

Message from the CFO

Dear Shareholders,

In FY20, our team delivered a growth of 4.3% in USD terms and 5.9% in INR terms. We had a special year as we crossed a half-billion-dollar milestone, which is always an important threshold in the Company's growth journey.

Customers across industry segments are adopting digital transformation technologies to expand and sustain their position in a highly competitive market. Our offerings and strengths in the digital space are very relevant to address these needs, and we see an increased level of engagement.

Our services revenue grew by 12.4% to reach ₹ 28,396 million. However, the revenue from our IP led portfolio declined by 13.4% at ₹ 7,262 million. The total revenue was ₹ 35,658 million, a growth of 5.9%. Our focus on industry verticals has started to show results, with revenue growth of 23.5% in BFSI and 8.8% in Healthcare. The technology companies segment weighed under lower IP led revenue and had a decline of 3.9%.

The operating margin for the year at 13.8% was impacted by lower IP led revenue and the investment made in sales and marketing. We believe that as we prepare for the next phase of growth, these investments are necessary to improve market penetration and deepen customer relationships.

Increasing adoption of cloud creates a new set of requirements in managing data and security. In the current challenging environment caused by the corona virus pandemic, the customers are increasingly embracing digital technologies. Our offerings are thus increasingly relevant to them. We continue to invest in new technologies to be able to deliver value to our customers and help them achieve business outcomes that are meaningful for their customers.

The cash position of your Company continues to be healthy. We completed the share buyback amounting to ₹ 2,250 million in June 2019. During July 2019, we acquired Youperience GmbH, a Salesforce consulting company in Europe, which will help us improve our presence in Europe. Interim dividends totalling ₹ 12 per share for Financial Year 2019-20 was paid during the year. Cash and cash equivalents stood at ₹ 14,796 million at the end of the year, as compared to ₹ 14,798 million at the end of the previous year.

On the CSR front, your Company has always been committed to the society at large and contributed ₹ 86.11 million towards CSR activities through Persistent Foundation.

Further, we have pledged to contribute ₹ 250 million during Financial Year 2020-21 to support the global response to the pandemic.

I am grateful to all our investors for their continued support, and we will strive to deliver value to our customers and enhance shareholder value..

Sincerely,

Sunil Sapre

Executive Director and Chief Financial Officer

DIN: 06475949

Report of the Directors

Your Directors are pleased to present the Thirtieth Annual Report of your Company along with the Audited Financial Statements for the Financial Year ended March 31, 2020.

It has been an exciting thirty-years' journey for your Company that started in 1990 on March 27, 1990, Gudhi Padawa, the new year day in the local lunar calendar followed by Maharashtrians and others in India. Mr. S. P. (Dada) Deshpande, the founding Director of the Company initiated the paperwork to establish your Company. The actual paperwork was completed in two months and your Company received the Certificate of Incorporation dated May 30, 1990.

At this time in the thirtieth year of your Company, we are in the midst of an unprecedented crisis caused by the global COVID-19 pandemic. Since mid-March, most countries where our people are located, and where we do business, are locked-down and all employees of your Company are working from home. While all the employees of your Company are safe, this crisis has caused very high levels of uncertainty and economic hardships globally. As a responsible corporate citizen, in the first week of April 2020, your Company declared a contribution of ₹ 250 million (US\$ 3.3 million) to support communities globally with food, rehabilitation, treatment, vaccines, research and other support for medical professionals.

This year was momentous for your Company as two significant milestones were achieved -- your Company crossed the 10,000-employee mark in April 2019 and crossed the Half Billion Dollar in revenues for the Financial Year.

Mr. Christopher O'Connor joined Persistent Group as the Chief Executive Officer on February 25, 2019 and Mr. Sandeep Kalra joined as the President of the Technology and Services Unit on May 1, 2019. This was the first full year for the new CEO and the new management team.

Revenues for the year was ₹ 35,658.08 million which is 5.9% growth over the previous year. This is US\$ 501.61 million which was 4.3% growth over the previous year. The Profit after Tax was ₹ 3,402.89 million which is 3.2% lower than the previous year.

Financial Results

The highlights of the financial performance on a consolidated basis for the year ended March 31, 2020 are as under:

| Particulars | (Amount in USD million except EPS and Book Value) | | (Amount in ₹ million except EPS and Book Value) | | % Change (based on amounts in ₹) |
|--|---|---------|---|-----------|----------------------------------|
| | 2019-20 | 2018-19 | 2019-20 | 2018-19 | |
| Revenue from Operations | 501.61 | 480.97 | 35,658.08 | 33,659.41 | 5.94% |
| Earnings before interest, depreciation, amortization and taxes | 69.34 | 82.96 | 4,929.54 | 5,805.36 | (15.09%) |
| Finance Cost* | 0.89 | 0.04 | 63.32 | 3.05 | 1,976.07% |
| Depreciation and amortization | 23.35 | 22.47 | 1,659.62 | 1,572.51 | 5.54% |
| Other income | 18.53 | 9.05 | 1,316.82 | 633.59 | 107.83% |
| Tax expense | 15.76 | 19.25 | 1,120.53 | 1,346.60 | (16.79%) |
| Net profit | 47.87 | 50.25 | 3,402.89 | 3,516.79 | (3.24%) |
| Transfer to general reserve | 22.94 | 18.01 | 1,630.89 | 1,260.03 | 29.43% |
| Net worth** | 314.56 | 338.51 | 23,799.84 | 23,394.09 | 1.73% |
| Earnings per share (EPS) (Basic) | 0.62 | 0.63 | 44.38 | 43.99 | 0.89% |
| Earnings per share (EPS) (Diluted) | 0.62 | 0.63 | 44.38 | 43.99 | 0.89% |
| Book value per equity share | 4.12 | 4.28 | 311.41 | 295.68 | 5.32% |

[Conversion Rate USD 1 = ₹ 71.09 for Profit and Loss items; USD 1 = ₹ 75.66 for Balance Sheet items (Financial Year 2019-20) and USD 1 = ₹ 69.98 for Profit and Loss items; USD 1 = ₹ 69.11 for Balance Sheet items (Financial Year 2018-19)].

*Includes notional interest on lease liability ₹ 61.22 million recognized in accordance with IND AS - 116 on Leases for the year ended March 31, 2020

**Net worth = Equity Share Capital + Reserves and Surplus (excluding Gain on bargain purchase) + Other Comprehensive Income

The highlights of the financial performance on an unconsolidated basis for the year ended March 31, 2020 are as under:

| Particulars | (Amount in USD million except EPS and Book Value) | | (Amount in ₹ million except EPS and Book Value) | | % Change (based on amounts in ₹) |
|--|---|---------|---|-----------|----------------------------------|
| | 2019-20 | 2018-19 | 2019-20 | 2018-19 | |
| Revenue from Operations | 296.54 | 280.06 | 21,081.22 | 19,598.67 | 7.56% |
| Earnings before interest, depreciation, amortization and taxes | 60.90 | 54.38 | 4,329.65 | 3,805.21 | 13.78% |
| Finance Cost* | 0.63 | 0.01 | 44.51 | 0.51 | 8,627.45% |
| Depreciation and amortization | 7.81 | 6.56 | 555.12 | 458.84 | 20.98% |
| Other income | 22.49 | 14.83 | 1,599.04 | 1,037.90 | 54.06% |
| Tax expense | 17.61 | 17.63 | 1,251.83 | 1,233.68 | 1.47% |
| Net profit | 57.35 | 45.01 | 4,077.23 | 3,150.08 | 29.43% |
| Transfer to general reserve | 22.94 | 18.01 | 1,630.89 | 1,260.03 | 29.43% |
| Net worth** | 303.80 | 321.40 | 22,985.38 | 22,211.90 | 3.48% |
| Earnings per share (EPS) (Basic) | 0.75 | 0.56 | 53.17 | 39.40 | 34.95% |
| Earnings per share (EPS) (Diluted) | 0.75 | 0.56 | 53.17 | 39.40 | 34.95% |
| Book value per equity share | 3.98 | 4.06 | 300.76 | 280.74 | 7.13% |

[Conversion Rate USD 1 = ₹ 71.09 for Profit and Loss items; USD 1 = ₹ 75.66 for Balance Sheet items (Financial Year 2019-20) and USD 1 = ₹ 69.98 for Profit and Loss items; USD 1 = ₹ 69.11 for Balance Sheet items (Financial Year 2018-19)].

*Includes notional interest on lease liability ₹ 43.86 million recognised in accordance with IND AS - 116 on Leases for the year ended March 31, 2020

**Net worth = Equity Share Capital + Reserves and Surplus + Other Comprehensive Income

Material Events Occurring after Balance Sheet Date

There were no material changes and commitments affecting the financial position of your Company between the end of the Financial Year and the date of this report.

Buyback of Equity Shares of your Company

The Board of Directors of your Company at its meeting held on January 27 and 28, 2019 approved the buyback of the Company's fully paid-up equity shares of the face value of ₹ 10 each from its shareholders (excluding promoters, promoter group and persons who are in control of the Company), via the "open market" route through the stock exchanges, for a total amount not exceeding ₹ 2,250 million, and at a price not exceeding ₹ 750 per Equity Share.

