020	-	-	-	24,999.73
	As at	Mar-31-2019	-	-	-	23,632.98

Segregation of assets (other than trade receivables), liabilities, depreciation and amortization 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 the other assets, liabilities and other non-cash expenses to individual segments and an ad-hoc allocation will not be meaningful.

Geographical Information

The following table shows the distribution of the Group's consolidated sales by geographical market regardless of from where the services were rendered

			(In ₹ Million)			
Particulars			India	North America	Rest of the World	Total
Revenue	Year ended	Mar-31-2020	2,657.29	28,891.15	4,109.64	35,658.08
	Year ended	Mar-31-2019	2,349.29	27,507.46	3,802.66	33,659.41

The revenue from individual customers in excess of ten percent of total revenue of the Group is ₹ 11,623.30 million for the year ended March 31, 2020 (previous year : ₹ 8,079.32 million).

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35. Leases

The table below provides details regarding the contractual maturities of lease liabilities as of March 31, 2020 on an undiscounted basis:

	(In ₹ Million)
	As at
	March 31, 2020
- Less than one year	309.06
- One to five years	436.94
- More than five years	68.11

The Group does not face a significant liquidity risk with regard to its lease liabilities as the current assets are sufficient to meet the obligations related to lease liabilities as and when they fall due.

Rental expense recorded for short-term leases was ₹135.25 million for the year ended March 31, 2020.

Effective April 1, 2019, the Group has adopted Ind AS 116, Leases; and has recognized interest on lease liability of ₹ 61.22 million under finance costs.

The aggregate depreciation on ROU assets has been included under depreciation and amortisation expense in the Statement of Profit and Loss.

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36. Related Party Disclosures

(i) Names of related parties and related party relationship

Related parties with whom transactions have taken place	
Associates	i. Klisma e-Services Private Limited
Key management personnel	i. Dr. Anand Deshpande, Chairman and Managing Director ii. Mr. Christopher O'Connor, Chief Executive Officer and Director@ iii. Mr. Sunil Sapre, Executive Director and Chief Financial Officer iv. Mr. Amit Atre, Company Secretary v. Mr. Sudhir Kulkarni, Director, Persistent Systems, Inc., USA** vi. Mr. Narayanan Rajagopalan, President and Director, Persistent Telecom Solutions Inc., USA\$ vii. Mr. Azlin Ghazali, Director, Persistent Systems Malaysia Sdn. Bhd. viii. Ms. Audrey Reutens, Director, Persistent Systems Malaysia Sdn. Bhd. ix. Mr. Arnaud Pierrel, Director General, Persistent Systems France SAS x. Mr. Steven Ward, Director, Youperience Limited, United Kingdom xi. Mr. Bruno Orsier, Director, Persistent Systems France SAS xii. Mr. Thomas Klein, Director, Persistent Systems, Inc., USA xiii. Ms. Roshini Bakshi, Independent Director xiv. Mr. Pradeep Bhargava, Independent Director xv. Mr. Sanjay Bhattacharya, Independent Director* xvi. Dr. Anant Jhingran, Independent Director xvii. Mr. Thomas Kendra, Independent Director xviii. Mr. Prakash Telang, Independent Director xix. Mr. Kiran Umrootkar, Independent Director xx. Mr. Deepak Phatak, Independent Director xxi. Mr. Guy Eiferman, Independent Director xxii. Mr. Silvio Galfetti, Director, Parx Werk AG, Switzerland xxiii. Mr. Steffen Drilich, Director, Youperience GmbH, Germany xxiv. Mr. Sandeep Kalra, President and Director, Persistent Solutions Inc., USA^ xxv. Mr. Daniel Seiler, Chief executive officer, PARX Consulting GmbH^^
Relatives of Key management personnel	i. Mr. Suresh Deshpande (Father of the Chairman and Managing Director) ii. Mrs. Sulabha Suresh Deshpande (Mother of the Chairman and Managing Director) iii. Mrs. Sonali Anand Deshpande (Wife of the Chairman and Managing Director) iv. Dr. Mukund Deshpande (Brother of the Chairman and Managing Director) v. Mrs. Chitra Buzruk (Sister of the Chairman and Managing Director) vi. Dr. Asha Sapre (Wife of Executive Director and Chief Financial Officer)
Members of Promoter Group	i. Rama Purushottam Foundation
Entities over which a key management personnel have significant influence	i. Deazzle Services Private Limited ii. Azure Associates, LLC iii. Persistent Foundation

