DRAFT RED HERRING PROSPECTUS
Dated July 15, 2008
Please read section 60B of the Companies Act, 1956
(The Draft Red Herring Prospectus will be updated upon filing with the RoC)
100% Book Building Issue

PERSISTENT

Persistent Systems Limited

(Our Company was incorporated as Persistent Systems Private Limited on May 30, 1990. Our status was subsequently changed to a public limited company by a special resolution of the members passed at the extra ordinary general meeting held on September 17, 2007. The fresh certificate of incorporation consequent on conversion was granted to our Company on September 28, 2007 by the Registrar of Companies, Maharashtra, Pune)

Registered Office: Bhageerath, 402, Senapati Bapat Road, Pune 411016, India
Company Secretary and Compliance Officer: Vivek Sadhale
Tel: (91 20) 2570 2800; Fax: (91 20) 2570 2626
Email: investors@persistent.co.in; Website: www.persistentsys.com

For changes in our Registered Office see "History and Certain Corporate Matters" on page 82

PUBLIC ISSUE OF 4,974,836 EQUITY SHARES OF Rs. 10 EACH OF PERSISTENT SYSTEMS LIMITED ("PERSISTENT" OR THE "COMPANY" OR THE "ISSUER") FOR CASH AT A PRICE OF Rs. [•] PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF Rs. [•] PER EQUITY SHARE), CONSISTING OF A FRESH ISSUE OF 4,008,920 EQUITY SHARES AND AN OFFER FOR SALE OF 965,916 EQUITY SHARES BY DR. SHRIDHAR BHALCHANDRA SHUKLA AND ASHUTOSH VINAYAK JOSHI ("THE SELLING SHAREHOLDERS"), AGGREGATING Rs. [•] MILLION (THE "ISSUE"). THE ISSUE COMPRISES A NET ISSUE TO THE PUBLIC OF 4,573,944 EQUITY SHARES OF Rs. 10 EACH (THE "NET ISSUE") AND A RESERVATION OF UP TO 400,892 EQUITY SHARES OF Rs. 10 EACH FOR ELIGIBLE EMPLOYEES (AS DEFINED HEREIN) (THE "EMPLOYEE RESERVATION PORTION"). THE ISSUE WOULD CONSTITUTE 12.48% OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF THE COMPANY. THE NET ISSUE WILL CONSTITUTE 11.47% OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF THE COMPANY

The Company is considering a Pre-IPO Placement of up to 219,279 Equity Shares with certain investors ("Pre-IPO Placement"). The Company will complete the issuance of such Equity Shares prior to the filing of the RHP with the RoC. If the Pre-IPO Placement is completed, (i) the Issue size offered to the public would be reduced to the extent of such Pre-IPO Placement, subject to a minimum Issue size of 10% of the post Issue capital being offered to the public and (ii) the Employee Reservation Portion shall (if required) be accordingly reduced

PRICE BAND: Rs. [•] TO Rs. [•] PER EQUITY SHARE OF FACE VALUE OF Rs. 10.

THE FACE VALUE OF THE EQUITY SHARES IS Rs. 10 AND THE FLOOR PRICE IS [•] TIMES OF THE FACE VALUE AND THE CAP PRICE IS [•] TIMES OF THE FACE VALUE

In case of revision in the Price Band, the Bidding Period shall be extended for three additional working days after revision of the Price Band subject to the Bidding /Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to the National Stock Exchange of India Limited ("NSE") and the Bombay Stock Exchange Limited ("BSE"), by issuing a press release, and also by indicating the change on the websites of the Book Running Lead Managers and at the terminals of the Syndicate.

In terms of Rule 19(2)(b) of the Securities Contract Regulation Rules, 1957 ("SCRR"), this being an Issue for less than 25% of the post–Issue capital, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Net Issue will be allocated on a proportionate basis to Qualified Institutional Buyers ("QIBs"), out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to all QIBs including Mutual Funds, subject to valid bids being received from them at or above the Issue Price. If at least 60% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, not less than 10% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Net Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price. Further upto 400,892 Equity Shares shall be available for allocation on a proportionate basis to the Eligible Employees, subject to valid bids being received at or above Issue Price.

RISK IN RELATION TO THE FIRST ISSUE

This being the first public issue of Equity Shares of the Company, there has been no formal market for the Equity Shares of the Company. The face value of the Equity Shares is Rs. 10 per Equity Share and the Issue Price is [•] times of the face value. The Issue Price (as determined by the Company and the Selling Shareholders in consultation with the Book Running Lead Managers, on the basis of assessment of market demand for the Equity Shares offered by way of the book building process) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of the Company or regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISKS

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue including the risks involved. The Equity Shares offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India ("SEBI"), nor does SEBI guarantee the accuracy or adequacy of this Draft Red Herring Prospectus. Specific attention of the investors is invited to "Risk Factors" on page xii.

IPO GRADING

This Issue has been graded as IPO grade [•] out of 5 by CRISIL indicating fundamentals [•].

ISSUER'S AND SELLING SHAREHOLDERS ABSOLUTE RESPONSIBILITY

The Issuer and the Selling Shareholders, having made all reasonable inquiries, accept responsibility for and confirm that this Draft Red Herring Prospectus contains all information with regard to the Company and the Issue, which is material in the context of the Issue, that the information contained in this Draft Red Herring Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Draft Red Herring Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING ARRANGEMENT

The Equity Shares offered through this Draft Red Herring Prospectus are proposed to be listed on the NSE and the BSE. We have received in-principle approval from NSE and BSE for the listing of our Equity Shares pursuant to letters dated [•] and [•], respectively. For purposes of this Issue, the Designated Stock Exchange is the [•].

BOOK RUNNING LEAD MANAGERS			REGISTRAR TO THE ISSUE
ENAM	Morgan Stanley	JM FINANCIAL	INTIME SPECTRUM REGISTRY LIMITED
Enam Securities Private Limited 801, Dalamal Towers Nariman Point Mumbai 400 021, India Tel: (91 22) 6638 1800 Fax: (91 22) 2284 6824 Email:persistent.ipo@enam.com Investor Grievance Email: complaints@enam.com Website: www.enam.com Contact Person: Lakha Nair SEBI Registration number: INM000006856	**Morgan Stanley India Company Private Limited** 1101-1115, Trident Nariman Point Mumbai 400 021, India Tel (91 22) 6621 0555 Fax (91 22) 6621 0556 Email: persistent_ipo@morganstanley.com Investor Grievance Email: investor_india@morganstanley.com Website:www.morganstanley.com/india offerdocuments Contact Person: Amit H. Shah SEBI Registration number: INM000011203	**JM Financial Consultants Private Limited** 141, Maker Chambers III Nariman Point Mumbai 400 021, India Tel: (91 22) 6630 3030 Fax: (91 22) 2202 8224 Email: persistent.ipo@jmfinancial.in Website: www.jmfinancial.in Investor Grievance Email: grievance.ibd@jmfinancial.in Contact Person: Kailash Soni SEBI Registration number: INM000010361	**Intime Spectrum Registry Limited** C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (West), Mumbai 400 078, India Tel: (91 22) 2596 0320 Fax: (91 22) 2596 0329 Email: psl.ipo@intimespectrum.com Website: www.intimespectrum.com Contact Person: Sachin Achar SEBI Registration number: INR000003761

BID/ISSUE PROGRAM	
BID/ISSUE OPENS ON: [•]	**BID/ISSUE CLOSES ON: [•]**

TABLE OF CONTENTS

SECTION I- GENERAL

DEFINITIONS AND ABBREVIATIONS

Term	Description
"We", "us", "our", "the Issuer", "the Company" and "our Company"	Unless the context otherwise indicates or implies, refers to Persistent Systems Limited and its subsidiaries on a consolidated basis

Company related terms

Term	Description
Articles	Articles of Association of our Company
Board/ Board of Directors	Board of Directors of our Company
CCPS	Series A Participatory Cumulative Optionally Convertible Preference Shares of Rs. 100 each
ControlNet	ControlNet (India) Private Limited
enList	A light-weight reporting solution specifically customised for directories and identity management products, by our Company
enQuire	A virtual directory solution that can be licensed to and embedded with OEM products keen on supporting multiple identity management frameworks, created by our Company
enSure	A synchronisation server, which provides bi-directional synchronisation between multiple data stores on the network created by our Company
ESOA II	An employee stock option award scheme adopted by our Board on April 23, 2004 effective from April 1, 2004 as amended from time to time. This scheme permits grants to employees who are in the cadre above or equal to technical managers, or equivalent cadre
ESOA IV	An employee stock option award scheme adopted by our board on April 23, 2006 effective from April 3, 2006 as amended from time to time. This scheme provides for grants to employees in the cadre of executives, senior technical managers or its equivalent, technical managers or its equivalent or any other employee as may be recommended by the Compensation Committee
ESOA VI	An employee stock option award scheme adopted by our Board on October 31, 2006 effective from June 1, 2006 as amended from time to time. This scheme provides for grants to officers heading our various business functions
ESOA VII	An employee stock option award scheme adopted by our Board on April 30, 2007 effective from September 1, 2006 as amended from time to time. This scheme provides for grants to employees of the Company, overseas subsidiaries or overseas branch offices
ESOA VIII	An employee stock option award scheme adopted by our Board on July 24, 2007 effective from August 1, 2007 as amended from time to time. This scheme provides for grants to independent non executive directors of our Company
ESOP I	An employee stock option plan adopted by our Board on December 11, 1999 effective from October 1, 1999 as amended from time to time. This scheme permits grants to all of our employees
ESOP III	An employee stock option purchase scheme adopted by our Board on April 23, 2004 effective from April 1, 2004 as amended from time to time. This scheme provides for grants to technical managers and their equivalent, associate technical managers and their equivalent and senior member of technical staff and equivalent provided they have been in the service of the Company for a period of not less than two years on the date of grant
ESOP V	An employee stock option purchase scheme adopted by our Board on April 23, 2006 and made effective on April 3, 2006 as amended from time to time. This scheme provides for grants to employees in the cadre of associate technical managers or its equivalent; senior member of technical staff and its equivalent provided such employee has completed two years of employment with the Company as of the date of grant, member of technical staff and its equivalent provided such employee has completed two years of employment with the Company as of the date of grant, or any other employee as may be recommended by the Compensation Committee
ESOP Schemes	Collectively ESOP I, ESOA II, ESOP III, ESOA IV, ESOP V, ESOA VI, ESOA VII and ESOA VIII
ESOP Trust	PSPL ESOP Management Trust
Gabriel	Gabriel Venture Partners (Mauritius)
Gabriel II	Gabriel Venture Partners II (Mauritius), registered as a Foreign Venture Capital Investor with SEBI vide registration number IN/FVCI/06-07/75 dated March 13, 2007
Go-To-Live	A design for manufacturing offering specifically for start-up companies, created by our Company
Group Entities	S. P. Deshpande (HUF) and R. P. Deshpande (HUF)
Independent Director	Non Executive independent director of our Company
Intel Mauritius	Intel Capital (Mauritius) Limited FVCI, registered as a Foreign Venture Capital Investor with SEBI vide registration number IN/FVCI/05-06/15 dated April 29, 2005
Intel 64 LLC	Intel 64 Fund, LLC
Intel 64 Operations	Intel 64 Fund Operations, Inc.
Intel Subscription	Subscription Agreement dated April 10, 2000 entered into between Intel 64 Fund LLC and our Company

Term	Description
Agreement	
Investor Rights Agreement	Investor Rights Agreement dated April 10, 2000 entered into between Intel 64 Fund LLC and our Company and as amended subsequently
Intel Agreement	Collectively the Intel Subscription Agreement and the Investor Rights Agreement
Intel Amendment Agreement	Amendment Agreement dated November 10, 2005 entered into between the parties to the Investor Rights Agreement and Intel Mauritius
IPO Committee	Committee constituted by our Board at its meeting held on April 30, 2007 consisting of Dr. Anand Deshpande, S. P. Deshpande, P. B. Kulkarni and Dr. Promod Haque.
Joint Auditors	The statutory auditors of our Company namely S. R. Batliboi and Co. Chartered Accountants and Joshi Apte and Co. Chartered Accountants
Letter of Intent	Letter of intent dated May 14, 2008 between our Company and Sundew Properties Private Limited, a group company of K. Raheja Corporation Private Limited
Memorandum	Memorandum of Association of our Company
Norwest	Norwest Venture Partners – Mauritius
Norwest FVCI Mauritius	Norwest Venture Partners FVCI Mauritius, registered as a Foreign Venture Capital Investor with SEBI vide registration number IN/FVCI/06-07/47 dated June 20, 2006
Pre-IPO Placement	Our Company is considering a Pre-IPO Placement of up to 219,279 Equity Shares with certain investors and will complete such a placement prior to the filing of the RHP with RoC. If the Pre-IPO Placement is completed, the Issue size offered to the public would be reduced to the extent of such Pre-IPO Placement, subject to (i) a minimum Issue size of 10% of the post Issue capital being offered to the public and (ii) the Employee Reservation Portion shall (if required) be accordingly reduced
Promoter Group	Promoter Group Invididuals and the Group Entities
Promoter Group Individuals	Anjali Pravin Dabholkar, Arul Anand Deshpande, Chitra Hemadri Buzruk, Deepa Padmakar Khare, Kasturi Parag Joglekar, Mridula Milind Thomare, Dr. Mukund Suresh Deshpande, Neelkanth Achyut Khanzode, Padmakar Govind Khare, Ramesh Purushottam Deshpande, Ria Anand Deshpande, Manisha Ashok Shembekar, Sonali Anand Deshpande, Sulabha Suresh Deshpande
Promoters	Dr. Anand Deshpande and S. P. Deshpande
Registered Office	Bhageerath, 402, Senapati Bapat Road, Pune 411016, India
Shareholders Agreements	Subscription Agreement and Investor Rights Agreement dated April 10, 2000 entered into with Intel 64 LLC and Subscription Agreement and Shareholders Agreement dated November 10, 2005 entered into with Norwest and Gabriel, including their respective amendments
Subsidiaries	Subsidiaries of our Company, namely, Persistent eBusiness Solutions Limited, Persistent Systems and Solutions Limited, Persistent Systems, Inc. and Persistent Systems Pte. Ltd.

Issue related terms

Term	Description
Allotment/Allot(ed)	Unless the context otherwise requires, the issue and allotment of Equity Shares, pursuant to the Fresh Issue and the transfer of Equity Shares pursuant to the Offer for Sale
Allottee	The successful Bidder to whom the Equity Shares are/ have been allotted
Banker(s) to the Issue	[●]
Basis of Allotment	The basis on which Equity Shares will be Allotted to Bidders under the Issue and which is described in "Issue Procedure" on page 229
Bid	An indication to make an offer during the Bidding Period by a prospective investor to subscribe to or purchase the Equity Shares of our Company at a price within the Price Band, including all revisions and modifications thereto
Bid / Issue Closing Date	The date after which the Syndicate will not accept any Bids for the Issue, which shall be notified in a widely circulated English national newspaper, a Hindi national newspaper and a Marathi newspaper with wide circulation
Bid / Issue Opening Date	The date on which the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in a widely circulated English national newspaper, a Hindi national newspaper and a Marathi newspaper with wide circulation
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid in the Issue
Bid cum Application Form	The form in terms of which the Bidder shall make an offer to subscribe or purchase Equity Shares of our Company and which will be considered as the application for Allotment pursuant to the terms of the Red Herring Prospectus
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid cum Application Form
Bidding / Issue Period	The period between the Bid/ Issue Opening Date and the Bid/ Issue Closing Date (inclusive of both days) and during which prospective Bidders can submit their Bids
Book Building Process/ Method	Book building route as provided in Chapter XI of the SEBI Guidelines, in terms of which this Issue is being made
BRLMs/Book Running	Book Running Lead Managers to the Issue, in this case being Enam Securities Private Limited,

Term	Description
Lead Managers	Morgan Stanley India Company Private Limited and JM Financial Consultants Private Limited
Business Day	Any day other than Saturday and Sunday on which commercial banks in Mumbai, India are open for business
CAN/ Confirmation of Allocation Note	The note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalised and above which no Bids will be accepted
Cut-off Price	A price within the price band finalised by our Company and the Selling Shareholders in consultation with the BRLMs. A Bid submitted at Cut-off Price by a Retail Individual Bidder is a valid Bid at all price levels within the Price Band. Only Retail Individual Bidders are entitled to bid at the Cut-off Price for a Bid Amount not exceeding Rs. 100,000. QIBs and Non-Institutional Bidders are not entitled to Bid at Cut-off Price
Designated Date	The date on which funds are transferred from the Escrow Account to the Public Issue Account after the Prospectus is filed with the RoC, following which the Board of Directors may approve Allotment of Equity Shares to successful Bidders
Designated Stock Exchange	[●]
Draft Red Herring Prospectus	This Draft Red Herring Prospectus issued in accordance with S. 60B of the Companies Act which does not contain complete particulars of the price at which the Equity Shares are offered and the size of the Issue
Eligible Employee	A permanent employee or a Director (whether whole-time, part-time or otherwise) of the Company as of [●], 2008 who is based, working and present in India as on the date of submission of the Bid cum Application Form except our Promoters or any member of our Promoter Group. The Eligible Employee(s) may also be referred to as "Eligible Employee under the Employee Reservation Portion" in this Draft Red Herring Prospectus
Eligible NRI	NRI from such jurisdiction outside India where it is not unlawful to make an offer or invitation under the Issue and in relation to whom the Red Herring Prospectus constitutes an invitation to subscribe or purchase the Equity Shares offered thereby
Employee Reservation Portion	The portion of the Issue being up to 400,892 Equity Shares available for allocation to Eligible Employees
ENAM	Enam Securities Private Limited, with its registered office at 24, B. D. Rajabahadur Compound, Ambalal Doshi Marg, Fort, Mumbai 400 001, India
Equity Shares	Equity shares of our Company of Rs. 10 each unless otherwise specified in the context thereof
Escrow Account	Account opened with the Escrow Collection Bank(s) for the Issue and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid
Escrow Agreement	Agreement to be entered into among our Company, the Selling Shareholders, the Registrar, the BRLMs, the Syndicate Member and the Escrow Collection Bank(s) for collection of the Bid Amounts and, where applicable, remitting refunds of the amounts collected to the Bidders on the terms and conditions thereof
Escrow Collection Bank(s)	The banks which are clearing members and registered with SEBI as Banker to the Issue with whom the Escrow Account will be opened and in this case being [●]
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form
Floor Price	The lower end of the Price Band, above which the Issue Price will be finalised and below which no Bids will be accepted
Fresh Issue	The fresh issue of 4,008,920 Equity Shares at the Issue Price by the Company
Issue	Collectively the Fresh Issue and the Offer for Sale. A Pre-IPO Placement of up to 219,279 Equity Shares with certain investors is being considered by the Company and will be completed prior to the filing of the RHP with the RoC. If the Pre-IPO Placement is completed, (i) the Issue size offered to the public would be reduced to the extent of such Pre-IPO Placement, subject to a minimum Issue size of 10% of the post Issue capital being offered to the public and (ii) the Employee Reservation Portion shall (if required) be accordingly reduced
Issue Price	The final price at which Equity Shares will be issued and allotted pursuant to the terms of the Red Herring Prospectus or the Prospectus. The Issue Price will be decided by the Company and the Selling Shareholders in consultation with the BRLMs on the Pricing Date
JM Financial	JM Financial Consultants Private Limited with its registered office at 141, Maker Chambers III, Nariman Point, Mumbai 400 021, India
Margin Amount	The amount paid by the Bidder at the time of submission of the Bid, which may be between 10% to 100% of the Bid Amount, as applicable
MSIC	Morgan Stanley India Company Private Limited with its registered office at 4/F, Forbes Building, Charanjit Rai Marg, Fort, Mumbai 400 021, India
Mutual Fund Portion	5% of the QIB Portion or 137,218 Equity Shares available for allocation to Mutual Funds only, out of the QIB Portion. A Pre-IPO Placement of up to 219,279 Equity Shares with certain investors is being considered by the Company and will be completed prior to the filing of the RHP with RoC. If the Pre-IPO Placement is completed, the Mutual Fund Portion would be reduced proportionately with the reduction of the remainder of the Net Issue
Mutual Funds	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996, as

Term	Description
	amended
National Investment Fund	Fund set up by resolution F. No. 2/3/2005- DD-II dated November 23, 2005 of Government of India published in the Gazette of India
Net Issue	The Issue less the Employee Reservation Portion, aggregating 4,573,944 Equity Shares
Net Proceeds	Proceeds of the Fresh Issue, after deducting our Company's share of the underwriting and management fees, selling commissions and other expenses associated with the Issue
Non Institutional Bidders	All Bidders that are not QIBs or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs. 100,000 (but not including NRIs other than Eligible NRIs)
Non Institutional Portion	The portion of the Issue being not less than 457,394 Equity Shares of Rs. 10 each available for allocation to Non Institutional Bidders. A Pre-IPO Placement of up to 219,279 Equity Shares with certain investors is being considered by the Company and will be completed prior to the filing of the RHP with RoC. If the Pre-IPO Placement is completed, the Non Institutional Portion would be reduced proportionately with the reduction of the remainder of the Net Issue
Offer for Sale	The Offer for Sale by the Selling Shareholders of 965,916 Equity Shares of Rs. 10 each at the Issue Price. A Pre-IPO Placement of up to 219,279 Equity Shares with certain investors is being considered by the Company and will be completed prior to the filing of the RHP with RoC. If the Pre-IPO Placement is completed, the shares offered in the Offer for Sale would be reduced proportionately with the reduction of the remainder of the Net Issue
Pay-in Date	Bid Closing Date or the last date specified in the CAN sent to Bidders, as applicable
Pay-in-Period	(a) With respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid/ Issue Opening Date and extending until the Bid/ Issue Closing Date; and (b) With respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid/ Issue Opening Date and extending until the closure of the Pay-in Date, specified in the CAN
Price Band	Price band of a minimum price (Floor Price) of Rs. [•] and the maximum price (Cap Price) of Rs. [•] and includes revisions thereof including any revision to such Floor Price or Cap Price as may be permitted by the SEBI Guidelines
Pricing Date	The date on which our Company and the Selling Shareholders in consultation with the BRLMs finalise the Issue Price
Prospectus	The Prospectus to be filed with the RoC in terms of S. 60 of the Act containing, inter alia, the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information
Public Issue Account	Account opened with the Bankers to the Issue to receive monies from the Escrow Account on the Designated Date
QIB Margin Amount	An amount representing at least 10% of the Bid Amount which QIBs are required to pay at the time of submission of a Bid
QIB Portion	The portion of the Net Issue being 2,744,367 Equity Shares to be allotted to QIBs on a proportionate basis. A Pre-IPO Placement of up to 219,279 Equity Shares with certain investors is being considered by the Company and will be completed prior to the filing of the RHP with RoC. If the Pre-IPO Placement is completed, the QIB portion offered would be reduced proportionately with the reduction of the remainder of the Net Issue
Qualified Institutional Buyers or QIBs	Includes public financial institutions as specified in S. 4A of the Act, FIIs, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 million, pension funds with minimum corpus of Rs. 250 million and National Investment Fund
Refund account	The account opened with the Escrow Collection Bank(s), from which refunds, if any, of the whole or part of the Bid Amount shall be made
Refund Banker	[●]
Refunds through electronic transfer of funds	Refunds through electronic transfer of funds means refunds through ECS, Direct Credit, NEFT or RTGS as applicable
Registrar to the Issue	Registrar to the Issue, in this case being Intime Spectrum Registry Limited having its registered office at C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (West), Mumbai 400 078, India
Retail Individual Bidder(s)	Individual Bidders (including HUFs) who have Bid for Equity Shares for an amount less than or equal to Rs. 100,000 in any of the bidding options in the Issue (including HUF, applying through their Karta and Eligible NRIs)
Retail Portion	The portion of the Net Issue being not less than 1,372,183 Equity Shares of Rs. 10 each available for allocation to Retail Bidder(s). A Pre-IPO Placement of up to 219,279 Equity Shares with certain investors is being considered by the Company and will be completed prior to the filing of the RHP with RoC. If the Pre-IPO Placement is completed, the Retail Portion offered would be reduced proportionately with the reduction of the remainder of the Net Issue.
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of

Term	Description
	their Bid cum Application Forms or any previous Revision Form(s)
RHP or Red Herring Prospectus	The Red Herring Prospectus which does not have complete particulars of the price at which the Equity Shares are offered and the size of the issue and which will be filed with RoC in terms of S. 60B of the Companies Act, at least three days before the Bid/ Issue Opening Date
Selling Shareholders	Collectively, Dr. Shridhar Bhalchandra Shukla and Vijayalaxmi Shridhar Shukla (joint holders) and Ashutosh Vinayak Joshi
Stock Exchanges	BSE and NSE
Syndicate	The BRLMs and the Syndicate Member(s)
Syndicate Agreement	Agreement to be entered into among the Syndicate, the Selling Shareholders and the Company in relation to the collection of Bids in this Issue
Syndicate Member	The Syndicate Member in this case being JM Financial Services Private Limited
TRS/ Transaction Registration Slip	The slip or document issued by any of the members of the Syndicate to the Bidder as proof of registration of the Bid
Underwriters	The BRLMs and the Syndicate Member
Underwriting Agreement	The Agreement between the members of the Syndicate, the Selling Shareholders and our Company to be entered into on or after the Pricing Date

Conventional and general terms/ abbreviations

Term	Description
Act or Companies Act	Companies Act, 1956 and amendments thereto
AGM	Annual General Meeting
AY	Assessment Year
BPO	Business Process Outsourcing
BSE	Bombay Stock Exchange Limited
CDSL	Central Depository Services (India) Limited
Depositories Act	The Depositories Act, 1996 as amended from time to time
Depository Participant/DP	A depository participant as defined under the Depositories Act
Depository/Depositories	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time, in this case being NSDL and CDSL
DP ID	Depository Participant’s Identity
EGM	Extraordinary General Meeting
EPS	Earnings Per Share, i.e., profit after tax for a Fiscal/period divided by the weighted average number of equity shares/potential equity shares during that Fiscal/period
EU	European Union
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999 read with rules and regulations thereunder and amendments thereto
FII(s)	Foreign Institutional Investors as defined under SEBI (Foreign Institutional Investor) Regulations, 1995 registered with SEBI under applicable laws in India
FVCI	Foreign Venture Capital Investors registered with SEBI (Foreign Venture Capital Investor) Regulations, 2000
Financial Year/ Fiscal/ FY	Period of twelve months ended March 31 of that particular year
FIPB	Foreign Investment Promotion Board
GDP	Gross Domestic Product
GoI/Government	Government of India
HUF	Hindu Undivided Family
I.T. Act	The Income Tax Act, 1961, as amended from time to time
IFRS	International Financial Reporting Standards
Indian GAAP	Generally Accepted Accounting Principles in India
IPO	Initial Public Offering
IT	Information Technology
MIDC	Maharashtra Industrial Development Corporation
MOU	Memorandum of Understanding
NAV	Net Asset Value being paid up equity share capital plus free reserves (excluding reserves created out of revaluation, preference share capital and share application money) less deferred expenditure not written off (including miscellaneous expenses not written off) and debit balance of Profit and Loss account, divided by number of issued equity shares outstanding at the end of Fiscal / period
NEFT	National Electronic Fund Transfer

Term	Description
NR	Non-resident
NRE Account	Non Resident External Rupee Account
NRI	Non Resident Indian, is a person resident outside India, as defined under FEMA and the FEMA Regulations
NRO Account	Non Resident Ordinary Rupee Account
NSDL	National Securities Depository Limited
NSE	The National Stock Exchange of India Limited
OCB	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under Foreign Exchange Management (Transfer or Issue of Foreign Security by a Person resident outside India) Regulations, 2000
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number allotted under the I.T. Act
RBI	The Reserve Bank of India
RoC	The Registrar of Companies, Maharashtra, Pune
RONW	Return on Net Worth
Rs.	Indian Rupees
RTGS	Real Time Gross Settlement
SCRA	Securities Contracts (Regulation) Act, 1956, as amended from time to time
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 as amended from time to time
Sec. /S.	Section
Sing$	Singapore Dollar
Sq. ft.	Square Feet
STPI	Software Technology Park of India
SEZ	Special Economic Zone
U.S. / U.S.A. / United States	United States of America
U.S. GAAP	Generally Accepted Accounting Principles in the United States of America
U.S. Securities Act	U.S. Securities Act of 1933, as amended from time to time
$/USD/US$	US Dollar
€	Euro

Industry related terms

Term	Description
ACM	Association for Computing Machinery
Berne Convention	Convention of International Union for the Protection of Literary and Artistic Works
BHEL	Bharat Heavy Electrical Limited
BIOS	Basic Input/Output System
CIF	Cost, Insurance and Freight
Copyright Act	The Copyright Act, 1957
CRM	Customer Relationship Management
CSI	Computer Society of India
DBMS	Database Management System
DFM	Design For Manufacturing
EPF Act	Employees Provident Fund and Miscellaneous Provisions Act, 1952
ERP	Enterprise Resource Planning
ESI	The Employees State Insurance Act, 1948
Forrester	Forrester Research, Inc
Forrester Report	"Outsourced Software Product Development Has Arrived", August 3, 2006 published by Forrester Research, Inc.

Term	Description
GPL	the GNU General Public Licence
GPL Compatibles	GPL compatible licenses
I18N/L10N testing	Internationalisation and Localisation Testing
IDA	The Industrial Disputes Act, 1948
IITs	Indian Institutes of Technology
ISV	Independent System Vendors
MCCIA	Mahratta Chamber of Commerce, Industries and Agriculture
MIS	Management Information System
NASSCOM	National Association of Software and Services Companies
ODC	Offshore Development Center
ODM	Original Design and Manufacturing
OPD	Outsourced Software Product Development
OS	Operating System
Paris Convention	Paris Convention for the Protection of Industrial Property, 1883
Patents Act	The Patents Act, 1970
PCT	The Patent Co-operation Treaty, 1970
Product Release	Distinct product offerings to customers that are differentiated to other releases by functionality and platforms.
PTAF	Persistent Test Automation Facility
R & D	Research and Development
RECs	Regional Engineering Colleges
RFID	Radio Frequency Identification
Rome Convention	Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organisations, 1961
SCM	Supply Chain Management
Sigmod	Special Interest Group on Management of Data, New York, USA
SPIN	Software Process Improvement Network
SRM	Strategic Relationship Management
STP Scheme	The Software Technology Parks Scheme
Supply Chain Collaboration	Supply chain collaboration is a web-based supply chain application that enables real-time supply chain management and control
TRIPS Agreement	Trade Related aspects of Intellectual Property Rights
UCC	The Universal Copyright Convention, 1952

CERTAIN CONVENTIONS, PRESENTATION OF FINANCIAL, INDUSTRY AND MARKET DATA

All references to "Rupees" or "Rs." are to Indian Rupees, the official currency of the Republic of India. All references to "US$" or "US Dollars" are to United States Dollars, the official currency of the United States of America. All references to "Sing$" are to Singapore Dollar, the official currency of Singapore.

Unless stated otherwise, the financial data in this Draft Red Herring Prospectus is derived from our restated financial information prepared in accordance with Indian GAAP and the SEBI Guidelines, which are included in this Draft Red Herring Prospectus. Our fiscal year commences on April 1 and ends on March 31 of the next year. All references to a particular Fiscal are to the twelve-month period ended on March 31 of that year.

All disclosures in relation to stock options granted under our ESOP Schemes have been made after converting the same for alterations in share capital and capital structure including bonus issues and the sub division of shares.

There are significant differences between Indian GAAP, IFRS and U.S. GAAP. We have not attempted to explain those differences or quantify their impact on the financial data included herein and we urge you to consult your own advisors regarding such differences and their impact on our financial data. Accordingly, the degree to which the Indian GAAP financial information included in this Draft Red Herring Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Draft Red Herring Prospectus should accordingly be limited.

In this Draft Red Herring Prospectus, any discrepancies in any table between the totals and the sum of the amounts listed are due to rounding off.

Market and industry data used in this Draft Red Herring Prospectus has generally been obtained or derived from industry publications and sources. These publications typically state that the information contained therein has been obtained from sources believed to be reliable but their accuracy and completeness are not guaranteed and their reliability cannot be assured. Accordingly, no investment decisions should be made based on such information. Although we believe that industry data used in this Draft Red Herring Prospectus is reliable, it has not been verified. Similarly, we believe that the internal company reports are reliable; however, they have not been verified by any independent sources.

The extent to which the market and industry data used in this Draft Red Herring Prospectus is meaningful depends on the reader's familiarity with and understanding of the methodologies used in compiling such data. There are no standard valuation methodologies or accounting policies in the emerging information technology industry in India and methodologies and assumptions may vary widely among different industry sources.

The following table sets forth, for each period indicated, information concerning the number of Rupees for which one US$ could be exchanged at the noon buying rate in the City of New York on the last business day of the applicable period for cable transfers in Rupees as certified for customs purposes by the Federal Reserve Bank of New York. The row titled "Average" in the table below is the average of the daily noon buying rate for each day in the period. Similarly, the rows titled "low" and "high" give the lowest and highest noon buying rates during the period.

(Amount in Rs.)

	Fiscal 2008	**Fiscal 2007**	**Fiscal 2006**
Period End	40.10	43.10	44.48
Average	40.25	45.12	44.17
Low	39.19	42.78	43.05
High	43.33	46.83	46.26

On July 11, 2008, the noon buying rate was Rs. 42.80 per US$.

FORWARD-LOOKING STATEMENTS

This Draft Red Herring Prospectus contains certain "forward-looking statements". These forward looking statements can generally be identified by words or phrases such as "aim", "anticipate", "believe", "expect", "estimate", "intend", "objective", "plan", "project", "shall", "will", "will continue", "will pursue", "will likely result", "contemplate", "seek to", "future", "goal", "should" or other words or phrases of similar import. Similarly, statements that describe our objectives, plans or goals are also forward-looking statements.

All forward-looking statements are subject to risks, uncertainties and assumptions that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from our expectations include, among others:

1. Loss of any major client or a decrease in the volume of work they outsource to us;
2. A decline in demand for our OPD Services;
3. Economic slowdown in the U.S. or the EU resulting in reduction in or postponement of our clients' IT spends;
4. Opposition to outsourcing in the U.S. and other countries;
5. Failure of the software developed by us;
6. Changes in foreign exchange rates or other rates or prices;
7. Our ability to anticipate global outsourcing trends and suitably expand our current service offerings;
8. High level of dependence on senior management and Key Managerial Personnel;
9. Withdrawal of tax benefits currently received by the IT industry;
10. Increased competition;
11. Our inability to manage our growth;
12. Our failure to keep pace with rapid changes in technology;
13. The monetary and interest policies of India, inflation, deflation, unanticipated turbulence in interest rates; and
14. Changes in the foreign exchange control regulations in India.

For a further discussion of factors that could cause our actual results to differ, refer to "Risk Factors" on page xii. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated.

Forward looking statements speak only as of the date of this Draft Red Herring Prospectus. Neither we, the Selling Shareholders, our Directors, Underwriters nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the BRLMs, our Company and the Selling Shareholders will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.

SECTION II- RISK FACTORS

RISK FACTORS

An investment in equity shares involves a high degree of risk. The risks and uncertainties described below together with the other information contained in this Draft Red Herring Prospectus should be carefully considered before making an investment decision in our Equity Shares. The risks described below are relevant to the country, the industry in which our Company operates, our Company and the Equity Shares. Additional risks, not presently known to our Company or that we currently deem immaterial may also impair our Company's business operations. You should carefully consider all the information in this Draft Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in our Equity Shares. You should read this section in conjunction with the sections entitled "Our Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 57 and 175 respectively of this Draft Red Herring Prospectus, as well as the other information contained in this Draft Red Herring Prospectus. If any one or some combination of the following risks were to occur, our business, results of operations and financial condition could suffer, and the price of the Equity Shares and the value of your investment in the Equity Shares could decline. Prospective investors should pay particular attention to the fact that our Company is incorporated under the laws of India and is subject to a legal and regulatory environment, that may differ in certain respects from that of other countries.

This Draft Red Herring Prospectus also contains forward-looking statements that involve risk and uncertainties. Our Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Draft Red Herring Prospectus. See "Forward-Looking Statements" on page xi. Unless specified or quantified in the relevant risk factors below, we are not in a position to quantify the financial or other implication of any of the risks described in this section. The numbering of the risk factors has been done to facilitate ease of reading and reference and does not in any manner indicate the importance of one risk over another.

Internal risks

***1. A criminal litigation is pending against our Directors*.**

A criminal complaint has been filed against our Promoter Directors, Dr. Anand Deshpande and S. P. Deshpande, in their capacity as Directors of our Company, before the Court of the Judicial Magistrate First Class at Pimpri, Maharashtra on grounds of allegedly causing hurt, intentional insult with intention to provoke a breach of the peace, cheating and breach of trust, all being offences under the Indian Penal Code, 1860. The matter is pending after submission of the investigation report by the concerned police station.

A failure to successfully defend these claims could adversely affect our business, prospects, financial condition and results of operations and also our reputation. For more information regarding litigation, refer to "Outstanding Litigation and Material Developments" on page 197.

***2. We are involved in certain legal proceedings*.**

There is a civil suit pending against our Company (through our Managing Director Dr. Anand Deshpande) and ESOP Trust pertaining to the payment of salary dues and employment stock option plans seeking to recover a total amount of Rs. 108,888 along with interest.

We are also involved in certain proceedings relating to income tax assessment orders for the Fiscals 2003 and 2004, passed by the assessing officer for the Assessment Year 2003-2004 and 2004-2005. The said orders restrict our claims for certain tax deductions. Aggrieved by these orders, our Company has filed appeals against the same, which are pending for hearing. The consolidated demand in relation to the above is approximately Rs. 8.17 million, which has since been paid.

Our Company has also received notice from the Transfer Pricing Officer with respect to determination of the arms length price in respect of certain international transactions of our Company with our associated enterprises.

Our Company has received a letter dated December 18, 2007 asking our Company to pay service tax on certain maintenance services and business auxiliary services provided by our Company. In response to this letter, our Company has paid service tax of Rs. 3.51 million alongwith interest of Rs. 0.51 million under protest. Further, our Company has received a notice from the Commissioner Central Excise Pune-III to show cause why our Company has not paid service tax of Rs. 8.31 million (plus applicable interest and penalty) on the payments made to (i) certain commission agents situated outside India; (ii) maintenance and repairs services; and (iii) business support services.

Our Company had filed an application under Sec. 22 of the Companies Act before the Regional Director, Southern Region, Ministry of Company Affairs, Chennai for the issue of appropriate orders directing a third party entity named "Persistent Software Private Limited" to change its name. The Regional Director vide its order No. 4/22/AP-9/2006 dated November 28, 2006, directed Persistent Software Private Limited to change its name within three months from the date of the order. Persistent Software Private Limited has yet to comply with the said order.

Our Company has received a notice from the Deputy Director of Employee State Insurance Corporation requiring the Company to show cause as to why it was not liable to pay a sum of Rs. 8.33 million plus interest were not made.

The applications made by us with the US Patent and Trademark Office currently stand suspended citing earlier applications filed by other parties for similar trademarks.

Oppositions have been raised against two of the applications filed by our Company for registration of our service marks. Our Company has filed counter statements in both cases denying all grounds set out in the objections. Both matters are still pending. No litigation has been initiated in any of these cases.

There can be no assurance that the provisions we have made for litigation will be sufficient or that further substantial litigation will not be brought against us in the future. Our failure to successfully defend these or other claims or if our current provisions prove to be inadequate, our business, prospects, financial condition and results of operations could be adversely affected. For more information regarding litigation, refer to "Outstanding Litigation and Material Developments" on page 197.

3. Our revenues are highly dependent on clients located in the United States. Economic slowdowns and other factors that affect the economic health of the United States may affect our business.

A significant proportion of our revenues are derived from clients located in the United States. In Fiscal 2008, 2007 and 2006, 87.62%, 92.30% and 87.95% of our revenues from sale of software services and products, respectively, were derived from clients located in the United States. This calculation of revenues by client geography is based on the location of the specific client entity for which billing is done, irrespective of the location where services may be rendered. Consequently, in the event of any economic slowdown in the United States or any reduction in the IT or product spending or outsourcing to India by firms based in the United States, our clients may reduce or postpone their IT or product spending significantly or cut or delay product releases or versions, which may in turn lower the demand for our services and negatively affect our business, financial condition and results of operations.

4. Our clients operate in a limited number of industries. Factors that adversely affect these industries or product spending by companies within these industries may adversely affect our business.

We derive a large proportion of our revenues from clients that operate in a limited number of industries. In Fiscal 2008, 2007 and 2006, we derived 25.57%, 27.42% and 31.66% of our revenues, respectively, from clients operating in the telecommunications industry. Any significant decrease in IT or product spending or outsourcing by clients in this industry or other industries from which we derive significant revenues in the future may reduce the demand for our services. Further, any significant decrease in the growth of the telecommunications industry or significant consolidation in this industry, or any decrease in growth or consolidation in other industry segments in which we operate, may reduce the demand for our services.

5. ***We derive a significant portion of our revenues from a limited number of clients. The loss of, or a significant reduction in the revenues we receive from, one or more of these clients, may adversely affect our business.***

We derive a significant portion of our revenues from a limited number of large corporate clients. In Fiscal 2008, 2007 and 2006, our top ten clients accounted for 38.47%, 46.79% and 58.78%, respectively, of our revenues. In Fiscal 2008, our largest customer amounted to 8.25% of our revenues. Since there is significant competition for the services we provide and we are typically not an exclusive service provider to our major clients, the level of revenues from our major clients could vary from period to period. Our major clients typically retain us under master services agreements that do not provide for specific amounts of guaranteed business. These agreements are typically terminable by our clients with short notice and without significant penalties. Our clients may also decide to reduce spending on IT and products, cut or delay product releases or versions because of economic pressures and other factors, both internal and external, relating to their business. The loss of, or a significant reduction in the revenues that we receive from one or more of our major clients, may adversely affect our business and profitability.

6. ***We face intense competition for employees in our market. Our success depends in large part upon our highly skilled software professionals and our ability to attract and retain these personnel.***

Our ability to execute projects and to obtain new clients depends largely on our ability to attract, train, motivate and retain highly skilled software professionals, particularly project managers and other mid-level professionals. Our attrition rates have been high due to a highly competitive labour market in India. Our attrition rates were 21.21%, 22.45% and 21.28%, in Fiscal 2008, 2007 and 2006, respectively. We define our attrition rate as the ratio of the number of employees that have left us during a defined period to the average number of employees that are on our payroll during such period.

We invest in training the professionals that we hire to perform the services we provide. These professionals are often targeted by the lateral recruitment efforts of our competitors. If we cannot hire and retain additional qualified personnel, our ability to bid on and obtain new projects may be impaired and our revenues could decline. In addition, we may not be able to expand our business effectively. We believe that there is significant worldwide competition for software professionals with the skills necessary to perform the services we offer, including from non-Indian, international software service providers. Additionally, we may have difficulty redeploying and retraining our software professionals to keep pace with continuing changes in technology, evolving standards and changing client preferences.

7. ***Our success depends in large part upon our senior management and key personnel and on our ability to attract and retain them.***

We are highly dependent on our senior management and key personnel for setting our strategic direction and managing our business, and our future performance will be dependent upon the continued service of these persons. We do not maintain key man life insurance for any of the senior members of our management team or other key personnel except for our Chairman and Managing Director. Competition for senior management and experienced personnel in our industry is intense, and we may not be able to retain such senior management personnel or attract and retain new senior management personnel in the future. The loss of any of the members of our senior management or other key personnel may adversely affect our business.

8. ***We are subject to risks arising from exchange rate movements***.

Although our functional currency is the Indian rupee, we transact a significant portion of our business in several other currencies, particularly the US$. Our exchange rate risk primarily arises from our foreign currency revenues, receivables, payables and other foreign currency assets and liabilities. We expect that a majority of our revenues will continue to be generated in US$ for the foreseeable future.

During Fiscal 2008, 2007 and 2006, our US$ denominated revenues were $98.66 million, $67.32 million and $47.14 million, respectively, which represented 93.24%, 96.22% and 97.17% of our total revenues, respectively.

A significant portion of our expenses, comprising personnel expenses and operating and other expenses are and will continue to be denominated and incurred in Indian Rupees. During Fiscal 2008, 2007 and 2006, our Rupee expenses represented 77.49%, 81.17% and 84.13% of the total personnel expenses and operating and other expenses. Therefore, changes in the exchange rate between the Rupee and other currencies, especially with respect to the US$, may have a material adverse effect on our revenues, other income, cost of services, operating costs and net income, which may in turn have a negative impact on our business, operating results and financial condition. The exchange rate between the Rupee and the US$ has changed substantially in recent years and may fluctuate substantially in the future.

We have sought to reduce the effect of exchange rate movements on our financial results by entering into foreign exchange forward contracts and currency options to cover a major portion of outstanding accounts receivables and projected earnings in foreign currency. As on March 31, 2008, the value of such forward contracts and options booked was US$136.85 million. However, we may not be able to insulate ourselves completely from foreign currency exchange risks by entering into forward contracts and currency options. In addition, any such contracts may not perform effectively as a hedging mechanism. See "Management's Discussion and Analysis of Financial Condition – Exchange Rates" on page 175 for further information.

9. Our revenues, expenses and profits may vary significantly from period to period. This could cause the market value of our Equity Shares to decline.

Our operating results may vary significantly from period to period. As a large part of any period's revenues is derived from existing customers, revenue growth can vary due to project start and stops and customer-specific situations. In addition, revenue from new customers also varies from period to period. Operating income variation is due to various factors such as changes in employee compensation, which are typically effected in the first quarter and reduce our operating margin in such quarter; changes in the ratio of onsite and offshore services, with higher offshore revenues enhancing the particular period's operating income; changes in utilisation of resources, with lower utilisation leading to reduction in operating income; and changes in foreign exchange rates.

Factors that affect the fluctuation of our revenues, expenses and profits include:

i. variations, expected or unexpected, in the duration, size, timing and scope of our projects, particularly with our major clients;
ii. in our pricing policies or those of our clients or competitors;
iii. the proportion of services that we perform in our development centers in India as opposed to outside India;
iv. unanticipated attrition and the time required to hire, train and productively utilise our new employees;
v. loss of clients;
vi. our ability to acquire new clients;
vii. annual increases in compensation of our employees;
viii. the size and timing of expansion of our facilities;
ix. unanticipated cancellations, non-renewal of our contracts by our clients, contract terminations or deferrals of projects; and
x. changes in our employee utilisation rate due to various factors.

A significant part of our expenses, particularly those related to personnel and facilities, are fixed in advance of any particular quarter. As a result, unanticipated variations in the number and timing of our projects or employee utilisation rates may cause significant variations in our operating results in any particular quarter. There are also a number of factors other than our performance that is not within our control that could cause fluctuations in our operating results. These include:

i. the duration of tax holidays or exemptions and the availability of other Government of India incentives;
ii. the outcome of any tax, legal or regulatory review, action or litigation;
iii. currency exchange rate movements, particularly when the rupee appreciates in value against the US$ since the majority of our revenues are in US$ and a significant part of our expenses are in Indian Rupees; and
iv. other general economic factors.

10. Any inability to manage our growth could disrupt our business and reduce our profitability.

We have experienced significant growth in recent years. Our consolidated revenues, as restated, grew at an annual growth rate of 34.60%, 45.79% and 47.40% during Fiscal 2008, 2007 and 2006, respectively. Our consolidated net profit, as restated, grew at an annual growth rate of 44.73%, 58.84% and 3.67% during Fiscal 2008, 2007 and 2006, respectively.

Our operations have also expanded in recent years through the development, enhancement and acquisition of new service offerings and industry expertise, and the expansion of our facilities. In July 2007, we completed the acquisition of the assets of Metrikus (India) Private Limited, a subsidiary of privately held Metrikus Inc., USA. We have also have begun the initial phases of construction of new facilities in Hinjewadi, Pune and Nagpur, India. The facilities are expected to accommodate up to 3,000 and 1,200 people, respectively, when completed. For details in relation to the proposed facilities refer to "Objects of the Issue" on page 34.