The buyback of equity shares through the stock exchanges commenced on February 8, 2019 and was completed on June 27, 2019. During this buyback period, your Company had purchased and extinguished a total of 3,575,000 equity shares from the stock exchanges 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 your Company. The buyback resulted in a cash outflow of ₹ 2,248.42 million (excluding transaction costs). Your Company funded the buyback from utilization of its securities premium account and free reserves.

Consequently, the paid-up capital of your Company has reduced from ₹ 800,000,000 (Pre-Buyback) to ₹ 764,250,000 (Post-Buyback) comprising of 76,425,000 Equity Shares of ₹ 10 each.

Liquidity

Your Company continues to maintain adequate amount of liquidity to meet the necessary strategic and growth objectives. Your Company aims to balance between earning adequate returns on liquid assets and the need to cover financial and business risks. As at March 31, 2020, your Company, on an unconsolidated basis, had cash and cash equivalents (including investments) amounting to ₹ 12,687.08 million as against ₹ 13,109.31 million as at March 31, 2019.

The details of cash and cash equivalents (including investments) are as below:

| Particulars | (In ₹ million) | |
|---|----------------------|----------------------|
| | As on March 31, 2020 | As on March 31, 2019 |
| Investment in Mutual Funds at fair value | 7,339.28 | 5,270.44 |
| Fixed Deposits with scheduled banks | 2,643.65 | 4,687.90 |
| Deposit with Financial Institutions (net) | - | 497.50 |
| Bonds (quoted) | 2,171.52 | 2,088.35 |
| Cash and Bank balances | 532.63 | 565.12 |
| Total | 12,687.08 | 13,109.31 |

Update on Fixed Deposits with IL&FS

One of the investments in your Company's treasury portfolio, is in the form of fixed deposits with Infrastructure Leasing and Financial Services Limited (IL&FS) and IL&FS Financial Services Limited (IL&FS Group) to the extent of ₹ 430 million. 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 your Company has fully provided for these deposits along with interest accrued thereon till the date, as the deposits had become doubtful of recovery. The Management continues to be hopeful of recovery though with a time lag. Your 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.

Dividend for the Financial Year 2019-20

The details of the Dividend for the Financial Year 2019-20 and 2018-19 are as follows:

| Type of Dividend | Financial Year 2019-20 | | Financial Year 2018-19 | |
|---|------------------------|------------|------------------------|-----------|
| | Interim 1 | Interim 2 | Interim | Final |
| Month of Declaration | January 2020 | March 2020 | January 2019 | July 2019 |
| Amount of Dividend Per Equity Share of ₹ 10 each (In ₹) | 9 | 3 | 8 | 3 |
| % of Dividend | 90% | 30% | 80% | 30% |
| Total Dividend (Amt. in ₹ million) | 687.83 | 229.28 | 640.00 | 229.28* |
| Dividend Distribution Tax (Amt. in ₹ million) | 87.47 | 18.67 | 117.23 | 47.99* |
| Total Outflow (Including Dividend Distribution Tax) (Amt. in ₹ million) | 775.30 | 247.95 | 757.23 | 277.27* |
| Total Dividend Outflow for the year (Amt. in ₹ million) | 1,023.25 | | 1,034.50 | |

*The minor variation in figure as compared to the reported figure in Previous Year is due to change in outstanding number of Equity Share post Buyback.

The Board has not recommended any Final Dividend for the Financial Year 2019-20.

The Company has Dividend Distribution Policy and the same has been uploaded on the website at <https://www.persistent.com/wp-content/uploads/2016/09/Dividend-Distribution-Policy.pdf>. As per the policy, the dividend pay-out ratio shall be maintained up to 40% of the Consolidated Profit After Tax. The above dividend is in compliance with the Dividend Distribution Policy of the Company.

Pursuant to the Finance Act 2020, dividend income will be taxable in the hands of shareholders w.e.f. April 1, 2020 and the Company is required to deduct the tax at source from dividend paid to shareholders at the prescribed rates.

For the prescribed rates for various categories, the shareholders are requested to refer to the Finance Act, 2020 and amendments thereof.

In this regard, the Company has availed the facility for online submission of Tax Exemption forms online from M/s. Link Intime India Private Limited wherein the shareholders can submit their tax-exemption forms along with other required documents.

The requisite form for claiming tax exemption can be downloaded from Link Intime's website. The URL for the same is as under: <https://www.linkintime.co.in/client-downloads.html> - On this page, select the General tab. All the forms are available under the head "Form 15G/15H/10F"

The aforementioned documents (duly completed and signed) are required to be uploaded on the URL mentioned below: <https://linkintime.co.in/formsreg/submission-of-form-15g-15h.html> On this page, the user shall be prompted to select / share the following information to register their request.

Select the company (Dropdown)

Folio / DP-Client ID

PAN

Financial year (Dropdown)

Form selection

Document attachment – 1 (PAN)

Document attachment – 2 (Forms)

Document attachment – 3 (Any other supporting document)

Please note that the upload of documents (duly completed and signed) on the website of Link Intime India Private Ltd should be done in order to enable the Company to determine and deduct appropriate TDS / Withholding Tax.

Incomplete and/or unsigned forms and declarations will not be considered by the Company.

The Members may note that in case the tax on said interim/final dividend is deducted at a higher rate in absence of receipt of the aforementioned details/documents, option is available to the Members to file the return of income as per Income Tax Act, 1961 and claim an appropriate refund, if eligible.

Transfer to reserves

As per the policy of the Company on transfer of surplus profit to reserves, an amount of ₹ 1,630.89 million has been transferred to the General Reserve and an amount of ₹ 1,002.03 million will be retained in the Statement of Profit and Loss after payment of dividend and tax thereon. Further, an amount of ₹ 875.97 million is utilized towards buy back of shares out of the accumulated profits of your Company. The balance in Profit and Loss Account as on March 31, 2020 is ₹ 9,861.78 million.

Fixed Deposits

In terms of the provision of Sections 73 and 74 of the Companies Act, 2013 (the 'Act') read with the relevant Rules, your Company has not accepted any fixed deposits during the year under report.

Infrastructure

During the Financial Year 2019-20, the total built-up capacity owned by your Company in India and abroad was 115,478 m² which is adequate for 8,800+ employees.

The details of owned facilities of your Company are as follows:

| Location | Year of Acquisition/Completion | Total Built-up Area (m2) | Total Seating Capacity |
|-------------------------|--------------------------------|--------------------------|------------------------|
| Pune | | | |
| 1\ Kapilvastu | 1994 | 202 | 35 |
| 2\ Panini | 1998 | 929 | 80 |
| 3\ Bhageerath | 2002 | 12,170 | 586 |
| 4\ Aryabhata – Pingala | 2007 | 31,680 | 2,618 |
| 5\ Hinjawadi | 2012 | 41,446 | 3,173 |
| Goa | | | |
| 1\ Charak | 1997* | 3,280 | 309 |
| 2\ Bhaskar | 2014 | 3,762 | 411 |
| Nagpur | | | |
| 1\ IT Tower | 2003 | 3,708 | 352 |
| 2\ Gargi and Maitreyi | 2011 | 17,279 | 1,263 |
| Grenoble, France | 2000** | 1,022 | 50 |
| Total | | 115,478 | 8,877 |

* Company started to occupy this premises from October 2005 onwards.

** Company acquired this premises in August 2011 as part of acquisition of the Grenoble team.

Along with the Company owned premises, your Company also operates from leased facilities at Canada, Germany, India, Israel, Ireland, Malaysia, Mexico, Scotland, Sri Lanka, Switzerland, USA and UK.

Awards and recognitions during the Financial Year 2019-20

During the Financial Year 2019-20, your Company continued its tradition of winning various awards and getting new recognitions. Your Company was a proud recipient of the following awards during the year:

Awards

1\ “Ecological Sustainability” Award by iNFHRA

Your Company was declared ‘winner’ among 70+ IT companies in Pune for “Ecological Sustainability” by iNFHRA and facilitated in an award function on November 22, 2019. This is the FOURTH consecutive annual award in this category.

iNFHRA is an industry body & member-based organization representing Infrastructure, Facility Management, Human Resource & Realty industry. This an annual award and is awarded after rigorous scrutiny by a Jury from the Industry.