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Persistent Systems Limited

Notes forming part of consolidated financial statements

36. (ii) Related party transactions

(In ₹ Million)

	Name of the related party and nature of relationship	For the year ended		
		March 31, 2020	March 31, 2019	
Sale of software services	Entity over which a key management personnel has significant influence			
	Deazzle Services Private Limited	7.47	18.46	
	Total	7.47	18.46	
Legal and professional fees	Entity over which a key management personnel has significant influence			
	Azure Associates, LLC	10.63	23.07	
	Total	10.63	23.07	
Donation given	Entity over which a key management personnel has significant influence			
	Persistent Foundation	79.21	70.51	
	Total	79.21	70.51	
Rent paid	Key management personnel			
	Mr. Sunil Sapre	-	0.16	
	Relatives of Key Management Personnel			
	Dr. Asha Sapre	-	0.16	
	Total	-	0.32	
Remuneration # (Salaries, bonus and contribution to other funds)	Key Management Personnel			
	Dr. Anand Deshpande	23.88	21.79	
	Mr. Christopher O'Connor@	58.35	6.62	
	Mr. Sunil Sapre (including value of perquisites for stock options exercised ₹ 0.88 million during the year 2018-19)	13.31	12.47	
	Mr. Amit Atre	3.38	2.92	
	Mr. Narayan Rajagopalan\$	-	43.02	
	Sudhir Kulkarni **	10.77	42.31	
	Mr. Sandeep Kalra^	43.64	-	
	Mr. Azlin Ghazali (including value of perquisites for stock options exercised ₹ 13.61 million during the year 2018-19)	9.66	23.27	
	Ms. Audrey Reutens	5.12	5.05	
	Mr. Arnaud Pierrel	13.01	13.16	
	Mr. Bruno Orsier	10.26	10.36	
	Mr. Thomas Klein	35.47	32.21	
	Mr. Steffen Drillich	6.87	-	
	Mr. Steven Ward	6.08	-	
	Mr. Silvio Galfetti	35.01	24.71	
	Mr. Daniel Seiler^^	25.16	-	
	Independent directors:			
	Ms. Roshini Bakshi	2.48	2.20	
	Mr. Pradeep Bhargava	3.13	2.78	
	Mr. Sanjay Bhattacharyya*	0.78	2.30	
	Dr. Anant Jhingran	2.23	1.98	
	Mr. Thomas Kendra	2.33	2.03	
	Mr. Prakash Telang	3.00	2.48	
	Mr. Kiran Umrootkar	3.05	2.80	
	Mr. Guy Eiferman	2.28	1.99	
	Dr. Deepak Phatak	2.40	1.95	
	Relatives of Key Management Personnel			
	Mrs. Chitra Buzruk	2.10	4.71	
	Dr. Mukund Deshpande (including value of perquisites for stock options exercised ₹ 9.80 million during the year, ₹ 3.43 million during the year 2018-19)	14.20	8.05	
		Total	337.95	271.16
	Dividend paid	Key Management Personnel		
		Dr. Anand Deshpande	342.71	251.25
		Mr. Sunil Sapre	0.07	0.05
		Independent directors:		
		Pradeep Bhargava	0.20	0.15
		Sanjay Bhattacharyya*	0.04	0.15
		Prakash Telang	0.27	0.20
		Kiran Umrootkar	0.09	0.07
		Relatives of Key Management Personnel		
		Mr. Suresh Deshpande	0.08	0.06
		Mrs. Chitra Buzruk	7.04	5.25
		Dr. Mukund Deshpande	5.65	4.12
		Mrs. Sonali Anand Deshpande	1.68	1.23
		Mrs. Sulabha Suresh Deshpande	2.49	6.23
		Rama Purushottam Foundation	4.92	-
		Total	365.24	268.76