We expect our future growth to place significant demands on both our management and our resources. This will require us to continuously evolve and improve our operational, financial and internal controls across the organisation. In particular, continued expansion increases the challenges we face in:

i. recruiting, training and retaining sufficient skilled technical, sales and management personnel;
ii. adhering to our high quality and process execution standards;
iii. maintaining high levels of client satisfaction;
iv. managing a larger number of clients in a greater number of industry sectors;
v. integrating expanded operations while preserving our culture, values and entrepreneurial environment; and
vi. developing and improving our internal administrative infrastructure, particularly our financial, operational, communications, and other internal systems.

If we are unable to manage our growth it could have an adverse effect on our business, results of operations and financial condition.

11. We operate in a highly competitive environment and this competitive pressure on our business is likely to continue.

The market for IT services and OPD is rapidly evolving and highly competitive. We expect that competition will continue to intensify. We face competition or competitive pressure from:

i. Indian IT services, OPD and software companies;
ii. international IT services, OPD and software companies;
iii. divisions of large multinational technology firms;
iv. captive offshore centers of large multinational corporations;
v. offshore service providers in other countries with low wage costs such as China, Russia and countries in Eastern Europe;
vi. other international, national, regional, and local firms from a variety of market segments that compete in the software OPD.

A number of our international competitors and consumers are setting up operations in India. Further, a number of our international competitors with existing operations in India are ramping up their presence in India as offshore operations in India have become an important element of their delivery strategy. This has resulted in increased employee attrition among Indian vendors and increased wage pressure to retain software professionals and reduce such attrition.

Many of our competitors have significantly greater financial, technical and marketing resources and generate greater revenues than we do. Clients may prefer vendors that have delivery centers located globally or are based in countries that are more cost-competitive than India, where wages are increasing rapidly. Therefore, we cannot assure you that we will be able to retain our clients while competing against such competitors. We believe that our ability to compete also depends in part on a number of factors beyond our control, including the ability of our competitors to attract, train, motivate and retain highly skilled technical employees, the price at which our competitors offer comparable services and the extent of our competitors' responsiveness to client needs.

12. Our business will suffer if we fail to keep pace with the rapid changes in technology in the industries on which we focus. We need to anticipate and develop new services and enhance existing services in order to keep our clients satisfied.

The OPD market is characterised by rapid technological changes, evolving industry standards, changing client preferences and new product and service introductions. Our future success will depend on our ability to anticipate these advances and develop new service offerings to meet our clients needs. We may not be successful in anticipating or responding to these advances on a timely basis or, if we do respond, the services or technologies we develop may not be successful in the marketplace. Furthermore, services or technologies that are developed by our competitors may render our services uncompetitive or obsolete.

13. We have undertaken and may continue to undertake strategic acquisitions, which may prove to be difficult to integrate and manage or may not be successful, and may result in increased expenses or write-offs.

We have pursued and may continue to pursue strategic acquisition opportunities to enhance our capabilities and address gaps in industry expertise, technical expertise and geographic coverage. It is possible that we may not identify suitable acquisition or investment candidates or joint venture partners, or if we do identify suitable candidates or partners, we may not complete those transactions on terms commercially acceptable to us or at all. The inability to identify suitable acquisition targets or investments or joint ventures or the inability to complete such transactions may adversely affect our competitiveness and our growth prospects.

In October 2005, our Company acquired 100% of ControlNet which was subsequently amalgamated with our Company with effect from April 1, 2006. In July 2007, we completed the acquisition of the assets of Metrikus (India) Private Limited, a subsidiary of privately held Metrikus Inc., USA.

If we acquire another company, we could have difficulty in assimilating that company's personnel, operations, products, services, technology and software into our operations. In addition, the key personnel of the acquired company may decide not to work with us. These difficulties could disrupt our ongoing business, distract our management and employees and increase our expenses. Further, any such acquisition, merger or joint venture that we attempt, whether or not completed, or any media reports or rumours with respect to any such transactions, may adversely affect the value of our Equity Shares.

14. We are investing substantial cash assets in new facilities and physical infrastructure, and our profitability could be reduced if our business does not grow proportionately.

We expect to invest approximately Rs. 1,400 million to Rs. 1,500 million in capital expenditures in Fiscal 2009 and Fiscal 2010 in order to establish additional software development facilities and procure additional computing equipment that we believe will give us a platform to grow our business. However, we may not receive the benefits that we expect from our investment in these facilities. Further, we may encounter cost overruns or project delays in connection with new facilities. These expansions will increase our fixed costs. If we are unable to grow our business and revenues proportionately, our profitability will be reduced.

15. Our fixed-price contracts expose us to risks beyond our control, which could reduce our profitability.

We provide services both on a fixed price basis, where we provide our services for a fixed price and agree to complete the project within a fixed time, and on a time and materials basis, where we charge based on the number of people dedicated and the effort invested in the project. For Fiscal 2008, our revenue on a time and material basis constituted approximately 86.81% of our total revenues, our revenue from fixed price contracts constituted approximately 11.19% of our total revenues and our revenue from licenses and royalties constituted approximately 2.00% of our total revenues. However, we plan to increase the number of fixed price contracts we enter into, particularly among our small and mid-sized customers. Although we use our software product development knowledge and past project experience to reduce the risks associated with estimating, planning and performing fixed-price projects, we bear the risk of cost overruns and completion delays in connection with these projects. Many of these risks may be beyond our control. Any failure to accurately estimate the effort including the number of people and time required for a project or any failure to complete our contractual obligations within the time frame committed could adversely affect our revenues and profitability.

16. Our net income would decrease if the Government of India reduces or withdraws tax benefits and other incentives it currently provides us, or otherwise increases our effective tax rate.

We benefit from the tax holidays given by the Government for the export of IT Services from specially designated software technology parks. As a result of these incentives, which include a ten-year tax holiday from Indian corporate income taxes for the operation of most of our Indian facilities and a partial taxable income deduction for profits derived from exported IT Services, our operations have been subject to relatively low tax liabilities. Pursuant to the Finance Act, 2008, this tax holiday will continue until March 31, 2010. When our tax benefits expire or terminate, our tax expense is likely to materially increase, reducing our profitability after tax. See "Statement of Tax benefits" on page 41 for further details.

In addition, we may also be subject to changes in taxation resulting from the actions of applicable income tax authorities in India or from Indian tax laws that may be enacted. For example, we may incur increased tax liability as a result of a determination by applicable income tax authorities that the transfer price applied to transactions involving our subsidiaries and us was not appropriate.

Any increases in our effective tax rate as a result of the expiration of tax benefits we currently enjoy, any changes in applicable tax laws or changes in the actions of applicable income tax or other regulatory authorities could materially reduce our profitability.

17. Our revenues could be significantly affected if the governments in countries in which our customers are based restrict companies from outsourcing work to non-domestic corporations.

The issue of companies outsourcing services to organisations operating in other countries has become a topic of political discussion in many countries. In addition, there has been recent publicity about negative experiences associated with offshore outsourcing, such as theft and misappropriation of sensitive client data, particularly involving service providers in India. Current or prospective clients may elect to perform such services themselves or may be discouraged from transferring these services from onshore to offshore providers to avoid negative perceptions that may be associated with using an offshore provider. Any slowdown or reversal of existing industry trends toward offshore outsourcing would seriously harm our ability to compete effectively with competitors that provide services from the other countries. Measures aimed at limiting or restricting offshore outsourcing have been enacted in a few countries and there is currently legislation pending in several countries. The measures that have been enacted to date generally have restricted the ability of government entities to outsource work to offshore business process service providers and have not significantly adversely affected our business, primarily because we do not currently work for such governmental entities and they are not currently a focus of our sales strategy. However, pending or future legislation in these countries that could significantly adversely affect our business, results of operations and financial condition could be enacted.

18. Our ability to expand our business and procure new contracts or enter into beneficial business arrangements may be affected by non-compete clauses in our agreements with existing clients or business partners.

Certain of our existing service agreements and other agreements have non-compete clauses, which restrict us from providing services to competitors of our existing clients or entering new markets where a business partner may already have a presence. Certain of our existing service agreements and other agreements contain clauses that restrict our employees working for a particular client from providing services to a competitor of that client. Such clauses may restrict our ability to offer services to clients in a specific industry in which we have acquired expertise and may adversely affect our business and growth.

Certain of our client contracts impose "cool off period" restrictions on us whereby our people who worked on a particular project for such a client are restricted from working on similar projects for their competitors for a prescribed period. The cool off periods typically range from one to three months. Although, we budget for such restrictions and rotate our people on other unrelated assignments to negate the impact of the cool off period restrictions, we cannot assure you that such restrictions will not have an adverse effect on our business, financial condition and results of operations in the future.

19. Delays or defaults in client payments could result in a reduction of our profits.

We regularly commit resources to projects prior to receiving advances or other payments from clients in amounts sufficient to cover expenditures on projects as they are incurred. We may be subject to working capital shortages due to delays or defaults in client payments. If clients default in their payments on a project to which we have devoted significant resources or if a project in which we have invested significant resources is delayed, cancelled or does not proceed to completion, it could have a material adverse effect on our business, financial condition and results of operations.

During Fiscal 2008, 2007 and 2006, the Company provided for / wrote off amounts of Rs. 23.39 million, Rs. 51.47 million, Rs. 5.05 million, respectively on account of bad and doubtful debts.

20. If the software that we develop for our clients experience serious problems or failures or if we are unable to meet our contractual obligations, we may face legal liabilities and damage to our professional reputation. Further, we may be liable to our clients for damages caused by system failures or breach of security obligations and our insurance coverage may not be sufficient so as to cover claims for breach of our obligations.

The engagements that we perform for our clients are often critical to the software development programs of our clients' businesses and any failure in our clients' software or systems could subject us to legal liability, including substantial damages, regardless of our responsibility for such failure. The terms of our client engagements are typically designed to limit our exposure to legal claims and damages relating to our services. However, these limitations may not be enforceable under the laws of certain jurisdictions. In addition, if our clients' proprietary rights are infringed by our employees in violation of any applicable confidentiality agreements, our customers may consider us liable for that act and seek damages from us. While we maintain insurance cover for errors and omissions, we may not be covered for all such claims or damages. Assertion of one or more legal claims against us could have an adverse effect on our business and our professional reputation.

Many of our contracts involve software development projects that are critical to the operations of our clients' businesses. Further, our client contracts may require us to comply with certain security obligations including maintaining network security and back-up data, ensuring our network is virus free and verifying the integrity of employees that work with our clients by conducting background checks. Any failure in a client's system or breach of security relating to the services we provide to the client could damage our reputation or result in a claim for substantial damages against us. We cannot assure you that any limitations of liability set forth in our service contracts will be enforceable in all instances or will otherwise protect us from liability for damages in the event of a claim for breach of our obligations. Our insurance coverage may not be sufficient for all such claims or damages and additional insurance coverage may not be available in the future on reasonable terms or in amounts sufficient to cover large claims. Successful assertions of one or more large claims against us could have a significant adverse effect on our business, results of operations and financial condition.

21. We face the risk of potential liabilities from lawsuits or claims by consumers and end-users.

We face the risk of legal proceedings and claims being brought against us by various entities including consumers and end users of software products for which our services relate for various reasons including for defective products sold or services rendered. Responding to complaints and dealing with claims takes time and can divert management's attention away from our operations. If some or all of these lawsuits or claims succeed it could adversely affect our business and financial performance. This may result in liabilities and/or financial claims against us as well as loss of business and reputation.

22. Our clients' proprietary rights may be misappropriated by our employees or subcontractors in violation of applicable confidentiality agreements.

We require our employees and subcontractors to enter into invention assignment and confidentiality arrangements to limit access to and distribution of our clients' intellectual property and other confidential information as well as our own. We can give no assurance that the steps taken by us in this regard will be adequate to enforce our clients' intellectual property rights. If our clients' proprietary rights are misappropriated by our employees or our subcontractors or their employees, in violation of any applicable confidentiality agreements or otherwise, our clients may consider us liable for that act and seek damages and compensation from us.

23. We may be subject to liability in connection with our use of open source software.

We help customers integrate open source components into their own platforms and products. We also test and certify customer platforms that have been created with open source software. Under the various versions of the GNU General Public License (the "GPL") and certain compatible licenses ("GPL Compatibles") that govern a large number of open-source products, such open-source products or software code extracted therefrom can only be integrated into other open-source products and proprietary software that either incorporates open source code or is linked to or integrated with such open source code that may potentially be made subject to the GPL or GPL Compatibles and may consequently be required to be distributed as open source software.

The use of software that is licensed under GPL and GPL Compatibles may potentially expose our customers and our Company to the potential loss of control over revenue generating proprietary software when open source code and proprietary software source code are mixed together in one primary software work. As a result, this could expose our customers or us to intellectual property related legal disputes, on the grounds of violation of license terms or as a patent or copyright infringement, which could lead to our loss of control over our software products or services.

24. We may be subject to third party claims of intellectual property infringement.

Although there are currently no material pending or threatened intellectual property claims against us, infringement claims may be asserted against us in the future. There has been a substantial amount of litigation in the software industry regarding intellectual property rights. It is possible that in the future, third parties may claim that our current or potential future software solutions infringe their intellectual property. We expect that software product developers will increasingly be subject to infringement claims as the number of products and competitors in our industry segment grow and the functionality of products in different industry segments overlap. In addition, we may find it necessary to initiate claims or litigation against third parties for infringement of our proprietary rights or to protect our trade secrets. Although we may disclaim certain intellectual property representations to our customers, these disclaimers may not be sufficient to fully protect us against such claims. We may be more vulnerable to patent claims since we do not have any issued patents that we can assert defensively against a patent infringement claim. Any claims, with or without merit, could be time consuming, result in costly litigation, cause product shipment delays or require us to enter into royalty or license agreements. Royalty or licensing agreements, if required, may not be available on terms acceptable to us or at all, which could have a material adverse effect on our business, operating results and financial condition.

Our contracts contain broad indemnity clauses and under most of our contracts, we are required to provide specific indemnity relating to third party intellectual property rights infringement. In some instances, the amount of these indemnities may be greater than the revenues we receive from the client. If we become liable to third parties for infringing their intellectual property rights, we could be required to pay a substantial damage award and be forced to develop non-infringing technology, obtain a license, or cease selling the applications or products that contain the infringing technology. We may be unable to develop non-infringing technology or to obtain a license on commercially reasonable terms, or at all. We may also be required to change our methodologies so as not to use the infringed intellectual property, which may not be technically or commercially feasible and may cause us to expend significant resources. Any claims or litigation in this area, irrespective of the outcome, could be time-consuming and costly and/or injure our reputation.

25. We have a limited ability to protect our intellectual property rights, and unauthorised parties could infringe upon or misappropriate our intellectual property.

We rely on a combination of copyright, trademark and design laws, confidentiality procedures and contractual provisions to protect our intellectual property, including our brand identity. However, the laws of India may not protect intellectual property rights to the same extent as laws in the United States or other countries. Therefore, our efforts to protect our intellectual property may not be adequate and we may not be able to detect unauthorised use or take appropriate and timely steps to enforce our intellectual property rights.

Our competitors may independently develop proprietary methodologies similar to ours or duplicate our products or services. Unauthorised parties may infringe upon or misappropriate our services or proprietary information. The misappropriation or duplication of our intellectual property could disrupt our business, distract our management and employees, reduce our revenues and increase our expenses. We may need to litigate to enforce our intellectual property rights or to determine the validity and scope of the proprietary rights of others. Any such litigation could be time consuming and costly and the outcome of any such litigation cannot be guaranteed. For example, our Company had filed an application under Sec. 22 of the Companies Act before the Regional Director, Southern Region, Ministry of Company Affairs, Chennai for the issue of appropriate orders directing a third party entity named “Persistent Software Private Limited” to change its name. The Regional Director by its order No. 4/22/AP-9/2006 dated November 28, 2006, directed Persistent Software Private Limited to change its name within three months from the date of the order. Persistent Software Private Limited has yet to comply with the said order. For more information regarding our intellectual property, see “Our Business - Intellectual Property” on page 57.

26. Significant security breaches in our computer systems and network infrastructure and fraud could adversely impact our business.

We seek to protect our computer systems and network infrastructure from physical break-ins as well as security breaches and other disruptive problems. Computer break-ins and power disruptions could affect the security of information stored in and transmitted through these computer systems and networks. To address these issues and to minimise the risk of security breaches we employ security systems, including firewalls and intrusion detection systems, conduct periodic penetration testing for identification and assessment of potential vulnerabilities and, use encryption technology for transmitting and storing critical data such as passwords. However, these systems may not guarantee prevention of frauds, break-ins, damage and failure. A significant failure in security measures could have an adverse effect on our business.

27. Failure to obtain pre-qualifications and/or certifications could adversely impact our business.

Certain customers generally require software suppliers to undergo pre-qualification processes. These processes evaluate both the technical ability to provide relevant products with the exact specifications needed by the end-user, and the production capabilities of the supplier. These processes generally take time to complete and involve the incurrence of considerable up-front expenses in learning and meeting customer qualification requirements.

28. System failures and calamities could adversely impact our business.

We have disaster recovery sites for systems at various locations in the country and a system of periodic intra-day back- up of data on the disaster recovery site has been put in place. Any failure in our systems, particularly those utilised for software development and services or the occurrence of calamities such as earthquakes, tsunamis and cyclones that affect areas in which we have a significant presence, could affect our operations and the quality of our customer service.

29. A significant number of our development centers are concentrated in one city in India.

About 80% of our employees as of March 31, 2008 were based in various development centers located in Pune in India. Because of the concentration of our people and other resources at these facilities, our results of operations could be materially and adversely affected if one or more of those facilities are damaged as a result of a natural disaster, including an earthquake, flood, fire, or other event that disrupts our business or causes material damage to our property. Although we have back-up facilities for some of our operations, it could be difficult for us to maintain or resume our operations quickly in the aftermath of such a disaster. We do not have business interruption insurance, and we cannot assure you that our property insurance would cover any loss or damage to our assets.

30. Our insurance coverage may be inadequate to fully protect us from all losses.

We maintain such insurance coverage as we believe is customary in the IT industry in India. Our insurance policies, however, may not provide adequate coverage in certain circumstances and are subject to certain deductibles, exclusions and limits on coverage. We maintain general liability insurance coverage, including coverage for errors or omissions. However, we cannot assure you that the terms of our insurance policies will be adequate to cover any damage or loss suffered by us or that such coverage will continue to be available on reasonable terms or will be available in sufficient amounts to cover one or more large claims, or that the insurer will not disclaim coverage as to any future claim. In particular, we do not maintain business interruption insurance and therefore if any or all of our development centers are damaged resulting in our operations being interrupted or we otherwise suffer an interruption to our business, we would suffer loss of revenues, and our results of operations would be adversely affected. A successful assertion of one or more large claims against us that exceeds our available insurance coverage or changes in our insurance policies, including premium increases or the imposition of a larger deductible or co-insurance requirement, could adversely affect our business, financial condition and results of operations.

31. We have not entered into any definitive agreements to use the net proceeds of the Issue.

The net proceeds from this Issue are expected to be used as set forth under “Objects of the Issue” on page 34. The use of the net proceeds is at our sole discretion. Except as disclosed, we have not entered into any definitive agreements to utilise a substantial portion of the net proceeds of the Issue. There can be no assurance that we will be able to enter into such agreements on terms favourable to us or at all. Accordingly, investors in this Issue will need to rely upon the judgment of our management, who will have considerable discretion, with respect to the use of proceeds.

Our Company has entered into a Letter of Intent for taking on lease premises for setting up a software development unit in a special economic zone through our Subsidiary, Persistent Systems and Solutions Limited. The execution of the Agreement to Lease or Lease Deed, is however subject to the conditions mentioned in the Letter of Intent. Persistent Systems and Solutions Limited has applied for setting up of a SEZ unit with the Development Commissioner Vishakapatnam Special Economic Zone. However, it has not yet received an approval in relation to the same. The commencement of business of Persistent Systems and Solutions Limited in the SEZ is subject to its receiving such approval. For further details, refer to the section titled "Objects of the Issue" on page 34 and the section titled "Government Approvals" on page 201.

32. We have contingent liabilities, which may adversely affect our financial condition.

As of March 31, 2008, we had contingent liabilities amounting to Rs. 5.21 million on account of claims against the Company not acknowledged as debt that have not been provided for.

33. We have entered into certain related party transactions

We have entered into certain related party transactions. For further details, refer to the section titled "Financial Information – Related Party Transactions" on page 109.

34. Our international operations expose us to complex management, foreign currency, legal, tax, and economic risks.

We have offices in countries outside India and some of our professionals are based overseas. As a result of our existing and expanding international operations, we are subject to risks inherent to establishing and conducting operations in international markets, including:

i. cost structures and cultural and language factors, associated with managing and coordinating our international operations;
ii. compliance with a wide range of regulatory requirements, foreign laws, including immigration, labour and tax laws where we usually rely on the opinions of experts on such matters, including in relation to transfer pricing norms and applicability of the relevant provisions of double taxation avoidance agreements, but which often involve areas of uncertainty;
iii. difficulty in staffing and managing foreign operations;
iv. potential difficulties with respect to protection of our intellectual property rights in some countries; and
v. exchange rate movement.

The risks stated above and the constantly changing dynamics of international markets could have a material adverse effect on our business, financial condition and results of operations.

35. We are likely be controlled by our Promoters and Promoter Group so long as they control a significant percentage of our Equity Shares.

After the completion of the Issue, subject to full subscription of the Issue, our Promoters and Promoter Group will control, directly or indirectly, approximately 38.76% of our outstanding Equity Shares. As a result, our Promoters and Promoter Group will have the ability to exercise significant control over us and all matters requiring shareholder approval, including election of directors, our business strategy, and policies and approval of significant corporate transactions such as mergers and business combinations. The extent of their shareholding in us may also delay, prevent or deter a change in control, even if such a transaction is beneficial to our other shareholders. The interests of our Promoters and Promoter Group as our controlling shareholders could also conflict with our interest or the interests of our other shareholders. We cannot assure prospective investors that our Promoters and Promoter Group will act to resolve any conflicts of interest in our favour.

36. Our Promoters are the Trustees of the ESOP Trust and hold shares jointly in their name as Trustees of the ESOP Trust.

Our Company has instituted seven ESOP schemes for the employees of the Company and one ESOP scheme for the Independent Directors of the Company, which are administered by the ESOP Trust. Dr. Anand Deshpande and Mr. S. P. Deshpande, the Promoters of our Company, are the Trustees of the ESOP Trust and jointly hold 6,728,002 fully paid up Equity Shares, which constitute approximately 16.87% of the post Issue Equity Share Capital of the Company on behalf of the ESOP Trust. Our Promoters will be entitled to exercise voting rights in relation to the aforesaid Equity Shares.

While our Promoters, as Trustees, are required to exercise their aforesaid voting powers in compliance with the objects of the ESOP Trust and for the benefit of the employees and Independent Directors of our Company, there can be no assurance that they will do so.

The interests of our Promoters or our employees and Independent Directors may be different from the interests of our other investors, and you may not agree with actions the Promoter may take. Further, the exercise of the voting rights in relation to the above Equity Shares by our Promoters may result in delay or prevention of a change of management or control of our Company, even if such a transaction may ultimately be beneficial to our other shareholders. Investors are hereby advised to consider the above information prior to making any investments in the Company.

37. Our intended use of proceeds from the Issue has not been appraised by any bank or financial institution.

The net proceeds from this Issue are expected to be used as set forth under "Objects of the Issue" on page 34. The proposed activities for which the proceeds are being raised have not been appraised by any bank or financial institution and the proceeds requirements are based in part on our management's estimates. Accordingly, investors in this Issue will need to rely upon the judgment of our management with respect to the use of proceeds.

38. Valuations in related sectors such as the telecommunications, software, or information technology industries may not be sustained in future and current valuations may not be reflective of future valuations for such industries.

There is no standard valuation methodology for companies in businesses similar to ours. The valuations in related sectors such as software and the IT industries are presently high and may not be sustained in the future. Additionally, current valuations may not be reflective of future valuations within these industries or our industry.

39. Our growth requires additional capital that may not be available on terms acceptable to us.

We intend to pursue a strategy of continued investment to grow our business and expand the range of services we offer. We anticipate that we may need to obtain financing as we expand our operations. We may not be successful in obtaining additional funds in a timely manner, on favourable terms or at all. If we do not have access to additional capital, we may be required to delay, scale back or abandon some or all of our acquisition plans or growth strategies or reduce capital expenditures and the size of our operations. See " Risk Factors– External Risk Factors – Risks Relating to India – Any downgrading of India's debt rating by an independent agency may harm our ability to raise debt financing" on page xii for more information.

40. There could be changes in the implementation schedule of the expansion and diversification program.

Our estimated fund requirements are based on our current business plan and strategy. However, we operate in a highly competitive and dynamic industry, and as such, we may have to revise our business and capital outlay plans from time to time. Accordingly, investors in this Issue will need to rely upon the judgment of our management with respect to the use of proceeds. Further, Persistent Systems and Solutions Limited, a wholly owned subsidiary of our Company, is yet to receive an approval for setting up the unit in a SEZ at the premises leased by it for its business operations in Hyderabad. The business operations of Persistent Systems and Solutions Limited as a SEZ unit may commence only after such approval has been received, which is out of our control.

41. We require certain approvals or licenses in the ordinary course of business.

We require certain approvals, licenses, registrations, and permissions to operate our business, some of which may have expired and for which we may have either made or are in the process of making an application to obtain the approval or its renewal. In certain instances our clients apply for the necessary approvals. If we fail or if our clients fail to obtain or retain any of these approvals or licenses, or renewals thereof, in a timely manner, or at all, our business may be adversely affected.

We have further applied for certain approvals and not received the same. These include approvals in relation to various premises occupied by us including completion and occupancy certificates in relation to our premises in Aryabhata and Pingala, as well as various trade related approvals required by us. For details in relation to the same, see "Government Approvals - Pending Approvals" on page 201.

Furthermore, our government approvals and licenses are subject to numerous conditions, some of which are onerous and require us to incur substantial expenditure. If we fail to comply, or a regulator claims we have not complied, with these conditions, our business, financial condition and results of operations would be materially adversely affected. Persistent Systems and Solutions Limited has applied for setting up of a SEZ unit to the Development Commissioner, Vishakapatnam Special Economic Zone and is awaiting approval in relation to the same. We cannot assure you that we will receive this approval, at all, or on favorable terms. Persistent Systems and Solutions Limited cannot commence business operations as a SEZ unit until it receives this approval. For more information, see the section titled "Government Approvals" on page 201.

42. The construction of the sixth and seventh floors of our Aryabhata unit has not received a completion certificate from the Pune Municipal Corporation and until the completion certificate for those floors is issued there is a possibility that those floors may have to be demolished.

The Company has not received completion certificate for sixth and seventh floor of its unit Aryabhata. The seller with whom the Company has entered into an agreement to sale dated August 3, 2006, for purchase of the Aryabhata unit comprising seven floors including stilt floors is entitled to utilise the floor space index corresponding to the plot area of 129,123 Sq. ft. The Pune Municipal Corporation has yet not sanctioned the floor space index corresponding to an area of 9,287.72 Sq. ft. to the said seller. The seller preferred an appeal to the State Government of Maharashtra. As per order passed in the said appeal, it was declared that the seller should be allowed to utilise the entire floor space index corresponding to the plot area of 129,123.11 Sq. ft. The Pune Municipal Corporation however, in spite of receipt of the said order has yet not sanctioned the building plans for sixth and seventh floor of Aryabhata unit. The seller has for the time being obtained stay order against any possible demolition of sixth and seventh floor of Aryabhata unit by the Pune Municipal Corporation.

Although our Company is not a party to any of the above mentioned proceedings, being the present owner of the Aryabhata unit and occupying the same for its business purposes, any change in position of the stay order or any further proceedings being initiated or decided against the seller may have an adverse effect on our operations.

43. Our indebtedness and the conditions and restrictions imposed by our financing agreements could adversely affect our ability to conduct our business and operations.

As of June 30, 2008, we had total sanctioned fund based facilities of Rs. 145.00 million and non-fund based facilities of Rs. 8.00 million, and had not drawn down any amounts under these facilities. We may incur indebtedness in the future.

Our financing arrangements are secured by our assets. There are certain restrictive covenants in the financing agreements we have entered into with banks and financial institutions for loans and advances. These restrictive covenants require us to obtain either the prior permission of such banks or financial institutions or require us to inform them of various activities, including, among others, alteration of our capital structure, raising of additional equity or debt capital, incurrence of indebtedness, payment of dividends, undertaking any merger, amalgamation, restructuring or changes in management, and further enable such lenders to seek early repayments of such loans or increase the applicable interest rates in certain circumstances, and appoint nominee directors to our Board. Although we have received consents from our lenders for this Issue, these restrictive covenants may affect some of the rights of our shareholders. For details of restrictive covenants see "Financial Indebtedness" on page 195. Failure to meet these conditions or obtain these consents could have significant consequences on our business and operations.

44. Certain of our Subsidiaries have incurred losses in the past.

Certain of our Subsidiaries have incurred losses in the past. The details of profit / (loss) after tax of our Subsidiaries for Fiscals 2008, 2007 and 2006 are as under:

In Rs. million

Name of the Company	Profit/(Loss) after Tax		
	March 31, 2008	March 31, 2007	March 31, 2006
Persistent Systems, Inc.	(17.82)	(40.69)	0.22
ControlNet (India) Private Limited	-		(57.81)

45. Our ability to pay dividends in the future will depend upon future earnings, financial condition, cash flows, working capital requirements and capital expenditures.

The amount of our future dividend payments, if any, will depend upon our future earnings, financial condition, cash flows, working capital requirements and capital expenditures. There can be no assurance that we will be able to pay dividends.

46. Any future issuance of Equity Shares may dilute your shareholding and sales of our Equity Shares by our Promoters or other major shareholders may adversely affect the trading price of the Equity Shares.

Any future equity issuances by us, including in a primary offering, may lead to the dilution of investors' shareholdings in our Company. Any future equity issuances by us or sales of our Equity Shares by our Promoters or other major shareholders may adversely affect the trading price of the Equity Shares. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of our Equity Shares.

External risks

We are incorporated in India and a substantial portion of our assets and our employees are located in India. Consequently, our financial performance and the market price of our Equity Shares will be affected by changes in exchange rates and controls, interest rates, Government of India policies, including taxation policies, as well as political, social and economic developments affecting India.

1. Immigration restrictions could limit our ability to expand our operations in the United States. We derive a high proportion of our revenues from clients located in the United States, which may be affected materially by such restrictions.

Most of our employees are Indian nationals. The ability of our software professionals to work in the United States, Europe and in other countries depends on our ability to obtain necessary visas and work permits. As of June 30, 2008, a majority of our software professionals in the United States held L-1 visas, an intra company transfer visa allowing managers and executives or employees with specialised knowledge to stay in the United States only temporarily. Certain of our software professionals in the United States hold a H-1B visa. A H-1B visa is a temporary visa that allows employees to remain in the United States while he or she is an employee of the Company, and may be granted to certain categories of persons in several "specialty occupations" including software professionals such as our employees, so long as their compensation meets annually adjusted minimums. Those adjustments may force increases in the salaries we pay to our employees with H-1B visas, resulting in lower profit margins. Although there is currently no limit to new L-1 visas, there is a limit to the aggregate number of new H-1B visas that may be approved by the United States government in any Fiscal. We believe that the demand for H-1B visas will continue to be high. Further, the United States government has increased the level of scrutiny in granting visas. This may lead to limits on the number of L-1 visas granted. The US immigration laws also require us to comply with other legal requirements including those relating to displacement and secondary displacement of US workers and recruiting and hiring of US workers, as a condition to obtaining or maintaining work visas for our software professionals working in the United States.

Immigration laws in the United States and in other countries are subject to legislative change, as well as to variations in standards of application and enforcement due to political forces and economic conditions. It is difficult to predict the political and economic events that could affect immigration laws, or the restrictive impact they could have on obtaining or monitoring work visas for our software professionals. Our reliance on work visas for a significant number of software professionals makes us particularly vulnerable to such changes and variations. As a result, we may not be able to obtain a sufficient number of visas for our software professionals or may encounter delays or additional costs in obtaining or maintaining such visas.

2. ***Wage pressures in India may prevent us from sustaining our competitive advantage and may reduce our profit margins.***

Wage costs in India have historically been significantly lower than wage costs in the United States and Europe for comparably skilled professionals, which has been one of our competitive strengths. However, wage increases in India may prevent us from sustaining this competitive advantage and may negatively affect our profit margins. Wages in India are increasing at a faster rate than in the United States, which could result in increased costs for software professionals, particularly project managers and other mid-level professionals. We may need to continue to increase the levels of our employee compensation to remain competitive and manage attrition.

3. ***Clients may seek to reduce their dependence on India for outsourced IT services and OPD or take advantage of the services provided in countries with labour costs similar to or lower than India.***

Clients who presently outsource a significant proportion of their IT services and OPD requirements to vendors in India may, for various reasons, including to diversify geographic risk, seek to reduce their dependence on one country. We expect that future competition will increasingly include firms with operations in other countries, especially those countries with labour costs similar to or lower than India, such as China, Russia and countries in Eastern Europe. Since wage costs in our industry in India are increasing, our ability to compete effectively will become increasingly dependent on our reputation, the quality of our services and our expertise in specific industries.

4. ***Any disruption in the supply of power, IT infrastructure and telecommunications lines to our facilities could disrupt our business process or subject us to additional costs.***

Any disruption in basic infrastructure, including the supply of power, could negatively impact our ability to provide timely or adequate services to our clients. We rely on a number of telecommunications service and other infrastructure providers to maintain communications between our various facilities in India and our clients' operations in the United States, Europe and elsewhere. Telecommunications networks are subject to failures and periods of service disruption, which can adversely affect our ability to maintain active voice and data communications among our facilities and with our clients. Such disruptions may cause harm to our clients' business. We do not maintain business interruption insurance and may not be covered for any claims or damages if the supply of power, IT infrastructure or telecommunications lines is disrupted. This could disrupt our business process or subject us to additional costs.

5. ***Any downgrading of India's debt rating by an international rating agency could have a negative impact on our business.***

Any adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may adversely impact our ability to raise additional financing, and the interest rates and other commercial terms at which such additional financing may be available. This could have an adverse effect on our business and future financial performance, our ability to obtain financing for capital expenditures and the trading price of our Equity Shares.

6. ***Incidents such as terrorist attacks and other acts of violence or war involving India, the United States, and other countries could adversely affect the financial markets, result in loss of client confidence, and adversely affect our business, results of operations and financial condition.***

Incidents such as the terrorist attacks that occurred in India, the United States and other countries and other acts of violence or war, including those involving India, the United States or other countries, may adversely affect global equity markets and economic growth. These acts may also result in a loss of business confidence and have other consequences that could adversely affect our business, results of operations and financial condition. Travel advisories, reluctance to travel and increased visa scrutiny for travellers as a result of such attacks may have an adverse impact on our ability to operate effectively. Any of these events could adversely affect client confidence in India as an outsourcing base.

7. ***Regional conflicts in India or South Asia could adversely affect the Indian economy, disrupt our operations and cause our business to suffer.***

South Asia has, from time to time, experienced instances of civil unrest and hostilities among neighbouring countries. In recent years there have been military confrontations along the India-Pakistan border. The potential for hostilities between the two countries is high due to past terrorist incidents in India and troop mobilisations along the border, and the geopolitical situation in the region. Military activity or terrorist attacks in the future could influence the Indian economy by disrupting communications and making travel more difficult. Political tensions could increase the perception that investments in Indian companies involve a higher degree of risk than companies in other countries such as the United States. This, in turn, could have a material adverse effect on the market for securities of Indian companies, including our Equity Shares, and on the market for our services.

8. Our performance is linked to the stability of policies and the political situation in India.

The role of the Indian central and state governments in the Indian economy and their effect on producers, consumers and regulators has remained significant over the years. Since 1991, successive governments of India have pursued policies of economic liberalisation, including significantly relaxing restrictions on the private sector. The current Government of India, which was formed in May 2004, has announced policies and taken initiatives that support the continued economic liberalisation policies pursued by previous governments. We cannot assure you that these liberalisation policies will continue in the future. The rate of economic liberalisation could change, and specific laws and policies affecting technology companies, foreign investment, currency exchange rates and other matters affecting investment in our securities could change as well. A significant change in India's economic liberalisation and deregulation policies could adversely affect business and economic conditions in India generally, and our business in particular.

Since 1996, the Government of India has changed several times. The current Indian government is a coalition of many parties. The withdrawal of one or more of these parties or any dispute between groups of those parties could result in political instability. Any political instability could delay or otherwise adversely affect the reform of the Indian economy and could have a material adverse effect on the market for our Equity Shares and on the market for our services.

9. We are vulnerable to natural disasters that could severely disrupt the normal operation of our business and adversely affect our earnings.

India is susceptible to natural disasters, including tsunamis, floods and earthquakes. On December 26, 2004, Southeast Asia, including the eastern coast of India, experienced a tsunami that caused significant loss of life and property damage. Substantially all of our facilities and IT professionals are located in India. If our facilities are damaged by a tsunami, flood, earthquake, or other natural disaster, our services could be interrupted or delayed significantly. Although we maintain comprehensive natural perils insurance up to policy limits our insurance coverage may not be sufficient to cover all of our potential losses. In addition, disaster management facilities in India may not be adequate to protect against potential losses. As a result, a natural disaster in India could have a material adverse effect on our business, financial condition and results of operations.

10. Significant shortages in the supply of crude oil or natural gas could adversely affect the Indian economy, which could adversely affect us.

India imports approximately 70% of its requirements of crude oil. Crude oil prices are volatile and are subject to a number of factors such as the level of global production and political factors such as war and other conflicts, particularly in the Middle East, where a substantial proportion of the world's oil and natural gas reserves are located. Global crude oil prices have risen significantly over the years since 2005, driven in part by the strong demand for imported oil in India and China. Any significant increase in oil prices could affect the Indian economy. This could adversely affect our business including our ability to grow, our financial performance, our ability to implement our strategy and the price of our Equity Shares.

11. After the Issue, the price of Equity Shares may be highly volatile, or an active trading market for the Equity Shares may not develop.

The prices of the Equity Shares on the Stock Exchanges may fluctuate after this Issue as a result of several factors, including volatility in the Indian and global securities market; our operations and performance; performance of our competitors; the perception in the market with respect to investments in our industry sector; changes in the estimates of our performance or recommendations by financial analysts; significant developments in India's economic liberalisation and deregulation policies; and significant developments in India's Fiscal regulations. There has been no public market for the Equity Shares and the prices of the Equity Shares may fluctuate after this Issue. There can be no assurance that an active trading market for the Equity Shares will develop or be sustained after this Issue, or that the prices at which the Equity Shares are initially traded will correspond to the prices at which the Equity Shares will trade in the market subsequent to this

Issue.

There are restrictions on daily movements in the price of the Equity Shares, which may adversely affect a shareholder's ability to sell, or the price at which it can sell, Equity Shares at a particular point in time.

Following the Issue, we will be subject to a daily "circuit breaker" imposed by all stock exchanges in India, which does not allow transactions beyond specified increases or decreases in the price of the Equity Shares. This circuit breaker operates independently of the index-based, market-wide circuit breakers generally imposed by SEBI on Indian stock exchanges. The percentage limit on our circuit breakers will be set by the stock exchanges based on the historical volatility in the price and trading volume of the Equity Shares.

The Stock Exchanges will not inform us of the percentage limit of the circuit breaker in effect from time to time and may change it without our knowledge. This circuit breaker will limit the upward and downward movements in the price of the Equity Shares. As a result of this circuit breaker, no assurance may be given regarding your ability to sell your Equity Shares or the price at which you may be able to sell your Equity Shares at any particular time.

12. You will not be able to immediately trade any of the Equity Shares you purchase in this Issue immediately on allotment on the Stock Exchanges.

Under the SEBI Guidelines, we are required to allot Equity Shares within 15 days of the closure of the Issue. Pursuant to Indian regulations, certain actions must be completed before the Equity Shares can be listed and trading may commence. The allotment, dispatch of refund order and credit shall be completed within 15 days of the closure of the Issue failing which the Company and the Selling Shareholder will be liable to pay interest at 15% per annum on the outstanding refund amounts. Thereafter, upon receipt of final approval of the Stock Exchanges, trading in the Equity Shares is expected to commence within seven working days of the date on which the basis of allotment is approved by the Designated Stock Exchange. There can be no assurance that the Equity Shares allocated earlier to investors will be credited to their demat accounts, or that trading will commence, within the time periods specified above.

Notes to risk factors

1. The present Issue of up to 4,974,836 Equity Shares consists of a Fresh Issue of 4,008,920 Equity Shares and an Offer for Sale of 965,916 Equity Shares at a price of Rs. [●] for cash aggregating Rs. [●] million is being made through the Book Building Process. The Issue comprises of a Net Issue of 4,573,944 Equity Shares and a reservation for Eligible Employees of 400,892 Equity Shares. In case of under subscription in the Issue, the Equity Shares in the Fresh Issue will be issued prior to the sale of Equity Shares in the Offer for Sale. The Issue would constitute approximately 12.48% of the post Issue paid-up capital of the Company and the Net Issue will constitute 11.47% of our post-issue capital. The Company is considering a Pre-IPO Placement of up to 219,279 Equity Shares with certain investors. The Company will complete the issuance of such Equity Shares prior to the filing of the RHP with the RoC. If the Pre-IPO Placement is completed, (i) the Issue size offered to the public would be reduced to the extent of such Pre-IPO Placement, subject to a minimum Issue size of 10% of the post Issue capital being offered to the public and (ii) the Employee Reservation Portion shall (if required) be accordingly reduced.

2. The book value of the Company was Rs. 94.31 and Rs. 91.62 per Equity Share as of March 31, 2008 as per our restated unconsolidated and consolidated financial information, respectively, included in this Draft Red Herring Prospectus.

3. The net worth of the Company was Rs. 3381.95 million and Rs. 3,285.72 million as of March 31, 2008 as per our restated unconsolidated and consolidated financial information, respectively, included in this Draft Red Herring Prospectus.

4. In terms of Rule 19(2)(b) of the SCRR, this being an Issue for less than 25% of the post–Issue capital, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Net Issue will be allocated on a proportionate basis to Qualified Institutional Buyers, out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remaining QIB Portion shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. If at least 60% of the Net Issue is not subscribed, or cannot be allocated to by QIBs, then the entire application money will be refunded forthwith. Further, not less than 10% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Net Issue will be available for allocation on a

proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price. Under subscription in the Net Issue in any category, except in the QIB Portion, will be met with spill-over from other categories at the sole discretion of our Company and the Selling Shareholders, in consultation with the BRLMs. Under-subscription, if any, in the Employee Reservation Portion will be added back to the Retail/ Non Institution Portion in equal proportion.

5. In case of over-subscription in all categories, at least 60% of the Net Issue shall be Allotted on a proportionate basis to QIBs. 5% of the QIB Portion shall be available for allocation to Mutual Funds and the remaining QIB Portion shall be available for allocation to the QIB Bidders including Mutual Funds, subject to valid Bids being received at or above the Issue Price. Further, not less than 10% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Further, up to 400,892 Equity Shares shall be available for allocation on a proportionate basis to the Eligible Employees, subject to valid Bids being received at or above the Issue Price.

6. The average cost of acquisition of our Equity Shares by our Promoters, Dr. Anand Deshpande and S. P. Deshpande is Rs. 1.10 and Re. 0.39 per Equity Share The average cost of acquisition of Equity Shares by our Promoters has been calculated by taking the average of the amount paid by them to acquire the Equity Shares issued by us, including bonus shares.

7. For details of our related party transactions, refer to the section titled “Related Party Transactions” on page 109.

8. Our Promoters and certain of our Directors are interested in our Company by virtue of their shareholding and to the extent of options granted to them under our ESOP Schemes, if any, in our Company. See “Capital Structure” and “Our Management” on page 16 and page 89, respectively.

9. Trading in Equity Shares of our Company for all investors shall be in dematerialised form only.

10. Any clarification or information relating to the Issue shall be made available by the BRLMs and our Company to the investors at large and no selective or additional information would be available for a section of investors in any manner whatsoever. Investors may contact the BRLMs and the Syndicate Members for any complaints pertaining to the Issue.

11. Investors may note that in case of over-subscription in the Issue, allotment to Qualified Institutional Bidders, Non-Institutional Bidders, and Retail Bidders shall be on a proportionate basis. For more information, refer to the section titled “Basis of Allotment” on page 247.

12. Investors are advised to refer to the section titled “Basis for Issue Price” on page 39.

13. Our Company was incorporated as Persistent Systems Private Limited on May 30, 1990. Our status was subsequently changed to a public limited company by a special resolution of the members passed at the EGM held on September 17, 2007. The fresh certificate of incorporation consequent on conversion was granted to our Company on September 28, 2007 by the RoC.

14. Following are the details regarding shifting of our Registered Office:

From	To	Date of Board Resolution
‘Renuka’ 39/54, Erandvana Lane 9 B, Prabhat Road Pune 411 004, India	‘Panini’ 2 A, Senapati Bapat Road Pune 411 016, India	May 5, 2000
‘Panini’ 2 A, Senapati Bapat Road Pune 411 016, India	‘Bhageerath’ 402, Senapati Bapat Road Pune 411 016, India	October 19, 2001

SECTION III – INTRODUCTION

SUMMARY OF OUR BUSINESS, STRENGTHS AND STRATEGY

Business overview

Company overview

We have been recognized as one of the leading technology companies in the Technology Fast 50 India 2006 program conducted by Deloitte Touche Tohmatsu, Asia Pacific. We offer our customers the benefits of offshore delivery. We deliver services across all stages of the product life-cycle, which enables us to work with a wide-range of customers and allows us to develop, enhance and deploy our customers' software products. We have created an innovative suite of time-to-market accelerators and tools that give our customers a competitive advantage. Over the past five years, we have contributed to more than 2,000 product releases for our customers. Our comprehensive suite of service offerings allows us to attract new customers and expand existing customer relationships.

Our goal is to work with our customers to help them efficiently deliver products to their end-users and ultimately, to maximise their core business. Our OPD services allow our customers to reduce time-to-market, improve the quality of their products, reduce risk of failure during the engineering development process, improve predictability and reliability of the engineering process, while helping them lower their over-all product engineering costs.

We have invested in building a team of more than 3,400 software professionals well versed in product development culture. Our team of industry specialists has an understanding of the industries in which our customers operate and the competencies that they require. We have competency centers in telecom and wireless, life sciences, analytics and data infrastructure, embedded systems domains, storage, security, software as a service, product engineering, and Microsoft and Java platforms.

Our customers range from several global software companies to early-stage companies that are developing cutting-edge technology products.

We have long-standing relationships with our customers, built on our successful execution of prior engagements.

Our consolidated revenues, as restated, grew at an annual growth rate of 34.60%, 45.79% and 47.40% during Fiscal 2008, 2007 and 2006, respectively. Our consolidated net profit, as restated, grew at an annual growth rate of 44.73%, 58.84% and 3.67%, during Fiscal 2008, 2007 and 2006, respectively.

Our strengths

We believe that we are well placed to retain our position in the OPD market segment due to our competitive strengths, which include:

OPD specialist with deep-rooted product development culture

We have been recognized as one of the leading technology companies in the Technology Fast 50 India 2006 program conducted by Deloitte Touche Tohmatsu, Asia Pacific. We are an OPD specialist based in India, offering our customers the benefits of offshore delivery. We design, develop and maintain software systems and solutions, create new applications and enhance the functionality of our customers' existing software products. Over the past five years, we have contributed to more than 2,000 product releases for our customers. Our focus on OPD has helped us achieve scale in our target segment, offer a comprehensive range of services, build an understanding of the needs of the industries in which our customers operate and the underlying technologies that drive those industries. We offer our customers OPD services that allow them to reduce time-to-market, improve the quality of their products, reduce risk of failure during the engineering development process, improve predictability and reliability of the engineering process, while helping them lower their over-all product engineering costs. This has enabled us to broaden our dialogue with potential customers, deepen our relationships with existing customers and diversify our revenue base.