The award was in recognition of your Company’s outstanding efforts on following fronts

- i. Energy Conservation including LEDs, AC upgradation, Ozone system for ACs, VFDs etc.
- ii. Renewable energy generation (wind and solar) with green energy generation of 5,293,952 kWh /Annum and reduction of 5,934.37 Tons of CO² eq emissions, in Financial Year 2018-19 rain water conservation and rainwater harvesting in Persistent campuses
- iii. Tree plantation and maintenance drives
- iv. Watershed and rainwater harvesting projects in Rural Maharashtra under CSR
- v. Waste management and plastic free campuses
- vi. First company to receive ISO 14064: 2018 Certification for reduction of GHG emissions

2\ The Institute of Company Secretaries of India (ICSI) awarded your Company as the Best Corporate (Emerging Category) under the 4th ICSI Awards for Excellence in Corporate Social Responsibility 2019

3\ Training Top 125 (T125) 2018 Award (International) from Training magazine

4\ Golden Peacock National Training Award 2019 from the Institute of Directors, New Delhi

5\ TISS - LEAPVAULT CLO AWARD 2019 for Best Corporate University Award

6\ TISS - LEAPVAULT CLO AWARD 2019 for Best Chief Learning Officer, Dr. Shubhangi Kelkar SHRM 2019 Award for Excellence in Learning and Development

7\ ATD BEST 2019 Award (Global)

8\ ATD Excellence in Practice Award: Ongoing Skills Improvement Program: 2019 (Global)

Recognitions

1\ Constellation again includes your Company in ShortList™ for Innovation Services and Engineering

2\ ISG elevates your Company as cross-category leader in Provider Lens 2020™ for Salesforce Ecosystem Partners

3\ Zinnov places your Company in leadership positions in Zinnov Zones 2019 ER&D Services Report

Auditors

Appointment of Statutory Auditors

The members at its 29th Annual General Meeting (the ‘AGM’) of your Company held on July 24, 2019 had approved the resolution re-appointing M/s. Deloitte Haskins & Sells LLP, Chartered Accountants (‘Deloitte’) as the Statutory Auditors of the Company for a 2 (Two) year term, i.e. from July 24, 2019 till the AGM to be held in the calendar year 2021 i.e. on or before September 30, 2021.

However, M/s. Deloitte vide their letter dated July 23, 2019, communicated that, if their re-appointment is approved by the shareholders in the 29th AGM held on July 24, 2019 for a period of 2 (Two) years and not for 5 (Five) years, they would not accept the same. Hence, in light of this communication, the resolution passed by the shareholders could not be made effective.

Thereafter, the Members, at the Extra Ordinary General Meeting ('EOGM') of your Company held on September 4, 2019, appointed M/s. Walker Chandio & Co LLP (Firm Registration No. 001076N/N500013) as Statutory Auditors of the Company to hold office from the conclusion of the said EOGM up to the conclusion of the 30th Annual General Meeting of the Company to be held in the calendar year 2020, i.e. on or before September 30, 2020.

The Audit Committee and the Board of Directors of your Company have recommended the appointment of M/s. Walker Chandio & Co LLP as the Statutory Auditors of the Company to hold office for a term of 5 (Five) years from the conclusion of the ensuing 30th Annual General Meeting till the Annual General Meeting to be held in the calendar year 2025 i.e. on or before September 30, 2025.

Further, in terms of the Regulation 33(1)(d) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the 'Listing Regulations'), the Statutory Auditors of your Company are subjected to the Peer Review Process of the Institute of Chartered Accountants of India (ICAI). M/s. Walker Chandio & Co LLP has confirmed that they hold a valid certificate issued by 'Peer Review Board' of ICAI. They also conveyed their eligibility and willingness to act as the Statutory Auditors of the Company.

Secretarial Audit Report

Pursuant to Section 204 of the Act, the Board of Directors had appointed M/s. PVS and Associates, Practicing Company Secretaries as the Secretarial Auditors of your Company for the Financial Year 2019-20.

Accordingly, the Secretarial Auditors have given their report, which is annexed hereto as Annexure A. The explanation of the Board on the qualification of the Secretarial Auditors are as follows:

Qualification

The Company had not proposed re-appointment of the Statutory Auditors for their second term in the Annual General Meeting held on July 24, 2019 as per the provisions of section 139 of the Companies Act, 2013.

Explanation by the Board

In terms of the provisions of the Section 139(2) of Companies Act, 2013 (the 'Act'), the companies shall appoint an audit firm for not more than 2 (Two) terms of 5 (Five) consecutive years. From the literal interpretation of the provision, it may be interpreted that the Section does not give liberty to the Audit Committee, Board of Directors or Members to appoint the Statutory Auditors for a term less than 5 (Five) years.

Your Company is a law-abiding company and has always interpreted the statutory provisions in its spirit. The following circumstances forced the Company to take a prudent view in the interest of the Members of your Company.

In view of one of the proceedings pending with National Company Law Tribunal in which the affiliates of M/s. Deloitte Haskins and Sells LLC and other audit firms are the Statutory Auditors of a company and its subsidiaries, the Serious Fraud Investigation Office (SFIO) and the National Financial Regulatory Authority (NFRA) were probing the role of auditors in this matter. Also, SFIO had filed a charge sheet against Deloitte in relation to this matter.

While at that stage, the implications of the charge-sheet were unclear, any regulatory action on Deloitte could have necessitated a sudden auditor replacement which could have been disruptive for your Company.

In the context of the above situation then prevailing, the Audit Committee of the Board took a conservative view and recommended appointment of Deloitte in their second term for a period of 2 (two) years i.e. from the ensuing 29th AGM up to the conclusion of the AGM to be held on or before September 30, 2021. The period of two years would have allowed your Company to the necessary time to induct an alternative firm with an overlap of one full year before the term of Deloitte would have come to an end.

The Board of Directors of the Company approved the recommendation of the Audit Committee and proposed the re-appointment of Deloitte for a period of 2 years. Accordingly, the proposal was circulated to the members through the notice of AGM for its approval.

It may be noted that the Company did not receive any questions from its Members on the proposed appointment of Deloitte before or during the 29th AGM. Additionally, the Members upheld this proposal of the Company with 95.68% votes in favour of the resolution.

It is worth noting that the notice of 29th AGM where it was proposed to appoint Deloitte for a shorter term of 2 years, was also submitted with the Ministry of Corporate Affairs and the Stock Exchanges as a part of relevant compliance. The Company has not received any communication / objection from any of these authorities on this proposal.

However, M/s. Deloitte vide their letter dated July 23, 2019, communicated that, if their reappointment is approved by the shareholders in the 29th AGM held on July 24, 2019 for a period of 2 (Two) years and not for 5 (Five) years, they would not be able to accept the same. Hence, in light of this communication, the resolution passed by the shareholders could not be made effective.

In view of the above, the Audit Committee and the Board of Directors of your Company recommended appointment of M/s. Walker Chandio & Co LLP as Statutory Auditors of the Company for approval of the Members at an Extra Ordinary General Meeting (EOGM) held on September 4, 2019. This appointment was approved by the Members with 98.57% votes in favour of the resolution.

Board and Corporate Governance

Board Meetings

The details pertaining to the composition, terms of reference and other details of the Board of Directors of your Company and the meetings thereof held during the Financial Year 2019-20 are given in the Report on Corporate Governance section forming part of this Annual Report.

Directors and Key Managerial Personnel

During the year under report, the Members of your Company in 29th Annual General Meeting confirmed the appointment/re-appointment as follows:

- Re-appointment of Ms. Roshini Bakshi (DIN: 01832163) for the second term of 5 (Five) years as an Independent Director of the Company for a term up to conclusion of the 34th Annual General Meeting.
- Re-appointment of Mr. Pradeep Bhargava (DIN: 00525234) for the second term of 3 (Three) years as an Independent Director of the Company for a term up to conclusion of the 32nd Annual General Meeting.
- Re-appointment of Mr. Prakash Telang (DIN: 00012562) for the second term of 1 (One) year as an Independent Director of the Company, for a term up to conclusion of the 30th Annual General Meeting.
- Re-appointment of Mr. Kiran Umrootkar (DIN: 00326672) for the second term of 1 (One) year as an Independent Director of the Company for a term up to conclusion of the 30th Annual General Meeting.
- Confirmation of appointment of Mr. Christopher O'Connor (DIN: 08420958) as an Executive Director and Chief Executive Officer with effect from April 27, 2019 for a term of 3 (Three) years i.e. up to April 26, 2022.
- Confirmation of appointment of Mr. Sandeep Kalra (DIN: 02506494) as an Executive Director and President — Technology Services Unit with effect from June 11, 2019 for a term of 3 (Three) years i.e. up to June 10, 2022.

In terms of Clause (e) of the Schedule V to the Act, a person who wishes to be appointed as the Whole Time Director of a listed company needs to be a Resident of India i.e. a person who has been staying in India for a continuous period of not less than twelve months immediately preceding the date of his appointment as a managerial person and who has come to stay in India for taking up an employment in India; or for carrying on a business or vacation in India.

Further, a person being a non-resident in India and getting appointed as the Whole Time Director may travel to India only after obtaining an Employment Visa from the concerned Indian Mission abroad.

Since Mr. O'Connor and Mr. Kalra are non-residents, your Company had made an application seeking an approval from the Central Government for claiming an exemption from the above requirement as per the Schedule V to the Act. Your Company has received approval from the Central Government for the said appointments.

The re-appointment of 2 (Two) Independent Directors (Mr. Prakash Telang and Mr. Kiran Umrootkar) was made at the 29th AGM held on July 24, 2019 for a period of 1 (One) year for a term up to conclusion of the ensuing 30th AGM. Accordingly, they will retire at the conclusion of the ensuing 30th AGM.

During the year under report, Mr. Sanjay Bhattacharyya, Independent Director had resigned effective from July 1, 2019 due to his personal reasons. He had confirmed that there were no material reasons for his resignation other than the reason mentioned above.