(iii) Outstanding balances

	Name of the related party and nature of relationship	As at	
		March 31, 2020	March 31, 2019
Trade receivables	Entity over which a key management personnel has significant influence		
	Deazzle Services Private Limited	-	2.14
	Total	-	2.14
Trade payables	Entity over which a key management personnel has significant influence		
	Azure Associates, LLC	-	2.83
	Total	-	2.83
Advances given	Associate		
	Klisma e-Services Private Limited @	0.81	0.81
	Total	0.81	0.81
Investments	Associate		
	Klisma e-Services Private Limited @	0.05	0.05
	Total	0.05	0.05
Loans given	Associate		
	Klisma e-Services Private Limited @	27.43	27.43
	Total	27.43	27.43

@ Mr. Christopher O' Connor has been appointed as Chief executive officer Designate w.e.f. February 25, 2019 via Persistent Systems, Inc. (wholly owned subsidiary) and was appointed as a Director in Persistent Systems Limited w.e.f. June 11, 2019

** Mr. Sudhir Kulkarni resigned as Director of Persistent Systems, Inc (wholly owned subsidiary) w.e.f. April 19, 2019.

*Mr. Sanjay Kumar Bhattacharyya resigned as an Independent Director of the Company w.e.f. July 1, 2019.

\$Mr. Narayan Rajagopalan resigned as a Director of the Persistent Telecom Solutions Inc., USA (wholly owned subsidiary) w.e.f. March 22, 2019.

^Mr. Sandeep Kalra appointed as Director of the Company w.e.f. June 11, 2019.

^^Mr. Daniel Seiler is appointed as director with effect from October 01, 2019, however his remuneration for the financials year ended March 31, 2020 has been disclosed from April 01, 2019 to March 31, 2020.

The remuneration to the key managerial personnel does not include the provisions made for gratuity, long service awards and leave benefits, as they are determined on an actuarial basis for the Company/Group as a whole.

@ These balances are fully provided for.

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37. Employees stock option plans (ESOP)

Certain information in this note relating to number of shares, options and per share/option price has been disclosed in full and is not rounded off.

a) Details of Employee stock option plans

The Group has framed various share-based payment schemes for its employees. The details of various equity-settled employee stock option plan ('ESOP') schemes adopted by the Board of Directors are as follows:

ESOP scheme	No. of options granted #	Date of adoption by the Board/Members	Initial Grant date	Exercise period
Scheme I	4,560,500	Dec 11, 1999	Dec 11, 1999	*
Scheme II	753,200	Apr 23, 2004	Apr 23, 2004	10 Years
Scheme III	2,533,300	Apr 23, 2004	Apr 23, 2004	*
Scheme IV	6,958,250	Apr 23, 2006	Apr 23, 2006	10 Years
Scheme V	1,890,525	Apr 23, 2006	Apr 23, 2006	*
Scheme VI	1,216,250	Oct 31, 2006	Oct 31, 2006	10 Years
Scheme VII	1,784,975	Apr 30, 2007	Apr 30, 2007	10 Years
Scheme VIII	42,000	Jul 24, 2007	Jul 24, 2007	3 Years
Scheme IX	1,374,462	Jun 29, 2009	Jun 29, 2009	10 Years
Scheme X	3,062,272	Jun 10, 2010	Oct 29, 2010	2-3 Years
Scheme XI **	1,062,000	Jul 26, 2014	Nov 03, 2014	1 Year
Scheme XII ***	67,300	Feb 04, 2016	Apr 08, 2016	2.5 Months
Scheme XIII	975,000	Jul 27, 2017	Aug 01, 2019	5 Years
Scheme XIV	80,000	Jul 27, 2017	May 01, 2019	4 Years

Adjusted for bonus issue of shares.