Our work with product companies over the last 18 years has given us an inside view on how some of the leading software products are built. In addition, we have relationships across the product ecosystem ranging from research institutions, venture capital and private equity firms, system integrators to product companies with independent sales channels. This knowledge of both products and the entire product development ethos as well as our experience building software has helped us evolve a deep-rooted product development culture that is aligned with our customers, employees and processes.

Broad product development service offering including value-added products and services

We provide a broad range of services to our customers that support their software products throughout the full product life-cycle. At each stage of the product life-cycle, we offer a comprehensive suite of services designed to address the customers' specific needs as products move from different phases of maturity across early to end-of-life. Our services range from research and prototyping, development and testing, consulting services and deployment, and support and maintenance. We have also created a suite of our own value-added products and services including time-to-market accelerators and tools that give new and existing customers a competitive advantage. We offer innovative financial terms for these products and services including revenue sharing, performance based and royalty arrangements. For example, our Go-To-Live services are designed to help our start-up clients take their products from the initial concept phases to a robust, well-engineered product that they can deliver to their customers, while also enabling our start-up clients to minimise development costs. Our broad service offering allows us to attract new customers and expand existing customer relationships.

Depth of experience and knowledge in targeted industry segments

We understand and actively track the industry trends, technologies, and markets that drive our customers businesses in our target industry verticals. We have invested in building a team of industry specialists who have an understanding of the industries in which our customers operate and the competencies that they require. We have established nine competency centers, across our domain, product engineering and platform expertise that are cross-functional teams which develop capabilities to differentiate, support and promote our core businesses enabling us to:

1. harness and leverage our experience and tools within each focus industry;
2. provide a focal point to attract new customers and to channel our existing customers; and
3. concentrate our research and development activities in each targeted industry.

Track record of well established sophisticated processes

We have been building products for our customers for the last 18 years. We have developed expertise in product development and we believe that we have a reputation for high quality work and timely project completion. With our experience of working with some of the world's leading software product companies, we have innovated and customised software processes that are specifically tailored for globally distributed development teams. Our internal process framework called Persistent Standard Software Process provides customers with seamless solutions in reduced timeframes, enabling them to achieve operating efficiencies and realise significant cost savings. Furthermore, our robust delivery model is flexible, so that it can be adapted to respond to our customers' objectives relating to critical issues such as scalability and security. We believe that our customer-oriented approach and ongoing refinements in our delivery model represent an important competitive advantage.

Long-term relationships with customers

We have long-standing relationships with customers, which include several Fortune 500 global corporations, built on our successful execution of prior engagements. Our track record of delivering mission-critical solutions, extensive product development experience, and demonstrated industry and technology expertise has helped in forging strong relationships with our major customers and gaining increased business from them. We have a history of high customer retention and derive a significant proportion of our revenue from repeat business. During Fiscal 2008, 87.36% of our revenues was generated from existing customers.

In Fiscal 2008, our customers included application software vendors, infrastructure software vendors, telecom software vendors and enterprise corporations.

To further strengthen our relationships and broaden the scope and range of services we provide to existing customers, our senior corporate executives have specific account management and relationship responsibilities. We have established strong relationships with key members of our customers' management teams. These relationships have helped us to understand better our customers' business needs and to enable us to provide effective solutions to meet these needs.

ISO 27001: 2005 certified

ISO 27001:2005 specifies the requirements for establishing, implementing, operating, monitoring, reviewing, maintaining and improving a documented information security management system within the context of an organization's overall business risks. It specifies requirements for the implementation of security controls customized to the needs of individual organizations or parts thereof. Our reciept of this certification evidences our compliance with the requirements of this certification. We believe that our compliance with the requirements of this certification will help in convincing our customers that productivity loss on account of system/network failures is substantially reduced and that we have the ability to work in a secured environment.

Strong team of highly skilled professionals and management

We have a large pool of highly skilled, well-trained employees. As of June 30, 2008, we have 4,051 employees (including those under contractual employment with the Company and our subsidiaries as well as our trainees) including over 3,400 software professionals. The skill sets of our employees give us the flexibility to adapt to the needs of our clients and the technical requirements of the various projects that we undertake. We are committed to the development of the expertise and know-how of our employees through regular technical seminars and training sessions organised or sponsored by the Company.

Our management team is well qualified and experienced in the software product industry and has been in integral in the growth of our operations. Additionally, we benefit from having representatives of prominent Silicon Valley venture capital investors as members of our Board.

Our strategy

Our goal is to be a leading global provider of OPD services. We intend to accomplish our goal by the following strategies:

Maintaining our position in OPD

Our goal is to maintain our position as an OPD specialist. Our focus is to continue to deliver services across all stages of the product life-cycle, thus enabling us to work with a wide-range of customers, and allowing us to improve the efficiency of the product engineering process. This contributes to the productivity of our customers, allowing them to deliver a reliable product faster. In addition, through our competency centers, we will constantly track new technologies, industry segments and market trends and will continue to work with our customers to incorporate these innovations into their products, thus allowing them to preserve their market advantages. Our clear focus on software product development will assist us in attracting the best software engineers.

Growing our business with existing clients

Our goal is to build long-term sustainable business relationships with our customers to generate increasing revenues. We plan to continue to expand the scope and range of services provided to our existing customers by continuing to build our expertise in major industries and extending our capabilities into new and emerging technologies. In addition, we intend to continue to develop our value-added services (such as time–to-market accelerators and tools) for our software product company customers. We will also seek to support a greater portion of the full product development life-cycle of our customers by offering targeted services for each phase of the software product life-cycle. We also plan to assist our customers as they deploy their products to end-users through consulting and professional services that we offer onsite.

Growing our business through intellectual property capabilities

We regularly invest in the creation of new intellectual property. We will continue to focus on three main areas of innovation: platform innovation, product engineering process innovation and domain specific innovation. Our efforts have resulted in the development of value-added products and services including time-to-market accelerators and other technology-based components. We will continue to invest in intellectual property to build and offer systems that establish our credibility and technical expertise in new areas. We also will continue to monetise our investment in intellectual property by charging a premium for our services or by licensing our proprietary software solutions to our customers. Our customers include our proprietary solutions as part of their offerings and provide us with royalty payments when they sell their products, bundled with our proprietary technologies. We will seek further growth by leveraging our software development capabilities through designing, developing and marketing proprietary niche software solutions in select international markets.

Partnering with players across the software product industry

We will continue to build relationships across the software product eco-system with institutions including venture capital and private equity firms, system integrators and product companies with independent sales channels. This knowledge of both products and the entire product development ethos helps us evolve a deep-rooted product development culture that is aligned with our customers, employees and processes. We regularly engage in discussions and network with our partners to bring each other opportunities and to assist each other to grow our businesses and enrich our respective understandings of the software product industry and technical knowledge.

In addition, we will continue to cultivate a cooperative research network of academic institutions within India and abroad to address key strategic issues in the provision of OPD services through research, development, dissemination, evaluation and demonstration.

Focusing on the small and medium sized market

We will continue to focus on the small and medium sized product companies. Many of these companies are venture capital funded start-ups and are developing cutting-edge technology products, and we believe in the growth potential of these companies. We have developed specialised service offerings to meet their needs and budgets. We will continue to service this market segment as it enables us to share emerging technologies and work on innovative software products.

Pursuing strategic acquisitions and other inorganic initiatives

We will continue to explore opportunities for acquisitions or joint ventures or alliances that expand our product portfolio, build on our existing system capabilities, or give us a presence in complementary markets. We will pursue strategic acquisitions and other inorganic initiatives that will strengthen our competitive position as well as drive profitable revenue growth.

Investing in people and culture

We believe that our ability to maintain growth depends to a large extent on our strength in attracting, training, motivating and retaining employees. Our talent acquisition philosophy is to recruit for attitude, train for skill and develop for leadership roles. We focus on performance management, providing input on leadership qualities, mentoring and periodic reviews for career alignment and planning. Our human resources and compensation practices proactively address the factors that impact retention. These practices include regular salary reviews, skill and performance related bonuses, established procedures, rotation into growth opportunities and the adoption of an employee stock option plan.

Industry overview

For a description of the industry in which we operate, see "Our Industry" on page 52.

SUMMARY FINANCIAL INFORMATION

The following table sets forth summary financial information derived from our consolidated financial information as of and for the Fiscals ended March 31, 2008, March 31, 2007, March 31, 2006, March 31, 2005 and March 31, 2004. As required by the SEBI Guidelines, our financial statements as of and for the Fiscals ended March 31, 2008, March 31, 2007, March 31, 2006, March 31, 2005 and March 31, 2004 have been restated. The summary financial information presented below should be read in conjunction with the financial information included in this Draft Red Herring Prospectus, the notes thereto and the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 175.

SUMMARY CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED

					In Rs. million
			As at		
	March 31, 2008	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**
A. Fixed Assets:					
Gross block	2,928.37	2,640.18	2,006.67	845.31	647.48
Less: Accumulated depreciation	1,285.86	1,026.20	783.33	350.31	234.06
Net Block	**1,642.51**	**1,613.98**	**1,223.34**	**495.00**	**413.42**
Capital work-in-progress including capital Advance	330.75	130.97	266.59	290.40	24.13
Total	**1,973.26**	**1,744.95**	**1,489.93**	**785.40**	**437.55**
B. Investments	**691.71**	**246.91**	**115.22**	**101.38**	**110.68**
C. Current Assets, Loans and Advances:					
Sundry debtors	744.89	537.80	392.92	287.20	118.48
Cash and bank balances	113.16	112.72	39.46	60.43	48.03
Other current assets	89.39	42.82	20.73	20.85	1.30
Loans and advances	403.11	265.17	258.94	160.32	50.00
Total	**1,350.55**	**958.51**	**712.05**	**528.80**	**217.81**
D. Liabilities and Provisions:					
Secured loans	-	-	-	211.24	13.10
Deferred tax liability	2.55	0.57	4.42	3.38	5.73
Current liabilities and provisions	727.25	433.27	283.36	183.32	142.66
Total	**729.80**	**433.84**	**287.78**	**397.94**	**161.49**
E. Net Worth (A+B+C-D)	**3,285.72**	**2,516.53**	**2,029.42**	**1,017.64**	**604.55**
Net Worth represented by:					
F. Share Capital					
Equity	358.61	81.54	81.52	89.33	78.88
Preference	-	20.91	20.91	-	-
G. Reserves and Surplus	2,927.11	2,414.08	1,926.99	928.31	525.67
H. Net Worth (F+G)	**3,285.72**	**2,516.53**	**2,029.42**	**1,017.64**	**604.55**

SUMMARY CONSOLIDATED STATEMENT OF PROFITS AND LOSSES, AS RESTATED

	In Rs. million				
	Year Ended				
	March 31, 2008	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**
Income					
Sale of software services and products	4,248.50	3,156.28	2,164.89	1,468.67	816.60
Other income	269.35	20.87	23.30	19.81	11.82
Total	**4,517.85**	**3,177.15**	**2,188.19**	**1,488.48**	**828.42**
Expenditure					
Personnel expenses	2,711.45	1,761.31	1,167.76	747.78	381.59
Operating and other expenses	637.24	589.57	416.61	272.43	174.76
Financial expenses	-	1.12	8.95	0.47	0.27
Depreciation	279.99	269.92	187.08	124.91	76.80
Total	**3,628.68**	**2,621.92**	**1,780.40**	**1,145.59**	**633.42**
Net profit before taxation, exceptional and prior period items	**889.17**	**555.23**	**407.79**	**342.89**	**195.00**
Exceptional items - income / (expense)	(35.18)	37.63	(5.64)	-	(0.03)
Prior period items - income / (expense)	-	(19.50)	-	(7.87)	0.70
Net Profit Before Tax	**853.99**	**573.36**	**402.15**	**335.02**	**195.67**
Provision For Tax					
Current tax	98.70	15.71	5.75	1.50	1.60
Mat credit	(89.44)	-	-	-	-
Deferred tax charge / (credit)	1.99	(5.58)	0.54	0.14	-
Fringe benefit tax	11.00	8.06	5.17	-	-
Net Profit Before Restatement Adjustments	**831.74**	**555.17**	**390.69**	**333.38**	**194.07**
Restatements Adjustments (Net)	**0.19**	**19.66**	**(28.79)**	**15.71**	**(0.42)**
Net Profit, As Restated	**831.93**	**574.83**	**361.90**	**349.09**	**193.65**

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS AS RESTATED

					In Rs. million
	Year Ended				
	March 31, 2008	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004
A. Net cash from/(used in) operating activities	**966.86**	**800.48**	**462.85**	**217.00**	**256.15**
B. Net cash used in investing activities	**(910.11)**	**(689.94)**	**(908.63)**	**(464.03)**	**(223.16)**
C. Net cash from/(used in) financing activities	**(56.43)**	**(37.05)**	**430.01**	**252.08**	**6.38**
Net increase in cash and cash equivalents (A+B+C)	**0.32**	**73.49**	**(15.77)**	**5.05**	**39.37**
Cash and cash equivalents at the beginning of the year	108.83	35.52	50.84	45.64	6.22
Cash and cash equivalents at the end of the year	109.05	108.83	35.52	50.84	45.64

THE ISSUE

Equity Shares offered by	
Issue of which	4,974,836 Equity Shares
I) Fresh Issue by the Company	4,008,920 Equity Shares
II) Offer for Sale by the Selling Shareholders of which:	965,916 Equity Shares
Employee reservation portion	400,892 Equity Shares
Therefore Net Issue to the Public *of which*	4,573,944 Equity Shares
A) Qualified Institutional Buyers (QIB) portion[1]	At least 2,744,367 Equity Shares (***Allocation on a proportionate basis***)
of which	
Mutual Funds Portion	137,218 Equity Shares (***Allocation on a proportionate basis***)
Balance for all QIBs including Mutual Funds	2,607,149 Equity Shares (***Allocation on a proportionate basis***)
B) Non-Institutional Portion[2]	Not less than 457,394 Equity Shares (***Allocation on a proportionate basis***)
C) Retail Portion[2]	Not less than 1,372,183 Equity Shares (***Allocation on a proportionate basis***)
Equity Shares outstanding prior to the Issue	35,861,000 Equity Shares*
Equity Shares outstanding after the Issue	39,869,920 Equity Shares*
Use of Net Proceeds	See the section titled "Objects of the Issue" on page 34. The Company will not receive any proceeds from the Offer for Sale.

** The Company is considering a Pre-IPO Placement of up to 219,279 Equity Shares with certain investors ("Pre-IPO Placement"). The Company will complete the issuance of such Equity Shares prior to the filing of the RHP with the RoC. If the Pre-IPO Placement is completed, (i) the Issue size (including the Offer For Sale) would be reduced to the extent of such Pre-IPO Placement, subject to a minimum Issue size of 10% of the post Issue capital being offered to the public and (ii) the Employee Reservation Portion shall (if required) be accordingly reduced.*

1. Allocation to QIBs is proportionate as per the terms of this Draft Red Herring Prospectus. 5% of the QIB Portion shall be available for allocation to Mutual Funds. Mutual Funds participating in the 5% reservation in the QIB Portion will also be eligible for allocation in the remaining QIB Portion
2. Subject to valid bids being received at or above the Issue Price, under-subscription, if any, in the Retail or Non Institutional Portion, would be allowed to be met with spill-over from other categories or a combination of categories, at the discretion of the Company and the Selling Shareholders, in consultation with the BRLMs. Under-subscription, if any, in the Employee Reservation Portion will be added back to the Retail/ Non Institution Portion in equal proportion.

GENERAL INFORMATION

Our Company was incorporated as Persistent Systems Private Limited on May 30, 1990. Our status was subsequently changed to a public limited company by a special resolution of the members passed at the EGM held on September 17, 2007. The fresh certificate of incorporation consequent on conversion was granted to our Company on September 28, 2007 by the RoC.

Registered office

Persistent Systems Limited
Bhageerath
402, Senapati Bapat Road
Pune 411016, India
Email: investors@persistent.co.in
Website: www.persistentsys.com
Corporate Identity Number: U72300PN1990PLC056696
Tel: (91 20) 2570 2800
Fax: (91 20) 2570 2626

Address of Registrar of Companies

The Registrar of Companies, Maharashtra, Pune
Ministry of Corporate Affairs
Third floor, PMT Commercial Building
Deccan Gymkhana
Pune 411 004, India

Board of Directors of the Issuer

Name, Designation, Occupation	Age	Address
Dr. Anand Deshpande Chairman and Managing Director *Business Executive*	46	'Renuka' 39/54, Erandvana Lane 9 B, Prabhat Road Pune 411 004, India
S. P. Deshpande Executive Director *Business Executive*	71	'Renuka' 39/54, Erandvana Lane 9 B, Prabhat Road Pune 411 004, India
Ram Gupta Independent Director *Business Executive*	45	839, Fife Way, Sunnyvale, CA 95070 United States of America
Dr. Promod Haque Non Executive Director* *Business Executive*	59	13780, Saratoga Avenue Saratoga, CA 94087 United States of America
Prabhakar B. Kulkarni Independent Director *Advisor and Consultant*	73	Flat No. 11, Hariyali, Modi Baug Ganesh Khind Road Pune 411 016, India
Prof. Krithivasan Ramamritham Independent Director *Professor*	52	A-12, Indian Institute of Technology Powai, Mumbai 400 076, India

* *He was appointed as a Nominee Director of Norwest, pursuant to the Shareholders Agreement with Norwest and Gabriel. For details, refer to "History and Certain Corporate Matters" on page 82.*

For further details of our Directors, see "Our Management" on page 89.

Company Secretary and Compliance Officer

Vivek Sadhale
Bhageerath
402, Senapati Bapat Road
Pune 411016, India
Tel: (91 20) 2570 2800
Fax: (91 20) 2570 2626
Email: investors@persistent.co.in
Website: www.persistentsys.com

Investors can contact the Compliance Officer in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary account and refund orders.

Book Running Lead Managers

Enam Securities Private Limited
801, Dalamal Towers
Nariman Point
Mumbai 400 021, India
Tel: (91 22) 6638 1800
Fax: (91 22) 2284 6824
Email:persistent.ipo@enam.com
Website: www.enam.com
Contact Person: Lakha Nair
SEBI Registration number: INM000006856

Morgan Stanley India Company Private Limited
1101-1115, Trident
Nariman Point
Mumbai 400 021
Tel (91 22) 6621 0555
Fax (91 22) 6621 0556
Email:persistent_ipo@morganstanley.com
Website: www.morganstanley.com
Contact Person: Amit H. Shah
SEBI Registration number: INM000011203

JM Financial Consultants Private Limited
141, Maker Chambers III
Nariman Point
Mumbai 400 021, India
Tel: (91 22) 6630 3030
Fax: (91 22) 2202 8224
Email: persistent.ipo@jmfinancial.in
Website: www.jmfinancial.in
Contact Person: Kailash Soni
SEBI Registration number: INM000010361

Syndicate Member

JM Financial Services Private Limited
Appejay House, 3 Dinshaw Vachha Road
Churchgate
Mumbai 400 020, India
Tel (91 22) 6704 3184/3185
Fax: (91 22) 6654 1511
Email: persistent.ipo@jmfinancial.in
Contact Person: Deepak Vaidya/ T. N. Kumar
Website: www.jmfinancial.in

Legal Advisors to the Company

Kanga and Co.
Readymoney Mansion
43, Veer Nariman Road
Mumbai 400 001, India
Ph: (91 22) 6633 2288
Fax: (91 22) 6633 9656

Legal Advisors to the BRLMs

Legal Advisors as to US Law

Dorsey and Whitney (Europe) LLP.
21 Wilson Street
London EC2M 2TD
England
Tel: (44 20) 7588 0800
Fax: (44 20) 7588 0555

Legal Advisors as to Indian Law

Amarchand & Mangaldas & Suresh A. Shroff & Co.
Fifth Floor, Peninsula Chambers
Peninsula Corporate Park
Ganpatrao Kadam Marg, Lower Parel
Mumbai 400 013, India
Tel: (91 22) 2496 4455
Fax: (91 22) 2496 3666

201, Midford House
Midford Garden (Off M. G. Road)
Bangalore 560 001, India
Tel: (91 80) 2558 4870
Fax: (91 80) 2558 4266

Registrar to the Issue

Intime Spectrum Registry Limited
C-13, Pannalal Silk Mills Compound
LBS Marg, Bhandup (West)
Mumbai 400 078 India
Tel: (91 22) 2596 0320
Fax: (91 22) 2596 0329
Email: psl.ipo@intimespectrum.com
Website: www.intimespectrum.com

Contact Person: Sachin Achar

Bankers to the Issue and Escrow Collection Banks

[●]

Refund Banker

[●]

Bankers to the Company

State Bank of India
Industrial Finance Branch, Tara Chembers
Wakedewadi, Pune 411 003, India
Tel: 91 (20) 2581 8941
Fax: 91 (20) 2581 8373
Email: sa08966@sbi.co.in
Website: www.sbi.com
Contact Person: S. T. Kothalkar

HDFC Bank Limited
Fourth Floor, Millenium Towers
Bhandarkar Road, Shivajinagar
Pune 411 004, India
Tel: 91 (20) 2565 1304
Fax: 91 (20) 2567 3008
Email: Suhas.Dindolkar@hdfcbank.com
Website: www.hdfcbank.com
Contact Person: Suhas Dindolkar

Bank of India
Pune (Main) Branch
8/A, Dr. Coyaji Road
Pune 411 001, India
Tel: 91 (20) 2636 0713
Fax: 91 (20) 2634 7891
Email: boipunmb@vsnl.net
Website: www.bankofindia.com
Contact Person: A. K. Verma

Citibank N.A.
Parmar House, Ground Floor
2413, East Street Camp
Pune 411 001, India
Tel: 91 (20) 4000 4419
Fax: 91 (20) 2635 5119
Email: Vipul.Prajapati@citi.com
Website: www.citibank.co.in
Contact Person: Vipul Prajapati

Joint Auditors

S. R. Batliboi & Co.
Chartered Accountants
C-401, 4th Floor, Panchshil Tech. Park
Yerwada, Pune 411 006, India
Tel: (91 20) 6603 6000
Fax: (91 20) 6601 5900

Joshi Apte & Co.
Chartered Accountants
"Dwarka", First Floor
2, Phatak Baug Society
999, Navi Peth, Pune 411 030, India
Tel: (91 20) 2433 3188 / 2433 2991
Fax: (91 20) 2433 6283
Email:joap@vsnl.com

Expert Advisors

IPO Grading Agency

CRISIL Limited
1061, Solitaire Corporate Park
151, Andheri Kurla Road
Andheri (E)
Mumbai 400 093, India
Tel: (91 22) 6758 8023
Fax: (91 22) 6758 8088
Email: tvishal@crisil.com
Website: www.crisil.com
Contact Person: Vishal Thakkar

Monitoring Agency

There is no requirement for a monitoring agency for the Issue in terms of Clause 8.17 of the SEBI Guidelines.

Inter se allocation of responsibilities between the Book Running Lead Managers

The responsibilities and co-ordination for various activities in this Issue are as under:

	Activities	Responsibility	Co-ordinator
(i)	Capital structuring with the relative components and formalities such as type of instruments, etc.	Enam, MSIC, JM	Enam
(ii)	Due diligence of the Company's operations/ management/ business plans/ legal, etc. Drafting and design of offer document and of statutory advertisement including memorandum containing salient features of the Prospectus. The BRLMs shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges and SEBI including finalisation of the Prospectus and filing with the Stock Exchanges.	Enam, MSIC, JM	Enam
(iii)	Drafting and approval of all publicity material other than statutory advertisement as mentioned above including corporate advertisement, brochure, etc.	Enam, MSIC, JM	JM
(iv)	Appointment of other Intermediaries: (a) Printers; (b) Registrar; (c) Grading Agency (d) Advertising Agency; and (e) Banker to the Issue	Enam, MSIC, JM	Printers: Enam Registrar: MSIC Grading Agency: Enam Advertising Agency: MSIC Banker to the Issue: MSIC
(v)	Domestic Institutional marketing of the Offer, which will cover, inter alia: • Domestic Institutional marketing strategy • Finalise the list and division of investors for one on one meetings • Co-ordination for all domestic roadshow logistics	Enam, MSIC, JM	Enam
(vi)	International Institutional marketing of the Offer, which will cover, inter alia: • International Institutional marketing strategy • Finalise the list and division of investors for one on one meetings • Co-ordination for all international roadshow logistics	Enam, MSIC, JM	MSIC
(vii)	Preparation of road show marketing presentation and FAQ	Enam, MSIC, JM	MSIC
(viii)	Retail/Non-institutional marketing strategy which will cover, inter alia, • Finalise media, marketing and public relation strategy, • Finalise centers for holding conferences for brokers, etc. • Finalise collection centers, • Follow-up on distribution of publicity and Issue material including form, Prospectus and deciding on the quantum of the Issue material	Enam, MSIC, JM	JM
(ix)	Managing the Book, pricing and allocation to QIB Bidders.	Enam, MSIC, JM	MSIC
(x)	Post bidding activities including coordination with Stock Exchanges, management of Escrow Accounts, co-ordinate non-institutional allocation, intimation of allocation and dispatch of refunds to Bidders, etc. The post issue activities of the Issue will involve essential follow up steps, which include finalisation of listing, trading and dealing of Equity Shares and dispatch of certificates and demat delivery of shares, with the various agencies connected with the work such as Registrars to the Issue, Banker to the Issue and the bank handling refund business. The BRLMs shall be responsible for ensuring that these agencies fulfil their functions and enable them to discharge this responsibility through suitable agreements with the Company.	Enam, MSIC, JM	MSIC

Even if many of these activities will be handled by other intermediaries, the designated BRLMs shall be responsible for ensuring that these agencies fulfil their functions and enable them to discharge this responsibility through suitable agreements with our Company and the Selling Shareholders.

Credit Rating

As the Issue is of Equity Shares, credit rating is not required.

IPO Grading

This Issue being has been graded by CRISIL Limited as IPO Grade [●] out of 5, indicating fundamentals [●], pursuant to the SEBI Guidelines. The rationale furnished by the grading agency for its grading will be updated at the time of filing the Red Herring Prospectus with the RoC.

Trustees

As the Issue is of Equity Shares, the appointment of Trustees is not required.

Project Appraisal

There is no project being appraised.

Book Building Process

Book building, with reference to the Issue, refers to the process of collection of Bids on the basis of the Red Herring Prospectus within the Price Band. The Issue Price is finalised after the Bid/ Issue Closing Date. The principal parties involved in the Book Building Process are:

1. The Company and the Selling Shareholders;
2. The BRLMs;
3. The Syndicate Member who is an intermediary registered with SEBI or registered as brokers with NSE/BSE and eligible to act as Underwriters. The Syndicate Member is appointed by the BRLMs; and
4. Registrar to the Issue.

In terms of Rule 19(2)(b) of the SCRR, this being an Issue for less than 25% of the post–Issue capital, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Net Issue will be allocated on a proportionate basis to QIBs, out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. If at least 60% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, not less than 10% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Net Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

The Company is considering a Pre-IPO Placement of up to 219,279 Equity Shares with certain investors. The Company will complete the issuance of such Equity Shares prior to the filing of the RHP with RoC. If the Pre-IPO Placement is completed, (i) the Issue size offered to the public would be reduced to the extent of such Pre-IPO Placement, subject to a minimum Issue size of 10% of the post Issue capital being offered to the public and (ii) the Employee Reservation Portion shall (if required) be accordingly reduced.

QIBs are not allowed to withdraw their Bids after the Bid/Issue Closing Date. In addition, QIBs are required to pay 10% Margin Amount upon submission of their Bid and allocation to QIBs will be on a proportionate basis. For further details on the terms of the Issue see "Terms of the Issue" on page 223.

We will comply with the SEBI Guidelines and any other ancillary directions issued by SEBI for this Issue. In this regard, we have appointed the BRLMs to manage the Issue and procure subscriptions to the Issue.

While the process of Book Building under the SEBI Guidelines is not new, investors are advised to make their own judgment about investment through this process prior to making a Bid or Application in the Issue.

Illustration of Book Building and Price Discovery Process *(Investors should note that this example is solely for illustrative purposes and is not specific to the Issue)*

Bidders can bid at any price within the price band. For instance, assume a price band of Rs. 20 to Rs. 24 per share, issue size of 3,000 equity shares and receipt of five Bids from bidders, details of which are shown in the table below. A graphical representation of the consolidated demand and price would be made available at the bidding centers during the bidding period. The illustrative book as shown below shows the demand for the shares of the issuer company at various prices and is collated from bids received from various investors.

Bid Quantity	Bid Price (Rs.)	Cumulative Quantity	Subscription
500	24	500	16.67%
1,000	23	1,500	50.00%
1,500	22	3,000	100.00%
2,000	21	5,000	166.67%
2,500	20	7,500	250.00%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired number of shares is the price at which the book cuts off, i.e., Rs. 22 in the above example. The issuer, in consultation with the book running lead managers, will finalise the issue price at or below such cut-off price, i.e., at or below Rs. 22. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in the respective categories.

Steps to be taken by the Bidders for bidding:

1. Check eligibility for making a Bid (see "Issue Procedure – Who Can Bid" on page 229);
2. Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid cum Application Form;
3. Ensure that you have mentioned your PAN and attached copies of your PAN card to the Bid cum Application Form (see "Issue Procedure –'Permanent Account Number' or 'PAN' or 'GIR' Number" on page 244); and
4. Ensure that the Bid cum Application Form is duly completed as per instructions given in this Draft Red Herring Prospectus and in the Bid cum Application Form.

Withdrawal of the Issue

The Company and the Selling Shareholders, in consultation with the BRLMs, reserve the right not to proceed with the Issue at anytime including after the Bid/ Issue Closing Date, without assigning any reason thereof. Notwithstanding the foregoing, the Issue is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which the Company shall apply for only after Allotment, and (ii) the final RoC approval of the Prospectus after it is filed with the RoC. Under the SEBI Guidelines, QIBs are not allowed to withdraw their Bids after the Bid/Issue Closing Date.

Bid/Issue Program

Bidding/Issue Period

BID/ISSUE OPENS ON	**[●]**
BID/ISSUE CLOSES ON	**[●]**

Bids and any revision in Bids shall be accepted only between 10.00 a.m. and 5.00 p.m. (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centers mentioned on the Bid cum Application Form except that on the Bid/Issue Closing Date, Bids shall be accepted only between 10.00 a.m. and 3.00 p.m. (Indian Standard Time) and uploaded till (i) 4.00 p.m. in case of Bids by QIB Bidders, and Non-Institutional Bidders where the Bid Amount is in excess of Rs. 100,000 and, Bidders in the Employee Reservation Portion; and (ii) 5.00 p.m., which may be extended upto such time as deemed fit by Stock Exchanges taking into account the number of applications received upto the closure of timings and reported by BRLMs to the Stock Exchanges within half hour of such closure, in case of Bids by Retail Individual Bidders, where the Bid Amount is up to Rs. 100,000. Due to limitation of time available for uploading the Bids on the Bid/Issue Closing Date, the Bidders are advised to submit their Bids one day prior to the Bid/Issue Closing Date and, in any case, no later than 1.00 p.m. (Indian Standard Time) on the Bid/Issue Closing Date. Bidders are cautioned that in the event a large number of Bids are received on the Bid/Issue Closing Date, as is typically experienced in public offerings, which may lead to some Bids not being uploaded due to lack of sufficient time to upload, such Bids that cannot be uploaded will not be considered for allocation under the Issue. Bids will only be accepted on working days, i.e., Monday to Friday (excluding any public holiday).

On the Bid/Issue Closing Date, extension of time will be granted by the Stock Exchanges only for uploading the Bids received by Retail Bidders after taking into account the total number of Bids received up to the closure of timings for acceptance of Bid cum Application Forms as stated herein and reported by the BRLMs to the Stock Exchange within half an hour of such closure.

We and the Selling Shareholders reserve the right to revise the Price Band during the Bidding Period in accordance with the SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band advertised at least one day prior to the Bid /Issue Opening Date.

In case of revision in the Price Band, the Bidding/ Issue Period will be extended for three additional working days after revision of Price Band subject to the Bidding/ Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding/ Issue Period, if applicable, will be widely disseminated by notification to the NSE and the BSE, by issuing a press release, and also by indicating the change on the web site of the BRLMs and at the terminals of the Syndicate.

Underwriting Agreement

After the determination of the Issue Price and allocation of our Equity Shares but prior to the filing of the Prospectus with the RoC, our Company and Selling Shareholders will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through the Issue. In terms of the SEBI Guidelines and pursuant to the terms of the aforesaid Underwriting Agreement, the BRLMs shall be responsible for making good the shortfall in case of an under subscription in the Issue, as prescribed by the SEBI Guidelines. In the event of the Syndicate Members not fulfilling their obligations, the BRLMs of the respective Syndicate Members shall be responsible for bringing in the amount devolved. Pursuant to the terms of the Underwriting Agreement and subject to the SEBI Guidelines, the obligations of the Underwriters are subject to certain conditions to closing, as specified therein. The Underwriting Agreement is dated [•] and has been approved by the IPO Committee of the Board.

The Underwriters have indicated their intention to underwrite the following number of Equity Shares:

(This portion has been intentionally left blank and will be filled in before filing of the Prospectus with the RoC)

Details of the Underwriters	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten *In Rs. million*
Enam Securities Private Limited 801, Dalamal Towers Nariman Point Mumbai 400 021, India	[•]	[•]
Morgan Stanley India Company Private Limited 1101-1115, Trident Nariman Point Mumbai 400 021, India	[•]	[•]
JM Financial Consultants Private Limited 141, Maker Chambers III Nariman Point Mumbai 400 021, India	[•]	[•]

The above mentioned is indicative underwriting and this would be finalised after the pricing and actual allocation.

In the opinion of our Board of Directors (based on a certificate given by the Underwriters), the resources of the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. The above-mentioned Underwriters are registered with SEBI under S. 12(1) of the SEBI Act or registered as brokers with the Stock Exchange(s).

Allocation among the Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the Underwriters shall be severally responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default in payment, the respective Underwriter, in addition to other obligations defined in the Underwriting Agreement, will also be required to procure/subscribe to Equity Shares to the extent of the defaulted amount.

CAPITAL STRUCTURE

The share capital of our Company as of the date of this Draft Red Herring Prospectus is set forth below:

In Rupees, except share data

		Aggregate Nominal Value	Aggregate Value at Issue Price
A)	**AUTHORISED SHARE CAPITAL**		
	100,000,000 Equity Shares of Rs. 10 each	1,000,000,000	
B)	**ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL**		
	35,861,000 fully paid up Equity Shares of Rs. 10 each	358,610,000	
C)	**PRESENT ISSUE IN TERMS OF THIS DRAFT RED HERRING PROSPECTUS***		
	4,974,836 Equity Shares of Rs. 10 each	49,748,360	[•]
	Out of which		
	a) Fresh Issue[1]		
	4,008,920 Equity Shares of Rs. 10 each	40,089,200	
	b) Offer for Sale[2]		
	965,916 Equity Shares of Rs. 10 each	9,659,160	
D)	**EMPLOYEE RESERVATION PORTION**		
	400,892 Equity Shares of Rs. 10 each	4,008,920	
E)	**NET ISSUE TO THE PUBLIC**		
	4,573,944 Equity Shares of Rs. 10 each	45,739,440	
F)	**EQUITY CAPITAL AFTER THE ISSUE**		
	39,869,920 Equity Shares of Rs. 10 each	398,699,200	[•]
G)	**SHARE PREMIUM ACCOUNT**		
	Before the Issue	577,487,131	
	After the Issue		[•]

** The Company is considering a Pre-IPO Placement of up to 219,279 Equity Shares with certain investors ("Pre-IPO Placement"). The Company will complete the issuance of such Equity Shares prior to the filing of the RHP with the RoC. If the Pre-IPO Placement is completed, (i) the Issue size would be reduced to the extent of such Pre-IPO Placement, subject to a minimum Issue size of 10% of the post Issue capital being offered to the public and (ii) the Employee Reservation Portion shall (if required) be accordingly reduced.*

1. Our Board of Directors vide resolution passed by way of circulation on September 6, 2007, approved a notice for convening the extra ordinary general meeting of the shareholders of the Company in order to seek their approval for the initial public offering by way of special resolution under Section 81(1A) of the Act. Our Shareholders granted their approval for the Issue by way of a special resolution under Section 81 (1A) of the Act at their extraordinary general meeting held on September 17, 2007. Our Board of Directors has passed a resolution on July 6, 2008 approving the Issue and has directed that a confirmation of the earlier resolution passed by the Shareholders on September 17, 2007 be obtained from them by way of special resolution at their next general meeting.
2. The Offer for Sale has been authorised by the Selling Shareholders as follows:

S. No.	Selling Shareholder	No. of Equity Shares Offered	Date of Consent
1.	Dr. Shridhar Bhalchandra Shukla holding shares jointly with Vijayalaxmi Shridhar Shukla	485,000	June 12, 2008
2.	Ashutosh Vinayak Joshi	480,916	June 12, 2008
	Total	**965,916**	

Changes in the Authorised Share Capital of the Company since Incorporation:

1. The authorised share capital of Rs. 500,000 consisting of 5,000 equity shares of Rs. 100 each was increased to Rs. 8,000,000 divided into 80,000 equity shares of Rs. 100 each by means of a resolution of our shareholders dated July 9, 1996.
2. The authorised share capital of Rs. 8,000,000 consisting of 80,000 equity shares of Rs. 100 each was changed by sub division of our equity shares into 800,000 Equity Shares of Rs. 10 each by means of a resolution of our shareholders dated October 21, 2002.
3. The authorised share capital of Rs. 8,000,000 consisting of 800,000 Equity Shares of Rs. 10 each was increased to Rs. 125,000,000 consisting of 12,500,000 Equity Shares of Rs. 10 each by means of a resolution of our shareholders dated

October 21, 2002.

4. The authorised share capital of Rs. 125,000,000 consisting of 12,500,000 Equity Shares was reclassified into 10,000,000 Equity Shares of Rs. 10 each and Rs. 250,000 CCPS by means of a resolution of our shareholders dated November 18, 2005.
5. The authorised share capital of Rs. 125,000,000 divided into 10,000,000 Equity Shares of Rs. 10 each and 250,000 CCPS was increased to Rs. 1,000,000,000 divided into 97,500,000 Equity Shares of Rs. 10 each and 250,000 CCPS by means of a resolution of our shareholders dated September 17, 2007.
6. The authorised share capital Rs. 1,000,000,000 divided into 97,500,000 Equity Shares of Rs. 10 each and 250,000 CCPS were reclassified into Rs. 1,000,000,000 divided into 100,000,000 Equity Shares of Rs. 10 each by means of a resolution of our shareholders dated September 17, 2007.

Notes to the capital structure

1. Share capital history

Equity Share capital history of our Company

Date of allotment of the Equity Shares	No. of Equity Shares	Face Value (Rs.)	Reasons for allotment	Cumulative number of Equity Shares	Cumulative Issued Capital	Issue Price	Cumulative Share Premium
					(Rs.)	(Rs.)	(Rs.)
June 29, 1990	100	100	Subscription to the Memorandum	100	10,000	100	-
December 18, 1990	50	100	Preferential Allotment	150	15,000	100	-
March 4, 1991	200	100	Preferential Allotment	350	35,000	100	-
March 31, 1991	200	100	Preferential Allotment	550	55,000	100	-
April 15, 1991	210	100	Preferential Allotment	760	76,000	100	-
June 24, 1991	500	100	Preferential Allotment	1,260	126,000	100	-
July 30, 1991	12	100	Preferential Allotment	1,272	127,200	100	-
October 4, 1991	2,328	100	Preferential Allotment	3,600	360,000	100	-
May 7, 1995	50	100	Preferential Allotment	3,650	365,000	100	-
October 21, 1995	100	100	Preferential Allotment	3,750	375,000	100	-
July 9, 1996	56,250	100	Bonus Issue in the ratio 1:15	60,000	6,000,000	-	-
October 1, 1996	2,400	100	Preferential Allotment[1]	62,400	6,240,000	100	-
October 1, 1997	2,400	100	Preferential Allotment[1]	64,800	6,480,000	100	-
February 28, 1998	75	100	Preferential Allotment	64,875	6,487,500	100	-
March 30, 1998	250	100	Preferential Allotment[2]	65,125	6,512,500	100	-
October 1, 1998	2,650	100	Preferential Allotment[1,2]	67,775	6,777,500	100	-
October 1, 1999	2,700	100	Preferential Allotment[1,2]	70,475	7,047,500	100	-
December 24, 1999	5,600	100	Preferential Allotment	76,075	7,607,500	100	-
April 27, 2000	2,800	100	Preferential Allotment[3]	78,875	7,887,500	15,578.60	43,340,000
October 21, 2002	Equity Shares with a face value of Rs. 100 each were sub-divided into Equity Shares with a face value of Rs. 10 each					-	43,340,000
November 11, 2002	7,098,750	10	Bonus Issue in the ratio of 1:9[4]	7,887,500	78,875,000	-	Nil

Date of allotment of the Equity Shares	No. of Equity Shares	Face Value (Rs.)	Reasons for allotment	Cumulative number of Equity Shares	Cumulative Issued Capital	Issue Price	Cumulative Share Premium
					(Rs.)	(Rs.)	(Rs.)
June 30, 2004	1,044,365	10	Preferential Allotment[5]	8,931,865	89,318,650	83.52	76,781,715
September 30, 2004	1,000	10	Preferential Allotment	8,932,865	89,328,650	90.73	76,862,445
December 31, 2004	500	10	Preferential Allotment	8,933,365	89,333,650	99.39	76,907,140
September 30, 2005	41,500	10	Preferential Allotment	8,974,865	89,748,650	130.79	81,919,925
November 18, 2005	157,135	10	Preferential Allotment[6]	9,132,000	91,320,000	410.69	144,882,348
January 13, 2006	(979,450)	10	Buyback of Equity Shares[7]	8,152,550	81,525,500	-	Nil
September 30, 2006	1,500	10	Preferential Allotment	8,154,050	81,540,500	169.19	238,785
June 21, 2007	1,500	10	Preferential Allotment	8,155,550	81,555,500	214.70	545,835
September 17, 2007	2,090,450	10	Conversion of the CCPS[8]	10,246,000	102,460,000	396.91[8]	830,261,287
September 17, 2007	25,615,000	10	Bonus Issue in the ratio of 5:2	35,861,000	358,610,000	-	583,905,787

1. *Includes allotment of Equity Shares to Dr. Shridhar Shukla (an erstwhile Executive Director of the Company) pursuant to agreement dated April 15, 1996 between the Company, Dr. Anand Deshpande, Ashutosh Joshi, S. P. Deshpande and Dr. Shridhar Shukla wherein pursuant to monies deposited by Dr. Shridhar Shukla the Company agreed to issue and allot Equity Shares to Dr. Shridhar Shukla in certain proportion. Pursuant to the agreement and a resolution of our Board of Directors dated July 9, 1996 and our shareholders dated July 9, 1996, the Company issued and allotted 150 equity shares of Rs. 100 each on October 1, 1996, October 1, 1997, October 1, 1998 and October 1, 1999 and a bonus issue of 2,250 equity shares of Rs. 100 each on each of the aforesaid dates.*
2. *Includes allotment of Equity Shares to Ajit Tamhankar pursuant to agreement dated October 1, 1997 among the Company, Dr. Anand Deshpande, Dr. Shridhar Shukla, S. P. Deshpande, Ashutosh Joshi and Ajit Tamhankar wherein pursuant to monies deposited by Ajit Tamhankar the Company agreed to issue and allot 50 equity shares of face value Rs. 100 to Ajit Tamhankar. Pursuant to the agreement and a resolution of our Board of Directors dated October 1, 1997 and our shareholders dated October 10, 1997, the Company issued and allotted 250 Equity Shares of Rs. 100 each on March 30, 1998, October 1, 1998 and October 1, 1999 by way of a bonus issue. The allotment dated October 1, 1999 also included an allotment of 50 sweat equity shares of Rs. 100 each issued to Dr. A Balachandran.*
3. *Allotment of 2,800 Equity Shares of Rs. 100 each to Intel 64 LLC at a premium of Rs. 15,478.60 per Equity Share. See "History and certain corporate matters" on page 82 for details.*
4. *Included an allotment of 252,000 Equity Shares of face value Rs. 10 to Intel 64 LLC pursuant to the bonus issue.*
5. *Included an allotment of 34,365 Equity Shares of face value Rs. 10 each at a premium of Rs. 73.52 per Equity Share pursuant to further investment by Intel 64 LLC.*
6. *Allotment of 157,135 Equity Shares of face value Rs. 10 at a total premium of Rs. 62,962,423.15 to Intel Mauritius pursuant to the Investor Rights Agreement and the investment by Gabriel and Norwest.*
7. *The Company conducted a buyback of Equity Shares in accordance with the provisions of the Companies Act as authorised by a resolution of our shareholders in EGM dated November 18, 2005. Pursuant to the buyback of Equity Shares, the securities premium account reflected Nil balance effective from completion of the buy back of Equity Shares*
8. *On November 18, 2005, we allotted 209,045 CCPS of Rs. 100 each at a premium of Rs. 4,001.63 per CCPS to Norwest and Gabriel under the terms of the Shareholders' Agreement entered into between our Company, Dr. Anand Deshpande, S. P. Deshpande, Sulabha Deshpande and Sonali Deshpande, Norwest and Gabriel. On September 17, 2007, each CCPS of Rs. 100 each was converted into 10 Equity Shares of Rs. 10 each and consequently a sum of Rs. 829,715,452 was transferred from the preference share premium to equity securities premium account. See "History and certain Corporate Matters" on page 82 for details.*

2. Promoters' Contribution and Lock-in

All Equity Shares that are being locked-in are eligible for computation of the promoters' contribution as per Clause 4.6 of the SEBI Guidelines and are being locked-in under Clause 4.11 of the SEBI Guidelines.

a. Details of Promoters' Contribution locked-in for three years:

Pursuant to the SEBI Guidelines, an aggregate of 20% of the post-Issue capital of our Company held by the Promoters shall be locked-in for a period of three years from the date of Allotment in the Issue. The details of such lock-in are given below:

Name	Date of allotment/ acquisition and when made fully paid up	Nature of allotment	Nature of consideration (cash, bonus, kind, etc.)	No. of shares locked-in	Face Value (Rs.)	Issue Price/ purchase price (Rs.)	Percentage of post-Issue paid-up capital
Dr. Anand Deshpande	September 17, 2007	Bonus	Bonus	5,980,488	10	N.A.	15.0
S. P. Deshpande	September 17, 2007	Bonus	Bonus	1,993,496	10	N.A.	5.0
Total				**7,973,984**			**20.0**

b. ***Details of historical build up of promoters contribution:***

Name of the Promoter	Date on which Equity Shares were acquired/ transferred	Nature of payment of consideration	Number of Equity Shares	Acquisition price per Equity Share
Dr. Anand Deshpande (held jointly with Sonali Deshpande)	December 18, 1990	Allotment	50*	100
	March 4, 1991	Allotment	200*	100
	March 31, 1991	Allotment	150*	100
	October 4, 1991	Allotment	1,478*	100
	October 30, 1991	Purchase	1*	100
	December 31, 1991	Purchase	51*	100
	March 31, 1992	Purchase	8*	100
	June 17, 1992	Purchase	1*	100
	October 15, 1993	Sale	(1)*	100
	July 9, 1996	Bonus	29,070*	100
	July 9, 1996	Sale	(5)*	100
	February 4, 1997	Sale	(4)*	100
	September 10, 1997	Sale	(1)*	100
	February 28, 1998	Allotment	25*	100
	March 16, 1998	Purchase	1*	100
	April 3, 1998	Sale	(1)*	100
	June 1, 1998	Sale	(2)*	100
	November 4, 1998	Sale	(1)*	100
	June 1, 1999	Sale	(1)*	100
	October 19, 1999	Sale	(1)*	100
	December 11, 1999	Purchase	1*	100
	December 24, 1999	Purchase	1*	100
	January 6, 2000	Purchase	1*	100
	March 10, 2000	Purchase	1*	100
	May 28, 2001	Purchase	1*	100
	July 16, 2001	Purchase	1*	100
	October 19, 2001	Purchase	1*	100
	December 19, 2001	Purchase	2*	100
	July 19, 2002	Purchase	1*	100
	October 21, 2002	Sub division of 1 Equity Share of Rs. 100 into 10 fully paid Equity Shares of Rs. 10 each	310,280**	
	November 11, 2002	Bonus	2,792,520	-
	June 30, 2004	Allotment	93,500	83.52
	September 30, 2005	Allotment	34,000	130.79
	September 17, 2007	Bonus	8,075,750	-
	Total holding		**11,306,050**	

** Equity shares of face value Rs. 100 each.*
*** Being the total number of Equity Shares arising from sub division of 31,028 Equity Shares of Rs. 100 into fully paid Equity Shares of Rs. 10 each*

Name of the Promoter	Date on which Equity Shares were acquired/ transferred	Nature of payment of consideration	Number of Equity Shares of Rs. 10 each	Acquisition/transfer price per Equity Share
S. P. Deshpande (held jointly with Sulabha Suresh Deshpande)	June 29, 1990	Subscription to the Memorandum	50*	100
	March 31, 1992	Purchase	250*	100
	May 13, 1992	Purchase	400*	120
	July 9, 1996	Bonus	10,500*	-
	July 1, 2002	Sale	(500)*	5,044
	October 21, 2002	Sub division of 1 Equity Share of Rs. 100 into 10 fully paid Equity Shares of Rs. 10 each	107,000**	
	November 11, 2002	Bonus	963,000	-
	June 30, 2004	Allotment	11,000	83.52
	September 30, 2005	Allotment	4,000	130.79
	September 17, 2007	Bonus	2,712,500	-
	Total holding		**3,797,500**	

* *Equity shares of face value Rs. 100 each.*
***Being the total number of Equity Shares arising from sub division of 10,700 Equity Shares of Rs. 100 into fully paid Equity Shares of Rs. 10 each*

The Equity Shares which have been considered for the purposes of Promoters' contribution are in conformity with clause 4.6.1(ii) of the SEBI Guidelines. The bonus issue of September 17, 2007 was made by the capitalisation of the Company's share premium account, which changed from Rs. 830,261,287 to Rs. 583,905,787 as well as the Company's capital redemption reserve account of Rs. 9,794,500, pursuant to a resolution by the shareholders of the Company at the EGM held on September 17, 2007. The bonus issue made to the Promoters on September 17, 2007, and being considered as Promoters' contribution, was not made from revaluation reserves or reserves created without accrual of cash resources. Further, the Equity Shares on which the bonus issue was made were also eligible for the purpose of computation of promoters' contribution.

c. ***Details of share capital locked-in for one year:***

In terms of clause 4.14.1 of the SEBI Guidelines, in addition to 20% of post-Issue shareholding of our Company, held by the Promoters and locked-in for three years, as specified above, and other than

a. 965,916 Equity Shares being offered by way of an Offer for Sale,

b. 157,135 Equity Shares held by Intel Mauritius, an FVCI, for a period of year prior to the Issue (which consist of shares which have been held for a period of more than one year prior to the Issue as prescribed under clause 4.14.2 (i) (a) of the SEBI Guidelines).

c. 1,537,500 Equity Shares arising out of CCPS held by Norwest for a period of more than one year prior to the Issue, as prescribed under clause 4.14.2 (i) (a) and Explanation I thereto, of the SEBI Guidelines).

which are exempt from lock-in, our entire pre-Issue equity share capital constituting 33,200,449 Equity Shares will be locked-in for a period of one year from the date of Allotment in this Issue.