During the year under report and till the date of this report, the Board has appointed Mr. Praveen Kadle as an Additional Director (Independent Member) with effect from April 23, 2020 to hold office up to the conclusion of 30th Annual General Meeting of the Company.

The Board of Directors of your Company at the meeting held on June 9, 2020 recommended Mr. Kadle's appointment as an Independent Director for the first term of consecutive 5 (Five) years for a term up i.e. up to April 22, 2025. The Board considered his expertise, wide industry experience and business connects for recommending his appointment. Pursuant to the provisions of the Act, he is not liable to retire by rotation. Mr. Kadle has confirmed his eligibility and willingness to accept the office of the Director of your Company, if confirmed by the Members at the ensuing AGM. In the opinion of your Directors, Mr. Kadle has requisite qualifications and experience and therefore, your Directors recommend that the proposed resolution relating to the appointment of Mr. Kadle be passed with the requisite majority. Mr. Kadle's profile forms part of this Annual Report and has been also provided in the Notice of the 30th Annual General Meeting.

The Board in the above meeting also recommended the re-appointment of Dr. Anand Deshpande, Chairman and Managing Director of the Company as the Managing Director of the Company liable to retire by rotation, to hold office for a period of 5 (Five) years i.e. up to the conclusion of the 35th Annual General Meeting of the Company to be held on or before September 30, 2025. Dr. Deshpande has confirmed his eligibility and willingness to accept the office of the Director of your Company, if confirmed by the Members at the ensuing AGM. In the opinion of your Directors, Dr. Deshpande has requisite qualifications and experience and therefore, your Directors recommend that the proposed resolution relating to the re-appointment of Dr. Deshpande be passed with the requisite majority.

In terms of Section 152(6) of the Act and Article 137 of the Articles of Association of your Company, Mr. Thomas Kendra, Non-Executive Non-Independent Director and Mr. Sunil Sapre, Executive Director and Chief Financial Officer are liable to retire by rotation at the 30th AGM as they are Non-Independent Directors who are holding office for the longest period among the Non-Independent Directors on the Board. Mr. Kendra and Mr. Sapre have confirmed their eligibility and willingness to accept the office of the Director of your Company, if confirmed by the Members at the ensuing AGM. In the opinion of your Directors, Mr. Kendra and Mr. Sapre possess requisite qualifications and experience and therefore, your Directors recommend that the proposed resolutions relating to the re-appointment of Mr. Kendra and Mr. Sapre be passed with the requisite majority.

At present, your Company has 8 (Eight) Non-Executive Directors who are Independent Directors. Pursuant to the Regulation 17(1)(b) of the Listing Regulations, every listed company shall have at least half of its total strength of the Board of Directors as Independent Directors where Chairman is an Executive Director. Your Company complies with this requirement.

There is no inter-se relationship between the Directors.

In terms of the Listing Regulations, your Company conducts the Familiarization Program for Independent Directors about their roles, rights and responsibilities in your Company, nature of the industry in which your Company operates, business model of your Company etc., through various initiatives. The details of the same can be found at:

<https://www.persistent.com/investors/familiarisation-programme/>

Declaration of Independence by Independent Directors

The Board confirms that all Independent Directors of your Company have given a declaration to the Board that they meet the criteria of independence as prescribed under Section 149(6) of the Act along with Rules framed thereunder and Regulation 16 of the Listing Regulations. They have been already registered with MCA Databank of Independent Directors.

Separate meeting, exclusively of the Independent Directors was held on January 30, 2020 during the Financial Year 2019-20 in which the Independent Directors have transacted the following businesses along with few other important strategic and policy related matters:

- 1\ Reviewed performance of the Management of the Company
- 2\ Discussed the quality, quantity and timeliness of the flow of information between the Directors and the Management of the Company
- 3\ Discussed the strategic matters of the Company and current state of the global IT industry
- 4\ Reviewed performance of the Executive Directors

Committees of the Board

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

Audit Committee

The details pertaining to the composition, terms of reference and other details of the Audit Committee of the Board of Directors of your Company and the meetings thereof held during the Financial Year are given in the Report on Corporate

Governance forming part of this Annual Report. The recommendations of the Audit Committee in terms of its Charter were accepted by the Board of Directors of your Company from time to time during the year under Report.

Nomination and Remuneration Committee

Your Company had 2 (Two) separate committees namely, 'Compensation and Remuneration Committee' and 'Nomination and Governance Committee' as per the terms of reference and composition as per Regulation 19 of the Listing Regulations and the provisions of the Act.

The Board had noted at its meeting held in April 2014 that both these Committees will function as the Nomination and Remuneration Committee for the purpose of compliance under the Listing Regulations and the Act.

In the meeting of the Board of Directors of the Company held in July 2019, the above two Committees were merged into one 'Nomination and Remuneration Committee' and the composition of the Committee was reconstituted. The reconstituted committee is operating as per the terms of reference prescribed in the Regulation 19 of the Listing Regulations and the Act.

The details including the composition and terms of reference of the Nomination and Remuneration Committee and the meetings thereof held during the Financial Year and the Remuneration Policy of the Company and other matters provided in Section 178(3) of the Act are given in the Report on Corporate Governance section forming part of this Annual Report.

The policy on remuneration and other matters provided in Section 178(3) of the Act has been disclosed in the Corporate Governance report which is part of this report

The policy for appointment of a new director on the Board is as follows:

The Board of Directors decides the criteria for the appointment of a new director on the Board from time to time depending on dates or retirement of existing Directors and the strategic needs of the Company. The criteria include expertise area, industry experience, professional background, association with other companies and such other things.

Once the criteria is determined, the Board directs the Nomination and Remuneration Committee to compile profiles of suitable candidates through networking, industry associations and business connects. The Nomination and Remuneration Committee considers each and every profile on the decided parameters and shortlists the candidates. Shortlisted candidates are then interviewed personally or through tele-conference by the Members of the Committee.

Once the Committee is convinced about a candidate's competency, his/her business acumen, commitment towards his/her association with your Company, disclosure of his/her interest in other entities and his/her availability for your Company on various matters as and when they arise, it recommends the candidate to the Board of Directors for its further consideration. Generally, the Board accepts the recommendation by consensus.

Employees' remuneration

In terms of the provisions of Section 197(12) of the Act read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, a statement showing the names and other particulars of the employees drawing remuneration in excess of the limits set out in the said rules are provided as Annexure B to the Report.

Employee stock option plans

Your Company has various stock option plans for its employees. Details of the stock options granted under various employee stock option schemes are provided as Annexure C to the Report.

During the year under report, no employee has been granted stock options, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of your Company at the time of grant.

In line with the Ind AS 102 – "Share Based Payments", your Company has computed the cost of equity-settled transactions by using the fair value of the options at the date of the grant and recognized as employee compensation cost over the vesting period.

During the year under report, 157 employees were granted 1,055,000 options under the Employee Stock Option Plan 2017.

No new options or shares were granted to the Independent Directors of your Company during the year under report.

Shares held by Independent Directors and Non-Executive Non-Independent Directors as on March 31, 2020 are as under:

| Name of the Director | Shares held (through exercise of vested stock options) | Shares held (through allotment under a pre IPO scheme) | Shares held (through market purchase/IPO) | Total Shares held |
|----------------------|--|--|---|-------------------|
| Ms. Roshini Bakshi | NIL | NIL | NIL | NIL |
| Mr. Pradeep Bhargava | 13,600 | NIL | NIL | 13,600 |
| Mr. Guy Eiferman | NIL | NIL | NIL | NIL |
| Dr. Anant Jhingran | NIL | NIL | NIL | NIL |
| Mr. Thomas Kendra | NIL | NIL | NIL | NIL |
| Prof. Deepak Phatak | NIL | NIL | NIL | NIL |
| Mr. Prakash Telang | 14,000 | NIL | 7,000 | 21,000 |
| Mr. Kiran Umrootkar | 6,000 | NIL | NIL | 6,000 |

The Compensation and Remuneration Committee at its meeting held in April 2019 and Nomination and Remuneration Committee, through circular resolution in February 2020, have granted RSUs to the following Executive Directors and Sr. Executives:

| Name of the Director and Sr. Executives | No. of RSUs |
|---|-------------|
| Mr. Christopher O'Connor | 400,000 |
| Mr. Sandeep Kalra | 400,000 |
| Mr. Sunil Sapre | 100,000 |
| Mr. Bipin Sahni | 25,000 |

During the Financial Year 2019-20, pursuant to the resolutions passed by the Compensation and Remuneration Committee and Nomination and Remuneration Committee of the Board of Directors by way of circulation, employees including ex-employees exercised their stock options for shares which were already vested in their name. During this exercise, 171,500 (One Hundred Seventy One Thousand and Five Hundred) i.e. 0.21% Equity Shares of the total Paid-up Capital were transferred from PSPL ESOP Management Trust to the eligible employees including ex-employees at an aggregate value of ₹ 12.82 million under various ESOP Schemes of your Company.