*No contractual life is defined in the scheme.

**The options under Scheme XI, which is a performance based ESOP scheme will vest after 2-3 years in proportion of credit points earned by the employees every quarter based on performance. The maximum options which can be granted under this scheme are 2,000,000.

***The options under Scheme XII, ESOP scheme would vest after 1 year. The maximum options which are granted under this scheme are 50 per employee.

The vesting period and conditions of the above ESOP schemes is as follows:

All the above ESOP schemes have service condition (other than scheme XI which is based on performance criteria), which require the employee to complete a specified period of service, as a vesting condition. The vesting pattern of various schemes has been provided below:

(i) Scheme I to V, VII, VIII, X, XIII and XIV:

Service period from the date of grant	% of Options vesting			
	Scheme I to V & X	Scheme VII	Scheme VIII & XIII	Scheme XIV
12 Months	10%	20%	25%	0.00%
24 Months	30%	40%	50%	33.33%
36 Months	60%	60%	75%	66.66%
48 Months	100%	80%	100%	100.00%
60 Months	NA	100%	NA	NA

(ii) Scheme VI:

Service period from the date of grant	% of Options vesting
18 Months	30%
Every quarter thereafter	5%

(iii) Scheme IX:

Service period from the date of grant	% of Options vesting
30- 60 Months varying from employee to employee	100%

(iv) Scheme XI:

Service period from the date of grant	% of Options vesting
2-3 years varying from employee to employee	Based on credit points earned

(v) Scheme XII:

Service period from the date of grant	% of Options vesting
1 year	100%

b) Details of activity of the ESOP schemes

Movement for the year ended March 31, 2020 and March 31, 2019:

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 Option	March 31, 2020	18	-	-	1	17	17
	Weighted Average Price	March 31, 2020	4.42	-	-	5.05	4.42	4.42
	Number of Option	March 31, 2019	20	-	-	2	18	18
	Weighted Average Price	March 31, 2019	4.19	-	-	4.22	4.42	4.42
Scheme II	Number of Option	March 31, 2020	3	-	3	-	-	-
	Weighted Average Price	March 31, 2020	24.18	-	24.18	-	-	-
	Number of Option	March 31, 2019	103	-	-	100	3	3
	Weighted Average Price	March 31, 2019	47.51	-	-	48.21	24.18	24.18
Scheme III	Number of Option	March 31, 2020	158,625	-	-	10,790	147,835	147,835
	Weighted Average Price	March 31, 2020	31.89	-	-	31.20	31.94	31.94
	Number of Option	March 31, 2019	203,392	-	11,288	33,479	158,625	158,625
	Weighted Average Price	March 31, 2019	31.36	-	25.75	30.74	31.89	31.89
Scheme IV	Number of Option	March 31, 2020	499,773	-	-	93,425	406,348	406,348
	Weighted Average Price	March 31, 2020	52.37	-	-	48.66	53.07	53.07
	Number of Option	March 31, 2019	708,946	-	17,542	191,631	499,773	499,773
	Weighted Average Price	March 31, 2019	52.34	-	24.79	54.78	52.37	52.37
Scheme V	Number of Option	March 31, 2020	62,793	-	-	2,461	60,332	60,332
	Weighted Average Price	March 31, 2020	27.37	-	-	22.23	27.58	27.58
	Number of Option	March 31, 2019	96,856	-	10,952	23,111	62,793	62,793
	Weighted Average Price	March 31, 2019	26.33	-	24.13	24.55	27.37	27.37
Scheme VI	Number of Option	March 31, 2020	-	-	-	-	-	-
	Weighted Average Price	March 31, 2020	-	-	-	-	-	-
	Number of Option	March 31, 2019	-	-	-	-	-	-
	Weighted Average Price	March 31, 2019	-	-	-	-	-	-
Scheme VII	Number of Option	March 31, 2020	34,996	-	-	28,035	6,961	6,961
	Weighted Average Price	March 31, 2020	33.55	-	-	27.44	58.18	58.18
	Number of Option	March 31, 2019	37,996	-	-	3,000	34,996	34,996
	Weighted Average Price	March 31, 2019	35.73	-	-	61.12	33.55	33.55
Scheme VIII	Number of Option	March 31, 2020	-	-	-	-	-	-
	Weighted Average Price	March 31, 2020	-	-	-	-	-	-
	Number of Option	March 31, 2019	-	-	-	-	-	-
	Weighted Average Price	March 31, 2019	-	-	-	-	-	-