Out of such 33,200,449 Equity Shares, 6,728,002 Equity Shares are currently held by the ESOP Trust. Equity Shares held by the ESOP Trust can be transferred from the ESOP Trust to the employees / Independent Directors upon exercise of vested options during such lock-in period, subject to the lock-in continuing in the hands of such employees / Independent Directors for a period of one year from the date of Allotment in the Issue.

In terms of Clause 4.16.1(a) of the SEBI Guidelines, the Equity Shares held by persons other than the Promoters prior to the Issue may be transferred to any other person holding the Equity Shares which are locked-in as per Clause 4.14 of the SEBI Guidelines, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.

Further, in terms of clause 4.16.1(b) of the SEBI Guidelines, Equity Shares held by the Promoters may be transferred to and among the Promoter Group or to a new promoter or persons in control of our Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997, as applicable.

Locked-in securities held by promoters may be pledged only with banks or financial institutions as collateral security for loans granted by such banks or financial institutions, provided the pledge of shares is one of the terms of sanction of loan and further that the loan has been granted by such banks or financial institutions for the purposes of financing one or more of the Objects of the Issue.

In addition, the Equity Shares subject to lock-in will be transferable subject to compliance with the SEBI Guidelines, as amended.

3. Our shareholding pattern

Category code	Category of shareholder	Pre - Issue		Post - Issue	
		Number of Equity Shares	%	Number of Equity Shares	%
A.	**Shareholding of Promoter and Promoter Group**				
1.	**Indian**				
a.	Individuals/ Hindu Undivided Family				
	Promoters				
	Dr. Anand Deshpande[1]	11,306,050	31.53	11,306,050	28.36
	S. P. Deshpande[2]	3,797,500	10.59	3,797,500	9.52
	Promoter Group				
	Sulabha Suresh Deshpande[3]	280,000	0.78	280,000	0.70
	Sonali Anand Deshpande[4]	56,000	0.16	56,000	0.14
	Padmakar Govind Khare[5]	350	0.00	350	0.00
	Chitra Hemadri Buzruk[6]	350	0.00	350	0.00
	Chitra Hemadri Buzruk	14,420	0.04	14,420	0.04
b.	Central Government/ State Government(s)	-	-	-	-
c.	Bodies Corporate	-	-	-	-
d.	Financial Institutions/ Banks	-	-	-	-
e.	Any Other (specify)	-	-	-	-
	Sub-Total (A)(1)	**15,454,670**	**43.10**	**15,454,670**	**38.76**
2.	**Foreign**				
a.	Individuals (Non-Resident Individuals/ Foreign Individuals)	-	-	-	-
b.	Bodies Corporate	-	-	-	-
c.	Institutions	-	-	-	-
d.	Any Other (specify)	-	-	-	-
	Sub-Total (A)(2)	-	-	-	-
	Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)	**15,454,670**	**43.10**	**15,454,670**	**38.76**
B.	**Public shareholding**				
1.	**Institutions**				
a.	Mutual Funds/ UTI	-	-	-	-
b.	Financial Institutions/ Banks	-	-	-	-
c.	Central Government/ State Government(s)	-	-	-	-
d.	Venture Capital Funds	-	-	-	-
e.	Insurance Companies	-	-	-	-
f.	Foreign Institutional Investors	-	-	-	-
g.	Foreign Venture Capital Investors				
	Intel Mauritius	549,972	1.53	549,972	1.38
	Norwest FVCI Mauritius	5,381,250	15.01	5,381,250	13.50
	Gabriel II	1,935,325	5.40	1,935,325	4.85
h.	Any Other (specify)				
	Sub-Total (B)(1)	**7,866,547**	**21.94**	**7,866,547**	**19.73**
2.	**Non-institutions**				
a.	**Bodies Corporate**				
	Intel 64 Operations	916,846	2.56	916,846	2.30
	Hewlett – Packard Company	183,431	0.51	183,431	0.46
	Sub-total (a)	1,100,277	3.07	1,100,277	2.76
b.	**Individuals –**				

Category code	Category of shareholder	Pre - Issue		Post - Issue	
		Number of Equity Shares	%	Number of Equity Shares	%
	i. Individual shareholders holding nominal share capital up to Rs. 100,000				
	Others**				
	Niranjan Vinayak Deshpande	5,600	0.02	5,600	0.01
	Vijay Digambar Garde	350	0.00	350	0.00
	Bhalchandra Narhar Shukla	350	0.00	350	0.00
	Prabhakar Bhagwant Kulkarni	7,000	0.02	7,000	0.02
	Sandeep Johri	7,000	0.02	7,000	0.02
	Prof. Krithivasan Ramamritham	7,000	0.02	7,000	0.02
	Aniruddha Ramesh Deshpande	5,600	0.02	5,600	0.01
	Employees	478,889	1.34	478,889	1.20
	ii. Individual shareholders holding nominal share capital in excess of Rs. 100,000				
	Others**				
	Ashutosh Vinayak Joshi	1,683,206	4.69	1,202,290[##]	3.02
	Dr. Shridhar Bhalchandra Shukla	1,697,500	4.73	1,212,500[##]	3.04
	Ajit Madhukar Tamhankar	94,209	0.26	94,209	0.24
	Employees	724,800	2.02	724,800	1.82
	Sub-total (b)	4,711,504	13.14	4,711,504	9.40
c.	Any Other				
	PSPL ESOP Management Trust[7]	6,728,002	18.76	6,728,002	16.87
	Sub Total (c)	6,728,002	18.76	6,728,002	16.87
d.	Issue of Shares at the IPO				
	Net Issue	-	-	3,608,028	9.05
	Offer for Sale	-	-	965,916[#]	2.42
	Employee Reservation	-	-	400,892[8]	1.01
	Sub – Total (d)	-	-	4,974,836	12.48
	Sub-Total (B)(2)	**12,539,783**	**34.97**	**16,548,703**	**41.51**
	Total Public Shareholding (B)= (B)(1)+(B)(2)	**20,406,330**	**56.90**	**24,415,250**	**61.24**
	TOTAL (A)+(B)	**35,861,000**	**100.00**	**39,869,920**	**100.00**
C.	**Shares held by Custodians and against which Depository Receipts have been issued**	**NA**		**NA**	
	TOTAL (A)+(B)+(C)	**35,861,000**	**100.00**	**39,869,920**	**100.00**

1. Equity Shares held jointly with Sonali Anand Deshpande
2. Equity Shares held jointly with Sulabha Suresh Deshpande
3. Equity Shares held jointly with S. P. Deshpande
4. Equity Shares held jointly with Dr. Anand Deshpande
5. Equity Shares held jointly with Deepa Padmakar Khare
6. Equity Shares held jointly with Hemadri Narayan Buzruk
7. Equity Shares held by Dr. Anand Deshpande and S. P. Deshpande as Trustees on behalf of the ESOP Trust. These shares further include 61 shares allotted to the ESOP Trust which represent consolidated fractional entitlements to bonus shares held by 122 shareholders. Under the resolution passed by our shareholders at their meeting held on September 17, 2007, the said shares are to be sold by the ESOP Trust at a suitable time and proceeds from such sale are to be transferred to the shareholders holding fractional bonus entitlements
8. Assuming full subscription to the Employee Reservation Portion
*** The Company allotted shares to persons listed under "Others" category from time to time on a preferential basis. These persons have also received bonus shares pursuant to the preferential shares allotted to them. Some of these persons are directly or indirectly related to the Promoters or Promoter Group of the Company.*
 # Consists of an Offer for Sale of 485,000 Equity Shares by *Dr. Shridhar Bhalchandra Shukla and 480,916 Equity Shares by Ashutosh Vinayak Joshi.*
Assuming full subscription to the Offer for Sale.

For further details on Equity Shares held by Promoters and Promoter Group, refer to Note 1 of Notes to Capital Structure.

The following Directors hold Equity Shares:

S. No.	Name	Number of Equity Shares held pre Issue	Percentage of pre Issue Share Capital (%)	Number of Equity Shares held Post Issue	Percentage of post Issue Share Capital (%)
1.	Dr. Anand Deshpande[a]	11,306,050	31.53	11,306,050	28.36
2.	S. P. Deshpande[b]	3,797,500	10.59	3,797,500	9.52
3.	Prabhakar Bhagwant Kulkarni[c]	7,000	0.02	7,000	0.02
4.	Prof. Krithivasan Ramamritham[d]	7,000	0.02	7,000	0.02
	TOTAL	**15,117,550**	**42.16**	**15,117,550**	**37.92**

a. Equity Shares held jointly with Sonali Anand Deshpande
b. Equity Shares held jointly with Sulabha Suresh Deshpande
c. Equity Shares held jointly with Sudha Prabhakar Kulkarni
d. Equity Shares held jointly with Saraswathi Krithivasan

In addition to the aforesaid, Dr. Anand Deshpande and S. P. Deshpande also jointly hold 6,728,002 Equity Shares on behalf of the ESOP Trust. Prof. Krithivasan Ramamritham, Ram Gupta and Prabhakar Kulkarni, Independent Directors have each been allotted 2,000 options (equivalent to 7,000 options arising pursuant to issuance of bonus shares at the EGM dated September 17, 2007) under ESOA VIII.

4. Top ten shareholders

The list of our top ten shareholders and the number of Equity Shares held by them is provided below:

a. Our top ten shareholders and the number of Equity Shares held by them as on the date of filing this Draft Red Herring Prospectus are as follows:

S. No.	Shareholder	No. of Equity Shares held	Percentage (%)
1.	Dr. Anand Deshpande	11,306,050	31.53%
2.	PSPL ESOP Management Trust	6,728,002	18.76%
3.	Norwest FVCI Mauritius	5,381,250	15.01%
4.	S. P. Deshpande	3,797,500	10.59%
5.	Gabriel II	1,935,325	5.40%
6.	Dr. Shridhar Bhalchandra Shukla	1,697,500	4.73%
7.	Ashutosh Vinayak Joshi	1,683,206	4.69%
8.	Intel 64 Operations	916,846	2.56%
9.	Intel Mauritius	549,972	1.53%
10.	Sulabha Suresh Deshpande	280,000	0.78%
	Total	**34,275,651**	**95.58%**

b. Our top ten shareholders and the number of Equity Shares held by them as on ten days prior to the date of filing this Draft Red Herring Prospectus are as follows:

S. No.	Shareholder	No. of Equity Shares held	Percentage (%)
1.	Dr. Anand Deshpande	11,306,050	31.53%
2.	ESOP Trust	6,728,002	18.76%
3.	Norwest FVCI Mauritius	5,381,250	15.01%
4.	S. P. Deshpande	3,797,500	10.59%
5.	Gabriel II	1,935,325	5.40%
6.	Dr. Shridhar Bhalchandra Shukla	1,697,500	4.73%
7.	Ashutosh Vinayak Joshi	1,683,206	4.69%
8.	Intel 64 Operations	916,846	2.56%
9.	Intel Mauritius	549,972	1.53%
10.	Sulabha Suresh Deshpande	280,000	0.78%
	Total	**34,275,651**	**95.58%**

c. Our top ten shareholders and the number of Equity Shares held by them as on two years prior to the date of filing this Draft Red Herring Prospectus are as follows:

S. No.	Shareholder	No. of Equity Shares held	Percentage (%)
1.	Dr. Anand Deshpande	3,230,300	39.62%
2.	PSPL ESOP Management Trust*	2,265,217	27.79%
3.	S. P. Deshpande	1,085,000	13.31%
4.	Dr. Shridhar Bhalchandra Shukla	485,000	5.95%
5.	Ashutosh Vinayak Joshi	480,916	5.90%
6.	Intel 64 LLC	314,365	3.86%
7.	Intel Mauritius	157,135	1,93%
8.	Sulabha Suresh Deshpande	80,000	0.98%
9.	Ajit Madhukar Tamhankar	26,917	0.33%
10.	Sonali Anand Deshpande	16,000	0.20%
	Total	**8,140,850**	**99.86%**

** Shares held jointly in the name of Dr. Anand Deshpande and S. P. Deshpande as trustees on behalf of the ESOP Trust*

5. Employee stock option plans

We have till date, instituted eight employee stock option schemes for Equity Shares of which seven schemes have been instituted with a view to motivate employees of our Company and one scheme has been instituted for Independent Directors.

All of these schemes are administered through the trust route. For this purpose the ESOP Trust has been constituted. The object of the ESOP Trust is to manage our ESOP Schemes for the benefit of our employees and Independent Directors of our Company.

The ESOP Trust was set up on December 21, 1999 for the benefit of the employees of the Company. The Company had set apart Rs. 5,70,000 as initial contribution to the ESOP Trust ("Trust Fund") for the purpose of purchase of Equity Shares of the Company for grant of options to the employees. A separate account was opened for this purpose, which is controlled by the trustees of the ESOP Trust. The present trustees of the Trust are Dr. Anand Deshpande and S. P. Deshpande ("Trustees"). Additional contributions have been made to the Trust Fund from time to time. In terms of the ESOP Trust deed, only employees and Independent Directors who have been granted options under various ESOP Schemes of the Company are entitled to receive the benefits from the Trust Fund.

In terms of Section 153 of the Act, the name of a trust cannot be entered in the Register of Members of the Company and therefore shares cannot be issued in the name of the trust. For these reasons, the shares owned by the ESOP Trust are currently issued in the joint names of the Trustees who hold such shares on behalf of the ESOP Trust for the benefit of the employees / Independent Directors who are issued options under various ESOP schemes of the Company. The ESOP Trust is entitled to all financial benefits arising therefrom, including dividend till the time employees / Independent Directors exercise their vested options. Once the shares are transferred by the ESOP Trust to the employees/ Independent Directors, such employees / Independent Directors are entitled to all the financial benefits including dividend with respect to such shares. The Trustees have filed necessary declarations under Section 187C of the Act with the Company disclosing that they hold the shares on behalf of ESOP Trust for the benefit of employees of the Company who have been granted options under the various ESOP schemes. In turn, the Company has made the requisite filings with the RoC in compliance with Section 187C of the Act.

As Trustees of ESOP Trust, Dr. Anand Deshpande and S. P. Deshpande jointly exercise all rights including that of voting rights of members available under the Act for the shares held by the ESOP Trust in the joint names of the Trustees. Decisions regarding matters relating to the ESOP Trust are made by the Trustees by way of a simple majority, with the chairman having the casting vote in case of equal votes. The present chairman of the ESOP Trust is Dr. Anand Deshpande.

Under the trust deed, the Trustees are required to invest the funds of the ESOP Trust and the income derived from such investment on the purchase of Equity Shares issued to it under the ESOP Schemes of the Company, and in any other securities other than those of the Company and further, to sell or transfer such investments to meet the obligations under the ESOP.

Further, under the trust deed, the Trustees are required to act in conformity with the ESOP Schemes of the Company and are therefore required to exercise their voting powers as trustees of the ESOP Trust in conformity with such schemes.

Dr. Anand Deshpande and S. P. Deshpande currently and jointly hold 6,728,002 Equity Shares in the ESOP Trust for the benefit of the employees / Independent Directors who are issued options under various ESOP schemes of the Company.

We do not propose to make our ESOP Schemes compliant with the provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The Company may grant additional options under the ESOP Schemes till the date of filing of Red Herring Prospectus with RoC, in such event, the disclosure regarding grants of options shall be updated in the Red Herring Prospectus to be filed with RoC.

All disclosures in relation to stock options granted under our ESOP Schemes have been made after converting the same for alterations in share capital and capital structure including bonus issues and sub division of shares.

Details of the ESOP schemes are as follows*:

ESOP scheme	Number of shares arising from exercise of outstanding options as on June 30, 2008	Remarks
ESOP I, 1999	59,925	An employee stock option plan adopted by our Board on December 11, 1999 effective from October 1, 1999 as amended from time to time. This scheme permits grants to all of our employees.
ESOA II, 2004	236,145	An employee stock option award scheme adopted by our Board on April 23, 2004 effective from April 1, 2004 as amended from time to time. This scheme permits grants to employees who are in the cadre above or equal to technical managers, or equivalent cadre.
ESOP III, 2004	933,808	An employee stock option purchase scheme adopted by our Board on April 23, 2004 effective from April 1, 2004 as amended from time to time. This scheme provides for grants to technical managers and their equivalent, associate technical managers and their equivalent and senior member of technical staff and equivalent provided they have been in the service of the Company for a period of not less than two years on the date of grant.
ESOA IV, 2006	1,935,307	An employee stock option award scheme adopted by our board on April 23, 2006 effective from April 3, 2006 as amended from time to time. This scheme provides for grants to employees in the cadre of executives, senior technical managers or its equivalent, technical managers or its equivalent or any other employee as may be recommended by the Compensation Committee.
ESOP V, 2006	745,748	An employee stock option purchase scheme adopted by our Board on April 23, 2006 and made effective on April 3, 2006 as amended from time to time. This scheme provides for grants to employees in the cadre of associate technical managers or its equivalent; senior member of technical staff and its equivalent provided such employee has completed two years of employment with the Company as of the date of grant, member of technical staff and its equivalent provided such employee has completed two years of employment with the Company as of the date of grant, or any other employee as may be recommended by the Compensation Committee.
ESOA VI, 2006	608,125	An employee stock option award scheme adopted by our Board on October 31, 2006 effective from June 1, 2006 as amended from time to time. This scheme provides for grants to officers heading our various business functions.
ESOA VII, 2006	673,487	An employee stock option award scheme adopted by our Board on April 30, 2007 effective from September 1, 2006 as amended from time to time. This scheme provides for grants to employees of the Company, overseas subsidiaries or overseas branch offices.
ESOA VIII, 2007	21,000	An employee stock option award scheme adopted by our Board on July 24, 2007 effective from August 1, 2007 as amended from time to time. This scheme provides for grants to independent non executive directors of our Company.

*All numbers given in this section are after ignoring fractions

1. ESOP I

The scheme was constituted as an option based award scheme and was subsequently amended to an option grant scheme pursuant to an amendment dated March 22, 2007.

Particulars	Details
Options granted	2,280,250 (including 320,250 reissued against lapsed)
Exercise price of options	Options to be exercised at fair value of shares at the time of grant
Total options vested	1,605,257
Options exercised from vested options	1,553,277
Total number of Equity Shares arising as a result of full exercise of options granted	2,280,250*
Options forfeited/ lapsed/ cancelled	667,047
Variations in terms of options	Nil
Money realised by exercise of options (purchase of shares)	Rs. 10,866,741
Options outstanding (in force)	59,925
Person wise details of options granted to	
i. Directors	Nil
ii. Key Managerial Personnel	#
iii. Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year	**Name** / **Number of Options** Prashant Raje / 3,500 Shashank Bhatt / 2,187 Vinayak Gadkari / 2,187
iv. Identified employees who are granted options, during any one year equal to exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	Nil
Vesting schedule	**Time from date of grant** / **Cumulative percentage of Shares vesting (%)** 12 months / 10 24 months / 30 36 months / 60 48 months / 100
Fully diluted EPS (on restated unconsolidated basis)	Rs. 24.33
Fully diluted EPS (on restated consolidated basis)	Rs. 24.18
Lock-in	Nil
Impact on profits and EPS of the last three years	Nil

**As the scheme is administered through the ESOP trust, all Equity Shares are already issued.*
 # see table below

2. ESOA II

Particulars	Details
Options granted	3,76,600
Exercise price of options	Options to be exercised at fair value of shares at the time of grant
Total options vested	217,630
Options exercised from vested options	56,385
Total number of Equity Shares arising as a result of full exercise of options already granted	376,600*
Options forfeited/ lapsed/ cancelled	84,070
Variations in terms of options	Nil
Money realised by exercise of options (purchase of shares)	Rs. 1,445,234
Options outstanding (in force)	236,145
Person wise details of options granted to	
i. Directors	Nil
ii. Key Managerial Personnel	#

Particulars	Details
iii. Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year	Name: Suneel Prasad – 10,500; Suhas Wale – 5,250; Abhijit Naik – 3,500; Kumar Pankaj – 5,250; Anish Bhuwania – 3,500; Deepak Shastri – 8,750; Sunil Godse – 10,500; Sanjay Marathe – 10,500
iv. Identified employees who are granted options, during any one year equal to exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	Nil
Vesting schedule	12 months – 10; 24 months – 30; 36 months – 60; 48 months – 100
Fully diluted EPS (on restated unconsolidated basis)	Rs. 24.33
Fully diluted EPS (on restated consolidated basis)	Rs. 24.18
Lock-in	Nil
Impact on profits and EPS of the last three years	Nil

Name	Number of Options
Suneel Prasad	10,500
Suhas Wale	5,250
Abhijit Naik	3,500
Kumar Pankaj	5,250
Anish Bhuwania	3,500
Deepak Shastri	8,750
Sunil Godse	10,500
Sanjay Marathe	10,500

Time from date of grant	Cumulative percentage of Shares vesting (%)
12 months	10
24 months	30
36 months	60
48 months	100

** As the scheme is administered through the ESOP trust, all Equity Shares are already issued.*
 # see table below

3. ESOP III

Particulars	Details
Options granted	1,266,650
Exercise price of options	Options to be exercised at fair value of shares at the time of grant
Total options vested	309,582
Options exercised from vested options	79,301
Total number of Equity Shares arising as a result of full exercise of options already granted	1,266,650*
Options forfeited/ lapsed/ cancelled	253,540
Variations in terms of options	Nil
Money realised by exercise of options (purchase of shares)	Rs. 1,737,120
Options outstanding (in force)	933,808
Person wise details of options granted to	
i. Directors	Nil
ii. Key Managerial Personnel	#
iii. Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year	Nil
iv. Identified employees who are granted options, during any one year equal to exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	Nil
Vesting schedule	
Fully diluted EPS (on restated unconsolidated basis)	Rs. 24.33
Fully diluted EPS (on restated consolidated basis)	Rs. 24.18
Lock-in	Nil
Impact on profits and EPS of the last three years	Nil

Time from date of grant	Cumulative percentage of Shares vesting (%)
12 months	10
24 months	30
36 months	60
48 months	100

**As the scheme is administered through the ESOP trust, all Equity Shares are already issued.*
 # see table below

4. ESOA IV

Particulars	Details	
Options granted	2,382,345	
Exercise price of options	Options to be exercised at fair value of shares at the time of grant	
Total options vested	283,752	
Options exercised from vested options	Nil	
Total number of Equity Shares arising as a result of full exercise of options already granted	2,382,345*	
Options forfeited/ lapsed/ cancelled	447,037	
Variations in terms of options	Nil	
Money realised by exercise of options	Nil	
Options outstanding (in force)	1,935,307	
Person wise details of options granted to		
i. Directors	Nil	
ii. Key Managerial Personnel	#	
iii. Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year	**Name**	**Number of Options**
	Sudhir Alekar	35,000
	Rajesh Ghonasgi	63,000
iv. Identified employees who are granted options, during any one year equal to exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	Nil	
Vesting schedule	**Time from date of grant**	**Cumulative percentage of Shares vesting (%)**
	12 months	10
	24 months	30
	36 months	60
	48 months	100
Fully diluted EPS (on restated unconsolidated basis)	Rs. 24.33	
Fully diluted EPS (on restated consolidated basis)	Rs. 24.18	
Lock-in	Nil	
Impact on profits and EPS of the last three years	Nil	

** As the scheme is administered through the ESOP trust, all Equity Shares are already issued.*

see table below

5. ESOP V

Particulars	Details	
Options granted	945,262	
Exercise price of options	Options to be exercised at fair value of shares at the time of grant	
Total options vested	143,220	
Options exercised from vested options	-	
Total number of Equity Shares arising as a result of full exercise of options already granted	945,262*	
Options forfeited/ lapsed/ cancelled	199,514	
Variations in terms of options	Nil	
Money realised by exercise of options	-	
Options outstanding (in force) (post conversion in the ratio 1:10)	745,748	
Person wise details of options granted to		
i. Directors	Nil	
ii. Key Managerial Personnel	#	
iii. Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year	Nil	
iv. Identified employees who are granted options, during any one year equal to exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	Nil	
Vesting schedule	**Time from date of grant**	**Cumulative percentage of Shares vesting (%)**

Particulars	Details	
	12 months	10
	24 months	30
	36 months	60
	48 months	100
Fully diluted EPS (on restated unconsolidated basis)	Rs. 24.33	
Fully diluted EPS (on restated consolidated basis)	Rs. 24.18	
Lock-in	Nil	
Impact on profits and EPS of the last three years	Nil	

** As the scheme is administered through the ESOP trust, all Equity Shares are already issued.*
 # see table below

6. ESOA VI

Particulars	Details	
Options granted	608,125	
Exercise price of options	Options to be exercised at fair value of shares at the time of grant	
Total options vested	182,437	
Options exercised from vested options	-	
Total number of Equity Shares arising as a result of full exercise of options already granted	608,125*	
Options forfeited/ lapsed/ cancelled	Nil	
Variations in terms of options	Nil	
Money realised by exercise of options	-	
Options outstanding (in force)	608,125	
Person wise details of options granted to		
i. Directors	Nil	
ii. Key Managerial Personnel	#	
iii. Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year	**Name**	**Number of Options**
	Dr. Srikanth Sundararajan	
	Fiscal 2007	159,687
	Fiscal 2008	89,687
	Raj Sirohi	358,750
iv. Identified employees who are granted options, during any one year equal to exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	**Name**	**Number of Options**
	Raj Sirohi	358,750
Vesting schedule	**Time from date of grant**	**Cumulative percentage of Shares vesting (%)**
	18 months	30
	21 months	35
	24 months	40
	27 months	45
	30 months	50
	33 months	55
	36 months	60
	39 months	65
	42 months	70
	45 months	75
	48 months	80
	51 months	85
	54 months	90
	57 months	95
	60 months	100
Fully diluted EPS (on restated unconsolidated basis)	Rs. 24.33	
Fully diluted EPS (on restated consolidated basis)	Rs. 24.18	
Lock-in	Nil	
Impact on profits and EPS of the last three years	Nil	

** As the scheme is administered through the ESOP trust, all Equity Shares are already issued.*
 # see table below

7. ESOA VII

Particulars	Details
Options granted	778,487
Exercise price of options	Options to be exercised at fair value of shares at the time of grant
Total options vested	59,447
Options exercised from vested options	-
Total number of Equity Shares arising as a result of full exercise of options already granted	778,487*
Options forfeited/ lapsed/ cancelled	105,000
Variations in terms of options	Nil
Money realised by exercise of options	-
Options outstanding (in force)	673,487
Person wise details of options granted to	
i. Directors	Nil
ii. Key Managerial Personnel	#
iii. Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year	See below

Name	Number of Options
Hemant Ramnani	26,250
Vinaynathan Vishwanathan	24,500
Sandeep Bhowmick	28,000
Anil Nair	24,500
Sudhir Kulkarni	61,250
Manu Gupta	52,500
Kiran Naik	35,000
Muneer Taskar	23,362
Harmandir Singh Jaggi	61,250
Prateek Raturi	28,000
Sudip Datta	28,000
Ramakrishnan Balasubrahmaniam	28,000
Anand Ghaisasi	28,000
Ravi Krishnan	52,500
Sumit Chhabra	28,000
Yesh Subramanian	42,000
Ranjan Guha	52,500

Particulars	Details
iv. Identified employees who are granted options, during any one year equal to exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	Nil
Vesting schedule	See below

Time from date of grant	Cumulative percentage of Shares vesting (%)
12 months	20
24 months	40
36 months	60
48 months	80
60 months	100

Particulars	Details
Fully diluted EPS (on restated unconsolidated basis)	Rs. 24.33
Fully diluted EPS (on restated consolidated basis)	Rs. 24.18
Lock-in	Nil
Impact on profits and EPS of the last three years	Nil

** As the scheme is administered through the ESOP trust, all Equity Shares are already issued.*
 # see table below

Details of the options granted to our Key Managerial Personnel under our ESOP Schemes (excluding ESOA VIII):

S. No	Name of the Key Managerial Person	ESOP I	ESOA II	ESOP III	ESOA IV	ESOP V	ESOA VI	ESOA VII	Total
i.	Dr Srikanth Sundararajan	-	-	-	-	-	249,375	-	249,375
ii.	T. M. Vijayaraman	63,000	14,000	-	42,000	-	-	-	119,000
iii.	Nitin Kulkarni	-	-	-	52,500	-	-	-	52,500
iv.	Asit Shah	12,950	12,250	-	52,500	-	-	-	77,700
v.	Sanjiv Kumar	-	8,750	-	50,750	-	-	-	59,500
vi.	Dr. Rahul Dighe	-	-	-	43,750	-	-	-	43,750
vii.	Rama Sastry	50,750	10,500	-	38,500	-	-	-	99,750
viii.	Prashant Raje	3,500	14,000	-	42,000	-	-	-	59,500
ix.	Sudhir Alekar	-	-	-	35,000	-	-	-	35,000

S. No	Name of the Key Managerial Person	ESOP I	ESOA II	ESOP III	ESOA IV	ESOP V	ESOA VI	ESOA VII	Total
x.	Parasuram Pazhayannur	-	1,750	1,750	28,000	-	-	-	31,500
xi.	Shripad Joshi	-	12,250	-	31,500	-	-	-	43,750
xii.	Kishor Bhalerao	-	-	-	35,000	-	-	-	35,000
xiii.	Rajesh Ghonasgi	-	-	-	63,000	-	-	-	63,000
xiv.	Rohit Kamat	18,550	8,750	-	28,000	-	-	-	55,300
xv.	Shriprakash Dhopeshwarkar	-	-	-	7,000	-	-	-	7,000
xvi.	Vivek Sadhale	7,875	875	3,150	19,600	-	-	-	31,500
xvii.	Raj Sirohi	-	-	-	-	-	358,750	-	358,750
xviii.	Dr. Hemant Pande	38,500	14,000	-	42,000	-	-	-	94,500
xix.	Sudhir Kulkarni	-	-	-	-	-	-	61,250	61,250
xx.	Manu Gupta	-	-	-	-	-	-	52,500	52,500
xxi.	Yesh Subramanian	-	-	-	-	-	-	42,000	42,000
xxii.	Ranjan Guha	-	-	-	-	-	-	52,500	52,500
	TOTAL								**1,724,625**

8. ESOA VIII

Particulars	Details
Options granted	21,000
Exercise price of options	Options to be exercised at fair value of shares at the time of grant
Total options vested	-
Options exercised from vested options	-
Total number of Equity Shares arising as a result of full exercise of options already granted	21,000*
Options forfeited/ lapsed/ cancelled	Nil
Variations in terms of options	Nil
Money realised by exercise of options	-
Options outstanding (in force)	21,000
Person wise details of options granted to	
i. Directors	**Name** / **Number of Options** Prabhakar Kulkarni: 7,000 Prof. Krithivasan Ramamritham: 7,000 Ram Gupta: 7,000
ii. Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year	Nil
iii. Identified employees who are granted options, during any one year equal to exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	Nil
Vesting schedule	**Time from date of grant** / **Cumulative percentage of Shares vesting (%)** 12 months: 25 24 months: 50 36 months: 75 48 months: 100
Fully diluted EPS (on restated unconsolidated basis)	Rs. 24.33
Fully diluted EPS (on restated consolidated basis)	Rs. 24.18
Lock-in	Nil
Impact on profits and EPS of the last three years	Nil

Directors

Name	Number of Options
Prabhakar Kulkarni	7,000
Prof. Krithivasan Ramamritham	7,000
Ram Gupta	7,000

Vesting schedule

Time from date of grant	Cumulative percentage of Shares vesting (%)
12 months	25
24 months	50
36 months	75
48 months	100

**As the scheme is administered through the ESOP trust, all Equity Shares are already issued.*

Shareholding of our Key Managerial Personnel and the key managerial personnel of our Subsidiary

Other than as disclosed below, none of our Key Managerial Personnel or the key managerial personnel of our Subsidiary hold Equity Shares in the Company.

S. No.	Name of Key Managerial Person	No. of Options granted as on date	No. of Options vested but not exercised as on date	No. of Shares held as on date
i.	Dr. Srikanth Sundararajan	249,375	56,875	-
ii.	T M Vijayaraman	119,000	21,000	52,150
iii.	Nitin Kulkarni	52,500	-	-
iv.	Asit Shah	77,700	17,675	16,625
v.	Sanjiv Kumar	59,500	16,450	-
vi.	Dr. Rahul Dighe	43,750	-	-
vii.	Rama Sastry	99,750	18,200	53,900
viii.	Prashant Raje	59,500	22,400	6,300
ix.	Sudhir Alekar	35,000	-	-
x.	Ram Pazhayannur	31,500	9,450	1,050
xi.	Shripad Joshi	43,750	17,325	3,675
xii.	Kishor Bhalerao	35,000	-	-
xiii.	Rajesh Ghonasgi	63,000	-	-
xiv.	Rohit Kamat	55,300	13,125	21,175
xv.	Shriprakash Dhopeshwarkar	7,000	-	-
xvi.	Vivek Sadhale	31,500	6,492	9,082
xvii.	Raj Sirohi	358,750	125,562	-
xviii.	Dr. Hemant Pande	94,500	21,000	42,700
xix.	Sudhir Kulkarni	61,250	12,250	-
xx.	Manu Gupta	52,500	10,500	-
xxi.	Yesh Subramanian	42,000	-	-
xxii.	Ranjan Guha	52,500	-	-
	Total	**1,724,625**	**368,304**	**206,657**

The requirement for our Directors and Key Managerial Personnel not to sell any shares held by them for three months after the date of listing of the Equity Shares in this Issue is not applicable as shares held by them and shares resulting from exercise of options will be locked-in for a period of one year from the date of Allotment of Equity Shares in this Issue. Equity Shares held by our employees at the time of listing of Equity Shares and Equity Shares arising on exercise of vested options granted under the terms of our ESOP Schemes will be locked-in for a period of one year from the date of Allotment of the Equity Shares. This disclosure is made in accordance with para 15.3 (b) and 15.3 (c) of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 2000. Transfer of Equity Shares to our Independent Directors and employees from the PSPL ESOP Management Trust on the exercise of vested options under our ESOP Schemes will be subject to the continuation, in their hands, of the lock-in under clause 4.14.1 of the SEBI Guidelines.

6. Our Company, the Promoters, the Directors and the BRLMs have not entered into any buy-back and/or standby arrangements for the purchase of Equity Shares from any person.

7. At least 60% of the Net Issue, that is 2,744,367 Equity Shares shall be available for allocation on a proportionate basis to QIBs, out of which 5% that is, 137,218 shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. Not less than 10% of the Net Issue, i.e. 457,394 Equity Shares shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Net Issue, that is 1,372,183 Equity Shares shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Further, up to 400,892 Equity Shares shall be available for allocation on a proportionate basis to Eligible Employees subject to valid Bids being received at or above the Issue Price.

8. Under-subscription, if any, in the Retail or Non Institutional Portion would be met with spill over from other categories or combination of categories at the discretion of our Company and the Selling Shareholders in consultation with the BRLMs. Under-subscription, if any, in the Employee Reservation Portion will be added back to the Retail/ Non Institution Portion in equal proportion. In case of under-subscription in the Net Issue, spillover to the extent of under-subscription shall be permitted from the Employee Reservation Portion.

9. The Directors, the Promoters or the Promoter Group have not purchased or sold any securities of our Company, during a period of six months preceding the date of filing this Draft Red Herring Prospectus with SEBI.

10. There has been no sale or purchase between the Promoters and the Promoter Group entity exceeding 10% in value of the total sales or purchases of the Issue.

11. An investor cannot make a Bid for more than the number of Equity Shares offered through the Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investors.

12. Subject to the Pre-IPO Placement and except as disclosed in this Draft Red Herring Prospectus, there will be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of this Draft Red Herring Prospectus with SEBI until the Equity Shares to be issued pursuant to the Issue have been listed.

13. There shall be only one denomination of the Equity Shares, unless otherwise permitted by law. We shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.

14. As on the date of this Draft Red Herring Prospectus, the total Equity Shareholders are 291.

15. We have not raised any bridge loans against the Net Proceeds.

16. We have not issued any Equity Shares out of revaluation reserves. Further, except as disclosed in this Draft Red Herring Prospectus, we have not issued any Equity Shares for consideration other than cash except for the bonus Equity Shares issued out of free reserves.

17. The Board has, by way of its meeting dated April 23, 2004, resolved to allot up to 10,000 Equity Shares to the present and future Independent Directors of the Company. A total of 6000 Equity Shares (equivalent to 21,000 Equity Shares post issuance of Bonus Shares on September 17, 2007) have been allotted to the following Independent Directors of our Company till date:

i.	Prabhakar Kulkarni	7,000
ii.	Prof. Krithivasan Ramamritham	7,000
iii.	Ram Gupta	7,000

The Board at its meeting held on April 30, 2007 has resolved that the remaining Equity Shares reserved for Independent Directors be withdrawn with effect from the date of filing of the Draft Red Herring Prospectus. Other than options granted under our ESOP Schemes as set forth in note 5 above, there are no outstanding warrants, options or rights to convert debentures, loans or other instruments into the Equity Shares.

18. The Equity Shares held by the Promoters are not subject to any pledge.

19. An over-subscription to the extent of 10% of the Issue can be retained for the purpose of rounding off while finalising the basis of Allotment.

20. Our Promoters and members of our Promoter Group will not participate in this Issue.

21. Subject to the Pre-IPO Placement, we presently do not intend or propose to alter our capital structure for a period of six months from the Bid/ Issue Opening Date, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise, except that we may grant stock options to the employees and Directors as per the prevailing stock option plan and allot further Equity Shares to our employees pursuant to exercise of options granted earlier under our ESOP Schemes. Additionally, if we enter into acquisitions or joint ventures, we may, subject to necessary approvals, consider using our Equity Shares as currency for acquisitions or participation in such joint ventures we may enter into and/or we may raise additional capital to fund accelerated growth.

OBJECTS OF THE ISSUE

The objects of the Issue are to (a) establish development facilities, (b) procure hardware and software (c) fund expenditure for general corporate purposes and (d) achieve the benefits of listing on the Stock Exchanges.

The main object clause of our Memorandum and objects incidental to the main objects enable us to undertake our existing activities and the activities for which funds are being raised by us through this Issue.

The Issue consists of a Fresh Issue of 4,008,920 Equity Shares and an Offer for Sale of 965,916 Equity Shares by the Selling Shareholders. The Company will not receive any proceeds from the Offer for Sale.

Expenses related to the Issue, including underwriting and management fees, and selling commissions will be borne by our Company and the Selling Shareholders in the proportion stated in the engagement letter executed among the Company, Selling Shareholders and BRLMs.

We intend to utilise the proceeds of the Fresh Issue, after deducting the Company's share of the underwriting and management fees, selling commissions and other expenses associated with the Issue ("Net Proceeds"), which is estimated at Rs. [●] in the manner set forth below:

In Rs. million

S. No.	Project	Total fund requirement	Amount deployed till May 31, 2008*	Estimated Amount to be utilised from the Net Proceeds
1.	Establishment of development facilities	1,811.02	556.02	1,255.00
2.	Procuring hardware and software	134.48	-	134.48
3.	Fund expenditure for general corporate purposes	[●]	-	[●]
	Total	[●]	**556.02**	[●]

* *Certified as being funded from internal accruals by way of certificate dated June 13, 2008 by M/s Joshi Apte and Co. Chartered Accountants*

Year wise break up of fund utilisation

The following is a year wise break up of the proposed utilisation of funds.

In Rs. million

S. No.	Project	Estimated Amount to be utilised from the Net Proceeds	Amount to be utilised in Fiscal 2009	Amount to be utilised in Fiscal 2010
1.	Establishment of development facilities	1,255.00	950.00	305.00
2.	Procuring hardware and software	134.48	100.00	34.48
3.	Fund expenditure for general corporate purposes	[●]	[●]	[●]
	Total	[●]	[●]	[●]

Means of Finance for total fund requirements

The difference between the total cost and the Net Proceeds of the Issue will be met from internal accruals.

In Rs. million

S. No.	Source of finance	
1.	Amount proposed to be funded from Net Proceeds of the Fresh Issue	[●]
2.	Amount already expended from Internal Accruals	556.02
	Total	[●]

* *Certified as being funded from internal accruals by way of certificate dated June 13, 2008 by M/s Joshi Apte and Co. Chartered Accountants*

The fund requirement and deployment are based on internal management estimates and have not been appraised by any bank or financial institution. These are based on current conditions and are subject to change in light of changes in external circumstances or costs, other financial conditions, business or strategy, as discussed further below.

In case of variations in the actual utilisation of funds allocated for the purposes set forth above, increased fund requirements for a particular purpose may be financed by surplus funds, if any, available in respect of the other purposes for which funds are being raised in this Issue. If surplus funds are unavailable, the required financing will be through our internal accruals and/or debt.

We operate in a competitive and dynamic market, and may have to revise our estimates from time to time on account of new projects that we may pursue, including any industry consolidation initiatives, such as potential acquisition opportunities. We may also reallocate expenditure to newer projects or those with earlier completion dates in the case of delays in our existing projects. Consequently, our fund requirements may also change accordingly. Any such change in our plans may require rescheduling of our expenditure programs, starting projects that are not currently planned, discontinuing projects currently planned and an increase or decrease in the expenditure for a particular project or land acquisition in relation to current plans, at the discretion of the management of the Company. In case of any shortfall or cost overruns, we intend to meet our estimated expenditure from internal accruals.

Details of the Objects

Investment in establishment of development facilities

We currently own or lease premises from which we conduct business at various locations including in Pune, Hyderabad, Bangalore and Goa. We propose to expand our existing facilities at Parsodi, Nagpur, Maharashtra and Hinjewadi, Pune, Maharashtra to increase our ability to accommodate additional personnel and provide additional space for our business. We further propose to set up a SEZ facility for our subsidiary, Persistent Systems and Solutions Limited

In Rs. million

S. No.	Project	Total fund requirement	Amount deployed till May 31, 2008*	Estimated amount to be utilised from the Net Proceeds	Amount to be utilised in Fiscal 2009	Amount to be utilised in Fiscal 2010
1.	Expansion of facility in Hinjewadi, Pune, Maharashtra	1,190.03	438.76	751.27	687.00	64.27
2.	Expansion of facility in Nagpur, Maharashtra	557.99	117.26	440.73	200.00	240.73
3.	Setting up SEZ facility for our Subsidiary, Persistent Systems and Solutions Limited	63.00	-	63.00	63.00	-
	Total	**1,811.02**	**556.02**	**1,255.00**	**950.00**	**305.00**

* *Certified as being funded from internal accruals by way of certificate dated June 13, 2008 by M/s Joshi Apte and Co. Chartered Accountants*

Investment in expansion of additional facilities in Hinjewadi, Pune, Maharashtra

We are in the process of expanding our campus at the Rajiv Gandhi Information Technology Park, Hinjewadi, Pune. The campus is located on approximately 211,911 Sq. ft. of land allotted to us by the MIDC under a license. The facilities will allow us to accommodate approximately 3,000 employees and would have a carpet area of approximately 360,000 Sq. ft.

We propose to use the facilities for software development.

We estimate that we shall incur expenditure of approximately Rs. 1,190.03 million towards the above construction and fit out charges. The break-down of the expenditure is as set forth below:

In Rs. million

S. No.	Item	Total Fund Requirement	Amount deployed till May 31, 2008*	Estimated Amount to be utilised from the Net Proceeds	Amount to be utilised in Fiscal 2009	Amount to be utilised in Fiscal 2010
1.	Land	21.88	21.88	-	-	-
2.	Building Expenditure	628.15	268.57	359.58	330.00	29.58
3.	Interior and Fit Outs	540.00	148.31	391.69	357.00	34.69
	Total	**1,190.03**	**438.76**	**751.27**	**687.00**	**64.27**

* *Certified as being funded from internal accruals by way of certificate dated June 13, 2008 by M/s Joshi Apte and Co. Chartered Accountants*

The above campus was designed by M/s Abhikalpan, Architects and Planners. We received an initial sanction for the campus plan on December 21, 2005 from the MIDC. We propose to complete the development of the campus by December 2009.

Land: Under the terms of our Agreement to Lease dated November 25, 2005 entered into with the MIDC, we are required to make a one time license payment of approximately Rs. 21.80 million towards the licensing of the premise in which we propose to establish our facility. In addition to the above, we have incurred an additional Rs. 0.08 million towards conveyance costs and related transaction charges.

Building Expenditure**:** We propose to construct a software development center on the aforesaid space and the estimated cost for such construction is Rs. 628.15 million**.** This estimate is based on an architects' estimate from M/s Abhikalpan, Architects and Planners dated June 6, 2008.

Interior and Fit Outs: We propose to expend a consolidated amount of Rs. 540.00 million towards interior and fit out expenses including expenditures towards electrical installations and power back up systems, furniture and fixtures, air conditioning and ozone equipment, communications and networking equipment and building management systems for the said premises. This estimate is based on an architects' estimate from M/s Abhikalpan, Architects and Planners dated June 6, 2008.

We have made commitments to procure fittings, fixtures and equipment from various suppliers to the extent of Rs. 237.35 million.