Your Company has 14 (Fourteen) ESOP Schemes as on March 31, 2020 under which options were granted to various Independent Directors, employees of the Company and its subsidiaries, details of which are given elsewhere in this Annual Report.

Shares Suspense Account

Your Company had opened an 'Unclaimed Securities Suspense Account' on behalf of the allottees who were entitled to the Equity Shares under the initial public offering. Some of the Equity Shares could not be transferred to the respective allottees due to technical reasons. Such shares were held in 'Unclaimed Securities Suspense Account', to be transferred to allottees as and when they approach your Company. Your Company has been regularly uploading details of such unpaid/unclaimed shares on its website and on the website of the Ministry of Corporate Affairs as well.

The current balance in the above-mentioned Suspense Account as on March 31, 2020 is 140 Equity Shares owned by 7 allottees. The details of equity shares held in an 'Unclaimed Securities Suspense Account' are as follows:

| S. No. | Particulars | Details |
|--------|---|-------------------|
| 1\ | Aggregate number of allottees in the Unclaimed Securities Suspense Account lying at the beginning of the Financial Year 2019-20 | 7 allottees |
| 2\ | Aggregate number of the outstanding equity shares in the Unclaimed Securities Suspense Account lying at the beginning of the Financial Year 2019-20 | 140 Equity shares |
| 3\ | Number of allottees who approached issuer for transfer of shares from Unclaimed Securities Suspense Account during the Financial Year 2019-20 | Nil |
| 4\ | Number of shares transferred from Unclaimed Securities Suspense Account during the Financial Year 2019-20 | Nil |
| 5\ | Aggregate number of allottees in the Unclaimed Securities Suspense Account lying at the end of the Financial Year 2019-20 | 7 allottees |
| 6\ | Aggregate number of outstanding equity shares in the Unclaimed Securities Suspense Account lying at the end of the Financial Year 2019-20 | 140 Equity shares |

Note: Voting rights on the above-mentioned equity shares are kept frozen till the rightful owner of such equity shares claim these shares. Once the rightful owner claims these shares, the shares along with accumulated dividend will be transferred to the rightful owner.

Transfer of Unclaimed Dividend and corresponding shares to the IEPF Authority

During the year under report, the Company has transferred the unclaimed and unpaid dividend of ₹ 35,775 to the IEPF Authority. Further, 44 corresponding shares on which the dividend was unclaimed for seven consecutive years have been transferred as per the requirement of the IEPF Rules. The details are provided in the shareholder information section of this Annual Report and also available on our website: <https://www.persistent.com/investors/unclaimed-dividend/>

Institutional Holding

As on March 31, 2020, the total institutional holding in your Company stood at 44.76% of the total share capital.

Particulars required as per Section 134 of the Companies Act, 2013

As per Section 134 of the Act, your Company has provided the Consolidated Financial Statements as on March 31, 2020. Your Directors believe that the consolidated financial statements present a more comprehensive picture as compared to standalone financial statements. These documents are available for inspection during the business hours at the Registered Office of your Company and the respective subsidiary companies. A statement showing financial highlights of the subsidiary companies is enclosed to the consolidated financial statements.

The Annual Report of your Company does not contain full financial statements of the subsidiary companies, however, your Company will make available the audited annual accounts and related information of the subsidiary companies in soft copy in terms of the MCA Circular dated May 5, 2020, upon request by any Member of your Company.

Consolidated financial statements

Consolidated financial statements of your Company and its subsidiaries as at March 31, 2020 are prepared in accordance with the Indian Accounting Standard (Ind AS) 110 on 'Consolidated Financial Statements' notified by the Ministry of Corporate Affairs (MCA) and forms part of this Annual Report.

Subsidiary Companies, Associate Companies and Joint Ventures

The details of the subsidiaries and associates of your Company as on March 31, 2020 are as under:

| Name of the Entity and Country of incorporation | Status | Period of Establishment/ Acquisition | Total Income | | Net Profit/(Loss) | |
|---|---|--------------------------------------|--|--|--|--|
| | | | For the period/year ended March 31, 2020 (Amount in ₹ million) | For the period/year ended March 31, 2019 (Amount in ₹ million) | For the period/year ended March 31, 2020 (Amount in ₹ million) | For the period/year ended March 31, 2019 (Amount in ₹ million) |
| Persistent Systems Inc., USA (PSI) | Wholly Owned Subsidiary | October 2001 | 21,359.80 | 19,754.38 | (320.62) | (174.76) |
| Persistent Systems Pte. Ltd., Singapore (Co. Reg. No. 200706736G) | Wholly Owned Subsidiary | April 2007 | 24.66 | 145.87 | 8.55 | 11.80 |
| Persistent Systems France S.A.S., France | Wholly Owned Subsidiary | April 2011 | 950.48 | 979.73 | (11.02) | 43.37 |
| Persistent Systems Malaysia Sdn. Bhd., Malaysia | Wholly Owned Subsidiary | September 2013 | 419.34 | 473.35 | 56.29 | 123.41 |
| Persistent Systems Germany GmbH, Germany | Wholly Owned Subsidiary | December 2016 | 85.63 | 54.51 | (55.87) | (15.19) |
| Persistent Telecom Solutions Inc., USA | Step-down subsidiary (Wholly Owned Subsidiary of PSI) | January 2012 | 1,001.84 | 1,284.13 | 167.32 | 24.60 |

| Name of the Entity and Country of incorporation | Status | Period of Establishment/Acquisition | Total Income | | Net Profit/(Loss) | |
|--|---|-------------------------------------|---|---|---|---|
| | | | For the period/year ended March 31, 2020 (Amount in ₹ million) | For the period/year ended March 31, 2019 (Amount in ₹ million) | For the period/year ended March 31, 2020 (Amount in ₹ million) | For the period/year ended March 31, 2019 (Amount in ₹ million) |
| Persistent Systems Mexico S.A. de C.V., Mexico | Step-down subsidiary (Wholly Owned Subsidiary of PSI) | March 2016 | 251.29 | 215.62 | 23.05 | (22.29) |
| Aepona Holdings Limited, Ireland (Dissolved w.e.f. October 24, 2019) | Step-down subsidiary (Wholly Owned Subsidiary of PSI) | October 2015* | - | - | - | - |
| Herald Technologies Inc., USA (Dissolved w.e.f. June 24, 2019) | Step-down subsidiary (Wholly Owned Subsidiary of PSI) | August 2018* | - | 0.07 | - | (10.29) |
| Aepona Group Limited, Ireland | Step-down subsidiary (Wholly Owned Subsidiary of Aepona Holdings Limited) | October 2015* | 8.30 | 5.84 | (122.16) | (1,360.89)# |
| Valista Limited, Ireland (Under liquidation) | Step-down subsidiary (Wholly Owned Subsidiary of Aepona Group Limited) | October 2015* | 0.89 | 16.50 | 0.23 | 14.96 |
| Aepona Limited, United Kingdom | Step-down subsidiary (Wholly Owned Subsidiary of Aepona Group Limited) | October 2015* | 332.74 | 397.34 | 71.99 | (96.85) |
| Persistent Systems Lanka (Private) Limited, Sri Lanka | Step-down subsidiary (Wholly Owned Subsidiary of Valista Limited) | October 2015* | 215.66 | 212.16 | 33.04 | 34.61 |
| PARX Werk AG, Switzerland | Step-down subsidiary (Wholly Owned Subsidiary of Persistent Systems Germany GmbH) | August 2017* | 527.33 | 518.74 | (2.72) | 15.00 |
| PARX Consulting GmbH, Germany | Step-down subsidiary (Wholly Owned Subsidiary of PARX Werk AG) | August 2017* | 551.02 | 473.52 | (48.85) | (59.88) |
| Youperience GmbH, Germany** | Step-down subsidiary (wholly owned subsidiary of Persistent Systems Germany GmbH) | July 2019* | 223.01 | NA | (83.36) | NA |
| Youperience Limited, United Kingdom** | Step-down subsidiary (wholly owned Youperience GmbH) | July 2019* | 101.11 | NA | 2.33 | NA |
| Klisma e-Services Private Limited, India^ | Associate Company | March 2012 | - | - | - | - |

* Period of Establishment/Acquisition mentioned above is the period in which the entities are acquired by your Company directly or through its subsidiaries.

** Acquired during FY 2019-20.

Includes provision for investment and inter corporate deposits given to its wholly owned subsidiary in the UK prior to its acquisition by Persistent group. Since the net worth of the subsidiary had eroded, the same is provided for. Being the inter company transaction, it is eliminated in the consolidated financial statements.

^ Under Corporate Insolvency Resolution Process for winding up.