Persistent Systems Limited
Notes forming part of consolidated financial statements

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 IX	Number of Option	March 31, 2020	142,120	-	-	6,200	135,920	135,920
	Weighted Average Price	March 31, 2020	54.74	-	-	54.74	54.74	54.74
	Number of Option	March 31, 2019	150,552	-	-	8,432	142,120	142,120
	Weighted Average Price	March 31, 2019	54.74	-	-	54.74	54.74	54.74
Scheme X	Number of Option	March 31, 2020	155,650	-	-	30,588	125,062	125,062
	Weighted Average Price	March 31, 2020	206.73	-	-	221.47	188.75	188.75
	Number of Option	March 31, 2019	461,351	-	31,124	274,577	155,650	155,650
	Weighted Average Price	March 31, 2019	201.74	-	204.64	204.64	206.73	206.73
Scheme XI	Number of Option	March 31, 2020	-	570,000	-	-	570,000	-
	Weighted Average Price	March 31, 2020	-	10.00	-	-	10.00	-
	Number of Option	March 31, 2019	36,000	-	9,600	26,400	-	-
	Weighted Average Price	March 31, 2019	5.00	-	5.00	5.00	-	-
Scheme XII	Number of Option	March 31, 2020	-	-	-	-	-	-
	Weighted Average Price	March 31, 2020	-	-	-	-	-	-
	Number of Option	March 31, 2019	-	-	-	-	-	-
	Weighted Average Price	March 31, 2019	-	-	-	-	-	-
Scheme XIII	Number of Option	March 31, 2020	-	975,000	55,000	-	920,000	-
	Weighted Average Price	March 31, 2020	-	451.13	442.47	-	451.65	-
	Number of Option	March 31, 2019	-	-	-	-	-	-
	Weighted Average Price	March 31, 2019	-	-	-	-	-	-
Scheme XIV	Number of Option	March 31, 2020	-	80,000	-	-	80,000	-
	Weighted Average Price	March 31, 2020	-	540.82	-	-	540.82	-
	Number of Option	March 31, 2019	-	-	-	-	-	-
	Weighted Average Price	March 31, 2019	-	-	-	-	-	-
Total	Number of Option	March 31, 2020	1,053,978	1,625,000	55,003	171,500	2,452,475	827,475
	Number of Option	March 31, 2019	1,695,216	-	80,506	560,732	1,053,978	1,053,978

The weighted average share price for the period over which stock options were exercised was ₹ 623.69 (previous year ₹ 697.09)

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c) Details of exercise price for stock option outstanding at the end of the year

Scheme	Range of exercise price	As at March 31, 2020		As at March 31, 2019	
		No. of Options outstanding*	Weighted average remaining contractual life (in years)	No. of Options outstanding	Weighted average remaining contractual life (in years)
Scheme I	2.04 – 9.57	17	Note (i)	18	Note (i)
Scheme II	12.96 – 48.21	-	-	3	2.40
Scheme III	12.96 – 48.21	147,835	Note (i)	158,625	Note (i)
Scheme IV	22.23 – 61.12	406,348	3.02	499,773	3.93
Scheme V	22.23 – 44.14	60,332	Note (i)	62,793	Note (i)
Scheme VI	22.23 – 30.67	-	-	-	-
Scheme VII	24.17 – 61.12	6,961	3.52	34,996	3.37
Scheme VIII	48.21 – 48.21	-	-	-	-
Scheme IX	54.74 – 54.74	135,920	3.24	142,120	4.03
Scheme X	157.58 – 279.70	125,062	5.55	155,650	1.85
Scheme XI	10.00	570,000	2.30	-	-
Scheme XII	10.00	-	-	-	-
Scheme XIII	442.47 – 602.31	920,000	4.36	-	-
Scheme XIV	540.82 – 540.82	80,000	4.08	-	-

Note (i) No contractual life is defined in the scheme.