For risks associated with our proposed utilisation of the Net Proceeds of the Issue, refer to "Risk Factors" on page xii.

Investment in establishment of additional facilities in Nagpur, Maharashtra

We are in the process of expanding our campus at the Information Technology Park, Parsodi, Nagpur. The campus is established on approximately 84,255 Sq. ft. of land allotted to us by the MIDC under a license. The facilities will allow us to accommodate approximately 1,200 employees and would have a carpet area of approximately 140,000 Sq. ft.

We propose to use the facilities for software development.

We estimate that we shall incur expenditure of approximately Rs**.** 557.99 million towards the above construction and fit out charges. The break-down of the expenditure is as set forth below:

In Rs. million

S. No.	Item	Total fund requirement	Amount deployed till May 31, 2008*	Estimated Amount to be utilised from the Net Proceeds	Amount to be utilised in Fiscal 2009	Amount to be utilised in Fiscal 2010
1.	Land	17.10	17.10	-	-	-
2.	Building Expenditure	299.39	82.69	216.70	115.00	101.70
3.	Interior and Fit Outs	241.50	17.47	224.03	85.00	139.03
	Total	**557.99**	**117.26**	**440.73**	**200.00**	**240.73**

* *As indicated by certificate dated June 13, 2008 received from M/s Joshi Apte and Co. Chartered Accountants*

The above campus was designed by M/s Abhikalpan, Architects and Planners. We received an initial sanction for the campus plan on June 6, 2006 from the MIDC. We propose the completion of the development of the campus by March 2009.

Land: Under the terms of our Agreement to Lease dated February 7, 2006 and Agreement of Lease dated November 16, 2007 entered into with the MIDC, we are required to make a one time license payment of approximately Rs. 17.08 million towards the licensing of the premise in which we propose to establish our facility. We have incurred further expenditure of approximately Rs. 0.02 million towards conveyance charges and transaction expenses.

Building Expenditure**:** We propose to construct a software development center on the aforesaid space and the estimated cost for such construction is Rs. 299.39 million**.** This estimate is based on an architects' estimate from M/s Abhikalpan, Architects and Planners dated June 6, 2008.

Interior and Fit Outs: We propose to expend a consolidated amount of Rs. 241.50 million towards interior and fit out expenses including expenditures towards electrical installations & power back up systems, furniture & fixtures, air conditioning & ozone equipment, communications & networking equipment and building management systems for the instant premises. This estimate is based on an architects' estimate from M/s Abhikalpan, Architects and Planners dated June 6, 2008.

We have made commitments to procure fittings, fixtures and equipment from various suppliers to the extent of Rs.

125.51 million.

For risks associated with our proposed utilisation of the Net Proceeds of the Issue, refer to Risk Factors on page xii.

Investment in establishment of software development facilities in the SundewProperties Private Limited Special Economic Zone through our wholly owned Subsidary Persistent Systems and Software Limited

We propose to establish a software development unit in the Sundew Properties Private Limited Special Economic Zone, situated at Madhapur, Hyderabad. We believe that establishing facilities in a special economic zone will enable us to avail certain benefits for which such units are eligible. We further believe that such benefits will help us optimize our operational costs. Persistent Systems and Solutions Limited has made an application for setting up of a SEZ unit with the Development Commissioner, Vishakapatnam Special Economic Zone and is awaiting approval for the same.

Our Company has entered into a Letter of Intent for taking on lease premises admeasuring 63,206 sq. ft. for a period of ten years, for the purpose of setting up the said software development unit, with an option of extending the leased area by 40,000 sq. ft. in future. Under this lease, the rent per Sq. Ft. of the chargeable area is Rs. 41, payable monthly. The agreement to lease or lease deed, pursuant to the Letter of Intent shall be executed on the completion of certain acts by the proposed lessor and fulfilment of the conditions laid down in the Letter of Intent, including the reciept of a approval for setting up of a unit in a SEZ.

We estimate to incur an expenditure of approximately Rs. 63.00 million towards this facility. A break up of the expenditure is incorporated below :

In Rs. million

S. No.	Item	Total fund requirement	Amount deployed till May 31, 2008*	Estimated Amount to be utilised from the Net Proceeds	Amount to be utilised in Fiscal 2009	Amount to be utilised in Fiscal 2010
1	Interior and Fitouts	63.00	-	63.00	63.00	-
	Total	63.00	-	63.00	63.00	-

Interior and Fit Outs: We propose to expend an amount of Rs. 63 million towards interior and fit out expenses including expenditures towards electrical installations & power back up systems, furniture & fixtures, air conditioning & ozone equipment, communications & networking equipment for the instant premises. This estimate is based on an architects' estimate from Jyoti Suryavanshi dated June 12, 2008.

Investment in procuring hardware and software

We intend to procure additional hardware and the software required in order to carry out software development in the expanded premises which we intend to construct in Hinjewadi, Pune and Parsodi, Nagpur. The equipment is proposed to be acquired in a ready to use condition and is to be put into operation at any of our premises after procurement. The average expected date of supply of this equipment is approximately 45 days from the date of placement of orders. We have not placed any orders in relation to the procurement of equipment proposed above. The details of the equipment proposed to be acquired by us, and the proposed schedule for their acquisition is given below:

S. No	Description of item	Quantity	Amount (In Rs. million)*	Quotation from	Date of Quotation*
1	Computer Desktops	3,300	101.48	Enhanced Software Solutions Private Limited	June 5, 2008
2	Computer Laptops	500	20.50	Enhanced Software Solutions Private Limited.	June 5, 2008
3	Servers	100	12.50	Enhanced Software Solutions Private Limited	June 5, 2008
	Total		**134.48**		

* *The quotations obtained by us are current and valid as of date. We will obtain fresh quotations in relation to the above in the event that they have expired as of the date of filing the Red Herring Prospectus with SEBI.*

General Corporate Purposes

In accordance with the policies set up by our Board, we will have flexibility in applying the remaining Net Proceeds for general corporate purposes towards acquisition of land, construction of projects, strategic initiatives and acquisitions, brand building exercises and the strengthening of our marketing capabilities.

Our management, in response to the competitive and dynamic nature of the industry, will have the discretion to revise its business plan from time to time and consequently our funding requirement and deployment of funds may also change. This may also include rescheduling the proposed utilisation of Net Proceeds and increasing or decreasing expenditure for a particular object vis-à-vis the utilisation of Net Proceeds. In case of a shortfall in the Net Proceeds of the Issue, our management may explore a range of options including utilising our internal accruals or seeking debt from future lenders. Our management expects that such alternate arrangements would be available to fund any such shortfall.

Issue related expenses

The expenses of this Issue include, among others, underwriting and management fees, printing and distribution expenses, legal fees, advertisement expenses and listing fees. The estimated Issue expenses are as follows:

In Rs. million

Activity	Expenses*
Lead management fee and underwriting commissions	[•]
Advertising and marketing expenses	[•]
Printing and stationery	[•]
IPO Grading Fees	[•]
Others (Registrar's fees, legal fees, etc.)	[•]
Total	**[•]**

* *Will be incorporated after finalisation of the Issue Price*

Certain expenses associated with the Issue, namely underwriting and management fees and selling commissions, will be borne by our Company and the Selling Shareholders in the proportion stated in the engagement letter executed among the Company, Selling Shareholders and BRLMs.

Working capital requirement

The Net Proceeds of this Issue will not be used to meet our working capital requirements as we expect sufficient internal accruals to meet our existing working capital requirements or to raise sufficient loans for the same.

Interim use of funds

Pending utilisation for the purposes described above, we intend to invest the funds in high quality interest bearing liquid instruments including money market mutual funds, deposits with banks, for the necessary duration or for reducing overdrafts. Our management, in accordance with the policies established by our Board of Directors from time to time, will have flexibility in deploying the Net Proceeds of the Issue.

Monitoring utilisation of funds

Our Board will monitor the utilisation of the Net Proceeds. We will disclose the details of the utilisation of the Issue proceeds, including interim use, under a separate head in our financial statements, specifying the purpose for which such proceeds have been utilised or otherwise disclosed as per the disclosure requirements of our listing agreements with the Stock Exchanges and in particular Clause 49 of the Listing Agreement.

Under the Listing Agreement, our Company has agreed to furnish to the Stock Exchanges on a quarterly basis, a statement indicating material deviations, if any, in the use of proceeds of a public or rights issue from the objects stated in the offer document.

No part of the proceeds from the Fresh Issue will be paid by us as consideration to our Promoters, our Directors, Promoter Group, Group Entities or key managerial employees, except in the normal course of our business. The Proceeds of the Offer for sale less the proportion of Issue Expenses as stated in the engagement letter executed among the Company, Selling Shareholders and BRLMs will accrue to the Selling Shareholders.

BASIS FOR ISSUE PRICE

The Issue Price will be determined by our Company and Selling Shareholders in consultation with the BRLMs on the basis of assessment of market demand for the offered Equity Shares by the Book Building Process. The face value of the Equity Shares is Rs. 10 and the Issue Price is [•] times the face value at the lower end of the Price Band and [•] times the face value at the higher end of the Price Band.

Qualitative Factors

We believe that the following business strengths allow us to compete successfully in the outsourced software development industry

- OPD specialist with deep rooted product development culture
- Broad product development service offering including value-added products and services
- Depth of experience and knowledge in targeted industry segments
- Track record of well established sophisticated processes
- Long-term relationships with customers
- Strong team of highly skilled professionals and management

Quantitative Factors

1. Earning Per Share (EPS) (of face value of Rs. 10 each) (Consolidated)

Fiscal Year	Basic EPS (Rs.)	Diluted EPS (Rs.)	Weight
FY 2006	14.28	10.98	1
FY 2007	24.23	16.03	2
FY 2008	30.35	24.18	3
Weighted Average	**25.63**	**19.26**	

2. Earning Per Share (EPS) (of face value of Rs. 10 each) (Unconsolidated)

Fiscal Year	Basic EPS (Rs.)	Diluted EPS (Rs.)	Weight
FY 2006	14.99	11.52	1
FY 2007	25.60	16.93	2
FY 2008	30.54	24.33	3
Weighted Average	**26.30**	**19.73**	

3. Price/Earning (P/E) ratio in relation to Issue Price of Rs. [•]

(i) Based on the post-bonus basic EPS (consolidated) for the 12 months ended March 31, 2008, the P/E ratio is [•] at the Floor price and [•] at the Cap price.

(ii) Based on the post-bonus basic EPS (Unconsolidated) for the 12 months ended March 31, 2008, the P/E ratio is [•] at the Floor price and [•] at the Cap price.

(iii) Industry P/E: Highest: 25.5[1]
Lowest: 9.4[2]
Composite**:** 16.2[3]

Source: *Capital Market, Volume: XXIII/02: June 30 -July 13, 2008 (Industry: Computers-Software-Large and Computer- Software-Medium/Small)*
Note: 1. *Computed as highest of the P/E of benchmark companies enlisted under "Comparison with other listed companies" below*
2. *Computed as lowest of the P/E of benchmark companies enlisted under "Comparison with other listed companies" below*
3. *Computed as a median of the P/E of benchmark companies enlisted under "Comparison with other listed companies" below*

4. Return on Net Worth (RoNW)

Fiscal Year	RoNW (%) Unconsolidated	RoNW (%) Consolidated	Weight
FY 2006	18.51	18.26	1
FY 2007	23.25	22.75	2
FY 2008	25.80	26.39	3
Weighted Average	**23.74**	**23.82**	

Note: RoNW has been calculated as the ratio of Net profit after tax to Net Worth where:

(i) Net Profit after tax is the Net Profit after tax and preference dividend (as per the consolidated restated financials) attributable to the equity shareholders; and

(ii) Net worth is the equity shareholders fund

5. Minimum return on increased Net Worth required to maintain pre-Issue unconsolidated EPS of Rs. [•] vis [•] and pre-Issue consolidated EPS of Rs. [•] is [•]

6. Net Asset Value per Equity Share

Particulars	NAV (Rs.)	
	Unconsolidated	Consolidated
As at March 31, 2008	94.31	91.62

NAV per equity share has been calculated as net worth, as restated, at the end of the year divided by number of equity shares outstanding at the end of the year / period.

7. Comparison with other listed companies

	EPS (Rs)	P/E Ratio	RoNW (%)	Book Value (Rs.)
Persistent Systems Limited *	30.54	[●]	25.80	94.31
Peer Group				
Infosys Technologies Limited	72.5	25.5	36.3	235.8
Wipro Limited	20.6	23.3	36.1	78.7
HCL Technologies Limited	14.2	16.2	36.7	51.4
Tech Mahindra Limited	60.1	12.7	72.0	94.1
Mindtree Consulting Limited	26.9	15.6	21.5	140.7
Hexaware Technologies Limited	5.9	9.4	14.1	47.4
Sasken Communication Technology Limited	8.0	17.6	5.9	148.1

* **Basic EPS based on restated Unconsolidated basis for Fiscal 2008**

Source: Capital Market, Volume: XXIII/09: June 30 – July 13 , 2008 (Industry: Computers-Software-Large and Computer- Software-Medium/Small)

8. The face value of Equity Shares of the Company is Rs. 10 and the Issue Price is [●] times of the Face Value

The Issue Price of Rs. [•] has been determined by the Company and the Selling Shareholders in consultation with the BRLMs, on the basis of assessment of market demand for the Equity Shares by way of Book Building.

STATEMENT OF TAX BENEFITS

We hereby confirm that the enclosed annexure, prepared by the Company, states the possible tax benefits available to Persistent Systems Limited ('the Company') and its shareholders under the current tax laws presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on the business imperatives, the Company may or may not choose to fulfil.

The benefits discussed in the enclosed statement are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

We do not express any opinion or provide any assurance as to whether:

i. the Company or its shareholders will continue to obtain these benefits in future; or
ii. the conditions prescribed for availing the benefits have been / would be met with.

The contents of the enclosed statement are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company.

For **JOSHI APTE & Co.**
Chartered Accountants

C. K. Joshi
Partner
M.No. 30428
Pune
Date: June 16, 2008

For **S. R. BATLIBOI & Co.**
Chartered Accountants

per Arvind Sethi
Partner
M.No. 89802
Pune
Date: June 16, 2008

STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO PERSISTENT SYSTEMS LIMITED AND TO ITS SHAREHOLDERS

I. **<u>Special Benefits currently available to the Company</u>**

A. **Under the Income-Tax Act, 1961 ("the Act")**

1. As per section 10A of the Act, the Company is eligible to claim a benefit with respect to profits derived by its undertaking/s established in a Software Technology Park ("STP") from the export of articles or things or computer software for a period of ten consecutive assessment years, beginning with the assessment year relevant to the previous year in which the undertaking/s begin to manufacture or produce such articles or things or computer software. The benefit is available subject to fulfilment of prescribed conditions. Further, the benefit under section 10A has been extended for one more year as per Finance Act 2008. Accordingly, the benefit under this section shall be allowed with respect to any such undertaking upto March 31, 2010. STP units availing 100 per cent tax exemption under section 10A of the Act will now be required to pay Minimum Alternate Tax ("MAT") 10 per cent (plus applicable surcharge and education cess) from the Fiscal 2007-08 of their book profits.

B. **Under Indirect Tax Laws**

In respect of software development centers of the Company registered under the Software Technology Park ('STP') Scheme, following benefits are available subject to fulfilment of specified conditions and procedures prescribed under the relevant legislations:

1. Specified goods listed in the relevant notifications under the Customs Act, 1962, which are in the nature of capital equipment, office equipment, spares and components etc, imported by the STP unit are exempt from customs duty.

2. Specified goods listed in the relevant notifications under the Central Excise Act, 1944 which are in the nature of capital equipment, office equipment, spares and components etc, procured within India by the STP unit are exempt from central excise duty.

3. The STP unit can claim a reimbursement of the Central Sales Tax paid on its purchases. Export sales made by the STP unit are not subject to any sales tax/ VAT. Consequently, credit of local VAT paid on goods used in sale of software can be claimed. VAT is not leviable in Maharashtra on sales between two certified units such as Software technology park Unit/ Exported oriented unit/ Special economic zone unit/ Electronic hardware technology park unit.

4. Under Service Tax regulations, any taxable service may be exported without payment of service tax.

5. Cenvat credit could be claimed in respect of input services used to provide taxable output services.

6. Under IT/ITES policy of the State of Maharashtra, stamp duty exemption is available to IT/ITES units located in specified areas and public and private IT parks. Further, VAT on sale of IT products is to be levied at a minimum floor rate of 4 per cent.

II. **<u>General Tax Benefits available to the company</u>**

A. **Under the Income-Tax Act, 1961 ("the Act")**

1. As per section 10AA of the Act, an unit set up in a Special Economic Zone ("SEZ"), who begins to manufacture or produce articles or things or provide any services during the previous year relevant to any assessment year commencing on or after the 1st day of April 2006, will be entitled to deduction of 100 per cent of the profits and gains derived from export of articles or things manufactured or produced or any services provided from its unit set up in a SEZ for a period of 5 consecutive assessment years beginning with the assessment year relevant to the previous year in which such unit begins to manufacture or produce such articles or things or provide services, as the case may be, and 50 per cent of such profits and gains for a further 5 consecutive assessment years. For the next 5 consecutive assessment years, the Company will be entitled to a deduction of such amount not exceeding 50 per cent of the profit as is debited to Profit & Loss Account of the previous year in respect of which the deduction is to be allowed and credited to a special reserve viz. "Special Economic Zone Reinvestment Reserve Account" to be created and utilised for the purpose of the business of

the Company in the manner laid down in section 10AA(2) of the Act. The benefit will available subject to fulfilment of conditions prescribed by the section.

2. As per section 10(34) of the Act, any income by way of dividends referred to in Section 115-O of the Act (i.e. dividends declared, distributed or paid on or after 1 April 2003 by domestic companies) received by the company from its investments in shares of another domestic company is exempt from tax.

3. As per section 10(35) of the Act, the following income shall be exempt in the hands of the Company:

Income received in respect of the units of a Mutual Fund specified under clause (23D) of section 10 of the Act; or Income received in respect of units from the Administrator of the specified undertaking; or Income received in respect of units from the specified company.

However, this exemption does not apply to any income arising from transfer of units of the Administrator of the specified undertaking or of the specified Company or of a mutual fund, as the case may be.

For this purpose (i) "Administrator" means the Administrator as referred to in section 2(a) of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 and (ii) "Specified Company" means a company as referred to in section 2(h) of the said Act.

4. As per section 10(38) of the Act, long-term capital gains arising to the Company from the transfer of a long-term capital asset being an equity share in a company or a unit of an equity oriented fund where such transaction is chargeable to securities transaction tax would not be liable to tax in the hands of the Company.

For this purpose, "Equity Oriented Fund" means a fund –

(i) where the investible funds are invested by way of equity shares in domestic companies to the extent of more than sixty five per cent of the total proceeds of such funds; and

(ii) which has been set up under a scheme of a Mutual Fund specified under section 10(23D) of the Act.

However, as per section 115JB of the Act, the Company will not be able to reduce the income to which the provisions of section 10(38) of the Act apply while calculating "book profits" under the provisions of section 115JB of the Act and will be required to pay MAT at the rate of 10 per cent (plus applicable surcharge and education cess) of the book profits.

5. The company will be entitled to amortise preliminary expenditure, being expenditure incurred on public issue of shares under section 35D(2)(c)(iv) of the Act, subject to the overall limits specified in the section 35D(3) of the Act.

6. Under section 48 of the Act, if investment in shares are sold after being held for not less than twelve months, the gain (other than the gains referred under section 10(38) of the Act), if any, will be treated as long term capital gain and the same will be eligible for the indexation benefit as prescribed under the said section.

7. As per section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (other than the gain referred under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from capital gains tax to the extent such capital gains are invested in a "long-term specified asset", within a period of 6 months after the date of such transfer. It may be noted that investment made on or after 1st day of April 2007 in the long term specified asset by an assessee during any financial year cannot exceed Rs. 50 Lakhs.

However, if the assessee transfers or converts the long-term specified asset into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the long-term specified asset is transferred or converted into money.

A "long-term specified asset" means any bond, redeemable after three years and issued on or after the 1st day of April 2007:

i. by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988, and notified by the Central Government in the Official Gazette for the purposes of this section; or

ii. by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956, and notified by the Central Government in the Official Gazette for the purposes of this section.

8. As per Section 74 of the Act, short-term capital loss suffered during the year is allowed to be set-off against short-term as well as long-term capital gains of the said year. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' short-term as well as long-term capital gains. Long-term capital loss suffered during the year is allowed to be set-off against long-term capital gains. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' long-term capital gains.

9. As per section 111A of the Act, short-term capital gains arising to the Company from the sale of equity share or a unit of an equity oriented fund (as defined under section 10(38) of the Act) where such transaction is chargeable to securities transaction tax, will be taxable at the rate of 15 per cent (plus applicable surcharge and education cess). (Increased to 15 per cent from 10 per cent vide Finance Act 2008 wef fiscal 2008-09)

10. As per section 112 of the Act, long-term capital gains (other than the gain referred under section 10(38) of the Act), if any, on sale of listed securities or units or zero coupon bonds will be charged to tax at the concessional rate of 20 per cent (plus applicable surcharge and education cess) after considering indexation benefits in accordance with and subject to the provisions of section 48 of the Act or at 10 per cent (plus applicable surcharge and education cess) without indexation benefits, at the option of the Company.

11. Subject to the provisions of section 115JAA(1A) of the Act, credit is allowed in respect of any MAT paid under section 115JB of the Act for any assessment year commencing on or after 1st day of April 2006. Tax credit eligible to be carried forward will be the difference between MAT paid and the tax computed as per the normal provisions of the Act for that assessment year. Such MAT credit is allowed to be carried forward for set off against the future profits in the prescribed manner up to 7 succeeding years.

12. In accordance with and subject to the provisions of section 35 of the Act, the company would be entitled to deduction in respect of expenditure laid out or expended on scientific research related to the business.

13. As per the provisions of section 115O of the Act, in addition to the income-tax chargeable in respect of the total income of a domestic company, any amount declared, distributed or paid by such company by way of dividends, is liable to additional income-tax as per prescribed rates. As per the amendment made vide Finance Act 2008, while computing the dividend in accordance with the provisions of section 115O of the Act, the amount of dividend, if any, received by the domestic company during the financial year is deductible, if

    (a) such dividend is received from its subsidiary;
    (b) the subsidiary has paid tax under this section on such dividend; and
    (c) the domestic company is not a subsidiary of any other company; subject to the provisions of the Act.

B. **Under Indirect Tax Laws**

Under the Special Economic Zone Act, 2005, following indirect tax benefits would be available subject to fulfilment of specified conditions and procedures:

1. Exemption from any duty of customs, under the Customs Act, 1962 or the Custom Tariff Act, 1975 or any other law, on goods imported into, or service provided in a SEZ unit for carrying out authorised operations.

2. Exemption from any duty of customs, under the Customs Act, 1962 or the Custom Tariff Act, 1975 or any other law, on goods exported from, or service provided from a SEZ unit to any place outside India.

3. Exemption from any duty of excise, under the Central Excise Act, 1944 or the Central Excise Tariff Act, 1985, on goods brought from DTA to a SEZ Unit to carry on the authorised operations.

4. Drawback or such other benefits as may be admissible from time to time on goods brought or services provided from the DTA into a SEZ unit or services provided in a SEZ unit by the service providers located outside India to carry on the authorised operations.

5. Exemption from service tax on taxable services provided to Unit to carry on the authorised operations in a

Special Economic Zone.

6. Exemption from the levy of taxes on the inter-state sale or purchase of goods other than newspapers under the Central Sales Tax Act, 1956 if such goods are meant to carry on the authorised operations.

7. Other benefits such as exemption from levy of R&D Cess on import of technology

8. State level benefits such as stamp duty exemption on lease of land on which the SEZ unit would be built – up to undertake authorized operations.

III. **Benefits available to the Resident Shareholders of the Company (including domestic companies) under the Income-Tax Act, 1961 ("the Act")**

General Tax Benefits

1. As per section 10(34) of the Act, any income by way of dividends referred to in Section 115-O of the Act (i.e. dividends declared, distributed or paid on or after 1 April 2003) received on the shares of the domestic company is exempt from tax.

2. As per section 10(38) of the Act, long-term capital gains arising from the transfer of a long-term capital asset being an equity share in the Company or a unit of an equity oriented fund where such transaction is chargeable to securities transaction tax shall be exempt from tax. However, the aforesaid income shall be taken into account in computing the Book profit and income tax payable under section 115JB of the Act, wherever applicable.

3. Under section 48 of the Act, if investment in shares are sold after being held for not less than twelve months, the gain (other than gains referred under section 10(38) of the Act), if any, will be treated as long-term capital gain and the same will be eligible for the indexation benefit as prescribed under the said section.

4. As per section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (other than the gain referred under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from capital gains tax to the extent such capital gains are invested in a "long-term specified asset", within a period of 6 months after the date of such transfer. It may be noted that investment made on or after 1st day of April 2007 in the long term specified asset by an assessee during any financial year cannot exceed Rs. 50 Lakhs.

   However, if the assessee transfers or converts the long-term specified asset into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the long-term specified asset is transferred or converted into money.

   A "long-term specified asset" means any bond, redeemable after three years and issued on or after the 1st day of April 2007:

   i. by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988, and notified by the Central Government in the Official Gazette for the purposes of this section; or

   ii. by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956, and notified by the Central Government in the Official Gazette for the purposes of this section.

5. As per section 54F of the Act, long-term capital gains (other than the gain referred under section 10(38) of the Act) arising on the transfer of the shares of the Company held by an individual or Hindu Undivided Family (HUF) will be exempt from capital gains tax if the net consideration is utilised, within a period of one year before, or two years after the date of transfer, in the purchase of a residential house, or for construction of a residential house within three years. Such benefit will not be available:

   i. if the individual or Hindu Undivided Family-
      (a) owns more than one residential house, other than the new residential house, on the date of transfer of the shares; or
      (b) purchases another residential house within a period of one year after the date of transfer of the shares;

or

(c) constructs another residential house within a period of three years after the date of transfer of the shares; and

ii. the income from such residential house, other than the one residential house owned on the date of transfer of the original asset, is chargeable under the head "Income from house property".

If only a part of the net consideration is so invested, so much of the capital gain as bears to the whole of the capital gain, the same proportion as the cost of the new residential house bears to the net consideration, will be exempt.

If the new residential house is transferred within a period of three years from the date of purchase or construction, the amount of capital gains on which tax was not charged earlier, will be deemed to be income chargeable under the head "Capital Gains" of the year in which the residential house is transferred.

6. As per Section 74 of the Act, short-term capital loss suffered during the year is allowed to be set-off against short-term as well as long-term capital gains of the said year. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' short-term as well as long-term capital gains. Long-term capital loss suffered during the year is allowed to be set-off against long-term capital gains. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' long-term capital gains.

7. As per section 111A of the Act, short-term capital gains arising to the shareholder from the sale of equity shares or a unit of an equity oriented fund (as defined under section 10(38) of the Act) where such transaction is chargeable to securities transaction tax, will be taxable at the rate of 15 per cent (plus applicable surcharge and education cess). (Increased to 15 per cent from 10 per cent vide Finance Act 2008 wef fiscal 2008-09).

8. As per section 112 of the Act, long-term capital gains (other than the gain referred under section 10(38) of the Act), if any, on sale of listed securities or units or zero coupon bonds will be charged to tax at the concessional rate of 20 per cent (plus applicable surcharge and education cess) after considering indexation benefits in accordance with and subject to the provisions of section 48 of the Act or at 10 per cent (plus applicable surcharge and education cess) without indexation benefits, at the option of the Company

9. As per the provisions of section 36(1)(xv) inserted by Finance Act, 2008 an amount equal to the securities transaction tax paid in respect of the taxable securities transactions entered into in the course of business during the previous year shall be allowed as deduction if such income is included under the head Profits and Gains from business and profession.

Special Tax Benefits

There are no special tax benefits available to the Resident Shareholders of the Company

IV. **<u>Benefits available to Non-Resident Indians / Non Resident Shareholders (including foreign companies) (Other than FIIs and Foreign Venture Capital Investors) under the Income-Tax Act, 1961 ("the Act")</u>**

General Tax Benefits

1. As per section 10(34) of the Act, any income by way of dividends referred to in Section 115-O of the Act (i.e. dividends declared, distributed or paid on or after 1 April 2003) received on the shares of the domestic company is exempt from tax.

2. As per section 10(38) of the Act, long-term capital gains arising from the transfer of a long-term capital asset being an equity share in the Company or a unit of an equity oriented fund where such transaction is chargeable to securities transaction tax shall be exempt from tax. However, the aforesaid income shall be taken into account in computing the book profit and income tax payable under section 115JB of the Act, wherever applicable.

3. As per section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (other than the gain referred under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from capital gains tax to the extent such capital gains are invested in a "long-term specified asset", within a period of 6 months after the date of such transfer. It may be noted that

investment made on or after 1st day of April 2007 in the long term specified asset by an assessee during any financial year cannot exceed Rs. 50 Lakhs.

However, if the assessee transfers or converts the long-term specified asset into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the long-term specified asset is transferred or converted into money.

A "long-term specified asset" means any bond, redeemable after three years and issued on or after the 1st day of April 2007:

i. by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988, and notified by the Central Government in the Official Gazette for the purposes of this section; or

ii. by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956, and notified by the Central Government in the Official Gazette for the purposes of this section.

4. As per section 54F of the Act, long-term capital gains (other than the gain referred under section 10(38) of the Act) arising on the transfer of the shares of the Company held by an individual or Hindu Undivided Family (HUF) will be exempt from capital gains tax if the net consideration is utilised, within a period of one year before, or two years after the date of transfer, in the purchase of a residential house, or for construction of a residential house within three years. Such benefit will not be available:

i. if the individual or Hindu Undivided Family-
   (a) owns more than one residential house, other than the new residential house, on the date of transfer of the shares; or
   (b) purchases another residential house within a period of one year after the date of transfer of the shares; or
   (c) constructs another residential house within a period of three years after the date of transfer of the shares; and
ii. the income from such residential house, other than the one residential house owned on the date of transfer of the original asset, is chargeable under the head "Income from house property".

If only a part of the net consideration is so invested, so much of the capital gain as bears to the whole of the capital gain, the same proportion as the cost of the new residential house bears to the net consideration, will be exempt.

If the new residential house is transferred within a period of three years from the date of purchase or construction, the amount of capital gains on which tax was not charged earlier, will be deemed to be income chargeable under the head "Capital Gains" of the year in which the residential house is transferred.

5. As per Section 74 of the Act, short-term capital loss suffered during the year is allowed to be set-off against short-term as well as long-term capital gains of the said year. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' short-term as well as long-term capital gains. Long-term capital loss suffered during the year is allowed to be set-off against long-term capital gains. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' long-term capital gains.

6. As per section 111A of the Act, short-term capital gains arising to the shareholder from the sale of equity shares or a unit of an equity oriented fund (as defined under section 10(38) of the Act) where such transaction is chargeable to securities transaction tax, will be taxable at the rate of 15 per cent (plus applicable surcharge and education cess). (Increased to 15 per cent from 10 per cent vide Finance Act 2008 wef fiscal 2008-09).

7. In accordance with the provisions of section 112 of the Act, long-term capital gains (other than the gain referred under section 10(38) of the Act), if any, on sale of listed securities or units or zero coupon bonds will be charged to tax at the concessional rate of 10 per cent plus applicable surcharge and education cess.

8. As per section 115A of the Act, where the total income of a Non-resident (not being a company) or of a foreign company includes dividends (other than dividends referred to in section 115O of the Act), tax payable on such income shall be aggregate of amount of income-tax calculated on the amount of income by way of dividends included in the total income, at the rate of 20 per cent (plus applicable surcharge and education cess)

9. In accordance the provisions of s 115E of the Act, in the case of a shareholder being a Non-Resident Indian, and subscribing to the shares of the Company in convertible foreign exchange, in accordance with and subject to the prescribed conditions, long-term capital gains arising on transfer of the shares of the Company (in cases not covered under section 10(38) of the Act) will be subject to tax at the rate of 10 per cent (plus applicable surcharge and education cess).

10. As per section 115F of the Act and subject to the conditions specified therein, in the case of a shareholder being a Non-Resident Indian, gains arising on transfer of a long-term capital asset being shares of the Company will not be chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period of six months in any specified asset or savings certificates referred to in section 10(4B) of the Act. If part of such net consideration is invested within the prescribed period of six months in any specified asset or savings certificates referred to in section 10(4B) of the Act then such gains would not be chargeable to tax on a proportionate basis. Further, if the specified asset or savings certificate in which the investment has been made is transferred within a period of three years from the date of investment, the amount of capital gains tax exempted earlier would become chargeable to tax as long-term capital gains in the year in which such specified asset or savings certificates are transferred.

11. As per section 115G of the Act, Non-Resident Indians are not obliged to file a return of income under section 139(1) of the Act, if their only source of income is income from specified investments or long-term capital gains earned on transfer of such investments or both, provided tax has been deducted at source from such income in accordance with the provisions of Chapter XVII-B of the Act.

12. As per section 115H of the Act, where Non-Resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income for that year under section 139 of the Act to the effect that the provisions of Chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.

13. As per section 115I of the Act, a Non-Resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing a declaration along with his return of income for that assessment year under section 139 of the Act, that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act.

14. In respect of non-residents, the tax rates and consequent taxation mentioned above will be further subject to any benefits available under the Tax Treaty, if any, between India and the country in which the non-resident has Fiscal domicile. As per the provisions of section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the Tax Treaty to the extent they are more beneficial to the non-resident.

15. As per the provisions of section 36(1)(xv) inserted by Finance Act, 2008 an amount equal to the securities transaction tax paid in respect of the taxable securities transactions entered into in the course of business during the previous year shall be allowed as deduction if such income is included under the head Profits and Gains from business and profession.

For the purpose of aforesaid clauses "Non-Resident Indian" means an Individual, being a citizen of India or a person of Indian origin who is not a "resident". A person shall be deemed to be of Indian origin if he, or either of his parents or any of his grand-parents, was born in undivided India.

Special Tax Benefits

There are no special tax benefits available to the Non-Resident Indians / Non Resident Shareholders of the Company

V. Benefits available to Foreign Institutional Investors (FIIs) under the Income-Tax Act, 1961 ("the Act")

General Tax Benefits

1. As per section 10(34) of the Act, any income by way of dividends referred to in section 115-O of the Act (i.e. dividends declared, distributed or paid on or after 1 April 2003) received on the shares of the domestic company is exempt from tax.

2. As per section 10(38) of the Act, long-term capital gains arising to the FIIs from the transfer of a long-term capital asset being an equity share in the Company or a unit of an equity oriented fund where such transaction is chargeable to securities transaction tax shall be exempt from tax. However, the aforesaid income shall be taken into account in computing the book profit and income tax payable under section 115JB of the Act, wherever applicable.

3. As per section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (other than the gain referred under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from capital gains tax to the extent such capital gains are invested in a "long-term specified asset", within a period of 6 months after the date of such transfer. It may be noted that investment made on or after 1st day of April 2007 in the long-term specified asset by an assessee during any financial year cannot exceed Rs. 50 Lakhs.

   However, if the assessee transfers or converts the long-term specified asset into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the long-term specified asset is transferred or converted into money.

   A "long-term specified asset" means any bond, redeemable after three years and issued on or after the 1st day of April 2007:

   i. by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988, and notified by the Central Government in the Official Gazette for the purposes of this section; or

   ii. by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956, and notified by the Central Government in the Official Gazette for the purposes of this section.

4. As per Section 74 of the Act, short-term capital loss suffered during the year is allowed to be set-off against short-term as well as long-term capital gains of the said year. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' short-term as well as long-term capital gains. Long-term capital loss suffered during the year is allowed to be set-off against long-term capital gains. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' long-term capital gains

5. As per section 111A of the Act, short-term capital gains arising to the shareholder from the sale of equity shares or a unit of an equity oriented fund (as defined under section 10(38) of the Act) where such transaction is chargeable to securities transaction tax, will be taxable at the rate of 10 per cent (plus applicable surcharge and education cess).

6. As per section 115AD of the Act, FIIs will be taxed on the capital gains that are not exempt under the provisions of Section 10(38) of the Act, at the following rates:

Nature of income	Rate of tax (%)
Long-term capital gains	10
Short-term capital gains (other than referred to section 111A)	30

   The above tax rates have to be increased by the applicable surcharge and education cess.

   In case of long-term capital gains, (in cases not covered under section 10(38) of the Act), the tax is levied on the capital gains computed without considering the cost indexation and without considering foreign exchange fluctuation.

7. As per section 196D, no tax is to be deducted from any income, by way of capital gains arising from the transfer of shares payable to Foreign Institutional Investor.

   In respect of non-residents, the tax rates and consequent taxation mentioned above will be further subject to any benefits available under the Tax Treaty, if any, between India and the country in which the FII has Fiscal domicile. As per the provisions of section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the Tax Treaty to the extent they are more beneficial to the FII.

8. As per the provisions of section 36(1)(xv) inserted by Finance Act, 2008 an amount equal to the securities transaction tax paid in respect of the taxable securities transactions entered into in the course of business during the previous year shall be allowed as deduction if such income is included under the head Profits and Gains from business and profession.

Special Tax Benefits

There are no special tax benefits available to the Foreign Institutional Investors

VI. **Benefits available to Venture Capital Companies/Funds under the Income-tax Act, 1961 ("the Act")**

General Tax Benefits

Any income received by venture capital companies or venture capital funds set up to raise funds for investment in a venture capital undertaking, registered with the Securities and Exchange Board of India, subject to the conditions specified in section 10 (23FB) of the Act, is eligible for exemption from income tax. However, the income distributed by the Venture Capital Companies/ Funds to its investors would be taxable in the hands of the recipients.

Special Tax Benefits

There are no special tax benefits available to the Venture Capital Companies/Funds

VII. **Benefits available to Mutual Funds under the Income-tax Act, 1961 ("the Act")**

General Tax Benefits

As per section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made there under, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorised by the Reserve Bank of India would be exempt from income tax, subject to such conditions as the Central Government may by notification in the Official Gazette specify in this behalf.

Special Tax Benefits

There are no special tax benefits available to the Mutual Funds

VIII. **Benefits to shareholders of the Company under the Wealth-tax Act, 1957**

Shares of the Company held by the shareholder will not be treated as an asset within the meaning of section 2(ea) of Wealth Tax Act, 1957. Hence the shares are not liable to Wealth Tax.

IX. **Benefits to shareholders of the Company under the Gift-tax Act, 1958**

Gift made after 1st October 1998 is not liable for gift tax, and hence, gift of shares of the Company would not be liable for gift tax.

Notes:

i. The above Statement of Possible Tax Benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of shares.

ii. All the above Statement of Possible Tax benefits are as per the current tax laws. Several of these benefits are dependent on the company or its shareholders fulfilling the conditions prescribed under the relevant tax laws.

iii. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her investments in the shares of the company.

iv. The stated benefits will be available only to the sole/first named holder in case the shares are held by joint shareholders.

No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes. We shall not be liable to any claims, liabilities or expenses relating to this assignment except to the extent of fees relating to this assignment, as finally judicially determined to have resulted primarily from bad faith or intentional misconduct. We will not be liable to any other person in respect of this statement.

SECTION IV: ABOUT THE COMPANY

OUR INDUSTRY

The information in this section is derived from various government publications and other industry sources, in particular the 'Strategic Review 2008: Annual Review of Indian IT-BPO Sectors' *published by NASSCOM and* 'Offshore Product Development Has Arrived', August 3, 2006 *published by Forrester Research, Inc. Neither we, nor any other person connected with the issue has verified this information. Industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable, but their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured and accordingly, investment decisions should not be based on such information.*

Worldwide IT Industry

Worldwide technology and related-industry spending crossed US$1.7 trillion in 2007 and is expected to reach US$2.1 trillion by 2010 (not including engineering and R&D spending). This figure includes spending across the following technology segments: IT Services (US$495 billion); Business Process Outsourcing (US$462 billion); Packaged Software (US$250 billion); and Hardware (US$478 billion). The estimated worldwide spending on engineering and R&D in 2007 was US$802 billion.

Outsourcing was a primary growth engine for worldwide technology spending, with global delivery forming an integral part of most sourcing strategies. The global offshore technology industry grew from US$8.5 billion in 2001 to US$18.4 billion in 2005, increasing at about 20% per annum. By 2010, it is estimated that approximately US$55.00 billion will be outsourced globally in the technology industry. Ongoing competitive pressures and the need for further productivity improvements have led companies to consider outsourcing more critical and complex business processes and to focus on continuously improving those processes, rather than simply trying to operate them at a lower cost. As a result, the services that are being outsourced today across all industries are much broader, and involve higher valued functionality than originally outsourced; such industries include engineering, design, software programming, accounting, healthcare services, legal services, financial analysis and consulting.

Indian IT Industry

After early enthusiasm about alternate sourcing locations, firms are reaffirming their preference for India. Foreign multinational corporations have announced plans to invest over US$10 billion in the Indian IT sector over the next few years.

IT industry size: The Indian IT industry (including IT Services, Engineering and R&D Services, and BPO) is expected to grow by 33% in 2008 to reach US$64 billion in annual revenue. As a proportion of the national GDP, the revenue aggregate of the Indian technology sector has grown from 1.2% in 1998 to an estimated 5.5% in 2008. Direct employment in the software and services segment is expected to exceed 2 million by the end of 2008. Of this, estimated exports during 2008 contributed US$40.8 billion while the domestic market accounted for US$23.2 billion. The main industry segments include banking, financial services and insurance followed by high technology and telecommunications accounting for nearly 60 per cent in 2007.

Exports market: Service and software exports are the mainstay of the Indian export market, accounting for nearly two-thirds of total exports. The export revenues for the Indian IT Services grew from approximately US$17.7 billion in fiscal 2005 to an estimated US$23 billion in fiscal 2008, growing an estimated 28%. During the same period, the total value of software products and engineering services exported from India is estimated to have grown from US$3.1 billion in fiscal 2005 to an estimated US$6.3 billion in fiscal 2008.

Domestic market: The domestic revenues for the Indian IT Services grew to reach an estimated US$23 billion in fiscal 2008, registering a growth of approximately 44% over the previous year.

Offshore product development market

Overview

The market for software is facing significant pressure to upgrade and widen product offerings, while using fewer resources. Driven by the success of IT services offshoring, independent service vendors have aimed to increase returns from their core product/service design and development processes by shifting these product development functions offshore. Global software product giants and some focused independent service vendors have been early adopters of this approach establishing India development centers to capitalise on the compelling strategic and business opportunities presented by the offshore product development model.

As a result, the growth rate in the offshore product development segment (which includes software product development) has eclipsed the traditional offshore IT services market. Offshore product development has grown tenfold from US$300 million in 2001 to US$4 billion in 2006, and is projected to reach US$6.3 billion by the end of 2008. For fiscal 2006, the offshore product development sector earned export revenues of approximately US$3.9 billion, which comprised approximately 22.0% of the overall IT services and software exports, and earned domestic revenues of US$0.9 billion. According to Forrester Research, Inc., in 2006 export revenues attributable to offshore product development increased by 36%, in comparison to the 28% growth in revenues from traditional offshore IT services.

Customers for offshore product development services come from various high-tech industries such as computing systems, telecommunications, networking, semiconductors, consumer electronics, industrial automation, automotive and avionics. Today, over 200 product-based multinational companies are known to outsource a part of their product development activities to Indian vendors and their own India-based development centers. The important markets for engineering and R&D services include the U.S., Japan, Korea, Taiwan, Singapore, China and Europe.

Growth drivers

The key growth drivers for the offshore product development market have moved beyond the cost-savings associated with outsourcing engineering, R&D and other product development. Today customers' need to shorten product life-cycles, and ever-increasing pressures to reduce time-to-market with new releases and product upgrades are also driving the segment's growth. According to the report, Offshore Product Development has Arrived, August 3, 2006 published by Forrester Research, Inc., the following factors will drive continued growth in the offshore product development sector:

1. The applicability of product development across a range of products and verticals;

2. Industry appetite for technological innovation since a higher percentage of a product's value now comes from software and intelligence;

3. Competitive product development pressures which force firms to look for economical ways to maximise their research and development efforts;

4. Access to large engineering talent pools India and China; and

5. Access to fast growing international markets in countries like India and China.

Market structure

Forrester Research, Inc. has also noted that the offshore product development market has three distinct segments: (See Offshore Product Development Has Arrived, August 3, 2006, *Product Development is a Specialised Field from IT Services*)

1. **Software:** This segment centers on the development of software products sold separately from hardware. The software products segment in India has, in the past, been largely associated with multinational software product vendors. However, a number of Indian firms have begun to focus on software product innovation as well. Export revenues in this segment are estimated to have grown from US$300 million in 2005 to US$400 million in 2006, and are forecast to exceed US$450 million in 2007.

2. **Engineering:** This segment focuses on products that have little or no embedded intelligence. The work in this segment centers on areas like geometry design, fit/assembly, and motion dynamics.

3. **R&D and embedded:** This segment focuses on the design and development of a product with a high level of software of intelligence. In this category, the end product is sold with the software bundled in and no separate software license.

According to Forrester Research, Inc. vendors in the offshore product development services space typically fall into one of the following categories: (See Offshore Product Development Has Arrived, August 3, 2006, *Product Development is a Specialised Field from IT Services*)

1. **Offshore generalists:** Firms like HCL Technologies Limited, Tata Consultancy Limited and Wipro Technologies Limited, fall within the offshore generalist category.

2. **Product development specialists:** Product development specialists in the software area include vendors like Persistent Systems, Aztecsoft, Symphony Services and Virtusa.

The following vendors also limited players in the offshore product development services arena:

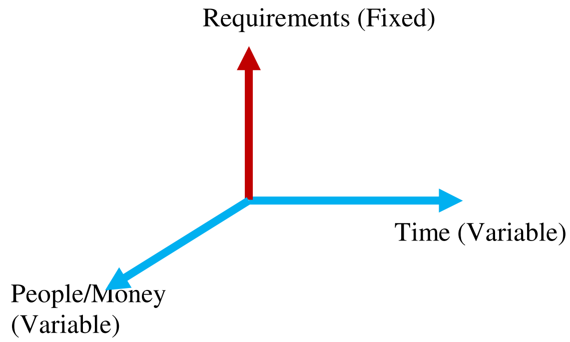
1. Captive centers: Historically, multinational corporations have established their own offshore facilities or captive centers, in locations like India, China and Russia to handle outsourced technology projects. Several global corporations like Cisco Systems, Intel Corporation, IBM and GE were the pioneers in setting up captive centers in India.

2. Niche product developers: This space includes a large number of small vendors that are focused on a single product and/or a limited number of clients, and typically are less equipped to take advantage of the scale and depth of expertise exhibited by firms belonging to the product development specialist category.

Offshore software product development is different from IT services outsourcing

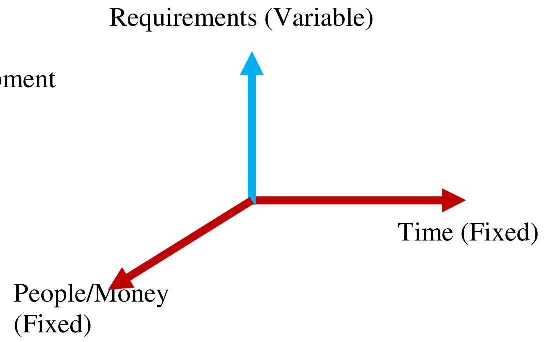
Product development is very different from IT Services outsourcing. Typically, IT projects start with well-defined requirements. Given these fixed requirements, vendors use time and money as variables to arrive at a reasonable cost estimate for the project. After completion, the project goes into a maintenance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

Traditional IT Projects



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

Contrast Product Development



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

The following table details the key differences between product development and IT services across several parameters:

Parameter	Product development	IT services
Business Dynamic (vendor perspective)	• Lower annuity, smaller projects • Change centric	• High Annuity, large projects • Change controlled
Domain & Process competencies	• Industry domain skills, engineering quality process	• IT skills, software quality processes
Knowledge Transfer Management	• High degree of knowledge transfer from client	• Lower degree of core knowledge transfer from client
Switching cost (client perspective)	• Very high cost of exit due to upfront investment	• Relatively lower cost of exit due to compartmentalised tasks
Value proposition	• Reduction in variable cost • Reduction in time-to-market	• Reduction in fixed cost • Reduction in execution time
Client Sponsor	• VP-Engineering • Engineering program manager	• CIO • IT program manager

Source – Nasscom and the Company

Emerging trends

Product development across sectors: The past few years have witnessed growing levels of interest from non-software clients in outsourcing their engineering and R&D requirements to India. Several global players are now sourcing these services from Indian third party providers and/or through integrated captive centers located in India.