The Policy for determining material subsidiaries of your Company is available on your Company's website at <https://www.persistent.com/investors/policy-on-material-subsiadiary/>

Particulars of Loans and Guarantees given and Investments made

Loans, guarantees and investments covered under Section 186 of the Act form part of the notes to the financial statements provided in this Annual Report. (Refer notes 6, 15, 16, 34 and 43 of the Standalone Financial Statements)

Related Party Transactions

The Policy to determine materiality of related party transactions and dealing with related party transactions as approved by the Board of Directors is available on your Company's website at <https://www.persistent.com/investors/related-party-transactions-policy/>

During the year under report, your Company did not enter into any material transaction with any party who is related to it as per the Act. There were certain transactions entered into by your Company with its foreign subsidiaries and other parties who are related within the meaning of Indian Accounting Standard (Ind AS) 24. Attention of Members is drawn to the disclosure of transactions with such related parties set out in Note No. 34 of the Standalone Financial Statements, forming part of this Annual Report. The Board of Directors confirms that none of the transactions with any of related parties were in conflict with your Company's interest. The list of Related Party Transactions entered by your Company for FY 2019-20 (on consolidated basis) are available on <https://www.persistent.com/investors/related-party-transactions-policy/>

The related party transactions are entered into based on considerations of various business requirements, such as synergy in operations, sectoral specialization and your Company's long-term strategy for sectoral investments, optimization of market share, profitability, legal requirements, liquidity and capital resources of subsidiaries.

All related party transactions are entered into on an arm's length basis, are in the ordinary course of business and are intended to further your Company's interests.

The information on transactions with related parties pursuant to Section 134(3)(h) of the Act read with Rule 8(2) of the Companies (Accounts) Rules, 2014 are given in Annexure D in Form No. AOC-2 and the same forms an integral part of this report.

Corporate Governance

A separate section on Corporate Governance with a detailed compliance report as stipulated under the Listing Regulations and any other applicable law for the time being in force forms an integral part of this Report.

Compliance Certificate from the Practicing Company Secretary regarding compliance of conditions of Corporate Governance as stipulated in the Listing Regulations forms an integral part of this Annual Report.

Management Discussion and Analysis

Report on Management Discussion and Analysis as stipulated under the Listing Regulations and any other applicable laws for the time being in force based on audited, consolidated financial statements for the Financial Year 2019-20 forms an integral part of this Annual Report.

Business Responsibility Report

Report on Business Responsibility as stipulated under the Listing Regulations and any other applicable law for the time being in force describing the initiatives taken by the Management from an environmental, social and governance perspective forms an integral part of this Annual Report.

Conservation of energy, technology absorption, research and development, foreign exchange earnings and outgo

Your Company believes that conservation of energy is essential and as a responsible corporate citizen, your Company must encourage all employees, vendors and other stakeholders to act on ensuring reduced usage of energy on a perpetual basis.

Your Company has procured various energy saving devices and systems, which help in conserving energy and has resulted into a significant savings in the energy cost.

Your Company has made the necessary disclosures in this Report in terms of Section 134(3) of the Act read with Rule 8 of the Companies (Accounts) Rules, 2014.

Carbon management and sustainable development provide business with some of the greatest opportunities towards sustainability. Your Company reduced carbon footprints by taking energy conservation measures. Thanks to the reduced travel both because of local commuting and air travel, the carbon footprint this year is lower. Your Company continues to take various measures on energy saving and sustainability as follows:

Energy Efficiency Activities

- 1\ Upgradation of air conditioner systems
 - a. Existing AC's based on R-22 gas replaced with energy efficient Inverter based ACs based on environment friendly R-32 gas
 - b. Replaced old chiller system by high efficiency (lesser energy and water consumption) chiller system in Bhageerath facility.
 - c. Replaced old chiller system by high efficiency VRV system in Goa facility
- 2\ Replaced CFLs by LED lamps - indoor, outdoor & all common areas such as parking, lobbies, toilets etc. in our facilities. (quantity 8,699 Nos.)
- 3\ Proactively controlled smart lighting with clock timers, delay timers, sequential timers, and photocell & occupancy/motion sensors. (quantity 859 Nos.)
- 4\ Regulated and optimized schedules for workings of Lifts (30 Nos.), Vending machines (75 Nos.), Ventilation systems (89 Nos.), Water coolers (89 Nos.) etc. (Shut off in nights/ off working hours except bare minimum required.)
- 5\ AC Discipline - no cool air leakages from each air-conditioned area.
- 6\ AC optimized in server rooms and data centres by removing unwanted heat loads, space optimization, reorganizing inlet and out flow and wall insulation
- 7\ Upgradation to high efficiency module online UPS systems to reduce losses. 18% energy saving achieved.
- 8\ Optimized running hours of air-conditioned systems based on time of day, occupancy and seasonal aspects including proper required temperature set points. (e.g. In Winter, night hrs., weekends etc.)
- 9\ Conference rooms and common area ACs set to 24° C minimum
- 10\ Incorporated Ozone system with Air conditioning for energy saving and indoor quality improvement. 21 % energy saved.
- 11\ Cold aisle containment work in Data centre results 18% saving in Power consumption of Data centre AC.
- 12\ 89 VFDs installed for all fresh air AHU systems.
- 13\ Usage of 848 thin client machines in place of CPUs for training rooms and some projects in Hinjewadi facility.
- 14\ Pilot project with active harmonic filter panel for automatic power factor and harmonics control in electrical system, in progress, to improve power quality and reduce losses
- 15\ Energy saving measures are taken right from design stage like double wall construction, low-e glass for facades and windows with DGUs, maximum use of natural light and ventilation, underdeck insulation, etc.

Renewable Energy Initiatives

Roof Top Solar Plants

| Sr. No. | Roof Top Solar Plant Location | Capacity | Annual Generation kWh (units) FY 2019-20 | Cost saved in ₹ | Remarks |
|--------------|-------------------------------------|----------|--|-------------------|--------------------------|
| 1\ | AR-PG Facility, Pune | 245 kWp | 89,477 | 921,613 | Persistent Facility |
| 2\ | Hinjawadi Facility, Pune | 276 kWp | 408,525 | 4,207,808 | Persistent Facility |
| 3\ | Nagpur Facility | 207 kWp | 163,413 | 1,683,154 | Persistent Facility |
| 4\ | Pune Railway Station, Pune | 160 kWp | 213,931 | 1,711,448 | PSL Through CSR activity |
| 5\ | Nampally Railway Station, Hyderabad | 228 kWp | 304,601 | 2,741,409 | PSL Through CSR activity |
| 6\ | Tarachand hospital, Pune | 63 kWp | 69,486 | 715,706 | PSL Through CSR activity |
| Total | | | 1,249,433 | 11,981,138 | |

Roof Top Solar Plants

| Sr. No. | Windmill Location | Capacity | FY19-20 Generation | Cost saved in ₹ | Remarks |
|--------------|---|----------|--------------------|-------------------|---------------------|
| 1\ | Windmill at Nandurbar, Maharashtra, India | 2.1 MW | 4,995,206 | 24,576,414 | Owned by Persistent |
| 2\ | Windmill at Jath, Maharashtra, India | 2.1 MW | 2,925,959 | 14,395,718 | Owned by Persistent |
| Total | | | 7,921,165 | 38,972,132 | |

Water Management

- 1\ Prevention of overflow from overhead tanks using auto level control system
- 2\ Special nozzles/aerators installed to reduce water flow at water
- 3\ "No leaky tap" policy - leaky tap/pipe is repaired within 2 hours (immediately in most cases)
- 4\ Monitoring water meter readings, twice every day, to detect overuse/ excessive leakage.
- 5\ STP output water is recycled for gardening at our Pune Nagpur and Goa facilities.
- 6\ Infrastructure and system installed for collection of natural underground spring water leakages/seepages and recycling it for non-drinking and gardening use, to reduce consumption of treated water
- 7\ Ground water recharging with rainwater harvesting system in Hinjawadi-Pune and Nagpur facility
- 8\ Frequent awareness campaigns run for encouraging employees to save water in office and at home
- 9\ Society work and awareness related to sustainability through our CSR activity

Waste Management

- 1\ E-waste and hazardous waste is handed over only to authorized agencies approved by State Pollution Control Board. Employees are also encouraged to deposit their personal E-waste at all our company facilities for disposal, the same way
- 2\ 'Zero Plate Wastage' week is observed twice in a year and done regular awareness through mails and poster
- 3\ Minimized the amount of food wasted during meals. Your Company achieved 6.4% reduction compare to Financial Year 2019-20 in Plate wastage
- 4\ Minimized plastic bags to almost zero and encouraged cloth or paper bags instead; Persistent organizes "No Plastic Days" to promote awareness of using plastic
- 5\ Paperless office with all work done on email/ soft copies except where statutorily mandated or required by govt rules/ procedures
- 6\ Both side printing set as default mode and a culture and printers installed tracking facility help to reduce paper consumption
- 7\ All waste papers are shredded and recycled through a vendor partner
- 8\ All garden waste is treated in compost pit to get organic fertilizer
- 9\ Dry garbage is collected on daily basis by "Swachh" an NGO appointed by Local Municipal Corporations
- 10\ No Tobacco/ No smoking policy in our entire organization
- 11\ Single use plastic water bottles banned; Plastic spoons/ plates/ crockery also banned

Customer experience, operational excellence on Green activities

- 1\ Employees feel proud of belonging to a green company and volunteer more for green initiatives like tree plantation, tree maintenance and society awareness related to sustainability
- 2\ LED lighting has improved the ambience and freshness of workplace
- 3\ Customers appreciate our initiatives and sense of Social Responsibility during their visits, including our ISO 14001 and ISO 14064 certification

- 4\ Ozonates improved indoor air quality and higher oxygen levels, clearly felt by inmates as well as visitors. We are the very few IT companies to have this feature installed in our AC systems
- 5\ We are the very few IT companies to have solar panels on almost all our rooftops and to own two (2) MW windmills. During the Financial Year 2019-20, Dhule windmill generated 49,95,206 units while Sangli windmill generated 29,25,959 units.
- 6\ In addition, your Company also installed Solar panels on Pune and Hyderabad Railway Stations and at Tarachand Hospital, Pune under CSR activity
- 7\ Employees contributing regularly for Tree Plantation
- 8\ Appreciation from NASSCOM for Green IT Initiatives in Pune city
- 9\ Transport and travel operational efficiency and cost reduced due to optimization of business travel and local bus routes of employee transport, also contributed to reduction of CO² emissions by 272.21 tons in Financial Year 2018-19
- 10\ Insistence on eco-friendly and high efficiency products. Your Company also promotes such products to its vendors.