* Amongst the above schemes, certain options have been lapsed on December 31, 2019 since those were not exercised by the respective employees during their contracted Exercise Period. However, before cancelling the said options, the Management has decided to take guidance from the Nomination and Governance Committee. The appropriate action will be taken upon receipt of the aforementioned guidance from the Committee on further extension / immediate cancellation. Hence, being prudent, the same are still considered outstanding as at March 31, 2020. The weighted average contractual life disclosed above has been computed only for the unexpired options.

d) Effect of the employee share-based payment plans on the statement of profit and loss and on its financial position

Compensation expense arising from equity-settled employee share-based payment plans for the year ended March 31, 2020 amounted to ₹ 236.79 million (Previous year Nil). The liability for employee stock options outstanding as at March 31, 2020 is ₹ 290.51 million (Previous year ₹ 76.29 million).

e) Weighted average exercise prices and weighted average fair values of options

The Binomial tree and Black-Scholes valuation models have been used for computing the weighted average fair value of the stock options granted during the financial year 2019-20:

Particulars	March 31, 2020			March 31, 2019		
	RSU Scheme XI	ESOP Scheme XIII	ESOP Scheme IV	RSU Scheme XI	ESOP Scheme XIII	ESOP Scheme IV
Weighted average share price (Rs.)	637.32	620.86	636.25	NA	NA	NA
Weighted Exercise Price (Rs.)	10	451.13	540.82	NA	NA	NA
Weighted Average Fair Value (Rs.)	446.15	202.78	171.45	NA	NA	NA
Expected Volatility	26.54	26.54	26.54	NA	NA	NA
Life of the options granted (Vesting and exercise period)	4 yrs	5 yrs	5 yrs	NA	NA	NA
Dividend Yield	2.00%	2.00%	2.00%	NA	NA	NA
Average risk-free interest rate	6.80%	6.24%	7.10%	NA	NA	NA

38. Capital and other commitments

	(In ₹ million)	
	As at	
	March 31, 2020	March 31, 2019
Capital commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for	143.37	342.67
Other commitments		
Forward contracts	9,253.21	8,175.45

39. Auditors' remuneration

	(In ₹ million)	
	For the year ended	
	March 31, 2020	March 31, 2019
As auditor:		
- Audit fee	17.03	9.20
- Tax audit fee	-	-
In other capacity:		
- Other services	1.63	12.51
Reimbursement of expenses	0.23	-
	18.89	21.71

40. Research and development expenditure

The particulars of expenditure incurred on in-house research and development are as follows:

	(In ₹ million)	
	For the year ended	
	March 31, 2020	March 31, 2019
Capital	1.04	0.46
Revenue	778.89	865.21
	779.93	865.67

41. The Parent Company was required to spend an amount of ₹ 85.05 million during the financial year 2019-20 (Previous year ₹ 79.08 million) on Corporate Social Responsibility in accordance with section 135(5) of the Companies Act, 2013. The Parent Company has spent ₹ 86.11 million during the financial year 2019-20 (Previous year ₹ 80.36 million, of which ₹ 1.40 million was spent in kind) on purposes other than construction / acquisition of any asset.