More integrated and complex work: Over the past five years, the service offerings of Indian IT providers has evolved from being predominantly driven by custom application development and maintenance to a wider portfolio of services including information systems outsourcing, software testing, and applications management and system integration.

Examples of the growing sophistication of the work performed by Indian firms include many patents being filed out of India. Indian R&D units of multinational corporations such as Cisco Systems, Intel Corporation, IBM and GE have filed about 1,000 US Patent applications, while Texas Instruments has had about 225 patents awarded to its Indian operations. Further, revenues earned from the export and sale of made-in-India software products and intellectual property continues to grow steadily.

The share of Indian firms in this ‘other’ work has grown from 20% in fiscal 2001 to 50% in fiscal 2006. This expansion of service offerings has not only enabled Indian firms to build on existing relationships by expanding the size and scope of work undertaken, but has also brought them recognition as full-service providers.

International firms are opting out of creating offshore captive centers: In the publication, Shattering the Offshore Captive Center Myth, April 30, 2007, Forrester Research, Inc., suggests that as a result of a lack of management support, spiralling costs, high attrition rates and lack of integration, more than 60% of the captive centers in India alone, are struggling. As result, many firms have opted out of captive centers in India and other locations and are handing over the operations to specialist offshore product development firms, mostly in India. Firms have also begun to adopt exit strategies to move themselves out of the captive center business. A popular exit strategy has been to embrace a hybrid approach, whereby third parties are used to augment and take over work that has become less strategic over time, in conjunction with the captive centers for more sensitive projects. Another exit strategy has been to partner with offshore providers. The offshore partner augments and over time, replaces the captive center's staff.

Further, several Indian companies now have the financial resources to begin acquiring small –to-midsize product companies. This marks the beginning of a trend wherein a number of small multinational software development and other product development firms will either close down or get transferred to Indian vendors.

Industry challenges

Scale**:** In the offshore product development sector, scale is an important indicator of success. Product development firms must be able to ramp up to a minimum of 500 staff members within 18 months of their first day of business in order to be cost-effective. See Forrester Research, Inc. Offshore Product Development Has Arrived, October 6, 2006, *How Users Should Approach Offshore Product Development*. The cost savings of smaller teams in terms of salaries and other expenses is shadowed by increased management overhead and high recruitment costs. Additionally, being too large in scale is also problematic. Interviews with early entrants to the offshore product development sector suggest that companies that are too large can lose their focus on core competencies and may be unable to yield the same level of benefits that they earned when their size was smaller and more manageable.

Talent Management**:** Competition is intense for employees in the offshore software development market, since the success of individual firms depends largely on their ability to attract and retain highly skilled software professionals, particularly project managers and other mid-level professionals. Research shows that attrition is an issue industry-wide, particularly with captive centers whose rates of attrition are typically 30 – 40% higher than the industry average of 18-20%. See Forrester Research, Inc. Offshore Product Development Has Arrived, October 6, 2006, *How Users Should Approach Offshore Product Development.* These high attrition rates result from the fact that captive centers generally receive less challenging projects and the dependence of captive centers on offshore corporate decision-making. Traditionally, Indian product development firms have managed to provide broader experience, travel, and clearer career paths to employees and have thus faired better than captive centers; however, the Indian labour market is highly competitive and the ability to attract and retain talented employees is a constant challenge to the industry.

Information Security: Firms in the offshore software development industry regularly deal with sensitive client information. High-profile breaches of the security of client proprietary information, has exposed information security as an industry-wide challenge. Many product development firms have employed in-house security strategies such as executing non-disclosure agreements with employees; controlling access to source codes and work spaces as necessary; establishing isolated communications networks; and restricting use of laptops and storage devices. In addition, governmental regulatory agencies in countries like India have made efforts to focus on cyber-security through additional training for their staffs. However, despite the success of current security efforts, it is clear that minimising the vulnerability of client information to potential misuse must maintain the industry's continuous focus.

OUR BUSINESS

Company overview

We have been recognized as one of the leading technology companies in the Technology Fast 50 India 2006 program conducted by Deloitte Touche Tohmatsu, Asia Pacific. We offer our customers the benefits of offshore delivery. We deliver services across all stages of the product life-cycle, which enables us to work with a wide-range of customers and allows us to develop, enhance and deploy our customers' software products. We have created an innovative suite of time-to-market accelerators and tools that give our customers a competitive advantage. Over the past five years, we have contributed to more than 2,000 product releases for our customers. Our comprehensive suite of service offerings allows us to attract new customers and expand existing customer relationships.

Our goal is to work with our customers to help them efficiently deliver products to their end-users and ultimately, to maximise their core business. Our OPD services allow our customers to reduce time-to-market, improve the quality of their products, reduce risk of failure during the engineering development process, improve predictability and reliability of the engineering process, while helping them lower their over-all product engineering costs.

We have invested in building a team of more than 3,400 software professionals well versed in product development culture. Our team of industry specialists has an understanding of the industries in which our customers operate and the competencies that they require. We have competency centers in telecom and wireless, life sciences, analytics and data infrastructure, embedded systems domains, product engineering, security, storage, software as a service and Microsoft and Java platforms.

Our customers range from several global software companies to early-stage companies that are developing cutting-edge technology products.

We have long-standing relationships with our customers, built on our successful execution of prior engagements.

Our consolidated revenues, as restated, grew at an annual growth rate of 34.60%, 45.79% and 47.40% during Fiscal 2008, 2007 and 2006, respectively. Our consolidated net profit, as restated, grew at an annual growth rate of 44.73%, 58.84% and 3.67% during Fiscal 2008, 2007 and 2006, respectively.

Our strengths

We believe that we are well placed to retain our position in the OPD market segment due to our competitive strengths, which include:

OPD specialist with deep-rooted product development culture

We have been recognized as one of the leading technology companies in the Technology Fast 50 India 2006 program conducted by Deloitte Touche Tohmatsu, Asia Pacific. We are an OPD specialist based in India, offering our customers the benefits of offshore delivery. We design, develop and maintain software systems and solutions, create new applications and enhance the functionality of our customers' existing software products. Over the past five years, we have contributed to more than 2,000 product releases for our customers. Our focus on OPD has helped us achieve scale in our target segment, offer a comprehensive range of services, build an understanding of the needs of the industries in which our customers operate and the underlying technologies that drive those industries. We offer our customers OPD services that allow them to reduce time-to-market, improve the quality of their products, reduce risk of failure during the engineering development process, improve predictability and reliability of the engineering process, while helping them lower their over-all product engineering costs. This has enabled us to broaden our dialogue with potential customers, deepen our relationships with existing customers and diversify our revenue base.

Our work with product companies over the last 18 years has given us an inside view on how some of the leading software products are built. In addition, we have relationships across the product ecosystem ranging from research institutions, venture capital and private equity firms, system integrators to product companies with independent sales channels. This knowledge of both products and the entire product development ethos as well as our experience building software has helped us evolve a deep-rooted product development culture that is aligned with our customers, employees and processes.

Broad product development service offering including value-added products and services

We provide a broad range of services to our customers that support their software products throughout the full product life-cycle. At each stage of the product life-cycle, we offer a comprehensive suite of services designed to address the customers' specific needs as products move from different phases of maturity across early to end-of-life. Our services range from research and prototyping, development and testing, consulting services and deployment, and support and maintenance. We have also created a suite of our own value-added products and services including time-to-market accelerators and tools that give new and existing customers a competitive advantage. We offer innovative financial terms for these products and services including revenue sharing, performance based and royalty arrangements. For example, our Go-To-Live services are designed to help our start-up clients take their products from the initial concept phases to a robust, well-engineered product that they can deliver to their customers, while also enabling our start-up clients to minimise development costs. Our broad service offering allows us to attract new customers and expand existing customer relationships.

Depth of experience and knowledge in targeted industry segments

We understand and actively track the industry trends, technologies, and markets that drive our customers businesses in our target industry verticals. We have invested in building a team of industry specialists who have an understanding of the industries in which our customers operate and the competencies that they require. We have established nine competency centers, across our domain, product engineering and platform expertise that are cross-functional teams which develop capabilities to differentiate, support and promote our core businesses enabling us to:

1. harness and leverage our experience and tools within each focus industry;
2. provide a focal point to attract new customers and to channel our existing customers; and
3. concentrate our research and development activities in each targeted industry.

Track record of well established sophisticated processes

We have been building products for our customers for the last 18 years. We have developed expertise in product development and we believe that we have a reputation for high quality work and timely project completion. With our experience of working with some of the world's leading software product companies, we have innovated and customised software processes that are specifically tailored for globally distributed development teams. Our internal process framework called Persistent Standard Software Process provides customers with seamless solutions in reduced timeframes, enabling them to achieve operating efficiencies and realise significant cost savings. Furthermore, our robust delivery model is flexible, so that it can be adapted to respond to our customers' objectives relating to critical issues such as scalability and security. We believe that our customer-oriented approach and ongoing refinements in our delivery model represent an important competitive advantage.

Long-term relationships with customers

We have long-standing relationships with customers, which include several Fortune 500 global corporations, built on our successful execution of prior engagements. Our track record of delivering mission-critical solutions, extensive product development experience, and demonstrated industry and technology expertise has helped in forging strong relationships with our major customers and gaining increased business from them. We have a history of high customer retention and derive a significant proportion of our revenue from repeat business. During Fiscal 2008, 87.36% of our revenues was generated from existing customers.

In Fiscal 2008, our customers included application software vendors, infrastructure software vendors, telecom software vendors and enterprise corporations.

To further strengthen our relationships and broaden the scope and range of services we provide to existing customers, our senior corporate executives have specific account management and relationship responsibilities. We have established strong relationships with key members of our customers' management teams. These relationships have helped us to understand better our customers' business needs and to enable us to provide effective solutions to meet these needs.

ISO 27001: 2005 certified

ISO 27001:2005 specifies the requirements for establishing, implementing, operating, monitoring, reviewing, maintaining and improving a documented information security management system within the context of an organization's overall business risks. It specifies requirements for the implementation of security controls customized to the needs of individual organizations or parts thereof. Our reciept of this certification evidences our compliance with the requirements of this certification. We believe that our compliance with the requirements of this certification will help in convincing our customers that productivity loss on account of system/network failures is substantially reduced and that we have the ability to work in a secured environment.

Strong team of highly skilled professionals and management

We have a large pool of highly skilled, well-trained employees. As of June 30, 2008, we have 4,051 employees (including those under contractual employment with the Company and our subsidiaries as well as our trainees) including over 3,400 software professionals. The skill sets of our employees give us the flexibility to adapt to the needs of our clients and the technical requirements of the various projects that we undertake. We are committed to the development of the expertise and know-how of our employees through regular technical seminars and training sessions organised or sponsored by the Company.

Our management team is well qualified and experienced in the software product industry and has been in integral in the growth of our operations. Additionally, we benefit from having representatives of prominent Silicon Valley venture capital investors as members of our Board.

Our strategy

Our goal is to be a leading global provider of OPD services. We intend to accomplish our goal by the following strategies:

Maintaining our position in OPD

Our goal is to maintain our position as an OPD specialist. Our focus is to continue to deliver services across all stages of the product life-cycle, thus enabling us to work with a wide-range of customers, and allowing us to improve the efficiency of the product engineering process. This contributes to the productivity of our customers, allowing them to deliver a reliable product faster. In addition, through our competency centers, we will constantly track new technologies, industry segments and market trends and will continue to work with our customers to incorporate these innovations into their products, thus allowing them to preserve their market advantages. Our clear focus on software product development will assist us in attracting the best software engineers.

Growing our business with existing clients

Our goal is to build long-term sustainable business relationships with our customers to generate increasing revenues. We plan to continue to expand the scope and range of services provided to our existing customers by continuing to build our expertise in major industries and extending our capabilities into new and emerging technologies. In addition, we intend to continue to develop our value-added services (such as time–to-market accelerators and tools) for our software product company customers. We will also seek to support a greater portion of the full product development life-cycle of our customers by offering targeted services for each phase of the software product life-cycle. We also plan to assist our customers as they deploy their products to end-users through consulting and professional services that we offer onsite.

Growing our business through intellectual property capabilities

We regularly invest in the creation of new intellectual property. We will continue to focus on three main areas of innovation: platform innovation, product engineering process innovation and domain specific innovation. Our efforts have resulted in the development of value-added products and services including time-to-market accelerators and other technology-based components. We will continue to invest in intellectual property to build and offer systems that establish our credibility and technical expertise in new areas. We also will continue to monetise our investment in intellectual property by charging a premium for our services or by licensing our proprietary software solutions to our customers. Our customers include our proprietary solutions as part of their offerings and provide us with royalty payments when they sell their products, bundled with our proprietary technologies. We will seek further growth by leveraging our software development capabilities through designing, developing and marketing proprietary niche software solutions in select international markets.

Partnering with players across the software product industry

We will continue to build relationships across the software product eco-system with institutions including venture capital and private equity firms, system integrators and product companies with independent sales channels. This knowledge of both products and the entire product development ethos helps us evolve a deep-rooted product development culture that is aligned with our customers, employees and processes. We regularly engage in discussions and network with our partners to bring each other opportunities and to assist each other to grow our businesses and enrich our respective understandings of the software product industry and technical knowledge.

In addition, we will continue to cultivate a cooperative research network of academic institutions within India and abroad to address key strategic issues in the provision of OPD services through research, development, dissemination, evaluation and demonstration.

Focusing on the small and medium sized market

We will continue to focus on the small and medium sized product companies. Many of these companies are venture capital funded start-ups and are developing cutting-edge technology products, and we believe in the growth potential of these companies. We have developed specialised service offerings to meet their needs and budgets. We will continue to service this market segment as it enables us to share emerging technologies and work on innovative software products.

Pursuing strategic acquisitions and other inorganic initiatives

We will continue to explore opportunities for acquisitions or joint ventures or alliances that expand our product portfolio, build on our existing system capabilities, or give us a presence in complementary markets. We will pursue strategic acquisitions and other inorganic initiatives that will strengthen our competitive position as well as drive profitable revenue growth.

Investing in people and culture

We believe that our ability to maintain growth depends to a large extent on our strength in attracting, training, motivating and retaining employees. Our talent acquisition philosophy is to recruit for attitude, train for skill and develop for leadership roles. We focus on performance management, providing input on leadership qualities, mentoring and periodic reviews for career alignment and planning. Our human resources and compensation practices proactively address the factors that impact retention. These practices include regular salary reviews, skill and performance related bonuses, established procedures, rotation into growth opportunities and the adoption of an employee stock option plan.

Case studies

The following are case studies from our experience with our customers.

Case study 1: How we deliver long-term support and end-of-life work.

Critical path

Critical Path provides software and services for messaging and identity management applications worldwide. In 1997, we started working with Isocor, which later merged into Critical Path. Initially we built connectors for their Meta Directory product. Since then, in addition to the development work, we have been supporting their flagship identity management and messaging products. While providing the long-term support, we are responsible for interacting with end customers and providing them with resolutions of the problem. Our experience of working with Critical Path's development team over the years has provided us with deep knowledge about the products, which has helped us provide better support for end customers.

Case study 2: How we leverage our eco-system.

Zafesoft

Our Go-to-Live framework helps us to build products from concept through completion for start-up companies. Our engagement with Zafesoft, a Silicon Valley technology start-up is a good example of how are able to assist start ups across the product eco-system. We started working with Zafesoft in 2006. Their concept was to build a security product to protect digital assets such as software programs. Starting with the concept that they provided, we built the product taking complete responsibility for designing and implementing the product. Using our Suite of development tools and software configuration management systems, we were able to beta-test their product in a safe manner. Zafesoft's product is very appropriate for deployment in software companies like our own, and we have also become a customer of Zafesoft. Additionally, we have recommended Zafesoft to venture capital companies for funding and to other software companies in India who could be potential customers for their product.

Our business

We are focused on outsourced software product development for our customers. We work with companies who build and deploy software products across all phases of the product lifecycle. We design, develop, maintain, support, extend, and deploy software products for our customers. Our teams trained with our proprietary techniques, time-to-market accelerators and processes help our customers to deliver products to their end-users efficiently.

Our business model—Alignment to the Product Life-Cycle

Over the last couple of years, we have studied outsourcing trends in other more mature industries such as automobile manufacturing, electronics manufacturing, semi-conductor manufacturing and other such industries. We observe four very distinct phases of evolution for outsourcing. Different phases can be associated with improved efficiency in different aspects. We identify these phases and the efficiencies achieved as follows:

Phase 1: Labour Cost Efficiency
Phase 2: Process Efficiency
Phase 3: Design Efficiency—Design For Manufacturing ("DFM")
Phase 4: Innovation Efficiency—Original Design and Manufacturing ("ODM")

We have observed that in Phase 1 (labour cost efficiency), product development moves to lower cost geographies, if qualified resources are available at a fraction of the cost. During this phase, companies move work to lower cost geographies and continue to (micro) manage projects and resources from their headquarters. Factories are moved 'as is' and local resources are employed for product delivery. Tasks that require relatively lower skills and expertise are moved first.

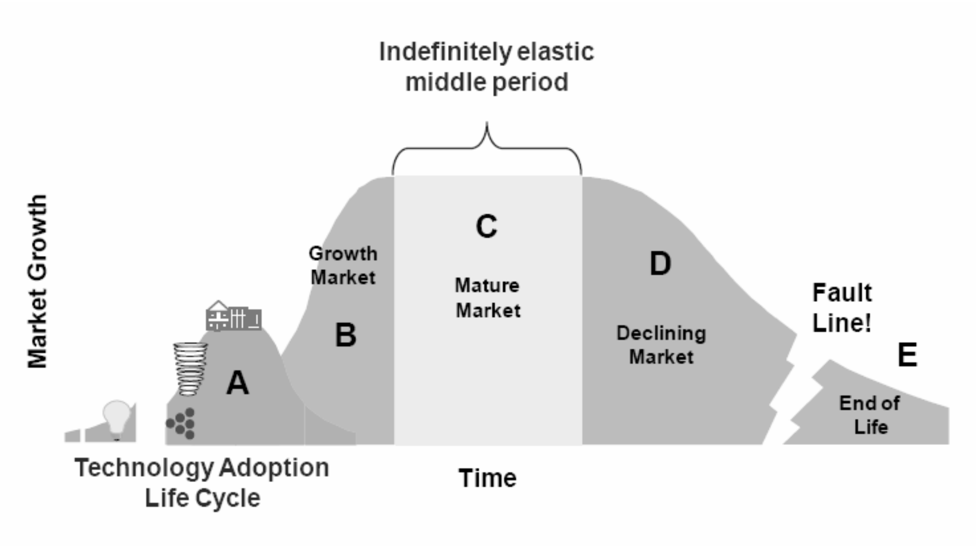
Phase 2 of outsourcing typically focuses on process efficiency. These efficiencies are achieved by improving manufacturing processes. Outsourced providers are in a position to maintain quality and price performance through better processes and volume efficiencies in manufacturing and raw material purchasing. Contract manufacturers get set-up to exploit these efficiencies.

A natural extension to process efficiency is design efficiency or DFM (Phase 3). By manufacturing in large quantities, contract manufacturers are able to influence design decisions to reduce costs by efficient manufacturing. Additionally, the standardisation and streamlining of procurement for component acquisition helps to influence design decisions to reduce the overall cost of manufacturing.

In Phase 4, contract manufacturers become innovators and typically become responsible for complete design of components. This has resulted in a class of ODM companies.

While the mature industries such as automobile manufacturing, electronics manufacturing and semi-conductor industry have gone through these phases, we find that the software industry is currently in Phase 1 and Phase 2. We believe that the environment for Phase 3 Design for Manufacturing is ready and inevitable. Over the last two years, we have redefined our systems and processes to help us operate in the DFM model. For example, our Go-To-Live offering is a DFM offering specifically for start-up companies.

On his website, www.dealingwithdarwin.com, Dr. Geoffrey Moore, author and technology expert, describes the category maturity life-cycle for products. He states that products go through growth markets, mature markets and declining markets. These phases are characterised by high growth rates, low growth rates and negative growth rates, respectively. Dr. Moore believes that companies must consider the phase that the product is in as they plan innovation strategies for the product. The figure below, describes the progression of the product through different phases of maturity.



Our customers have products in varying phases of maturity and for each phase of the software product life-cycle we provide customised innovation, services and business models appropriate for the product at that phase. Our well-defined service offerings address our customers' specific needs in the context of each maturity cycle, thus avoiding waste and repetition.

In the early market phase we provide Go-To-Live, research and product development services. These services are designed to help our customers reduce costs and create a fully integrated product. We provide to our customers in the growth phase, product engineering services in addition to our other service offerings. Our customers in a mature market phase generally need customer specific enhancements, professional services and deployment services, while our customers in the declining market phase come to us for assistance with customer support migration and refactoring. We also provide a variety of services to our customers as their product offerings reach the end-of-life phase, such as customer support and migration assistance to the next product version.

The following table shows our product offerings aligned for the different stages of the product life-cycle.

Persistent offering	Detailed offering	Target phases	Typical billing models
New technology exploration	prototyping and research initiatives partnerships with leading innovators, start-up companies, research laboratories	early market, growth markets	time and expenses, fixed price
Time-to-market accelerators:	Go-to-Live product testing and validation connectors competency based practices	early market and growth markets	royalty, revenue share
Product engineering	full product development lifecycle. Specialised services such as usability engineering, performance engineering	growth markets, mature markets	time and expenses, fixed price, revenue share
Deployment and support	pre-sales, proof of concept, customer support, consulting and product deployment	mature markets, declining markets	time and expenses, revenue share
End-of-life services	end of life support, maintenance. Refactoring and services to upgrade the system to the next version.	Declining markets, end-of-life	revenue share

Our recognition of the specific needs of our customers across different phases of product maturity, and the interplay between our service offerings and these needs has enabled us to:

1. ***Reduce time-to-market***. Our service expertise and technological expertise allows us to accelerate the development process. We have invested in a suite of time-to-market accelerators and continue to innovate in this area.

2. ***Reduce risk of engineering failure***. We have a well-documented engineering track record. Over the past five years we have participated in more than 2,000 product releases and we understand the challenges of shipping products successfully.

3. ***Improve predictability and reliability of the engineering process***. Our software development methods enable us to respond quickly to needs and requests from our customers; cutting down waste and waiting periods, while simultaneously increasing productivity

4. ***Reduce over-all product engineering costs***. Our offshore engineering provides us an inherent cost advantage for engineering talent.

Our Time-to-Market Accelerators

We have developed certain proprietary time-to-market accelerators that support the requirements of our customers from start-ups to mature companies. These offerings are presented as a framework within which services can be adapted by customers to suit and support their requirements.

Go-To-Live: Our Go-To-Live offering is designed to help our start-up clients take their products from the initial concept phases to a robust, well-engineered product that they can deliver to their customers, while also enabling our start-up clients to minimise development costs. These services encompass every aspect of product development and support, including research and design, quality assurance, maintenance and support, cross-platform development and porting, deployment and integration, documentation and performance engineering.

Identity Infrastructure: Companies are deploying identity infrastructure to help with single-sign-on, authentication, audit and access control. The products we build for our customers must integrate with the identity infrastructure deployed by end-users. To meet this demand, we have developed a suite of standards-based, enterprise-grade, interoperable server products and client libraries. Our suite can be embedded and licensed in part or as a whole to product companies to enable them to integrate with identity infrastructure being deployed by their customers.

Our suite consists of three solutions:

1. *enQuire* – is a virtual directory solution that can be licensed to and embedded with OEM products keen on supporting multiple identity management frameworks.

2. *enList* – is a light-weight reporting solution specifically customised for directories and identity management products.

3. *enSure* – is a synchronisation server, which provides bi-directional synchronisation between multiple data stores on the network.

Custom Connectors: The products that our customers build are typically deployed as part of the customer's existing IT platform, which includes standard products such as ERP and CRM, and messaging products that are customised for end-user deployment. We have developed more than 70 custom connectors to facilitate the process of synchronising, managing and transferring data between multiple isolated applications that are built on varied technologies. Our portfolio of custom connectors include:

1. Data integration and bulk loading connectors;

2. ERP connectors;

3. Identity connectors;

4. Search connectors;

5. Email and messaging; and

6. Systems monitoring connectors.

Interoperability and Integration Lab: This lab was established to meet interoperability and integration requirements in certain key vertical domains such as identity and security management, account provisioning, enterprise content search, data reconciliation, content collaboration and business intelligence/data warehousing. As part of this offering, we certify interoperability of the product with standard products.

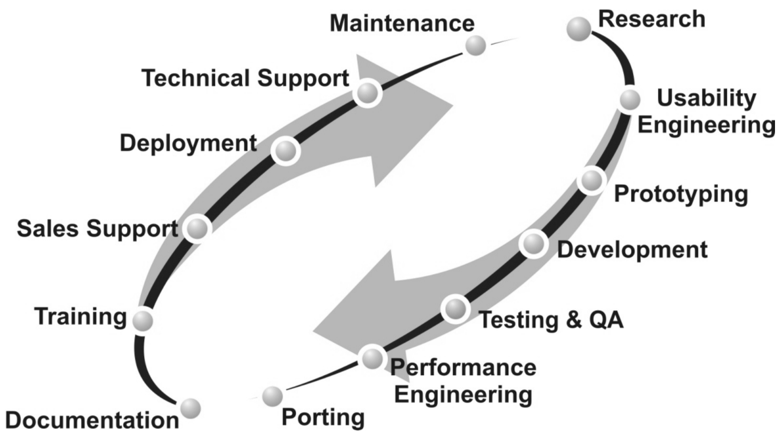
Email Migration Tools: Our e2G migratory tool is designed to migrate email and calendar data from one email server platform to the others. It is also used to provision users on target platform.

Source Code Migration Tool: We have built tools to migrate source code and version history between different version control systems.

Supply Chain Collaboration: Supply chain collaboration is a web-based supply chain application that enables real-time supply chain management and control. It works by enhancing the ERP system's capabilities by offering collaborative process management and business analytics capabilities to the entire supply chain and seeks to seamlessly integrate information from the ERP system to other applications. We built this product on a collaborative basis from 1996 to 2005, and subsequently acquired the rights to support the existing customers of this product after our collaborator ceased business activity in 2005.

Our Services across the Product Engineering Lifecycle

We provide a comprehensive range of services for our customers across all phases of the product engineering life-cycle. We design, develop, test, provide quality assurance, deploy, support and maintain software systems and solutions for our customers. We also create new custom applications, enhance the functionality of our customers' existing software products, and participate in the release of new product versions.



Specific services include:

1. **Research:** Through participation in conferences, trade shows, beta testing programs, partnerships with product companies, and regular review of industry-specific publications, our research team track technology and new developments in the software industry on a continuous basis. This enables us to stay on the cutting-edge and help our customers incorporate new ideas into products.

2. **Usability Engineering**: We provide in-lab and remote usability testing and engineering services as a premium offering to our customers.

3. **Prototyping:** Prototyping is the process of modelling, where we create either throw-away or reusable software pieces that are used to provide customers with a 'first-look' at how the final product will look. Over the years we have developed expertise in rapid prototyping. Also, through our competency center we regularly invest in building expertise in upcoming technologies, we have created an in-house pool of prototypes in various domains to speed up any future development in those areas.

4. **Development:** We provide software development services for our customers. We either take complete ownership for an entire software product, or portion of a product, or we operate as an extended software engineering arm of

our customers. We work with various product development methodologies based on the nature of the product, the stage of the product in the product lifecycle and clients' requirements. We follow Persistent Standard Software Processes that are tuned for delivering products efficiently in an offshore-centric environment. We have a group of technical/domain experts, who help us ensure the quality and scalability of the product.

5. **Testing and quality assurance:** Testing is a critical part of the product development lifecycle. We offer process consulting, testing and test automation services for products in different domains. Our capabilities include performing a wide range of testing services including functionality, and user interface, load/performance, regression, compliance, internationalisation, security and usability. We have invested in building test frameworks and test facilities. We have set-up alliances with some of the leading testing tool vendors. Our independent verification and validation center leverages our test lab and the expertise on various test tools and products to ensure end-to-end testing of the product.

6. **Porting:** This is the process of adapting software so that an executable program be created for a computing environment that is different from the one for which it was originally designed. We help re-evaluate business needs, visualise product architecture and re-engineer the product on newer technologies. Our re-engineering services follow a well-defined process that ensures smooth transition to the newer platform, thus minimising risk to the business. We offer complete product re-engineering services.

7. **Documentation:** We provide our customers with user guides and support documentation in connection with the systems we implement. Our technical publications team includes the synergy of technical writers, graphics designers and translators.

8. **Training:** We develop comprehensive training materials for the products we build.

9. **Sales support, product deployment and technical support:** We provide our customers with wide-ranging pre-sales, deployment and after-sales support. We provide our customers with flexible teams to deploy and integrate with their customers' systems.

10. **Maintenance:** We have long-term contracts to provide maintenance services to enhance and optimise deployed software, to correct defects and deficiencies found during field usage as well to add new functionality to improve the software usability and applicability.

11. **Performance engineering:** We provide performance engineering services to our customers as a premium or value-added services offering. The spectrum of our performance engineering services include: performance evaluation, benchmarking, characterisation, optimisation, capacity planning and sizing, modelling, simulation, architecture and design review.

Our competency centers

Staying at the forefront of technology and industry knowledge is essential for our success. We have established nine competency centers that are cross-functional teams that continually investigate new technologies and develop capabilities to differentiate, support and promote our core businesses. Our competency centers are organised around three areas of expertise: (i) domain-based; (ii) product engineering; and (iii) platform expertise.

Domain-based expertise: Our telecom, life sciences, embedded technology and analytics and data infrastructure competency centers are focused on building specific domain-based expertise, and harnessing and leveraging our experience and tools across firms within each focus industry. We hire domain experts in these areas and have collaborations with research groups in universities and research laboratories.

1. ***Telecom and Wireless Competency Center***

We offer software solutions to telecom product development companies and carriers across both wireless and wireline industries. Our team is equipped with in-depth knowledge and expertise of existing and emerging telecom technologies and business practices. In Fiscal 2008, we generated 25.57% of our revenues from telecommunications customers. In order to channel our competency in the telecommunication and wireless area, we instituted a telecom and wireless competency center that has four focus areas: voice and data networks, mobile and wireless, convergence and Internet Protocol Mutimedia Subsystem (IMS) and operations support systems.

2. *Life Sciences Competency Center*

Our life sciences competency center focuses on systems biology, translational medicine, bioinformatics, laboratory informatics/automation and clinical research in informatics.

Over the last eight years, our life sciences competency center team has been providing solutions and tools for systems biologists, medical researchers, bioinformatics personnel and other life scientists to analyse, integrate and disseminate data. In Fiscal 2008, we generated 8.71% of our revenues from life science customers.

Our core technological expertise of the life sciences competency center includes: data management, integration and warehousing; data analysis – algorithms and visualisation; data curation (automaton of pipeline); workflow, automation – laboratory information management system ("LIMS"); web-based portals and web services; and connectors to interface with third party applications.

3. *Analytics and Data Infrastructure Competency Center*

Our analytics and data infrastructure competency center comprises a team dedicated to the development of applications and technologies that are used to gather, provide access to, and analyse data and information about, company operations. These technologies help companies to gain comprehensive knowledge of the factors affecting their business, thus allowing them to make better business decisions.

We offer customers complete analytics and data infrastructure solutions or components that can be adapted to current platforms. We have expertise in the creation of custom complete analytics and data infrastructure applications. In addition, our familiarity with off-the-shelf tools allows us to assist customers to select the appropriate business intelligence suite for their needs.

4. *Embedded Systems Competency Center*

We have established an embedded system competency center. We have comprehensive skills in providing embedded software and systems software solutions to our customers. Embedded software performs specific functions that are not under the control of the primary user and are completely encapsulated by the device it controls. An embedded system has specific requirements and performs pre-defined tasks, unlike a general-purpose personal computer. Many small products do not have operating systems and operate on a piece of embedded software called BIOS. We provide embedded software development services for different microprocessors and operating systems across different industries. We have developed embedded software for diverse products such as cell phones, set-top boxes, network routers, automotive collision detection systems, industrial robotic arms and electronic surveillance systems.

5. *Storage Competency Center*

Storage and virtualization are very important for any IT organization for running it efficiently and in cost effective manner. We have developed expertise in storage technologies to augment engineering capabilities of storage solution vendors. There are four focus areas for the storage competency center (i) data protection and archiving solutions; (ii) storage management software; (iii) storage performance engineering; and (iv) storage software test automation and validation. We offer services in all the above areas.

6. *Security Competency Center*

We have developed expertise across a range of security and identity management product suites such as IBM, SUN and Oracle. Our service offerings include, but are not limited to integration across heterogeneous systems, identity management and access solution deployments, provisioning solutions, certification and inter operability testing, vulnerability assessment and development for identity management and security features. The increase in number of threats and attacks both external and internal has prompted organizations to take effective control over their IT systems. We have service offerings targeted towards product vendors, enterprises, universities and system integrators.

7. *Software as a Service*

The software as a service (or on-demand) delivery model offers compelling advantages for ISVs in today's software applications and services market. We believe enterprises are adopting software as a service solution faster than any other software delivery model. Yet the challenges for ISVs are substantial when considering a move to software as a service delivery model. From revenue interruption to customer and data migration, the business challenges are as complex as the technical issues. We can help plan and/or accelerate the move to software as a service delivery model. We have helped our customers in software and services build software as service platforms as well as enable their applications for providing software as a service. This hands-on experience can help our customers migrate their products quickly and effectively.

We offer end to end services to do the software as a service deployment in stages to match the short, medium and long term goals of the ISV customer. This includes doing software service deployment in the early stages to all the way up to service creation and execution in later stages. This helps customers to plan their software as a service strategy as per their business needs and helps them move towards a software as a service delivery model.

Product Engineering Expertise: Our regular interaction with many of the leading software product companies combined with our processes has helped us develop broad based insight into development processes followed worldwide. Our experience in product engineering expertise is captured in our usability, performance, testing and validation competency centers. Through these competency centers we focus on delivering products and services that provide specific engineering solutions across industries.

1. ***Usability Engineering Competency Center***

Usability engineering is an approach to product development that incorporates direct user feedback throughout the development cycle in order to reduce costs and create products and tools that meet user needs. Usability activities are part of our overall user-centred design approach. Our usability engineering competency center encompasses a full range of goals-setting, user and task analysis, interface design, information architecture and usability evaluation activities that go into creating the user experience.

We see our focus on usability engineering as a strategic point of difference from our competitors and our goal is to make the user's interaction as intuitive as possible on all our products. We seek to be engaged early on in the product development process in order to fully understand the requirements for the product, which means a more functional product for the end users, less reworking costs for the development team and a greater return on investment for our customers.

2. ***Performance Engineering Competency Center***

Our performance engineering competency center focuses primarily on the delivery of performance engineering services that include:

Performance Modelling: Workload, system and user and simulation models, experimental design, benchmark design;
Performance Evaluation: Experiment setup, testbed definition and configuration, system instrumentation, measurement techniques and custom tool creation;
Performance Analysis: Bottleneck identification, factor analysis, scalability characterisation, capacity planning and sizing; and
Performance Optimisation: Algorithmic and architectural improvement, code optimisation, refactoring.

The center is comprised of a specialised team of performance engineers. Our areas of expertise for performance engineering include: database systems, query optimisation, communications protocols, network management, system administration and database analysis.

3. ***Validation and Verification Competency Center***

Testing and product validation is a very important phase of the product development life-cycle. Products cannot be shipped unless the product is validated across every single product development platform. We offer comprehensive services around product testing. We have invested in setting up a product testing laboratory where we have invested in computer hardware, software and tools. Our teams are trained on our testing methodology and on proprietary framework – Persistent Testing Automation Framework ("PTAF").

As part of the validation and verification competency center, we offer verification services such as requirements testing, architectural and design verification, functionality testing, usability testing, compatibility testing, compliance and certification testing, internationalisation testing – i18N/L10N testing.

Our domain-based competency centers help us in providing domain specific expertise for providing validation and verification.

Platform Expertise: Our platform expertise is embodied in our Microsoft and Java competency centers.

1. ***Microsoft Competency Center***

We work with Microsoft as a development partner and also work with other customers using Microsoft tools. We are Microsoft Certified Solution Providers. Our Microsoft Competency Center ("**MCC**") has been established to further enhance our capabilities with respect to Microsoft technologies. The MCC is focused on building competencies using Microsoft technologies in the following areas: data analytics and business intelligence, business solutions, Web 2.0, Visual Studio team systems, mobile, migration and porting. By utilising the resources in our MCC, we have been able deliver technology applications for end-user problems and provide real business value to our customers.

2. ***Java Competency Center***

Our Java Competency Center has an open source software focus. We believe that the use of open source software by independent software vendors ("ISV") is increasing and in recognition of this trend we have endeavoured to harness our experience through the Java Competency Center. Our focus is to help the customer minimise development costs by identifying integration opportunities for open source components, platforms and products. We also train our engineers on relevant skills such as reading open source code base, creating awareness on open source resources, being competent in relevant development platforms, and effectiveness in communication with open source developers. Additionally, we test and certify customer applications that have been created with open source software.

Our development and client service methods

We provide our customers flexible engagement and pricing models depending on (a) the stage of the customer – start-up or a mature organisation, (b) the phase of the product in the product maturity lifecycle – growth market, mature market and declining markets, (c) technology and domain requirements for building the product and (d) requirement across various stages of the product development life-cycle.

Pricing models include models that are linear with respect to the size of the team such as time and expenses or cost-plus. They could also be non-linear where there is no direct relationship with the size of the team such as (a) fixed price, (b) based on service level agreements, (c) based on share of profits on the sale of the product or (d) based on royalty streams.

Offshore development centers

We have leveraged our experience and expertise in OPD and have developed an 'Offshore Development Center' engagement model that has emerged as the business model of choice for many of our large and long-term customers. In this model, a dedicated core team is reserved exclusively for our client's project. This team is trained in the client's domain and technology area. Further, a process manual is formulated which reflects the standards, workflow, processes and methodologies, which are adapted for the client's offshore development center.

The offshore development center acts as an extension of our customer's team with joint responsibility over project priorities. The offshore development center benefits us and our customers by taking a long-term view of roadmaps and helping to retain product specific knowledge.

Our ODC model is structured to maximise our customers' returns on investment through:

1. Dedicated core team;
2. Flexible on-demand resources to handle growth;
3. On-demand technology, domain and function experts;
4. Access to our development tools, processes and methodologies; and
5. Access to our R&D team.

Competency based

We leverage our competency center for building products where new technologies and specific domain expertise is required. We provide our customers with teams that are already trained and can get on the job faster because of the investments that we have made in anticipating new technology needs in the future. For such projects, we are often able to license pre-built frameworks and technologies built by us.

Project based

Our customers may require us to staff a team as a one-off project. We provide flexibility to our customers to setup such teams to meet project specific requirements. These teams comprise of an appropriate mix of senior and junior resources with necessary expertise.

Our ability to create such teams at short notice helps us in getting these projects. Depending on the requirements, we are able to leverage our frameworks or charge premium for such services.

Persistent Standard Software Processes

We have an 18 year track record of successful product releases for our customers and have developed expertise and, we believe, a reputation for high quality work and timely completion. With our experience of working with some of the world's leading software product companies, we have innovated and customised software processes that are specifically tailored for OPD. Our internal process framework called Persistent Standard Software Process provides customers with seamless solutions in reduced timeframes, enabling them to achieve operating efficiencies and realise significant cost savings. Furthermore, our robust delivery model is flexible, so that it can be adapted to respond to our customers' objectives relating to critical issues such as scalability and security. Our systems and processes are scalable and allow us to manage our growth as well as to cope with a mix of large and small clients. We continue to evolve our delivery model and believe that our customer-oriented approach and ongoing refinements represent an important competitive advantage.

Agile software development methods

Where appropriate, we use agile software development methods, which are a set of work methods and tool boxes aimed at improving the ability to respond quickly to needs and requests from the market; cutting down waste and waiting periods. The agile software development method we employ is termed "Scrum". This method uses small, cross-functional teams, which are likened to the scrum formation in rugby.

The advantages of Scrum process development are: (1) reduced risks which are created by providing complete visibility and accountability at each stage of the product development lifecycle; and (2) automated build, test and quality review processes that improve quality and productivity.

Our sales and marketing

As of June 30, 2008, our sales, marketing and business development team consists of 70 people worldwide, about half of whom are based in the US. Our sales teams are divided into persons who engage in sales for generic products and persons who engage in focused sales efforts. We have offices in the U.S. in San Jose (California), Hartford (Connecticut), Naperville – Chicago (Illionis), Bellevue (Washington) Waltham – Boston (Massachusetts) and Princeton (New Jersey); in Canada (Ottawa and Vancouver); in Europe (Lothian in Scotland, UK and Amsterdam in the Netherlands); and in Asia (Singapore and Tokyo, Japan). We also work with external partners in The Netherlands, in Germany, in France and in China. Our Indian sales and marketing is undertaken from our headquarters in Pune.

Our sales, marketing and business development team is organised into five sub-groups.

1. The Pre-Sales team is responsible for architecture consulting and initiating new projects. Key members of this team are located in the U.S.
2. The Sales team is focused on acquiring new customers. The members of this team are located in the U.S., the UK and India.
3. The Marketing team includes marketing and PR professionals that focus on marketing, working with analysts and press, managing corporate communications and websites, managing webinars, attending trade-shows etc.
4. The Strategic Relationship Management team is focused on some of our large customers and is responsible for managing relationships and growth in key existing accounts.
5. The Business Development team is responsible for responding to proposals, managing alliances and liaisoning with the project execution teams to ensure success. The members of this team are predominantly based in India.

Our customer relationships

Our customers range from several global software companies to early-stage companies that are developing cutting-edge technology products.

We have long-standing relationships with most of our customers, built on our successful execution of prior engagements.

Our strategy is to seek new customers and at the same time secure additional engagements from existing customers by providing high quality services and cross-selling new services. The strength of our relationships has resulted in significant recurring revenue from existing customers. Our business from existing customers in Fiscal 2008, Fiscal 2007 and Fiscal 2006 accounted for 87.36%, 89.95% and 84.74% of our revenues, respectively.

We believe that our current capabilities and plans for the future place ensure that we are well positioned to attract and develop new customer relationships. Business from new customers is accepted upon consideration of factors such as alignment of capabilities and customer expectation, volume of business and future business, potential for close partnership with long-term association, and an analysis of upfront costs. We have added 194 new customers (net) since March 31, 2005.

The following table illustrates the concentration of our revenues among our top customers:

In Rs. million

	Fiscal 2008		Fiscal 2007		Fiscal 2006	
	Revenue	**% of Total Revenue**	**Revenue**	**% of Total Revenue**	**Revenue**	**% of Total Revenue**
Top Customer	350.29	8.25%	267.85	8.49%	187.97	8.68%
Top 5 Customers	1,145.55	26.96%	965.67	30.60%	842.76	38.93%
Top 10 Customers	1,634.54	38.47%	1,476.76	46.79%	1,272.45	58.78%

Our customers (as determined by annual billings) have been generally split evenly over the last three Fiscals by large customer (over US$3 million), medium sized customers (over US$1 million and less than US$3 million) and small customers (up to US$1 million).

The table below sets forth the number of customers in different categories on the basis of engagement size:

Category of Customers	Fiscal 2008	Fiscal 2007	Fiscal 2006
Large customers (over US$3 million per annum)	5	6	5
Medium customers (over US$1 million and less than US$3 million per annum)	20	14	9
Small customers (up to US$1 million per annum)	237	169	95
Total Number of Customers	**262**	**189**	**109**

The growth in the number of clients and revenue in each of the categories shown above reflects our strategy to expand our business from existing clients and grow new client business.

Geographic concentration

At present, the United States of America is the single largest market for software products in the world and remains our largest customer concentration, accounting for Rs. 3,722.52 million, or 87.62%, of sales in Fiscal 2008. In Fiscal 2008, we worked with clients in the United States, Canada, Norway, Sweden, Netherlands, France, Germany, Ireland, the United Kingdom, India, Japan, New Zealand, Australia and Singapore.

In Rs. million

	Fiscal 2008		Fiscal 2007		Fiscal 2006	
	Revenue	**% of Total Revenue**	**Revenue**	**% of Total Revenue**	**Revenue**	**% of Total Revenue**
USA	3,722.52	87.62%	2,913.22	92.30%	1,903.92	87.95%
Europe	369.55	8.70%	200.48	6.35%	165.50	7.64%
Asia Pacific	156.44	3.68%	42.57	1.35%	95.46	4.41%

region*

** Asia Pacific region comprises: India, Japan, Singapore and Australia.*

Our employees

We believe that our ability to maintain growth depends to a large extent on our strength in attracting, training, motivating and retaining employees. We employed 4,051 people as of June 30, 2008. We operate in 5 major cities in India, which enables us to recruit technology professionals from different parts of the country. The key elements of our people management strategy include:

Recruitment (talent acquisition) and training

As of June 30, 2008, 71.96% of our 4,051 employees had attained a bachelor's degree in a technical subject such as engineering or computer applications of which 6.25% had also attained post-graduate degrees, including doctorates, in a variety of technical disciplines.

Our talent acquisition philosophy is to recruit for attitude, train for skill and develop for leadership roles. We recruit talent from premier universities, colleges and institutes in India, including the Indian Institutes of Technology (IITs), Regional Engineering Colleges (RECs) as well as from some of the leading IT companies in India and overseas. Our rigorous selection process includes technical tests, programming tasks and interviews. We have a similarly competitive recruitment program for our lateral hires. All new hires are inducted into our organisation through a structured program, which involves extensive training as well as mentoring.

We devote significant resources to training our employees. The training department, which has 20 dedicated employees as of June 30, 2008, is responsible for coordinating and conducting training sessions for our employees. Apart from technical-oriented learning, we also provide leadership and language training. For each employee, we plan a minimum of seven working days of training per year. We track the effectiveness of our training programs by conducting surveys within our organisation. Our training initiatives provide us with a pool of qualified employees, which in turn affords us the flexibility to ramp-up resources to meet the demands of particular projects and to redeploy our personnel across projects according to our business needs.

Retention

Our human resources and compensation practices proactively address the factors that impact retention. These practices include regular salary reviews, skill and performance related bonuses, established procedures, rotation into growth opportunities, and the adoption of employee stock option plans. We believe that our comprehensive rewards and recognitions programs and opportunities for job rotation across technologies, industries and locations helps to ensure that our employees are motivated and performance oriented.

Our average attrition rates were 21.21% and 22.45% in Fiscal 2008 and Fiscal 2007, respectively. We define attrition as the ratio of the number of people who have left us during a Fiscal to the total number of people that are on our payroll at the end of that Fiscal.

Culture: high performance and high caring

We focus on performance management rather than just reviewing performance though performance appraisals, providing input on leadership qualities, mentoring and periodic reviews for career alignment and planning. Our goal is to provide challenging work profiles for our employees and to align their aspirations with those of the Company.

We also make a point of providing pastoral care for employees through the provision of medical and health insurance schemes, flexible working hours, emergency loans and an established procedure for handling grievances, personal difficulties and emergencies.

Compensation

Our software professionals currently receive salaries and benefits, which we believe are competitive in the industry. Additionally, consistent with our corporate cultural of collective ownership, we grant stock options to our employees.

Competition

The market for both IT Services is highly competitive and rapidly evolving. We primarily face competition from the large Indian IT services companies as well as international technology services companies which offer broad-based services, offshore captive centers of global corporations and technology firms, offshore OPD specialists and niche OPD vendors. We anticipate this competition to continue to grow as the demand for these services increases and we also expect additional companies to enter the Indian market. We expect that further competition will increase and potentially include firms in countries with lower personnel costs than those prevailing in India. Clients that presently outsource a significant proportion of their IT service requirements to vendors in India may seek to reduce their dependence on one country and outsource work to other offshore destinations such as China, Russia and Eastern European countries.