Impact caused by the implementation of Green initiatives on “employee/end user Satisfaction”

- 1\ Better, healthy and working environment with freshness, greenery and brighter workspaces
- 2\ Greater participation by employees in green initiatives. e.g. at Nagpur recent Walkathon cum Plantathon conducted to reduce Carbon Footprint: 1,000 Meters — 1,000 Steps — 1,000 Plants
- 3\ On reaching total employee headcount of 10,000, your Company launched drive for 10,000 trees plantation Pan India with employee participation, 10,000 Trees already planted!
- 4\ Greater bonding with local community and environmental groups
- 5\ Zero Accidents till date in our entire Organization
- 6\ Reduction in Greenhouse Gases emission in FY 2019-20 is 15.44% compare to FY 2018-19.
- 7\ Total reduction of 2,473 tons of CO² emissions in FY 2019-20.
- 8\ Lower insurance premiums as risks and liabilities are reduced
- 9\ Building corporate image of organization globally
- 10\ Reducing Operation and maintenance costs
- 11\ Star Rating Scheme by BEE for two commercial buildings of your Company

All the facilities of your Company in India are certified by DNVGL for ISO 14001:2015 and Occupational Health and Safety Management System Standard by ISO 45001:2018 certifications after surveillance audit (January 2020) and are now initiated. Best practices to preserve the environment/health and safety are undertaken by your Company even during constructing its various premises by using crush sand, fly ash bricks and double glass unit, use of gypsum and recycled wood to protect the environment.

Also, all the facilities of your Company in India are certified by AGS for ISO 14064-1:2006 is upgraded to ISO 14064-1:2018 Greenhouse gas inventory. Your company is the first organization in India and first IT company in the world for 2018 version.

It is your Company's constant endeavour to conserve and save the Environment and hence your Company has launched the Green Persistent Movement to support the same. As power cost constitutes an insignificant part of the total expenses, the financial impact of these measures is not material.

Other ISO Certifications

The details about the other ISO certifications for technical processes and systems are provided in Annexure F to this Report and which forms an integral part of this report.

The particulars of expenditure on Research and Development on accrual basis are as follows:

| Particulars | (In ₹ million) | |
|---|------------------------|---------------|
| | Year ended on March 31 | |
| | 2020 | 2019 |
| Capital expenditure | 1.04 | 0.46 |
| Revenue expenditure | 243.05 | 182.35 |
| Total research and development expenditure | 244.09 | 182.81 |
| As a percentage of total income | 1.08% | 0.89% |

The particulars of foreign exchange earnings and outgo, based on actual inflows and outflows are as follows:

| Particulars | (In ₹ million) | |
|-------------|------------------------|-----------|
| | Year ended on March 31 | |
| | 2020 | 2019 |
| Earnings | 19,207.33 | 20,488.65 |
| Outgo | 5,241.20 | 6,281.03 |

Adequacy of Internal Financial Controls

The Board is responsible for establishing and maintaining adequate internal financial control as per Section 134 of the Act.

The Board has laid down policies and processes in respect of internal financial controls and such internal financial controls were adequate and were operating effectively. The internal financial controls covered the policies and procedures adopted by your Company for ensuring orderly and efficient conduct of business including adherence to your Company's policies, safeguarding of the assets of your Company, prevention and detection of fraud and errors, accuracy and completeness of accounting records and timely preparation of reliable financial information.

Internal Audit

Your Company has an in-house internal audit team since 2005 and comprises of personnel with professional qualifications and certifications in audit and is rich on diversity. The audit team hones its skills through a robust knowledge management program to continuously assimilate the latest trends and skills in the domain and to retain the knowledge gained for future reference and dissemination.

The Head of Internal Audit team reports to the Chairman of the Audit Committee and is a permanent invitee to the quarterly meetings of the Audit Committee, Risk Management Committee and Executive Committee. Findings of the internal audits are presented to the Audit Committee at its quarterly meetings.

The function provides an independent, objective assurance and consulting services to value-add and improve Operations of Business Units. The audits carried out through-out the year, are based on an internal audit plan, which is reviewed and approved by the Audit Committee every quarter. In line with the industry practice and regulatory requirements, the internal audit function covers the areas such as review of Internal Financial Controls, Business and Financial operations including regulatory compliances.

Directors' Responsibility Statement

The Directors state that:

- 1\ In the preparation of the annual accounts, the applicable Accounting Standards have been followed and there is no material departure;
- 2\ Your Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company as at March 31, 2020 and of the profit of your Company for that year;
- 3\ Your Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities, if any;

- 4\ The annual accounts have been prepared on a going concern basis;
- 5\ Your Directors, had laid down internal financial controls to be followed by your Company and that such internal financial controls are adequate and were operating effectively;
- 6\ Your Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

Extract of Annual Return

Pursuant to the provisions of the Section 92(3) of the Act read with Rule 12(1) of the Companies (Management and Administration) Rules, 2014, the extract of Annual Return of your Company for the Financial Year ended on March 31, 2020 is provided as an Annexure E to the Directors Report.

Vigil Mechanism (Whistle Blower Policy)

The details of the vigil mechanism (whistle blower policy) are given in the Report on Corporate Governance forming part of this Annual Report. Your Company has uploaded the policy on its website at <https://www.persistent.com/ethical-practices-at-persistent-systems/whistle-blower-policy/>

Risk Management Policy

Report on Risk Management based on the risk management policy developed and implemented at your Company for the Financial Year 2019-20 forms an integral part of this Annual Report.

Performance Evaluation of the Board, its Committees and Directors

Your Company conducted the annual performance evaluation of the Board, the Chairman, its various Committees and the Directors individually including Independent Directors. The performance evaluation was done by an external management consultant who specialized in Board evaluations. The performance of the Board was evaluated by seeking inputs from all the directors and senior management. The evaluation criteria includes aspects such as the board composition and structure, effectiveness of board processes, information and functioning, etc. The evaluation was conducted in March and April 2020 and the findings of the evaluation were presented at the meeting of the Nomination and Remuneration Committee and the Board of Directors held in April 2020.

Qualitative comments received during the Board evaluation were as follows:

- 1\ The excellent Executive Summary the Chairman circulates, gives a comprehensive “reminder” about the key goals of the Organization, while addressing specific issues. There is complete transparency. Your Board has power to question and debate.
- 2\ Our Board is highly skilled in financial aspects of the business and adds significant value on the financial matters. The contribution on the business strategy either from a planning or an ongoing quarterly review perspective is weak and could be significantly enhanced.
- 3\ Risk Management Committee and Audit Committee in greater details, and Board in its discussions, cover the key risks that the organization faces

Previous year’s observations (For FY 2018-19) and actions taken are as follows:

| S. No. | Observations | Actions taken |
|--------|--|---|
| 1\ | The Board may consider setting aside time in every meeting to discuss certain themes in depth – thinking big, developing the next generation of leaders, M&A, etc. This could be decided in advance or based on what the issues at the time of the meeting | During the Financial Year 2019-20, the specific time slots were given in all meetings for discussion related to organization development, mergers and amalgamation plans, business strategies etc. The presentations on the same were also circulated in advance in order to get qualitative inputs from the Board. |
| 2\ | A program of Directors mentoring specific leaders may be introduced again | A meeting of the business heads with the Directors possessing relevant business skills was organized along with the Board Meeting in which the business ideas were shared. |

Proposed actions based on current year’s comments

For the current year, comments received from the external management consultant are generic in nature so there is no specific action is required.

Disclosure of Cost Audit

Your Company had filed Form 23C for appointment of Cost Auditor relating to its activities of generation of electricity from windmill turbine under the Companies (Cost Audit Report) Rules, 2011. However, based on another Circular dated November 30, 2011 issued by the Ministry of Corporate Affairs (MCA), your Company claimed exemptions from the requirement of the Cost Auditor for the said purposes and accordingly, had written a letter dated December 19, 2012 to MCA, Cost Audit Branch, for withdrawal of the appointment of the said Cost Auditor as well as cancellation of the Form 23C so filed. Reply to the said letter is awaited from the MCA.