42. Net dividend remitted in foreign exchange

Particulars	Period to which dividend relates	No. of non-resident shareholders	No. of equity shares held on which dividend was due (in million)	For the year ended	
				March 31, 2020	March 31, 2019
Final dividend	2018-19	3	0.37	0.02	-
Interim dividend	2019-20	3	0.37	0.05	
Final dividend	2017-18	3	0.37	-	0.02
Interim dividend	2018-19	3	0.37	-	0.0001

43. Contingent liabilities

Persistent Systems Limited ("the Parent Company") had received a show cause notice from Commissioner of Service Tax on December 19, 2016 for non-payment of service tax of ₹ 452.15 million under import of services on reverse charge basis, excluding interest and penalty if applicable. The issue relates to the professional and technical services rendered by overseas subsidiaries on behalf of the Parent Company to its overseas customers for the period 2011-12 to 2014-15.

Post representations made by the Parent Company, the Learned Principal Commissioner of Service Tax, Pune, adjudicated the aforesaid show-cause notice and issued an order on May 29, 2017, reducing the demand to ₹ 173.78 million based on the period of limitation and as a result of that, the said demand now covers financial year 2014-15. The Parent Company has filed an appeal against the order passed by Learned Principal Commissioner of Service Tax, Pune with the Hon'ble Central Excise and Service Tax Appellate Tribunal (CESTAT) on September 23, 2017.

The Group, based on independent legal opinion obtained in respect of issues related to this matter, believes that the liability is not likely to arise and therefore, no provision is considered necessary in the financial statements. If the appeal filed as mentioned above results in a demand, there will be no impact on the profitability as the Group will be eligible to claim credit/refund for the amount paid.

The GST department has filed an appeal on October 11, 2017 with appellate authorities against the Order passed by Learned Principal Commissioner of Service Tax, Pune. Though the GST department has acknowledged the ground of revenue neutrality, the said appeal mainly questions non-application of extended period of limitation. The Parent Company has filed reply to this appeal on December 18, 2017.

Considering the view of the Service Tax Authorities, based on legal advice and due prudence, the Company has deposited, an amount of ₹ 647.36 million towards service tax in respect of the above matter, for the period from April 01, 2014 to June 30, 2017, under protest. This balance, post adjustment of service tax liability of ₹17.76 million for the month of June 2017 (i.e. net amount of ₹ 629.60 million) was considered as transitional credit under GST Regime and recorded accordingly as GST receivable. The disputed demand currently stands at ₹ 173.78 million towards which ₹ 165.58 million was paid under protest and forms part of the aforementioned GST receivable balance.

As on March 31, 2020, the pending litigations in respect of direct taxes amount to ₹ 220.30 million and in respect of indirect taxes amount to ₹ 26.51 million (excluding the show cause received from Commissioner of Service Tax on May 29, 2017 of ₹ 173.78 million under import of services on reverse charge basis as mentioned above). Based on the advice obtained and judgments in favour of the Parent Company at the first appellate authority in the earlier years, management does not expect any outflow in respect of these litigations.

In respect of export incentives, pertaining to previous years amounting to ₹ 296.55 million, which have been refunded under protest based on show cause notice from Directorate of Revenue Intelligence (DRI), the Parent Company has filed an application before the relevant authorities. Further, the Parent Company is in the process of making representations through the industry associations to ensure continued applicability of the said incentives to the eligible information technology companies.

Additionally, accrued export incentives amounting to ₹ 113.49 Million pertaining to earlier years is subject to realisation in the context of the Parent Company's review application pending before the authorities.

Persistent Systems Limited has given a performance guarantee upto \$ 10 million to HSBC Bank USA in respect of payment obligations under the Receivables Purchase agreement entered into by Persistent Systems, Inc. with HSBC Bank, USA (Previous year: \$10 million). Persistent Systems Limited has also given performance guarantee upto \$ 5 million to Citibank USA (Previous year: \$ 5 million) in respect of working capital facilities for Persistent Systems, Inc. and \$ 0.17 million to Sun Life Assurance Company of Canada for timely payment of rent instalments and damages, in respect of office rented to Persistent Systems, Inc.