Insurance

We have taken insurance policies with various insurance companies covering certain risks in relation to our business and our people. We have taken group personal accident and advertising injury insurance and group medical insurance policies for the benefit of our people covering risks against bodily injuries. We have also taken commercial general liability insurance to cover against risks of damage to our property, including fire damage. We have taken a product, completed operations and related professional services liability insurance policy covering certain claims arising out of any negligent act, error or omission occurring during the course of employment including claims arising out of intellectual property infringements (excluding patent infringements). In addition, our directors and officers are covered under a directors and officers' liability insurance policy and our Chairman and Managing Director is covered under a key man insurance policy. For more information, see "Risk Factors" on page xii.

Our intellectual property

We have intellectual property rights that we seek to protect to the fullest extent practicable. We believe that we are not dependent on any of our intellectual property rights individually, although, they may collectively be of material significance to our business.

In the course of our research and development activities, we create a range of intellectual property which we attempt to protect through patent and copyright protection, confidentiality procedures and contractual provisions. We seek patent protection for certain of the inventions which we develop.

In furtherance of the above, we have applied for a patent registration for "System and Method for Inferring a Network of Associations" and "System and Method for Network Association Inference, Validation and Pruning based on Integrated Constraints from Diverse Data" in India under the Patent Act, 1970 and have made an application for the same invention under the Patent Cooperation Treaty in several jurisdiction.

Being engaged in the business of providing software services, we have applied for registrations of various trademarks under Classes 9, 16 and 42.

We have applied for registration of marks 'PERSISTENT', 'PERSISTENT SYSTEMS' and the Persistent logo in India. Of these, we have received registration in some of the classes while the registration under certain other classes is awaited. We also have applied for registrations of trademarks 'ENLIST', 'ENQUIRE', 'ENSURE', 'PINE', 'GET TO LIVE', 'KEEP IT ALIVE', 'PRIMe', 'GO TO LIVE' for which we have received registration in some of the classes while the registration under certain other classes is awaited.

We have received registrations of trademarks 'PERSISTENT', 'PERSISTENT SYSTEMS' and the Persistent logo in Japan and European Union in Classes 9, 16 and 42.

We have received registrations of trademark 'PERSISTENT SYSTEMS' in Singapore in Classes 16 while registrations of trademark 'PERSISTENT SYSTEMS' in Singapore in Classes 9 and 42 is awaited.

We have made applications with the US Patent and Trademark Office for registration of the trademark 'PERSISTENT', 'PERSISTENT SYSTEMS' and the Persistent logo. The US Patent and Trademark Office has refused registration of the trademark on grounds of there being a likelihood of confusion with a registered mark and has required us to provide a more specifc description of goods and services upon the reciept of which the registration of the above marks may be allowed..

We have also made applications for the registrations of copyright in software works created by our Company.

We require our people and sub-contractors to enter into non-disclosure and assignment of rights arrangements to limit access to and distribution of our clients' proprietary and confidential information as well as our own.

Contracts with our clients typically require us to comply with certain security obligations including maintenance of network security, back-up of data, ensuring our network is virus free and verifying the credentials of our people that work with our clients. We cannot assure you that we will be able to comply with all such obligations and not incur any liability. For more information, see “Risk Factors” on page xii.

Although we believe that our intellectual property rights do not infringe on the intellectual property rights of any other party, infringement claims may be asserted against us in the future. There are currently two pending intellectual property claims against us. The Company is opposing the claims in both cases. For more information, see “Risk Factors” on page xii and “Outstanding Litigation and Defaults” on page 197.

Facilities and properties

Our Registered Office is located in our Bhageerath premises in Pune, India. We own this facility, which provides a modern workspace for approximately 550 individuals, which are linked electronically to our other facilities throughout India.

We also have facilities in technology centers located in Pune, Nagpur, Bangalore, Hyderabad and Goa, with further facilities under construction in both Nagpur and Hinjewadi. For details in relation to the same refer to Objects of the Issue on page 34.

Each of our above facilities is equipped with computers, servers, telecommunications lines and back-up electricity generation facilities sufficient to ensure an uninterrupted power supply.

Our locations in India are as follows

No.	Property	Status of Title
1.	Bhageerath, Pune	Owned
2.	Panini, Pune	Owned
3.	Kapilvastu, Pune	Owned
4.	Aryabhata-Pingala, Pune	Conveyance pending, Completion and Occupation Certificate pending*
5.	Goa	Land under lease from Electronics Corporation of Goa Limited
6.	Nagpur	Under license from the MIDC pending execution of lease agreement
7.	Hinjewadi, Pune	Under license from the MIDC pending execution of lease agreement
8.	Hyderabad	Leased

* For information regarding non-receipt of the completeion certificate for this property, see “Risk Factors” on page xii

REGULATIONS AND POLICIES

The following description is a summary of the relevant regulations and policies as prescribed by the Government of India, Government of Maharashtra, Karnataka, Andhra Pradesh, Goa, certain international treaties and conventions to which India is a signatory and the respective bye laws framed by the local bodies incorporated under the laws of India. The information detailed in this chapter has been obtained from the various legislations, international treaties and conventions, and the bye laws of the respective local authorities that are available in the public domain.

Intellectual property

Our intellectual property includes our registered intellectual property rights, including patents and patent applications made by us in relation to various inventive products and processes and registered, as well as unregistered rights in intellectual property including copyrights in relation to software. The salient features of the legal regime governing the acquisition and protection of intellectual property in India are briefly outlined below.

Patent protection

The Patents Act, 1970 ("Patents Act") is the primary legislation governing patent protection in India.

In addition to broadly requiring that an invention satisfy the requirements of novelty, utility and non obviousness in order for it to avail patent protection, the Patents Act further provides that patent protection may not be granted to certain specified types of inventions and materials even if they satisfy the above criteria. The term of a patent granted under the Patents Act is for a period of twenty years from the date of filing of application for the patent.

The Patents Act deems that computer programs per se are not `inventions' and are therefore, not entitled to patent protection. This position was diluted by The Patents Amendment Ordinance, 2004, which included as patentable subject matter:

1. Technical applications of computer programs to industry; and
2. Combinations of computer programs with the hardware.

However, the Patents Amendment Act, 2005, does not include this specific amendment and consequently, the Patents Act, as it currently stands, disentitles computer programs *per se* from patent protection.

The public use or publication of an invention prior to the making of an application for a patent, may disentitle the said invention to patent protection on grounds of lack of novelty. Under the Patents Act, an invention will be regarded as having ceased to be novel (and hence not patentable), inter alia, by the existence of:

1. any earlier patent on such invention in any country;
2. prior publication of information relating to such invention;
3. an earlier product showing the same invention; or
4. a prior disclosure or use of the invention that is sought to be patented

Following its amendment by the Patents Amendment Act, 2005, the Patents Act permits opposition to grant of a patent to be made, both pre-grant and post-grant. The grounds for such patent opposition proceedings, *inter alia,* include lack of novelty, inventiveness and industrial applicability, non-disclosure or incorrect mention of source and geographical origin of biological material used in the invention and anticipation of invention by knowledge (oral or otherwise) available within any local or indigenous community in India or elsewhere.
The Patents Act also prohibits any person resident in India from applying for patent for an invention outside India without making an application for the invention in India. Following a patent application in India, a resident must wait for six weeks prior to making a foreign application or may obtain the written permission of the Controller of Patents to make foreign applications prior to this six week period. The Controller of Patents is required to obtain the prior consent of the Central Government before granting any such permission in respect of inventions relevant for defence purpose or atomic energy.

This prohibition on foreign applications does not apply, however, to an invention for which a patent application has first been filed in a country outside India by a person resident outside India.

International patent protection mechanisms

The extent of patent protection granted by any national patent law is limited to the jurisdiction of the country of registration of the said patent. Therefore, the protection of patents on an international scale ordinarily requires that patent applications be filed and granted in multiple jurisdictions. In order to avoid multiplicity of applications, mechanisms under various international treaties have evolved providing for the effective filing of simultaneous patent applications in multiple jurisdictions by filing of a single international application. The Patent Co-operation Treaty, 1970, ("PCT") creates one such mechanism whereby filing an application under the PCT results in the effective filing of a separate application in each of several designated countries under the PCT.

An application under the PCT procedure is processed in two phases, i.e.:

1. an international phase wherein an international application is filed in the International Bureau; and
2. a national phase consisting of the conversion of the application into national patent applications in designated countries.

A PCT application may be filed by a national or resident of a state which is a signatory to the PCT at the patent office of such state at the WIPO International Bureau. At the filing stage, the applicant indicates those contracting states in which he wishes his application to form an effective filing. Upon filing, the invention, which is claimed under the application, is subjected to an "international search" which is carried out by an International Searching Authority identified by the patent filing office. In the event that the international search results in any evidence of prior art, which resembles the claim being searched for, the applicant has the option to either withdraw his application, or defend the claim at the national level with each national patent office. If the application is not withdrawn, it is published in the International Bureau along with the international search report and communicated to the patent office in each designated country. Subsequently, upon the applicant electing to do so, patent applications are submitted to the national phase wherein the claimed invention is examined by the national patent offices of the designated countries for grant of the patent.

Another international treaty governing international patent protection is the Paris Convention for the Protection of Industrial Property, 1883 (the "Paris Convention"). The Paris Convention requires its member countries to guarantee to the citizens of the other countries the same rights in patent and trademark matters that it gives to its own citizens. Further, in case of patent filings in multiple jurisdictions, this treaty grants a right of priority to the applicant which means that the applicant who has filed an application in any contracting states, may apply for protection in any other contracting states within 12 months and claim priority over other applications which have been filed by other applicants during the said 12 months period.

Copyright protection

The Copyright Act, 1957 ("Copyright Act") governs copyright protection in India. Under the Copyright Act, copyright may subsist in original literary, dramatic, musical or artistic works, cinematograph films, and sound recordings. Software, both in source and object code, constitutes a literary work under Indian law and is afforded copyright protection. Following the issuance of the International Copyright Order, 1999, subject to certain exceptions, the provisions of the Copyright Act apply to nationals of all member states of the World Trade Organisation.

While copyright registration is not a prerequisite for acquiring or enforcing a copyright in an otherwise copyrightable work, registration constitutes prima facie evidence of the particulars entered therein and creates a rebuttable presumption favouring the ownership of the copyright by the registered owner. Copyright registration may expedite infringement proceedings and reduce delay caused due to evidentiary considerations. Once registered, copyright protection of a work lasts for a sixty years period following the demise of the author.

Reproduction of a copyrighted work for sale or hire, issuing of copies to the public, performance or exhibition in public, making a translation of the work, making an adaptation of the work and making a cinematograph film of the work without consent of the owner of copyright are all acts which expressly amount to an infringement of copyright. With respect to computer software, in addition to the above, any unauthorised sale and commercial rental of software also amount to infringement of copyright. The Copyright Act also prescribes certain fair use exceptions which permit certain acts, which are otherwise considered copyright infringement. In respect of computer software, these fair use exceptions would include:

1. the making of copies or adaptations of a computer program by the lawful possessor of a copy of such computer program in order that it may be utilised for the purposes for which it was supplied;
2. the right of the lawful possessor to obtain any other essential information for interoperability of an independently created computer program, if that information is not otherwise readily available;
3. the observation, study, or test of functioning of the computer program in order to determine the ideas and principle which underline any elements of the program while performing such acts necessary for the functions for which the

computer program is supplied; and
4. the making of copies or adapting the computer program from a personal legally obtained copy for any non-commercial personal use.

The remedies available in the event of infringement of copyright under the Copyright Act include civil proceedings for damages, account of profits, injunction and the delivery of the infringing copies to the copyright owner.

The Copyright Act also provides for criminal remedies including imprisonment of the accused and the imposition of fines and seizures of infringing copies. A third set of remedies are administrative or quasi judicial remedies, which are prosecuted before the Registrar of Copyright to ban the import of infringing copies into India and the confiscation of infringing copies.

International treaties for copyright protection

India is a signatory to the Convention of International Union for the Protection of Literary and Artistic Works (the "Berne Convention"), the Universal Copyright Convention, 1952, (the "UCC") the Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organisations, 1961 and as a member of the World Trade Organisation is a signatory to the Agreement on Trade Related aspects of Intellectual Property Rights (the "TRIPS Agreement"). The TRIPS Agreement embodies a set of minimum standards that all signatories have to adhere to in respect of all forms of intellectual property protection, including copyright.

The Berne Convention requires that the signatory countries provide the same rights to foreigners from other member countries as to their own nationals and mandates automatic protection not subject to procedural formalities. It also provides for minimum substantive standards of protection, dealing with the duration of copyright and the exclusive rights which the author shall hold. While the Berne Convention does not prescribe what works are required to be protected under it, computer software has been brought under its purview by means of Article 10 of the TRIPS Agreement.

The UCC provides for similar protection, including national treatment and minimum substantive rights to be granted to copyright holders. The substantive provisions include the right of foreign national of a signatory country whose work was first published outside a signatory state to claim copyright protection in that signatory state under the UCC upon the printing of a copyright symbol and certain other information.

Trademarks

The Trade Marks Act, 1999 (the "Trade Marks Act") governs the statutory protection of trademarks in India.

Indian trademarks law permits registration of trademarks for goods and services. Certification trademarks and collective marks are also registrable under the Trade Marks Act.

An application for trademark registration may be made by any person claiming to be the proprietor of a trademark and can be made on the basis of either current use or intention to use a trademark in the future. The registration of certain types of trade marks are absolutely prohibited, including trademarks that are not distinctive and which indicate the kind or quality of the goods.

Applications for a trademark registration may be made for in one or more classes. Once granted, trademark registration is valid for ten years, unless cancelled. The registration can be renewed for further period of ten years. If not renewed after ten years, the mark lapses and the registration for such mark has to be obtained afresh.

While both registered and unregistered trademarks are protected under Indian law, the registration of trademarks offers significant advantages to the registered owner, particularly with respect to proving infringement. Registered trademarks may be protected by means of an action for infringement, whereas unregistered trademarks may only be protected by means of the common law remedy of passing off. In case of the latter, the plaintiff must, prior to proving passing off, first prove that he is the owner of the trademark concerned. In contrast, the owner of a registered trademark is prima facie regarded as the owner of the mark by virtue of the registration obtained.

Trade secrets and confidential information

In India, trade secrets and confidential information enjoy no special statutory protection and are protected under Common Law.

The Software Technology Parks Scheme ("STP Scheme")

The STP Scheme was introduced by the Government of India with the objective of encouraging, promoting and boosting the software exports from India.

The STP Scheme provides infrastructure such as data communication facilities, operational space, common amenities, single window clearances and approvals including project approvals, import certification and other facilities to boost software exports from India. In addition to the infrastructure support, an STP unit enjoys the following Fiscal benefits, rendering it attractive for entrepreneurs:

1. All hardware and software imports are exempt from customs duties;
2. A STP unit is exempt from payment of corporate tax upto Fiscal 2010;
3. Domestic purchases by STP units are eligible for the benefit of deemed exports to suppliers;
4. Capital goods purchased from the domestic tariff area (an area within India but outside a notified STP) are entitled for exemption from excise duty and reimbursement of central sales tax;
5. The sales in the domestic tariff area shall be permissible upto 50% of the export in value terms;
6. 100% depreciation on capital goods over a period of five years.

Many state governments have also added to the basket of incentives by providing for low rates of sales tax on products in the information technology sector, besides providing concessional tariff on electricity.

Setting up an STP unit

In order to avail the benefits as envisaged by the Government of India, a company is required to register itself with the jurisdictional STPI (the body which administers the STP Scheme). The registration of a unit will normally be granted in about 25 days.

A company desirous of obtaining the STP registration is also required to obtain an Importer-Exporter Code from the Director General of Foreign Trade. Upon approval of the application, a company is required to execute an agreement with the STPI agreeing to comply with conditions prescribed in the STP approval, *inter alia* the export obligations and customs bonding of the premises.

Private warehouse license

Following the approval under the STP, a company is required to obtain an approval from the Customs authorities for setting up a Private Bonded Warehouse and also an In-Bond Manufacturing order to store the Capital goods obtained free of Customs / Excise duty and to carry on the manufacture of computer software.

Compliances under the Scheme

The principal compliance required of a company accorded approval under the STP Scheme is the fulfilment of the export obligation. Additionally, the unit is required to file monthly, quarterly and annual returns to STPI in the nature of a performance report indicating the export performance and the CIF value of imported goods and foreign currency spent on incidental expenses.

State level incentives, waivers and subsidies

Most state governments in India have announced special promotional schemes offering various packages of tax, financial and other incentives and procedural waivers for the IT-ITES sector. Despite these schemes being made at the state government, there is a fair degree of uniformity across states, as they are mainly modelled on the basis of the schemes existing in other states, where the same had been successful. These schemes focus on the key issues of infrastructure, electronic governance, IT education and increased IT proliferation in the respective states.

Incentives offered to promote IT-ITES in India

To promote the growth of IT-ITES in India, the central and state governments have introduced a range of incentives, concessions, subsidies and simplification of procedural requirements for companies operating in India. These include relaxation of policies relating to inbound and outbound investments, exchange control relaxations, incentives for units located in a Domestic Tariff Area (DTA) or under Export Oriented Units (EOU) / Software Technology Parks (STPs)/Special Economic Zones (SEZs) and Electronic Hardware Technology Park (EHTP) schemes; and state level incentives, waivers and subsidies.

Relaxation of policies relating to inbound investments

India's economic policies are designed to attract significant capital inflows into India on a sustained basis and to encourage technology collaborations between Indian and foreign entities.

The government has permitted up to 100 per cent foreign investments in the IT sector, through the automatic route. Accordingly, unlike some other sectors, a foreign investor is not required to seek active support of joint venture partners for investing in a new IT-ITES venture.

Information technology laws

Information Technology Act, 2000 (the "Act") is principally based on the UNCITRAL model law. The object is to give effect to the resolution of the United Nations which recommended giving favourable consideration to the said model law while enacting or revising their laws so that uniformity of law, applicable to the alternatives to the paper based methods of communication and storage of information is achieved. It's other object is to promote efficient delivery of government services by means of reliable electronic records. It therefore provides for:

1. Legal recognition for transactions carried out by means of electronic data interchange and other means for electronic communication, commonly referred to as "electronic commerce", which involve the use of alternatives to paper based methods of communication and storage of information;

2. Facilitating electronic filing of documents with the government agencies and for matters connected therewith or incidental thereto.

The Act regulates Information Technology i.e. it governs information storage, processing and communication. The use of modern means of communications such as E-mail and electronic data interchange has been rapidly increasing. However, the communication of legally significant information in the form of paperless messages may be hindered by legal obstacles to the use of such messages, or uncertainty to their legal effect and validity. The purpose of the Act is to remove such obstacles and to create a more secure legal environment for what has now become known as "electronic commerce". The Act provides legal recognition of electronic records and electronic signatures, their use, retention, attribution and security. Penalties are provided for cyber crimes which include tampering with computer source document and electronic publishing of obscene information, in addition to provision of compensation in certain cases. The Act also provides punishment for offences committed outside India if the act involves a computer system or computer network outside India.

The Act facilitates revolution of e-commerce, provides a legal framework to digital documents and helps in preventing cyber crimes. In a nutshell, the Act provides for:

1. Legal recognition of electronic record;
2. Admissibility of electronic data/evidence in courts;
3. Legal acceptance of digital signatures;
4. Punishment for Cyber obscenity and crimes; Establishment of a Cyber Regulatory Advisory Committee and a Cyber Regulatory Appellate Tribunal.

Major applicable labour laws

There are various legislations in India which have defined `employee' and `workman' based on factors which *inter alia* include nature of work and remuneration. People who come under the definition of workman or employee are entitled to various statutory benefits including gratuity, bonus, retirement benefits and insurance protection.

Termination of the employment of a non-workman is governed by the terms of the relevant employment contract. As regards a `workman', the Industrial Disputes Act, 1947 sets out certain requirements in relation to the termination of services. These include a detailed procedure prescribed for resolution of disputes with labour, removal and certain financial obligations upon retrenchment. The applicability of such laws depends on the number of workers employed and their monthly remuneration.

Shops and commercial establishments legislation

The conditions of service of employees of IT companies are regulated, *inter alia,* by the relevant shops and establishments law.

Bombay Shops and Commercial Establishments Act, 1961

The Bombay Shops and Commercial Establishments Act, 1961 provides for the regulation of the conditions of work and employment in shops and commercial establishments. With a view to achieve this, it prescribes regulations in relation to hours of work, annual leave, wages, employment of women, maintenance of records etc.

The provisions of Karnataka Shops and Commercial Establishments Act, 1961, Andhra Pradesh Shops and Establishments Act, 1988, and Goa, Daman & Diu Shops and Establishments Act, 1973 contain similar provisions on the lines of those contained in Bombay Shops and Commercial Establishments Act, 1961.

Safety of women

Under the Shops and Commercial Establishments Act as it existed prior to the 2002 amendment, women were prohibited from working in night shifts. However, a relaxation was provided to information technology and information technology enabled services establishments from compliance with this provision subject to prior approval from the labour department and adherence to guidelines framed by the department in this respect.

Accordingly, the labour department has issued guidelines which seek to clearly define the level and nature of security arrangements to be provided for women employed during the night in the IT/ITES sector. The guidelines provide, *inter alia,* for establishment of a control room to monitor the movement of vehicles, posting of adequate female security guards, verification of antecedents of drivers etc to ensure the safety and security of women employees working on night shifts.

In addition to the above, pursuant to a decision of the Supreme Court, certain mandatory obligations have been imposed on employers in work places to prevent occurrence of sexual harassment. These include, *inter alia,* the setting up of an appropriate complaint mechanism for speedy redressal of complaints relating to sexual harassment.

Employees State Insurance Act, 1948

The Employees State Insurance Act, 1948 (the "ESI Act") provides for certain benefits to employees in case of sickness, maternity and employment injury. All employees in establishments covered by the ESI Act are required to be insured, with an obligation imposed on the employer to make certain contributions in relation thereto. In addition, the employer is also required to register itself under the ESI Act and maintain prescribed records and registers.

Payment of Gratuity Act, 1972

The Payment of Gratuity Act, 1972 provides for payment of gratuity to employees employed in factories, shops and other establishments who have put in a continuous service of five years, in the event of their superannuation, retirement, resignation, death or disablement due to accidents or diseases. The rule of `five year continuous service' is however relaxed in case of death or disablement of an employee. Gratuity is calculated at the rate of 15 days wages for every completed year of service with the employer. Presently, an employer is obliged for a maximum gratuity payout of Rs. 350,000 for an employee.

Payment of Bonus Act, 1965

Pursuant to the Payment of Bonus Act, 1965, as amended (the "Bonus Act"), an employee in a factory or in any establishment where 20 or more persons are employed on any day during an accounting year, who has worked for at least 30 working days in a year is eligible to be paid a bonus. Contravention of the provisions of the Bonus Act by a company is punishable with imprisonment or a fine, against persons in charge of, and responsible to the company for the conduct of the business of the company at the time of contravention.

Employees Provident Fund and Miscellaneous Provisions Act, 1952

The Employees Provident Fund and Miscellaneous Provisions Act, 1952 (the "EPF Act") provides for the institution of compulsory provident fund, pension fund and deposit linked insurance funds for the benefit of employees in factories and other establishments. A liability is placed both on the employer and the employee to make certain contributions to the funds mentioned above.

The Maternity Benefit Act, 1961

The purpose of the Maternity Benefit Act, 1961 is to regulate the employment of pregnant women and to ensure that they get paid leave for a specified period during and after their pregnancy. It provides, inter alia, for payment of maternity benefits, medical bonus and enacts prohibitions on dismissal, reduction of wages paid to pregnant women, etc.

Incentives granted under IT Policies of States in which the Company has operations

Maharashtra State Incentives:

The State of Maharashtra has formulated the Information Technology and Information Technology Enabled Services Policy, 2003, which remains effective till December 31, 2008. The scheme of incentives is as follows:

Electricity Tariffs & Concessions: Levy of power charges is at industrial rates and IT units have been notified as a special category of consumers. Round the clock reliable and quality power supply as well as exemption from statutory power cuts has been provided.

Waiver of Stamp Duty and Registration Fees: IT units in public IT Parks are 100% exempted from Stamp Duty and Registration fees. 75% exemption in Stamp duty can be obtained for IT units in private IT Parks. New IT units and expansions will be exempted from payment of Stamp Duty and Registration fees in C, D and D+ areas and No-Industry District(s). 90% exemption in stamp duty payment can be obtained from mergers, de-mergers and reconstruction of IT units all over the State.

Octroi / Entry Tax Exemption: The Government has directed all Municipal Corporations for exempting the capital goods and raw materials purchased or imported within the municipal limits by IT units from the levy of octroi / entry tax. Where any other levy is charged instead of or in lieu of octroi / entry tax, such charge will also be eligible for exemption as in the case of octroi.

Sales Tax on IT products: The Sales Tax rates on IT products maintained at the level of the minimum floor rate of 4% on all IT products and non-IT products essential for IT and ITES Units.

FSI incentives for IT Units: 100% additional Floor Space Index to all IT units in Public IT Parks and also grant of 100% additional FSI to units in private IT Park of specified sizes subject to payment certain premium.

Miscellaneous:

i. IT units are exempt from obtaining clearance of Maharashtra Pollution Control Board.
ii. Permission is granted to IT units for self-certification of reports and returns.
iii. IT units are granted relaxation from the applicability of the Industrial Disputes Act. 1947 and Contract Labour (Regulation and Abolition) Act, 1970 on par with Special Economic Zones.
iv. IT units are required to pay property tax on all their establishments, properties and premises at a rate on par with that of residential premises.
v. IT units will be issued permission to erect towers and antennae as part of building plan approval.
vi. Permission is granted to operate 365 days a year and 24 hours a day without any shift restrictions and general permission is also for three-shift operation with women working in the night.
vii. IT units are provided cost effective and reliable telecom connectivity throughout the state by the Government. Also IT units can leverage the unique advantage of low cost overseas connectivity available in the State.

Goa State Incentives:

The Goa IT Policy 2005 provides following various incentives to the IT sector.

1. IT industries, which are registered with the Info Tech Corporation of Goa (ITG), can avail all the incentives available under the Industrial Policy, 2003
2. Special incentives are available for projects with investments in IT/ ITES industry exceeding Rs. 50 crores or creating employment of more than 1000 in the case of IT and 1,500 in the case of ITES.
3. Employment incentive can be availed by such units at the rate of Rs. 15,000 per employee per annum. A maximum amount of Rs. 75 lakh per year is available per unit for a period of two years starting from the date of operation.
4. Reimbursement of the entire amount of Stamp duty can be made in case of purchase or lease of land and/or building in the notified IT Park or Goa Industrial Development Corporation (GIDC) industrial estates.

5. Grant of FAR (Floor Area Ratio) of 150 is also available.
6. Regular power supply is provided and grant of new connections and exemption from statutory power cuts are added incentives.
7. Rebate in power tariff and applicability of industrial category tariff
8. Subsidy of 25% on power consumption for a period of two years from the date of starting operation, after which, the normal rate is applicable for the next three years;
9. 25% capital subsidy on in-house back-up power plant subject to a maximum of Rs. 10 lakhs;
10. Subsidy of 25% on water consumption for a period of five years from the date of starting of operation;
11. IT/ ITES units, except those that are engaged in manufacture of hardware equipment, are exempted from the application of Goa Pollution Control Act.
12. Permission to operate 365 days a year and 24 hours a day is provided, without any shift restrictions. General permission is also granted for three-shift operation with women working in the night.
13. Self-certification is possible under the following legislations:
    i. The Factories Act, 1948
    ii. The Maternity benefits Act, 1961
    iii. The Contract Labour (Regulation and Abolition) Act, 1970
    iv. The Payment of Wages Act, 1936
    v. The Minimum Wages Act, 1948
    vi. The Employment Exchange (Compulsory Notification of Vacancies) Act, 1959

***Andhra Pradesh State Incentives*:**

In terms of the Industries/Industrial Policy 2005-2010 – Scheme of State Facilities/Incentives for setting up new industries in Andhra Pradesh – Order No.G.O.Ms.No.11 dated March 21, 2005, various incentives are prescribed for new Industrial units to be set up in the State. These incentives are available also to IT industry, IT services as also IT enabled services.

Apart form financial incentives, the State Government has also reviewed all the major Acts and Rules to regulate the IT industry and in most cases has either done away with these procedures completely or has permitted self-certification.

The following incentives are provided to IT companies:

1. 25% rebate in Power Tariff for a period of three years for small and medium enterprise limited to an amount of Rs. 30 lakhs subject to certain conditions.
2. IT Software units can avail industrial power tariff.
3. IT units are exempt from the purview of statutory power cuts.
4. Rebate in Cost of Land at rate of Rs. 20,000 per job created subject to certain conditions.
5. Exemption from payment of Sales Tax payable under the provisions of A. P. General Sales Tax Act, 1957.
6. Exemption from zoning regulations for purposes of location.
7. Self Certification under following legislations:
    i. Factories Act, 1948;
    ii. Employment Exchange (Compulsory Notification of Vacancies Act), 1959;
    iii. Payment of Wages Act, 1936;
    iv. Minimum Wages Act, 1948;
    v. Contract Labour (Regulation and Abolition) Act, 1970;
    vi. Maternity Benefits Act, 1961;
    vii. Andhra Pradesh Shops and Establishments Act, 1988;
8. General permission to run a three-shift operation with women working in the night.
9. Concessions in the form of 50% reimbursement of registration fee, Stamp Duty and Transfer of property duty for sale/ lease, lease-cum-sale of land/built-up space subject to fulfilment of prescribed conditions.
10. Exemption from the state specific pollution control legislation.

HISTORY AND CERTAIN CORPORATE MATTERS

Our Company was incorporated as Persistent Systems Private Limited on May 30, 1990. Our status was subsequently changed to a public limited company by a special resolution of the members passed at the EGM held on September 17, 2007. The fresh certificate of incorporation consequent on conversion was granted to our Company on September 28, 2007 by the RoC.

Our Company initially focused on research related activities until 1999 after which we began to widen our service capabilities with the objective of driving faster growth. We have been recognized as one of the leading technology companies in the Technology Fast 50 India 2006 program conducted by Deloitte Touche Tohmatsu, Asia Pacific. We are an outsourced software product development ("OPD") specialist, offering our customers the benefits of offshore delivery. We deliver services across all stages of the product life-cycle, which enables us to work with a wide-range of customers and allows us to develop, enhance and deploy our customers' software products. We have created an innovative suite of time-to-market accelerators and tools that give our customers a competitive advantage. Over the past five years, we have contributed to more than 2,000 product releases for our customers. Our comprehensive suite of service offerings allows us to attract new customers and expand existing customer relationships.

Change of registered office

Following are the details regarding shift of our Registered Office:

From	To	Date of Board Resolution
'Renuka' 39/54, Erandvana Lane 9 B, Prabhat Road Pune 411 004, India	'Panini' 2 A, Senapati Bapat Road Pune 411 016, India	May 5, 2000
'Panini' 2 A, Senapati Bapat Road Pune 411 016, India	'Bhageerath' 402, Senapati Bapat Road Pune 411 016, India	October 19, 2001

The above changes in the location of our registered office were carried out for administrative reasons.

Key events and milestones

Fiscal	Event
1990-91	Incorporation of Company on May 30, 1990
1998-99	Started operations at "Panini" new owned premises at Pune, India
1999-00	Introduced employees stock options scheme
2000-01	Investment by Intel 64 LLC
2001-02	Set up Persistent Systems, Inc. our wholly owned subsidiary in U.S.A.
2001-02	Appointed three Independent Directors on the Board
2001-02	Started operations at "Bhageerath" new state-of-the-art owned premises at Pune, India
2003-04	Set up a branch office at Edinburgh, Scotland, UK
2003-04	Development center at Nagpur, India became operational
2004-05	Joined Microsoft RFID partners council
2004-05	Set up a branch office at Tokyo, Japan
2005-06	Acquired Goa based ControlNet (India) Private Limited
2005-06	Started operations at Pingala-Aryabhata, new owned premises at Pune, India
2005-06	Joint investment by Norwest and Gabriel
2005-06	Investment by Intel Mauritius
2005-06	Set up a branch office at Bangalore, India
2006-07	Our Company became a 'Search Appliance Partner' for Google Inc.
2007-08	Our Company was converted into a public limited company by a special resolution passed at the EGM held on September 17, 2007. The fresh certificate of incorporation consequent on conversion was granted to our Company on September 28, 2007 by the RoC
2007-08	Signed an asset purchase and sale agreement with Metrikus (India) Private Limited, Hyderabad, India and accordingly set up Hyderabad branch office

Fiscal	Event
2007-08	Opened a branch office at Rotterdam, The Netherlands
2007-08	Formed a wholly owned subsidiary Persistent Systems Pte. Ltd. In Singapore
2007-08	Set up branch offices at Otawa and Vancouver, Canada
2007-08	Received an ISO27001:2005 Certification for Pune (except Hinjewadi), Nagpur and Goa units of the Company
2008-09	Formed a wholly owned subsidiary Persistent Systems and Solutions Limited in Pune, India

Our main objects

Our main objects enable us to carry on the business that is carried on and proposed to be carried on by us.

Our main objects as contained in our Memorandum are as follows:

To design, develop, manufacture, maintain, market, evaluate, benchmark, advice, consult, buy, sell, distribute, trade, deal in, import, export, lease, hire, educate in India or abroad in computer software, firmware & hardware systems and products for various applications covering mainly commercial, industrial, educational, scientific research, agricultural, medical and defence areas.

Awards and accreditations

Fiscal	Award/Accreditation
2008	Ranked 40th as per total income, in Dun and Bradstreet's India's Top IT Companies 2008
2007	Received the IT Enterprise (Special Awards) for the Maharashtra Information Technology Award for the year 2007 from Government of Maharashtra for our Nagpur unit
2007	Ranked amongst the top 500 companies in the “Deloitte Technology Fast 500 Asia Pacific 2007” report
2007	Winner of the "Red Herring 100 Global” award 2007
2007	Won Market Growth Strategy Award for OPD Market for the FY 2007 for Mid-market
2007	Ranked 84th in “Electronics For You –Top 100 Companies” based on revenue.
2006	Ranked 37th among the top 50 fastest growing Indian technology companies by Deloitte Touché, Asia Pacific, 2006
2005	Ranked as the 22nd fastest growing Indian Technology company as per “Technology Fast 500 Asia Pacific Ranking & CEO Survey 2005 Report” by Deloitte
2005	Our Company joins the Microsoft RFID partners council
2004	Ranked as the 11th fastest growing Indian company in the ‘Technology Fast 500 Asia Pacific 2004 Winner Report’ of Deloitte
2003	Microsoft award on outstanding contribution to the Microsoft Development Network community, 2003
2002-03	Our product “EnList Report Server” wins CSI-Infosys Award 2001 for best shrink-wrapped software product
2000	Became one of the first companies in Asia to receive an investment from Intel 64 LLC
1998 and 1999	Recognised as a Microsoft Solution Provider award for demonstrated expertise and commitment to providing business solutions based on Microsoft products
1996-97	Received the First Prize from Government of Maharashtra, Small Scale Division for Export Performance during 1996-97
1992-93	Received the First Prize from Government of Maharashtra, Small Scale Division for Export Performance during 1992-93

Amendments to the Memorandum

Since incorporation, the following changes have been made to the Memorandum:

Date of shareholders approval	Amendment
July 9, 1996	The authorised share capital of Rs. 500,000 divided into 5,000 equity shares of Rs. 100 each was increased to Rs. 8,000,000 divided into 80,000 equity shares of Rs. 100 each.
October 21, 2002	The authorised share capital of Rs. 8,000,000 divided into 80,000 equity shares of Rs. 100 each was changed to 800,000 Equity Shares of Rs. 10 each.
October 21, 2002	The authorised share capital of Rs. 8,000,000 divided into 800,000 Equity Shares of Rs. 10 each was increased to Rs. 125,000,000 divided into 12,500,000 Equity Shares of Rs. 10 each.
November 18, 2005	The authorised share capital of Rs. 125,000,000 divided into 12,500,000 Equity Shares of Rs. 10 each was reclassified into 10,000,000 Equity Shares of Rs. 10 each and 250,000 CCPS.
September 17, 2007	The authorised share capital of Rs. 125,000,000 divided into 10,000,000 Equity Shares of Rs. 10 each and 250,000 CCPS was increased to Rs. 1,000,000,000 divided into 97,500,000 Equity Shares of Rs. 10 each and

Date of shareholders approval	Amendment
	250,000 CCPS by means of a resolution of our shareholders dated September 17, 2007.
September 17, 2007	The authorised share capital Rs. 1,000,000,000 divided into 97,500,000 Equity Shares of Rs. 10 each and 250,000 CCPS were reclassified into Rs. 1,000,000,000 divided into 100,000,000 Equity Shares of Rs. 10 each by means of a resolution of our shareholders dated September 17, 2007.

Shareholders' agreements

Investment by Intel 64 LLC

Our Company entered into a Subscription Agreement ("Intel Subscription Agreement") with Intel 64 LLC whereby the Company issued and allotted to Intel 64 LLC, and Intel 64 LLC subscribed to 2,800 Equity Shares of the Company of face value of Rs. 100 for an aggregate price of US$1,000,000. The parties to the Intel Subscription Agreement also entered into an Investor Rights Agreement ("Investor Rights Agreement"). (The Intel Subscription Agreement and the Investor Rights Agreement are collectively termed the "Intel Agreements").

Under the Investor Rights Agreement, it was required that our Company's shares be listed within four years from the date of the Investor Rights Agreement, failing which, our Promoters and our Company would provide an exit option to Intel 64 LLC, by way of certain specific means including a buy back of the shares, put option etc. Exit options would also be provided in the event of any default in the terms and conditions of the Intel Agreements.

An Amendment Agreement dated November 10, 2005 ("Intel Amendment Agreement") was entered into between the parties to the Investor Rights Agreement (a) approving Intel 64 LLC's consent for investment by Norwest and Gabriel pursuant to Subscription Agreement and Shareholders Agreement dated November 10, 2005 between Norwest, Gabriel and the Company; (b) including Intel Mauritius as a party to the Investor Rights Agreement; and (c) extending the exit period under the Investor Rights Agreement by further four years from the date of the Intel Amendment Agreement. Pursuant to a Subscription Letter dated November 10, 2005 entered into by our Company and Intel Mauritius on November 10, 2005, Intel Mauritius subscribed for 157,135 Equity Shares of face value Rs. 10 of our Company for a consideration of US$ 1.41 million.

A Deed of Adherence was entered into between the parties to the Intel Agreements and Intel 64 Fund Operations which was a constituent member of Intel 64 LLC, as Intel 64 LLC was being liquidated. Under the terms of this Deed of Adherence, 261,956 Equity Shares of our Company were transferred to Intel 64 Operations out of the total of 314,365 Equity Shares, which were held by Intel 64 LLC thereby assigning all the rights and liabilities of Intel 64 LLC with respect to 261,956 Equity Shares to Intel 64 Operations under the Intel Agreements.

A Deed of Adherence was also entered into between the parties to the Intel Agreements and Hewlett Packard Company, which was also a constituent member of Intel 64 LLC as 52,409 Equity Shares of our Company were transferred to Hewlett Packard Company, out of the total of 314,365 Equity Shares, which were held by Intel 64 LLC, thereby assigning all the rights and liabilities of Intel 64 LLC with respect to 52,409 Equity Shares to Hewlett Packard Company under the Intel Agreements.

Pursuant to the termination provisions, the Intel Agreements will terminate upon the listing of the Equity Shares of the Company.

Intel Mauritius and Intel 64 Operations have, by way of letter dated May 17, 2007 assented to the conversion of our Company into a public limited company and the amendment of the provisions of our Articles subject to our Company listing its shares on or before March 31, 2008, or such date as mutually agreed between the parties, failing which, the rights of Intel Mauritius and Intel 64 Operations under the Intel Agreements will be reinstated in the Articles. Intel Mauritius and Intel 64 Operations have, by way of letter dated April 24, 2008 assented to the extension of their consent to our Company listing its shares on or before September 30, 2008.

Investments by Norwest and Gabriel

On November 10, 2005, a shareholders' agreement was entered into between our Company, Dr. Anand Deshpande, S. P. Deshpande, Sulabha Deshpande and Sonali Deshpande, Norwest and Gabriel.

Under the provisions of the agreement, 153,750 CCPS were allotted to Norwest and 55,295 CCPS were allotted to Gabriel at a premium of Rs. 4,001.63.

A Deed of Adherence was entered into on January 10, 2007 between the parties to the shareholders agreement and

Norwest Venture Partners FVCI Mauritius ("Norwest FVCI Mauritius"), an affiliate of Norwest. Under this Deed of Adherence, Norwest transferred its shares in our Company to Norwest FVCI Mauritius along with its rights under the shareholders agreement, such that Norwest FVCI Mauritius would now be considered an original party to the shareholders agreement.

The shareholders agreement has since been terminated by a letter dated July 19, 2007 between the parties pursuant to which Gabriel and Norwest FVCI Mauritius have agreed to convert the CCPS held by them into Equity Shares of Rs. 10 each, and also gave their assent to certain corporate actions for the purposes of the IPO.

The parties have also agreed that in the event that the Company does not undertake an initial public offering by September 30, 2008, or such extended date as mutually agreed between the parties:

1. All the provisions of the shareholders agreements shall be reinstated in the same form as they stood prior to the date hereof;

2. The Articles of the Company shall be suitably amended to give effect to the restatement of the shareholders agreement;

3. The Company and Dr. Anand Deshpande, S. P. Deshpande, Sulabha Deshpande and Sonali Deshpande have agreed to undertake all such actions as may be required to re-convert the Equity Shares of Norwest FVCI Mauritius and Gabriel to such class of shares such that the Equity Shares held by Norwest FVCI Mauritius and Gabriel (on conversion) shall carry all the rights attached to the CCPS under the agreement and the Articles, including without limitation, the right to preferential dividend and liquidation preference, to the extent permissible by applicable law.

4. Dr. Anand Deshpande, S. P. Deshpande, Sulabha Deshpande and Sonali Deshpande have in the letter acknowledged and agreed to the Norwest FVCI Mauritius and Gabriel's right to liquidation preference on the CCPS (in terms of the shareholders agreement) and agreed to hold all amounts received by them (pursuant to a liquidation event) in trust for and on behalf of Norwest FVCI Mauritius and Gabriel's. They have further covenanted that each of them shall transfer any proceeds received by them from the Company in the event of a liquidation event to Norwest and Gabriel so as to give effect to the provisions of the shareholders agreement until they receive the entire amount guaranteed under the agreement.

5. The Company shall be converted from a public limited company to a private limited company, only if required to reinstate such rights to the Norwest FVCI Mauritius and Gabriel as were granted to them prior to the conversion of the CCPS.

These CCPS were converted into Equity Shares of our Company pursuant to the letter dated July 19, 2007 and a resolution of our Shareholders passed at the EGM on September 17, 2007.

A Deed of Adherence was entered into on January 8, 2008, among Gabriel, Norwest FVCI Mauritius, Dr. Anand Deshpande, S. P. Deshpande, Sulabha Deshpande, Sonali Deshpande and Gabriel Venture Partners II (Mauritius) ("Gabriel II"), an affiliate of Gabriel. Under this Deed of Adherence, Gabriel transferred all its shares in our Company to Gabriel II along with its rights under the shareholders agreement, such that Gabriel II would now be considered an original party to the shareholders agreement and the letter dated July 19, 2007 entered into between the parties to the shareholders agreement and the Company.

Details of past performance

For details in relation to our financial performance in the previous five financial years, including details of non-recurring items of income, refer to "Financial Information" on page 112.

Details of our subsidiaries

Subsidiary in India

Persistent eBusiness Solutions Limited

Persistent eBusiness Solutions Limited was incorporated on May 17, 2000 as a private limited company. It has its registered office at 'Kapilvastu', 397/9, Senapati Bapat Road, Pune 411 016.

Persistent eBusiness Solutions Limited became a subsidiary of our Company pursuant to the resolution passed by the board of directors of Persistent eBusiness Solutions Limited dated June 13, 2001 for allotment of shares to our Company.

Persistent eBusiness Solutions Limited was converted into a public limited company by a special resolution of the members passed at the EGM held on September 17, 2007. The RoC issued a fresh certificate of incorporation dated September 27, 2007 certifying change of name of the Company from "Persistent eBusiness Solutions Private Limited' to "Persistent eBusiness Solutions Limited' consequent to conversion from private limited company to a public limited company

Main objects of Persistent eBusiness Solutions Limited

The main objects of Persistent eBusiness Solutions Limited are:

To provide information technology services to enable business-to-business electronic commerce via electronic and other forms and means of communication and to design, develop, manufacture, maintain, marked, evaluate, benchmark, advice, consult, buy, sell, distribute, trade, deal in, import, export, lease, hire, educate in India or abroad in computer software, firmware and hardware systems and products for various applications covering mainly commercial, industrial, educational, scientific research, agricultural, medical and defence areas.

Shareholders

The shareholding pattern of equity shares of Persistent eBusiness Solutions Limited is as follows:

S. No	Shareholder	Number of equity shares of Rs. 10 each	Percentage (%)
1.	Persistent Systems Limited	920,000	99.97
2.	Dr. Anand Deshpande jointly with Sonali Deshpande	50*	0.005
3.	Sonali Deshpande jointly with Dr. Anand Deshpande	50*	0.005
4.	S. P. Deshpande jointly with Dr. Anand Deshpande	50*	0.005
5.	Sulabha Deshpande jointly with Dr. Anand Deshpande	50*	0.005
6.	Chitra Buzruk jointly with Dr. Anand Deshpande	50*	0.005
7.	Dr. Mukund Deshpande jointly with Dr. Anand Deshpande	50*	0.005
	TOTAL	**920,300**	**100**

** Shares held for the benefit of Persistent Systems Limited*

Directors

The Board of Directors of Persistent eBusiness Solutions Limited comprises Dr. Anand Deshpande, S. P. Deshpande and Dr. Srikanth Sundararajan.

Extract from financial statements

In Rs. million

	Financial year ended March 31, 2008	Financial year ended March 31, 2007	Financial year ended March 31, 2006
Sales and other income	36.82	13.75	5.34
Profit after tax	9.77	5.30	1.50
Reserves and Surplus	22.40	22.40	22.40
Equity capital (par value Rs. 10)	9.20	9.20	9.20
Earnings per share (Rs)	10.61	5.77	1.63
Book value per share	(9.74)	(20.36)	(26.12)

Persistent Systems and Solutions Limited

Persistent Systems and Solutions Limited was incorporated on May 22, 2008 as a public limited company. It has its registered office at 'Bhageerath', 402, Senapati Bapat Road, Pune 411 016. Persistent Systems and Solutions Limited became a subsidiary of our Company on its incorporation.

Persistent Systems and Solutions Limited has been set up for the purpose of providing software development services from a unit to be set up within outside a SEZ.For this purpose, our Company has entered into a Letter of Intent for taking on lease premises admeasuring 63,206 Sq Ft for the purpose of setting up a software development unit. We are yet to receive an SEZ approval for the same. For further details on the operations of Persistent Systems and Solutions

Limited, refer to "Objects of the Issue" on page 34.

Our Company has currently capitalized Persistent Systems and Solutions to the extent of Rs. 500,000, by way of 50,000 equity shares of Rs. 10 each. Additional funds may be brought into Persistent Systems and Solutions by way of debt or equity, from time to time.