Listing with the stock exchanges

The Equity Shares of your Company are listed on BSE Limited (BSE) and the National Stock Exchange of India Limited (NSE) since April 6, 2010. Listing fees for the Financial Year 2019-20 have been paid to both BSE and NSE.

Secretarial Standards

The Ministry of Corporate Affairs notified the Secretarial Standard on Meetings of the Board of Directors (SS- 1), Secretarial Standard on General Meetings (SS-2), Secretarial Standard on Dividend (SS-3) and Secretarial Standard on Report of the Board of Directors (SS-4).

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

Disclosure under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

Your Company has an Anti-Harassment Policy in place which is in line with requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 (the ‘Act’ for this section). All employees (permanent, contractual, temporary and trainees) are covered under this policy.

Your Company has constituted an Internal Complaints Committee(s) (ICC) across all Company locations in India and abroad to consider and resolve all sexual harassment complaints reported to this Committee. The constitution of the ICC is as per the Act and the Committee includes an external member from NGOs with relevant experience at India locations. The Ethics Committee at the global locations acts in the capacity of Internal Complaints Committee where the local law over there does not enforce constitution of such committee.

Investigation is conducted and the decisions are made by the ICC at the respective location, and the senior women employee is the presiding officer over every case. Half of the total members of the ICC are women.

During the year under report, your Company has received one complaint of sexual harassment which was disposed during the year under the report. As on March 31, 2020, there were no pending cases of sexual harassment in your Company.

Corporate Social Responsibility

Your Company formed a Public Charitable Trust - ‘Persistent Foundation’ in the Financial Year 2008-09 to institutionalize your Company’s CSR initiatives and to develop a systematic approach to administer the process of grant of donations.

Last year, Persistent Foundation celebrated its tenth year of establishment. During these 11 years, the Foundation has contributed to many projects spread across different geographies in association with well-known NGOs to reach out to large number of beneficiaries. Suggestions received from the impact assessment study were incorporated in this year’s plans.

Your Company acknowledges the contribution made by the Foundation in coordinating and ensuring that the CSR donations made to your Company are being effectively deployed as proposed and have an impact to the society.

During the year under report, Persistent Foundation (the ‘Foundation’) was able to continue to create excitement among employees to participate in socially relevant causes. With cooperation of the employees of your Company, the Foundation has set up several well-defined programs and activities for the promotion of education, health and community development. These activities are carried out through projects undertaken by the Foundation with the support of the employees and through the Government authorities, reputed social organizations and institutions.

In addition to contributing ₹ 79.21 million to the Foundation, your Company made donations to various charitable institutions directly. Thus, during the year under report, your Company donated ₹ 86.11 million i.e. more than 2% of the Average Net Profits of your Company made during three immediately preceding Financial Years.

Report on CSR activities of your Company under the provisions of the Act during the Financial Year 2019-20 is annexed hereto as Annexure G.

A detailed Report on the activities of the Foundation forms an integral part of this Annual Report.

CSR Committee and CSR Policy

The Board of Directors of your Company has constituted the CSR Committee to help your Company frame, monitor and execute the Company's CSR activities under its CSR scope. The Committee defines the parameters and observes them for effective discharge of the Company's social responsibility.

The Board of Directors of your Company has further approved the CSR Policy of your Company to provide a guideline for the Company's CSR activities. The CSR Policy is also uploaded on your Company's website at <https://www.persistent.com/investors/csr-at-persistent/>

The Company's CSR Policy highlights that the need for contributing to the society is very large and your Company can make a more significant contribution by staying focused on few areas through its social initiatives. The CSR policy recommends that your Company should encourage Persistent Foundation to contribute in the following focus areas:

- 1\ Health
- 2\ Education
- 3\ Community Development
- 4\ Assistance in Natural Calamities

The constitution of the CSR Committee is provided elsewhere in the Annual Report.

Other matters

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions on these items during the year under report:

- 1\ Dr. Anand Deshpande, Chairman and Managing Director and Mr. Sunil Sapre, Executive Director and Chief Financial Officer of your Company have not received any remuneration or commission from any of its subsidiaries. However, Mr. Christopher O'Connor, Executive Director and Chief Executive Director and Mr. Sandeep Kalra, Executive Director and President – Technology Services Unit have received remuneration from Persistent Systems Inc., USA in addition to remuneration received from your Company.
- 2\ No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and your Company's operations in future.

Future Outlook

As we entered 2020, the world was progressing steadily in how it operates to a more cloud-centric, digitally focused set of services and work patterns. Remote banking, shopping, medical care, logistics, business to business marketplaces and other scenarios were all projects that Persistent has repeatedly undertaken for clients across the world. We therefore began the year with a focus on banking, finance, healthcare, life sciences and the industrial sector.

The outbreak of COVID-19 was clearly a Black Swan event, the likes of which we have not experienced before as a global business community or society. While each business must navigate the pressure on both their bottom and top line uniquely, COVID-19 has created the impetus and mandate for cloud-centric, digital acceleration. Some industries such as travel and leisure have experienced the worst impact, but others will expand and flourish. Persistent is well positioned to help banking, healthcare and industrial organizations move beyond the status quo of incremental digital projects and instead transform into truly digital enterprises. The ISV community – always an important client set for Persistent -- is also re-evaluating how work is done, which plays into our longstanding strength at building better software with greater efficiency and at lower cost.

This year saw Persistent cross the USD half a Billion revenue milestone – an important landmark and one that gives us significantly more influence in the market with both clients and partners. We also brought in a new leadership team across sales, strategy and marketing which is now executing on a USD 1 Billion growth strategy and plan.

Today, we are a forward-looking global solutions company supporting our clients' most pressing issues at the core of their digital futures. In the context of helping our clients navigate this future, we introduced our digital mosaic approach – defining and integrating the rich choices of cloud-based offerings - which is helping us expand client conversations and open up new opportunities.

Our strategy is to accelerate growth in market segments – both vertical and horizontal - with the strongest demand for this type of digital growth. Though we may see some reduced spending from customers, we are cautiously optimistic about our future and our ability to post strong growth in years to come.

Acknowledgments and appreciation

Your Board places on record the support and wise counsel received from the Government of India, particularly the Department of Electronics and Information Technology, the Ministry of Corporate Affairs, the Ministry of Finance, the Ministry of Commerce and Industry, the Reserve Bank of India and the Securities and Exchange Board of India (SEBI) throughout the Financial Year.

Your Board extends its sincere thanks to the officers and staff of the Software Technology Parks of India - Pune, Nagpur, Goa, Hyderabad, Bengaluru, Visakhapatnam Special Economic Zone – Andhra Pradesh, SEEPZ Special Economic Zone – Mumbai, Cochin Special Economic Zone, Central Excise and Customs Department, Department of Revenue, Income Tax Department, Department of Electronics, Director General of Foreign Trade, Director of Industries, Department of Shops and Establishments, Department of Telecommunication, Department of Commerce (SEZ Section), Regional Director of Western Region, Registrar of Companies, Maharashtra, Pune, Goods and Service Tax Department, Infotech Corporation of Goa Limited, Goa Industrial Development Corporation, National Stock Exchange of India Limited, BSE Limited, Central Depository Services (India) Limited, National Securities Depository Limited, local Municipal Corporations where Company operates, Maharashtra State Electricity Distribution Company Limited, Telangana (erstwhile Andhra Pradesh) State Electricity Board, Telangana State Industrial Infrastructure Corporation, Maharashtra Industrial Development Corporation, Bengaluru Municipal Corporation, Karnataka Industrial Development Corporation, BSNL and Mobile/Internet Service providers.

Your Board also extends its sincere thanks to M/s. Walker Chandio & Co LLP, Chartered Accountants, Statutory Auditors, M/s. Deloitte Haskins & Sells LLP, Chartered Accountants, M/s. Joshi Apte & Co., Chartered Accountants, Tax Auditors, M/s. PVS and Associates, Company Secretaries, Secretarial Auditors and wing of Ernst & Young LLP, providers of Compliance Manager Tool and related advisory for their services to your Company.

Your Board also extends its thanks to ABSA Capital Bank, Axis Bank, Bank of Baroda, Bank of India, Barclays Bank, Banco Nacional de Mexico S.A., Bank of Tokyo Mitsubishi, BNP Paribas, Chase Bank, Citibank NA, Commer Bank, Deutsche Bank, HDFC Bank, Hongkong and Shanghai Banking Corporation, PYG VR Bank, Silicon Valley Bank, State Bank of India, Standard Chartered Bank, Syndicate Bank, Union Bank of India, Wells Fargo Bank, Zürcher Kantonal Bank, and their officials for extending excellent support in all banking related activities.

Your Board places on record its deep sense of appreciation for the committed services of the associates of your Company at all levels.

Your Board thanks the investors and shareholders for placing immense faith in them.

Your Board takes this opportunity to express its sincere appreciation for the contribution made by the employees at all levels in your Company. The consistent growth was made possible by their hard work, solidarity, cooperation and support.

For and on behalf of the Board of Directors

Dr. Anand Deshpande
Chairman and Managing Director
DIN:00005721

Pune, June 9, 2020