Persistent Systems, Inc., has given commercial guarantee of 30 million Euros (Previous year: 30 Million euros) to Tech Data Europe GmbH on behalf of Persistent Systems France S.A.S. For the said guarantee, Persistent Systems, Inc. has charged guarantee fees of 0.25% of the guarantee amount.

Persistent Systems, Inc., subsidiary of Persistent Systems Limited, has also given a performance guarantee of upto \$ 3 million to United States Cellular Corporation (USCC) Services & its affiliates towards trade payable of Aepona Limited.

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44. Persistent Systems Germany GmbH, wholly owned subsidiary of Persistent Systems Limited, acquired 100% share capital of Youperience GmbH, a Salesforce Certified Gold Partner in Germany and Youperience Limited, a company based in United Kingdom.

- a) The amount of consideration paid is ₹ 435.48 million.
The fair value of assets acquired and liabilities assumed as on the date of acquisition are as follows:

(In ₹ Million)

Particulars	Youperience GmbH	Youperience Limited	Total
Current Assets			
Cash and & cash equivalents	25.01	12.34	37.35
Trade receivables	38.55	20.71	59.26
Other current assets	3.24	0.39	3.63
Other current financial assets	-	1.63	1.63
Non-current assets			
Property, Plant and Equipment	3.15	0.39	3.54
Loans	3.32	0.21	3.53
Contractual rights	377.31	-	377.31
Other non-current assets	2.21	0.41	2.62
Current liabilities			
Trade and other payables	28.35	14.19	42.54
Current tax liabilities (net)	6.65	4.20	10.85
Net assets	417.79	17.69	435.48

Acquisition related costs amounting to ₹ 10.03 million have been excluded from the intangible assets transferred and have been recognised as expenses in the statement of profit and loss under "other expenses."

- b) Net cash outflow on acquisition of subsidiaries

Particulars	Amount in ₹ million
Consideration paid/ payable in cash	435.48
Less: cash and cash equivalent balances acquired	(37.35)
	398.13

- c) Revenue of ₹ 196.81 million for the period ended March 31, 2020 of Youperience GmbH and revenue of ₹ 100.54 million for the period ended March 31, 2020 of Youperience Limited is included in the consolidated financial statements. The consolidated loss included for both these subsidiaries for the period ended March 31, 2020 is ₹ 94.36 million.

Had the business combination been effected on April 1, 2019, the revenue for the year ended March 31, 2020 for the Group from the continuing operations would have been ₹ 35,794.91 million and the net profit for the year ended March 31, 2020 would have been ₹ 3,411.63 million.

45. The Parent Company has deposits of ₹ 430 million with the financial institutions viz. Infrastructure Leasing & Financial Services Ltd. (IL&FS) and IL&FS Financial Services Ltd. (referred to as "IL&FS Group") as on the balance sheet date. These were due for maturity from January 2019 to June 2019. In view of the uncertainty prevailing with respect to recovery of outstanding balances from IL&FS Group, Management of the Parent Company has fully provided for these deposits, along with interest accrued thereon till the date the deposits had become doubtful of recovery. The Management is hopeful of recovery though with a time lag. The Parent Company continues to monitor developments in the matter and is committed to take steps including legal action that may be necessary to ensure full recovery of the said deposits.

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Persistent Systems Limited

Notes forming part of consolidated financial statements

46. The financial statements are presented in ₹ million and decimal thereof except for per share information or as otherwise stated.
47. Previous year's figures have been regrouped where necessary to conform to current year's classification.

For Walker Chandiook & Co LLP
Chartered Accountants
Firm Registration No.: 001076N/N500013

For and on behalf of the Board of Directors of
Persistent Systems Limited

Bharat Shetty
Partner
Membership No.: 106815

Dr. Anand Deshpande
Chairman and Managing Director

Kiran Umrootkar
Director

Sunil Sapre
Executive Director and
Chief Financial Officer

Amit Atre
Company Secretary

Place: Mumbai
Date: May 5, 2020

Place: Pune
Date: May 5, 2020