Main objects of Persistent Systems and Solutions Limited

To design, develop, manufacture, maintain, market, evaluate, benchmark, advice, consult, buy, sell, distribute, trade, deal in, import, export, lease, hire, educate in India or abroad in computer software, firmware & hardware systems and products for various applications covering mainly commercial, industrial, educational, scientific research, agricultural, medical and defense areas at any place in India or abroad including but not limited to Special Economic Zone (SEZ)

Shareholders

The shareholding pattern of equity shares of Persistent Systems and Solutions Limited is as follows:

S. No	Shareholder	Number of equity shares of Rs. 10 each	Percentage (%)
1.	Persistent Systems Limited	49,940	99.88
2.	Dr. Anand Deshpande jointly with Sonali Deshpande	10*	0.02
3.	Sonali Deshpande jointly with Dr. Anand Deshpande	10*	0.02
4.	S. P. Deshpande jointly with Dr. Anand Deshpande	10*	0.02
5.	Sulabha Deshpande jointly with Dr. Anand Deshpande	10*	0.02
6.	Chitra Buzruk jointly with Dr. Anand Deshpande	10*	0.02
7.	Dr. Mukund Deshpande jointly with Dr. Anand Deshpande	10*	0.02
	TOTAL	**50,000**	**100**

** Shares held for the benefit of Persistent Systems Limited*

Directors

The Board of Directors of Persistent Systems and Solutions Limited comprises Dr. Anand Deshpande, S. P. Deshpande and Dr. Srikanth Sundararajan.

Extract from financial statements

This being the first year of incorporation, the financial statements of Persistent Systems and Solutions Limited are not required to be prepared.

Subsidiary in USA

Persistent Systems, Inc.

Persistent Systems, Inc. was incorporated under the laws of the State of California on October 18, 2001. It has its place of business at 2077 Gateway Place, Suite 500, San Jose, CA-95110.

Persistent Systems, Inc. became a subsidiary of our Company pursuant to the resolution passed by our Board dated October 19, 2001 for setting up a wholly owned subsidiary in United States.

Main objects of Persistent Systems, Inc.

The main objects of Persistent Systems, Inc. are provided below:

To engage in any lawful act or activity for which a corporation may be organised under the General Corporation Law of California other than the banking business, the trust company business or the practice of a profession permitted to be incorporated by the California Corporation Code.

Shareholders

The shareholding pattern of equity shares of Persistent Systems, Inc. is as follows

S. No	Shareholder	Number of common stock of US$0.10 each	Percentage
1.	Persistent Systems Limited	37,000,000	100%
	TOTAL	37,000,000	100%

Directors

The Board of Directors of Persistent Systems, Inc. comprises Dr. Anand Deshpande and Raj Sirohi.

Extract from financial statements

In Rs. million

	Financial year ended March 31, 2008	Financial year ended March 31, 2007	Financial year ended March 31, 2006
Sales and other income	709.38	453.66	291.98
Profit after tax	(17.82)	(40.69)	0.22
Reserves and Surplus	(5.16)	0.57	0.90
Equity capital (par value Rs. 10)	165.92	165.92	122.35
Earnings per share (Rs)	(0.48)	(1.49)	0.12
Book value per share	1.38	2.02	2.67

Subsidiary in Singapore

Persistent Systems Pte. Ltd.

Persistent Systems Pte. Ltd. was incorporated on April 19, 2007 as a private limited company and was allotted Reg. No. 200706736G. It has its place of business at 78 Shenton Way, No. 26-02 A Lippo Center, Singapore 079120.

Persistent Systems Pte. Ltd. was incorporated as a wholly owned subsidiary of our Company pursuant to the resolution passed by our Board dated April 2, 2007.

Main Objects of Persistent Systems Pte. Ltd.

The main objects of Persistent Systems Pte. Ltd. are provided below:

(a) full capacity to carry on or undertake any business or activity, do any act or enter into any transaction;

(b) for the purposes of paragraph (a), full rights, powers and privileges.

Shareholders

The shareholding pattern of equity shares of Persistent Systems Pte. Ltd. is as follows

S. No	Shareholder	Number of equity shares of Sing $1 each	Percentage
1.	Persistent Systems Limited	100,000	100%
	TOTAL	100,000	100%

Directors

The Board of Directors of Persistent Systems Pte. Ltd. comprises Dr. Anand Deshpande, S. P. Deshpande and Soo Koon Liat.

Extract from financial statements *In Rs. million*

	Financial year ended March 31, 2008
Sales and other income	10.79
Profit after tax	2.65
Reserves and Surplus	3.06
Equity capital (par value Rs. 10)	2.68
Earnings per share (Rs)	66.46
Book value per share	57.39

OUR MANAGEMENT

Board of Directors

Our Articles provide that our Board shall consist of not less than three directors and not more than twelve directors. We currently have six directors on our Board.

The following table sets forth details regarding our Board as on the date of this Draft Red Herring Prospectus:

Name, Father's/Husband's name, address, designation, occupation and term	Nationality	Director's identification number	Age	Other Directorships
Dr. Anand Deshpande S/o S. P. Deshpande 'Renuka' 39/54, Erandvana Lane 9 B, Prabhat Road Pune 411 004, India Chairman and Managing Director *Business Executive* Not Liable to retire by rotation for such time as he holds the office of Chairman and Managing Director of the Company	Indian	00005721	46	**Indian Companies** 1. Persistent eBusiness Solutions Limited 2. Persistent Systems and Solutions Limited **Foreign Companies** 1. Persistent Systems, Inc. 2. Persistent Systems Pte. Ltd.
S. P. Deshpande S/o Purushottam Govind Deshpande 'Renuka' 39/54, Erandvana Lane 9 B, Prabhat Road Pune 411 004, India Executive Director *Business Executive* Not Liable to retire by rotation for such time as he holds the office of Executive Director of the Company	Indian	00005776	71	**Indian Companies** 1. Persistent eBusiness Solutions Limited 2. Persistent Systems and Solutions Limited **Foreign Companies** 1. Persistent Systems Pte. Ltd.
Ram Gupta S/o Amar Nath Gupta 839, Fife Way, Sunnyvale, CA 94087 United States of America. Independent Non Executive Director *Business Executive* Liable to Retire by Rotation Additional Director	U.S.A.	01762549	45	**Indian Companies** Nil **Foreign Companies** 1. Sourceforge, Inc. 2. S1 Corporation 3. Yodlee, Inc 4. Compiere, Inc 5. Accruent, Inc 6. Plateau Systems Limited 7. Cast Iron Systems, Inc.

Name, Father's/Husband's name, address, designation, occupation and term	Nationality	Director's identification number	Age	Other Directorships
Dr. Promod Haque S/o Late Alexander Haque 13780, Saratoga Avenue Saratoga, CA 95070 United States of America Non Executive Director* *Business Executive* Liable to retire by rotation	U.S.A	00124717	59	**Indian Companies** 1. Sulekha.com New Media Private Limited 2. Adventity BPO India Private Limited 3. Yatra Online Private Limited **Foreign Companies** 1. AmberPoint, Inc. 2. Cast Iron Systems, Inc. 3. FireEye, Inc. 4. Sonoa Systems, Inc. 5. Veraz Networks, Inc. 6. Veveo TV, Inc. 7. Virtela Communications, Inc. 8. Cyan Optics, Inc.
Prabhakar B. Kulkarni S/o Bhagwant Govind Kulkarni Flat No. 11, Hariyali, Modi Baug Ganesh Khind Road Pune 411 016 India Independent Non Executive Director *Advisor and Consultant* Liable to retire by rotation	Indian	00008451	73	**Indian Companies** 1. Sicom Limited 2. GDA Trustee & Consultancy Limited **Trusts** 1. Suparn Charitable Trust
Prof. Krithivasan Ramamritham S/o Sankara Ramamritham A-12 Indian Institute of Technology, Powai, Mumbai 400 076 India Independent Non Executive Director *Professor* Liable to retire by rotation	U.S.A	00040686	52	**Indian Companies** 1. Walking Stick Solutions Private Limited 2. Agrocom Software Solutions Limited 3. Nex Robotics Limited **Trust** 1. Aavishkar India Micro Ventures Capital Fund

** He was appointed as a Nominee Director of Norwest, pursuant to the Shareholders Agreement with Norwest and Gabriel. For details refer to History and Certain Corporate Matters on page 82*

Brief biographies of our Directors

Dr. Anand Deshpande is our Founder and Chairman and Managing Director.

He earned a Bachelors Degree (Hons.) in Technology in Computer Science and Engineering from Indian Institute of Technology, Kharagpur in 1984. He also earned a Doctorate in Computer Science from Indiana University, Bloomington, Indiana (USA) in 1989.

Dr. Anand Deshpande worked at Hewlett-Packard Laboratories as a Member of Technical Staff in Palo Alto, California from 1989 to 1990 and has been a member of our Board since he founded our Company in 1990.

He is a member of the Association for Computing Machinery (ACM), Institute of Electrical and Electronics Engineers, Computer Society of India (CSI) and the Young Presidents' Organisation. He currently serves on the executive committee of the National Association of Software and Services Companies (NASSCOM) and Mahratta Chamber of Commerce Industries and Agriculture (MCCIA). He has been the president of Software Exporters' Association of Pune for 2005-06 and 2006-07 and Chairman of the Pune Chapter of the CSI for 2003-04 and 2004-05. He is presently an active member of the database community and has served as the Industrial Program Committee Chairman for Very Large Data Bases 2007 in Vienna and was responsible for organising the said conference in Mumbai in 1996. He also served as the Industrial Program Committee Chairman for the International Conference on Data Engineering, 2005 in Tokyo and was actively involved in organising the 2003 edition of the above conference in Bangalore, India. He was the Organising Chair of the Conference on Management of Data in 2005 at Goa, India. He has been selected as the technical chair of the conference on Database Systems for Advanced Applications held in January 2008 in New Delhi.

He has been awarded the "Ninad Award" for Outstanding Contributions to Science and Technology by the Ninad Foundation, Pune in 2007. He has also been awarded the Wisitex International Excellence Award "Corporate Ratna" for furthering the growth of Information Technology in India and especially in Maharashtra. He received a recognition from SPIN for software process improvement in 2003 and was recognised by the Department of Engineering and Information Technology Government of India for presenting a paper in 'Emerging Trends in Database Technology'. He has been awarded the CSI Fellowship Award in 2007 for outstanding achievement in the field of information technology. Dr. Deshpande was elected as the Vice Chairman for Confederation of Indian Industry (CII), Pune Zonal Council in March 2008.

He has been further awarded Entrepreneur Award in recognition of his contribution in the Information Technology sector at the Brihan Maharashtra Mandal Convention in Atlanta, USA in 2005 and was also awarded the Rotary Excellence Award by Rotary Club, Pune for his vision and leadership in the growth of IT sector.

S. P. Deshpande is Founder and Executive Director of our Company.

He earned a Bachelors Degree (Hons.) in Electrical Engineering from Jabalpur Engineering College, India in 1958.

He joined Bharat Heavy Electrical Limited (BHEL), Bhopal, India, as a graduate apprentice in 1958. He worked with BHEL for 23 years. During that period, he worked in a number of product and service departments, specialising in transportation systems and electronic control systems as applicable to transportation, in particular. He worked with Kirloskar Pneumatic Company Limited for a period of eight and a half years. He held important positions in materials division, quality analysis, manufacturing services and research and development. He joined as associate vice president in March 1982 and retired from Kirloskar Pneumatic Company Limited as vice president in October 1990.

He founded the Software Exporters' Association of Pune in 1998 to foster better interaction among software export units in Pune and help them resolve their problems in operations.

He heads the administrative functions of our Company including general administrations, human resource, purchase, accounts, finance, secretarial, legal and facilities functions from the inception.

He has been a member of our Board since inception except for the period from April 1991 to October 1991.

Ram Gupta is a Non-Executive Independent Director of our Board.

He earned Bachelors Degrees in Electrical and Electronics Engineering from Birla Institute of Technology and Sciences, Pilani and a Masters Degree in Computer Science from the University of Massachusetts, Amherst.

He worked as the Director of Engineering at Silicon Graphics, Inc. from 1994 to 1997 and as a senior vice president and general manager of the Web MD Corporation from 1997 to 2000. He served as the executive vice president of Peoplesoft from 2000 to 2004 and has served as the president and chief executive officer of Cast Iron Systems from 2005 to 2007. Presently, he is the Chairman of Cast Iron Systems, Inc. He has over 20 years of experience in the fields of strategy and execution for technology companies.

He has been awarded the "Search for the Heroes Award" by the Smithsonian Computer World in 2000.

He has been a member of our Board since September 14, 2007.

Dr. Promod Haque in a Non Executive Director on our Board and was appointed as a Nominee Director for Norwest.

Dr. Haque earned a Bachelor's degree in Science in Electrical Engineering from the University of Delhi, India in 1969.

He earned a Doctorate in Electrical Engineering from Northwestern University in 1974 and a Master's degree in Business and Administration from Northwestern's Kellogg Graduate School of Management in 1976, where he serves on the advisory board.

He has over 17 years of experience in the venture capital industry and currently serves as Managing Partner at Norwest which he joined in 1990.

Prior to joining Norwest, he spent 18 years in various operational roles, ranging from product development, marketing, and as chief operating officer and chief executive officer at various companies which included EMI Medical Inc from 1976 to 1981, Emergent Corporation as chief operating officer from 1981 to 1983 and Dimensional Medicine, Inc. as chief executive officer from 1983 to 1988. He has been ranked as a top dealmaker on the annual Forbes Midas List for the past five years from 2002 to 2007 and, in 2004, Forbes named him as the number one venture capitalist based on performance over the last decade. In 2006, he was presented with a Global Leadership award from the National Association of Software and Services Companies.

He has been a member of our Board since 2005.

P. B. Kulkarni is a Non-Executive Independent Director on our Board.

He earned Bachelors Degrees in Commerce and Arts in 1955 and 1956, respectively, and a Post Graduate Degree in Commerce from Pune University in 1957. He is also a Chartered Associate of the Indian Institute of Bankers and is a fellow of the Economic Development Institute of the World Bank, Washington D.C.

He worked with the Reserve Bank of India from the period 1957 to 1993 in various positions including as executive director. During this time he served on deputation with the Asian Development Bank, Manila from 1967 to 1970 as operations officer, the Bangladesh Shilpa Bank intermittently for the period 1974 to 1977 as a consultant**,** the Myanmar Economic Bank, Yangon from 1978 to 1979 as chief of mission and was the chairman and managing director of the Bank of Maharashtra from 1993 to 1995. He has also served as a chairman of the local advisory board for the Bank of Bahrain & Kuwait, B.S.C from 1997 to 2005. He has been a director on the boards of the Punjab and Sind Bank, Bank of India and Central Bank of India and was an alternate director on the Board of Asian Clearing Union. He has over fifty years of experience in the fields of banking and finance and currently renders advisory and consultancy services in finance and banking areas.

He has served as a chairman of the finance sector sub-committee of the MCCIA from 1996 to 2003 and is a past member of the editorial board of the journal of the National Institute of Bank Management. He has been a member of Planning and Monitoring Board, Gokhale Institute of Politics and Economics and was a Chairman of the committee to monitor code of ethics of the Indian Banks Association. He is the member of the Center for Advanced Strategic Studies, Pune, the English Speaking Union, Pune and the Vision Committee of Pune University. He is the Chief Trustee of the Suparn Charitable Trust and serves on Arbitration Committee of the MCCIA and serves on the Grievance Committee of Pune Stock Exchange.

He has been a member of our Board since 2001.

Prof. Krithivasan Ramamritham is a Non-Executive Independent Director on our Board.

He earned a Bachelor's Degree in Technology in Electrical Engineering from the Indian Institute of Technology, Madras in 1976 and a Masters Degree in Technology in Computer Science from the Indian Institute of Technology, Madras in 1978 and a Doctorate in Computer Science from the University of Utah in 1981.

He is presently the Dean of Research and Development at the Indian Institute of Technology, Bombay and holds the Vijay and Sita Vashee Chair in its computer science department. He was a professor at the University of Massachusetts from 1981 to 2001. He has also been a visiting fellow at the Science and Engineering Research Council, UK, during September 1987 to June 1988 at the University of Newcastle-upon-Tyne, UK, and has also held visiting positions at the Technical University of Vienna, Austria during June 1988 to August 1988, and at the Indian Institute of Technology, Madras, during September 1987 to June 1988.

He is a fellow of the Association for Computing Machinery and the Institute of Electrical and Electronics Engineers. He is a member of the board of the Very Large Database Foundation, and is an advisory board member to TTTech Computertechnik AG, Vienna, Austria (TTTech, Vienna), Microsoft Research India, Bangalore, India, the Technology Board of Tata Consultancy Service Limited and is a member of the Advisory Council of the Indian Institute of Information Technology, Hyderabad and Association for Computing Machinery – Special Interest Group on

Management of Data, New York, USA (ACM Sigmod).

He received the Distinguished Alumnus Award from Indian Institute of Technology, Madras in 2006 and has received the Doctor of Science (Honoris Causa) from the University of Sydney, Australia in May 2007.

He has been a member of our Board since 2001.

Borrowing powers of our Board

Our Articles, subject to the provisions of the Act authorise our Board, to raise or borrow or secure the payment of any sum or sums of money for the purposes of the Company. Our Members, have pursuant to a resolution passed at the EGM dated September 17, 2007 authorised our Board to borrow monies together with monies already borrowed by us, in excess of the aggregate of the paid up capital of the Company and its free reserves, not exceeding Rs. 5,000 million at any time and charge or mortgage the assets of the Company for securing such borrowings.

Corporate governance

The provisions of the listing agreement to be entered into with the Stock Exchanges with respect to corporate governance will be applicable to us immediately upon the listing of our Equity Shares with the Stock Exchanges. We have complied with the corporate governance code in accordance with Clause 49 (as applicable), especially in relation to broad basing of our board, constitution of committees. The Company undertakes to take all necessary steps to comply with all the requirements of Clause 49 of the listing agreement to be entered into with the Stock Exchanges.

Currently our Board has six Directors, of which the Chairman of the Board is an Executive Director, and in compliance with the requirements of Clause 49 of the listing agreement, we have two executive Directors, and four non-executive Directors on our Board, of which, three are independent directors.

Audit Committee

An Audit Committee was constituted by the Board of Directors at its meeting held on April 23, 2004 to ensure prudent financial and accounting practices, fiscal discipline, and transparency in financial reporting. The committee was reconstituted by way of a Board Resolution dated October 4, 2007. P. B. Kulkarni, an Independent Director, is the Chairman of the Committee with S. P. Deshpande and Ram Gupta as members.

The terms of reference of the audit committee are as follows:

1. To oversight the Company’s financial reporting process and the disclosure of its financial statements to ensure that the financial statements are correct, sufficient and credible;
2. To review, with the management, annual financial statements before submission to the Board for approval, with particular reference to:

    i. Matters required to be included in the Directors’ Responsibility Statement to be included in the Board’s report in terms of clause (2AA) of Sec. 217 of the Companies Act
    ii. Changes, if any, in accounting policies and practices and reasons for the same
    iii. Major accounting entries involving estimates based on the exercise of judgment by management
    iv. Significant adjustments made in the financial statements arising out of audit findings
    v. Compliance with listing and other legal requirements relating to financial statements
    vi. Disclosure of any related party transactions
    vii. Qualifications in the draft audit report.

3. To review, with the management, the quarterly financial statements before submission to the Board for approval
4. To recommend to the Board, the appointment, re-appointment and if required, the replacement or removal of the statutory auditor and fixation of audit fees
5. To grant approval of payment to statutory auditors for any other services rendered by the statutory auditors;
6. To hold discussion with the statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
7. To review management letters / letters of internal control weaknesses issued by the statutory auditors;
8. To recommend appointment, removal and terms of remuneration of the Chief Internal Auditor;
9. To hold discussion with Internal Auditors any significant finds and follow up there on;
10. To review internal audit reports relating to internal control weaknesses;
11. To review, with the management, performance of statutory and internal auditors, and adequacy of internal control

systems

12. To review adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
13. To review the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;
14. To review financial and risk management policies;
15. To review report on compliance of laws and risk management, reports issued by Statutory / Internal Auditors;
16. To review Management discussion and analysis of financial condition and results of operations;
17. To review statement of significant related party transactions (as defined by the audit committee), submitted by management;
18. To review substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors;
19. To review the functioning of the Whistle Blower mechanism; and
20. To carry out any other function as is mentioned in the terms of reference of the Audit Committee and entrusted by the Board

The Audit Committee is empowered to do the following

1. To investigate any activity within terms of reference
2. To seek information from any employee
3. To obtain outside legal professional advice
4. To secure attendance of outsiders with relevant expertise, if it considers necessary.

Executive Committee

The Executive Committee of the Board of Directors was set up on January 29, 2005 to review the implementation of decisions taken by the Board. The committee was reconstituted by way of a Board Resolution dated October 4, 2007. P. B. Kulkarni, an Independent Director, is the Chairman of the committee with S. P. Deshpande, Dr. Promod Haque and Ram Gupta, as members.

The terms of reference of the Executive Committee are as follows

1. To review and follow up on the action taken on the Board decisions;
2. To review the operations of the Company in general;
3. To review the systems followed by the Company;
4. To examine proposal for investment in real estate;
5. To review, propose and monitor annual budget including additional budget, if any, subject to the ratification of the Board;
6. To review capital expenditure against the budget;
7. To authorise opening and closing of bank accounts;
8. To authorise additions/deletions to the signatories pertaining to banking transactions;
9. To approve investment of surplus funds for an amount not exceeding Rs. 250 million as per the policy approved by the Board;
10. To approve transactions relating to foreign exchange exposure including but not limited to forward cover and derivative products;
11. To approve donations as per the policy approved by the Board;
12. To delegate authority to the Company officials to represent the Company at various courts, government authorities and so on; and
13. To attend to any other responsibility as may be entrusted by the Board to investigate any activity within terms of reference.

The Executive Committee is empowered to do the following:

1. To seek information from any employee as considered necessary;
2. To obtain outside legal professional advice as considered necessary;
3. To secure attendance of outsiders with relevant expertise; and
4. To investigate any activity within terms of reference.

Remuneration Committee

The Remuneration Committee of the Board of Directors was constituted by the Board resolution dated October 4, 2007. The committee was reconstituted by way of a Board Resolution dated October 4, 2007. P. B. Kulkarni, an Independent Director, is the Chairman of the Committee with Dr. Promod Haque and Prof. Krithivasan Ramamritham, as members.

The terms of reference of the Remuneration Committee are as follows:

1. To recommend to the Board about the Company's policy on specific remuneration packages for Executive Directors including pension rights and any compensation payment;
2. To advise Board in framing remuneration policy for key managerial persons of the Company from time to time; and
3. To attend to any other responsibility as may be entrusted by the Board to investigate any activity within terms of reference.

Compensation Committee

The Compensation Committee of the Board of Directors was constituted by the Board of Directors at its meeting held on April 23, 2004 to decide on the issues relating to the Employee Stock Option Schemes. The committee was reconstituted by way of a Board Resolution dated October 4, 2007. Dr. Anand Deshpande, Chairman and Managing Director of the Company is the Chairman of the Committee with P. B. Kulkarni and Ram Gupta, Independent Directors, as members.

The terms of reference of the Compensation Committee are as follows:

1. To decide the quantum of Equity Shares/ options to be granted under Employee Stock Options Schemes (ESOS), per employee and the total number in aggregate;
2. To determine at such intervals, as the Compensation Committee considers appropriate, the persons to whom shares or options may be granted;
3. To determine the exercise period within which the employee should exercise the option and condition in which option will lapse on failure to exercise the option within the exercise period;
4. To decide the conditions under which shares or options vested in employees may lapse in case of termination of employment for any reason;
5. To lay down the procedure for making a fair and reasonable adjustment to the number of shares or options and to the exercise price in case of rights issues, bonus issues and other corporate actions;
6. To lay down the right of the employee to exercise all the options vested in him at one time or at various points of time within the exercise;
7. To specify the grant, vest and exercise of shares/ option in case of employees who are on long leave;
8. To construe and interpret the plan and to establish, amend and revoke rules and regulations for its administration. The Compensation Committee may correct any defect, omission or inconsistency in the plan or any option and / or vary / amend the terms to adjust to the situation that may arise;
9. To approve transfer the shares in the name of employee at the time of exercise of options by such employee under ESOS;
10. To lay down the procedure for cashless exercise of options; and
11. To attend to any other responsibility as may be entrusted by the Board.

Shareholders' and Investors' Grievance Committee

The Shareholders' and Investors' Grievance Committee was constituted by way of Board resolution dated October 4, 2007. The Shareholders' and Investors' Grievance Committee consists of P. B. Kulkarni, an Independent Director, and Chairman of the Committee with Dr. Anand Deshpande and S. P. Deshpande, as members.

The terms of reference of the Shareholders' and Investors' Grievance Committee are as follows:

1. To supervise and ensure efficient share transfers, share transmission, transposition etc;
2. To approve allotment, transfer, transmission, transposition, consolidation, split, name deletion and issue of duplicate share certificate of Equity Shares of the Company;
3. To redress shareholder and depositor complaints like non-receipt of balance sheet, non-receipt of declared dividends, etc.;
4. To review service standards and investor service initiatives undertaken by the Company;
5. To address all matters pertaining to Registrar and Transfer Agent including appointment of new Registrar and Transfer Agent in place of existing one;

6. To address all matters pertaining to Depositories for dematerialisation of shares of the Company and other matters connected therewith; and
7. To attend to any other responsibility as may be entrusted by the Board to investigate any activity within terms of reference.

Shareholding of our Directors in the Company

S. No.	Name	Number of Equity Shares Held Pre Issue	Percentage of Pre Issue Share Capital (%)	Number of Equity Shares held Post Issue	Percentage of Post Issue Share Capital (%)
1.	Dr. Anand Deshpande[a]	11,306,050	31.53	11,306,050	28.36
2.	S. P. Deshpande[b]	3,797,500	10.59	3,797,500	9.52
3.	Prabhakar Bhagwant Kulkarni[c]	7,000	0.02	7,000	0.02
4.	Prof. Krithivasan Ramamritham[d]	7,000	0.02	7,000	0.02
	TOTAL	**15,117,550**	**42.16**	**15,117,550**	**37.92**

a. Equity Shares held jointly with Sonali Anand Deshpande
b. Equity Shares held jointly with Sulabha Suresh Deshpande
c. Equity Shares held jointly with Sudha Prabhakar Kulkarni
d. Equity Shares held jointly with Saraswathi Krithivasan

In addition to the aforesaid, Dr. Anand Deshpande and S. P. Deshpande also jointly hold 6,728,002 Equity Shares on behalf of the PSPL ESOP Management Trust. A grant of 21,000 stock options has been made to the Independent Directors of the Company on September 15, 2007 pursuant to the terms of ESOA VIII. The grant of 21,000 stock options includes options arising as a result of the bonus issue of shares on September 17, 2007.

Interests of Directors

All of our Directors may be deemed to be interested to the extent of fees payable to them for attending meetings of the Board or a committee thereof as well as to the extent of other managerial remuneration and reimbursement of expenses payable to them under our Articles, and to the extent of remuneration paid to them for services rendered as an officer or employee of our Company.

Our Directors may also be regarded as interested in the Equity Shares, if any, held by them or that may be subscribed by or allotted to the companies, firms, trusts, in which they are interested as directors, members, partners, trustees and promoters, pursuant to this Issue. All of our Directors may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares. Dr. Anand Deshpande and S. P. Deshpande are entitled to receive remuneration from our Company.

A grant of 21,000 stock options has been made to the Independent Directors of the Company on September 15, 2007 pursuant to the terms of ESOA VIII and the Independent Directors may be deemed to be interested in to the extent of the stock options that hold in our Company. The grant of 21,000 stock options includes options arising as a result of the bonus issue of shares on September 17, 2007.

Except as stated in the section titled "Related Party Transactions" on page 109, and to the extent of shareholding in our Company, our Directors do not have any other interest in our business.

Our Directors and Promoters have no interest in any property acquired by our Company within two years prior to the date of this Draft Red Herring Prospectus.

Remuneration of our Directors

Dr. Anand Deshpande

Dr. Anand Deshpande was appointed as Chairman and Managing Director of our Company for a period of five years with effect from April 01, 2007, pursuant to a resolution of our shareholders dated July 23, 2007. The shareholders have also authorised our Board to determine the remuneration of the directors within the limits prescribed by them under the above resolution. The terms of employment and remuneration include the following:

Particulars	Remuneration
Basic Salary	Rs. 125,000 to 250,000 per month. The exact amount is to be decided by the Board of Directors on

Particulars	Remuneration
	the recommendation of the Compensation Committee*.
Other Allowances	Allowances in the nature of city compensatory allowance, dearness allowance, personal allowance, special allowance or such other allowance calculated either as a percentage of the basic salary or a fixed amount, as decided by the Board of Directors from time to time.
Bonus	As decided by the Board of Directors up to a maximum of three percent of the net profits payable quarterly or at other intervals.
Contribution to Provident Fund and superannuation fund	As per the rules of the Company
Perquisites	a. Re-imbursement for utilities such as gas, electricity, water and repairs at the residence. b. Re-imbursement of corporate relations expenses subject to production of bills. c. Medical and hospitalisation benefits for self and family by way of reimbursement of expenses actually incurred, subject to a maximum limit decided upon by the Board of Directors. d. Leave travel concession or allowance for self and family once in a year, as decided by the Board of Directors from time to time. e. Entrance fee (excluding life membership fees) and monthly subscription fees for a maximum of two clubs. f. Life Insurance Policy for self and dependent family members subject to the annual premium not exceeding Rs. 25,000. Explanation: 'Family' means the spouse, dependent children and dependent parents of the appointee. g. Personal accident insurance for self and Mediclaim policy for self and dependent family members as per the rules of the Company. h. Gratuity payable as per the rules of the Company. i. Earned / privilege leave as per the rules of the Company. j. Encashment of leave as per the rules of the Company. k. Company car with a driver, for all official and personal needs. In such a case, no commuting allowance will be paid. However, if the Chairman and Managing Director chooses not to use the Company vehicle, a vehicle allowance as decided by the Board of Directors shall be paid. l. Re-imbursement of rent, taxes and call charges of telephone / telefax at residence along with provision of cellular phones and reimburse all charges pertaining to the same. m. Re-imbursement of cost of books and periodicals subject to a ceiling as decided by the Board of Directors. n. Such other privileges, facilities, perquisites and amenities as may be applicable from time to time.
Accommodation	a. The expenditure by the Company on hiring furnished accommodation shall be subject to a ceiling of 50% of the basic salary. The perquisite value shall be computed in accordance with the prevailing Income Tax Rules. b. In case the Company does not provide accommodation, a house rent allowance subject to a ceiling of 50% of the Basic Salary. c. In addition to the above, the Company may provide for the maintenance of the house, and provide the services of a sweeper/ gardener at the residence of the appointee. The Company shall pay the monthly wages of each of them, which shall be valued as tax perquisites as per the prevailing Income Tax Rules.

** Power to be exercised by the remuneration committee pursuant to resolution passed by the Board dated October 4, 2007.*

S. P. Deshpande

S. P. Deshpande was appointed as Executive Director of our Company for a period of five years with effect from April 1, 2007, pursuant to a resolution of our shareholders dated July 23, 2007. The shareholders have also authorised the Board to determine the remuneration of the directors within the limits prescribed by them under the above resolution. The terms of employment and remuneration include the following:

Particulars	Remuneration
Basic Salary	Rs. 50,000 to 100,000 per month. The exact amount is to be decided by the Board of Directors on the recommendation of the Compensation Committee*.
Other Allowances	Allowances in the nature of city compensatory allowance, dearness allowance, personal allowance, special allowance or such other allowance calculated either as a percentage of the basic salary or a fixed amount, as decided by the Board of Directors from time to time.
Bonus	As decided by the Board of Directors from time to time.
Contribution to Provident Fund and superannuation fund	S. P. Deshpande, not being a member of provident fund, an amount equivalent to the Company's contribution may be paid to him on a monthly basis.
Perquisites	a. Re-imbursement for utilities such as gas, electricity, water, and repairs at the Residence. b. Re-imbursement of corporate relations expenses subject to production of bills. c. Medical and hospitalisation benefits for self and family by way of reimbursement of expenses actually incurred, subject to a maximum limit decided upon by the Board of Directors.

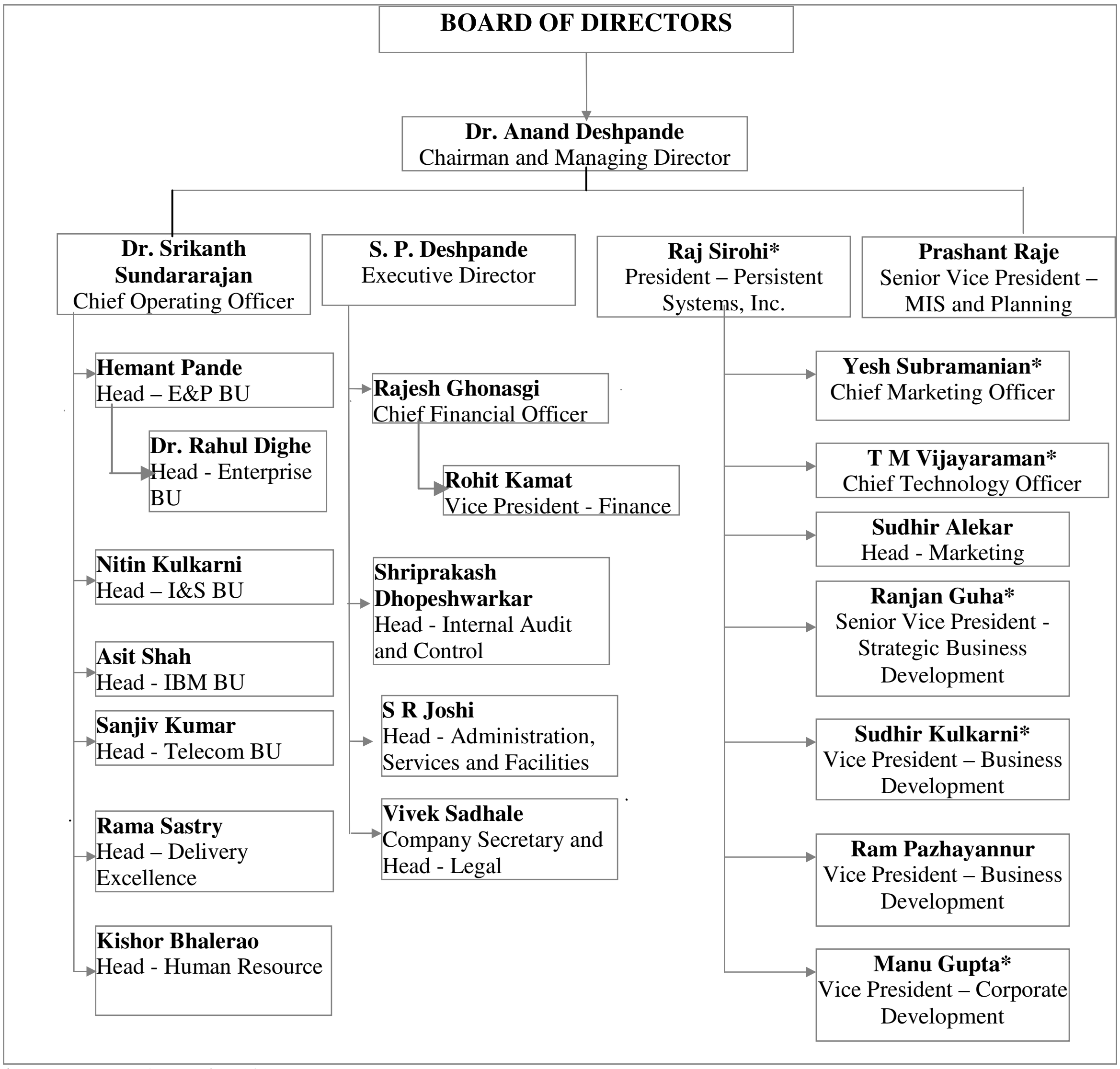
Particulars	Remuneration
	d. Leave travel concession or allowance for self and family once in a year, as decided by the Board of Directors from time to time. e. Entrance fee (excluding life membership fees) and monthly subscription fees for a maximum of two clubs. f. Life Insurance Policy for self and dependent family members subject to the annual premium not exceeding Rs. 25,000. **Explanation**: 'Family' means the spouse and dependent children of the appointee. g. Personal accident insurance for self and Mediclaim policy for self and dependent family members as per the rules of the Company. h. Earned / privilege leave as per the rules of the Company. i. Encashment of leave as per the rules of the Company. j. Company car with a driver, for all official and personal needs. In such a case, no commuting allowance will be paid. However, if the Executive Director chooses not to use the Company vehicle, a vehicle allowance as decided by the Board of Directors shall be paid. k. Re-imbursement of rent, taxes and call charges of telephone / telefax at residence along with provision of cellular phones and reimburse all charges pertaining to the same. l. Re-imbursement of cost of books and periodicals subject to a ceiling as decided by the Board of Directors. m. Such other privileges, facilities, perquisites, and amenities as may be applicable from time to time.
Accommodation	a. The expenditure by the Company on hiring furnished accommodation shall be subject to a ceiling of 50% of the Basic Salary. The perquisite value shall be computed in accordance with the prevailing Income Tax Rules. b. In case the Company does not provide accommodation, a house rent allowance subject to a ceiling of 50% of the basic salary. c. In addition to the above, the Company may provide for the maintenance of the house, and provide the services of a sweeper/ gardener at the residence of the appointee. The Company shall pay the monthly wages of each of them, which shall be valued as tax perquisites as per the prevailing Income Tax Rules.

** Power to be exercised by the remuneration committee pursuant to resolution passed by the Board dated October 4, 2007.*

Changes in our Board of Directors during the last three years

Name	Date of appointment	Date of cessation	Reason
Dr. Promod Haque	November 18, 2005	-	Appointed
Navin Chaddha	November 18, 2005		Appointed
Ajit Tamhankar	-	November 18, 2005	Resigned
Ashutosh Joshi	-	November 18, 2005	Resigned
Dr. Shridhar Shukla	-	November 18, 2005	Resigned
Navin Chaddha	-	September 05, 2006	Resigned
Frederick W. W. Bolander	March 02, 2007	-	Appointed
Sandeep Johri	-	May 10, 2007	Resigned
Ram Gupta	September 14, 2007	-	Appointed
Frederick W. W. Bolander		October 2, 2007	Resigned

Managerial organisational structure



***** Permanent employee of Persistent Systems, Inc.

Key Managerial Personnel

In addition to Dr. Anand Deshpande, Chairman and Managing Director and S. P. Deshpande, Executive Director of our Company, the following are our other Key Managerial Personnel.

Dr. Srikanth Sundararajan, 45, is our Chief Operating Officer. He earned a Bachelor's Degree of Technology in Engineering in 1984 from the Indian Institute of Technology, Madras, and a Masters Degree in Computer Science in 1986 from the University of Illinois, Urbana Champaign. He also earned a doctorate in Computer and Information Sciences in 1989 from the University of Illinois, Urbana, Champaign.

Prior to joining our Company in 2006, he worked with Hewlett Packard as a software engineer during the period 1988 to 1991 and Informix, USA from 1991 to 1992 as technical lead, manager engineering. He founded Pretzel Logic Software Inc., USA in 1992 and was the chairman and chief technical officer till 2001. Pretzel Logic was acquired by Webgain Inc. in 2001. He continued with Webgain Inc., USA as senior vice president, product management. He returned to India and worked with HCL Group (Infosystems and Technologies), India from 2002 to 2004 as chief technical officer & vice president. He was with Cognizant Technology Solutions, India from 2004 to 2005 as chief technical officer and with IDS Software Solutions, India from 2005 to 2006 as managing director, India and executive vice president of worldwide, product development of international decision systems

As the Chief Operating Officer of our Company, he is responsible for all customer engagements, technology directions/investments, developing new service offerings, and growing existing accounts.

His annual remuneration in Fiscal 2008 was Rs. 6.11 million.

Dr. Hemant Pande, 44, is Senior Vice President - Strategic Relationship Management. He earned a Bachelor's Degree in Computer Science and Electronics from the Indian Institute of Technology, Bombay in 1985 and a Master's Degree in Computer Science from Rutgers University, New Jersey in 1988. He also earned a Doctorate in Computer Science from Rutgers University, New Jersey in 1996.

Prior to joining our Company in May 2008, he worked with Siemens Corp Research, Princeton, NJ as a Member of Technical Staff, and was responsible for program analysis, test coverage analysis tool development from 1989 to 1991. He subsequently worked as a scientist at the Tata Research Development and Design Center for Tata Consultancy Services Limited in Pune, India as a programming research group lead from 1991 to 2000. He worked earlier with our Company from 2000 to 2006. He worked with Persistent Systems, Inc. from 2006 to 2008 as Senior Vice President – Strategic Relationship Management.

He heads our strategic customer relationships, our technical presales, and human resources functions.

His annual remuneration from Persistent Systems, Inc. in Fiscal 2008 was equivalent to Rs. 7.71 million.

Nitin Kulkarni, 40, is our Head - Infrastructure and Systems Business Unit. He earned a Bachelors Degree in Engineering in Electronics from Mumbai University in 1988 and a Masters Degree in Engineering in Electronics from VNIT, Nagpur University in 1991.

Prior to joining our Company in 2006, he worked with NELCO, Mumbai from 1991 to 1992 as a senior systems engineer. He subsequently worked with Siemens Information Systems Limited from October 1992 to February 1996 as a senior systems analyst and with Infosys Technologies Limited between May 1996 to November 2006 in various roles ranging from Project Manager to Assistant Vice President and Development Center Head.

He heads our Infrastructure and Systems business unit.

His annual remuneration in Fiscal 2008 was Rs. 3.28 million.

Asit Shah, 46, is the head of our IBM business unit. He earned a Bachelor's Degree in Electrical Engineering from University of Bombay in 1982 and a Master's Degree in Computer Engineering from the University of Wisconsin, Madison in year 1984. He is a qualified Sun Certified Java Programmer since 2001.

Prior to joining our Company in 2001, he worked with the University of Wisconsin, Madison as a teaching assistant from 1983 to 1984, with Intel Corporation from 1984 to 1988 as a senior design engineer, with Parshwanath Investment Consultants, India from 1988 to 1997 as a senior financial analyst, with Hexaware Technologies Inc. from March 1997 to October 1999 as a senior software consultant and worked as an independent software / financial consultant from November 1999 to July 2000.

As head of our IBM business unit, he is responsible for managing the provision of our services to IBM and its customers worldwide.

His annual remuneration in Fiscal 2008 was Rs. 3.24 million.

Sanjiv Kumar, 50, heads our Telecom Business Unit. He earned a Bachelor's degree in Engineering in 1978 from Punjab University, a Masters degree in Technology in Computer Science in 1980 from the Indian Institute of Technology, Kanpur and a Master's Degree in Science in 1983 from Rutgers University, USA.

Prior to joining our Company in 2004, he worked with Telco from 1980 to 1981 as a Programmer/Analyst. He subsequently worked with Spruce Technology from 1983 to 1986 as a senior software engineer, with AT & T Bell Labs 1986 to 1989 as a member of technical staff, with AT&T Communications from 1989 to 1990 as a Consultant, Accurate Information Systems from 1990 to 1994 as a consultant, with Zensar Technologies from 1994 to 2000 as general manager and with EBSolute Technologies from 2000 to 2004 as managing director.

He heads our telecom business unit.

His annual remuneration in Fiscal 2008 was Rs. 2.86 million.

Dr. Rahul Dighe, 40, heads our enterprise business unit. He earned a Bachelors Degree in Technology in Engineering from the Indian Institute of Technology, Bombay in 1988 and a Masters Degree in Mechanical Engineering in 1992. He also earned a Doctorate from the Massachusetts Institute of Technology, Cambridge, Massachusetts in 1995.

Prior to joining our Company in 2005, he worked with SKF Bearing Limited from 1988 to 1989 as a member of their quality improvement team and subsequently worked with Tata Unisys Limited, Mumbai from 1989 to 1990 as a system analyst. He worked with MicroStrategy from 1996 to 1997 as a Software Consultant. He worked with i2 Technologies from 1997 to 2002 as head of India consulting services. He was the founder and chief executive officer of Optimal Point Software Technologies Private Limited in Bangalore from January 2003 to July 2005.

He is the head of our Enterprise Business unit and reports to Dr. Hemant Pande.

His annual remuneration in Fiscal 2008 was Rs. 2.76 million.

Rama Sastry, 51, heads our Delivery Excellence Unit. He earned a Bachelors Degree in Engineering in Electronics and Telecommunications from JNTU, A. P and a Master's Degree in Technology in Computer Science from I.I.T, Madras.

Prior to joining our Company in 1999, he worked with Softek Private Limited from June 1980 to June 1983 as software engineer, with Fujitsu ICIM from June 1983 to 1997 as Head of System Software Group and with IBM Global Services from 1998 to 1999 as a deputy general manager.

As the head of our Delivery Excellence unit, he is responsible for code reviews, processes and quality of deliverables alongwith ensuring value addition in product development.

His annual remuneration in Fiscal 2008 was Rs. 2.80 million.

Prashant Raje, 47, is our Senior Vice President - Corporate Planning and MIS. He earned a Bachelor's Degree in Electrical and Electronics Engineering from the Birla Institute of Technology & Science, Pilani in 1981 and a Master's Degree in Technology in Computer Science and Technology from the Indian Institute of Technology, Mumbai in 1985.

Prior to joining our Company in 2003, he worked with ORG Systems, Vadodara from 1981 to 1983 and with CMC Limited from 1985 to 1987 as a Development Engineer. He worked with Thermax Limited from 1987 to 1992 as a Senior Engineer and Development Manager and with Fujitsu-ICIM Limited from 1992 to 1997 as a Senior Manager. He subsequently worked with Informix Software (India) Private Limited from 1997 to 2001 as a Group Manager and Director, India Development Center. He worked with iCelerate Technologies Private Limited from 2001 to 2003 as Vice President - India Operations.

As Senior Vice President - Corporate Planning and MIS, he is responsible for our Corporate Planning, Control and MIS Functions.

His annual remuneration in Fiscal 2008 was Rs. 2.93 million.

Sudhir Alekar, 54, is our Head – Marketing. He earned a Bachelors Degree in Engineering in Electronics and Telecommunications from Pune University and a Masters Degree in Electrical Engineering and Computer Science from the University of Minnesota, Minneapolis USA in 1983.

Prior to joining our Company in June 2007, he worked with Digital Equipment Corporation (Santa Clara, CA) as principle engineer from 1988 to 1991, with Centric Engineering Systems from 1991 to 1994 (Palo Alto, CA), with Red Brick Systems Inc (Los Gatos, CA) as Group Manager from 1995 to 1999, with Oblix Inc (Cupertino, CA) from 1999 to 2005 as Director Engineering, with Oracle Corp (Redwood Shores, CA) from 2005 to 2006 as Director Engineering and with Persistent Systems, Inc. (Sunnyvale, CA) from 2006 to May 2007 as Director Strategic Relations.

As head of marketing, he heads the marketing function for our global operations.

His annual remuneration in Fiscal 2008 was Rs. 2.61 million.

Ram Pazhayannur, 35, is our Vice President, Business Development. He earned a Bachelor's degree in Mechanical Engineering from the University of Pune in 1993, a Master's of Science degree in Engineering from the University of Minnesota, Minneapolis in 1995, and a Master's degree in Management of Technology from the University of Minnesota, Minneapolis in 2001.

He joined our Company in early 2004 from Seagate Technologies, Minneapolis, where, during his nine year of association, he held various positions from Strategic Marketing, new product development to engineering.

As our Vice President, Business Development, he is responsible for sales in Europe and the Asia Pacific Region.

His annual remuneration in Fiscal 2008 was Rs. 2.65 million.

S. R. Joshi, 55 is our Head-Administration Services and Facilities. He earned a Bachelors Degree in Engineering in Mechanical Engineering from Shivaji University in 1974.

Prior to joining our Company in October 2003, he worked with Kirloskar Pneumatic Company Limited from 1974 to 1984 as a manager (materials) and worked as an executive vice president and business head with Kalyani Brakes Limited from 1984 to 2003.

He is responsible for the management of our services and facilities.

His annual remuneration in Fiscal 2008 was Rs. 2.56 million.

Kishor Bhalerao, 55, is our Head - Human Resources. He earned a Bachelor's of Arts Degree (Psychology) from the University of Pune in 1971 and a Masters Degree in the field of Personnel Management from the University of Mumbai in 1973.

Prior to joining our Company in 2006, he worked with Aurangabad Mills Limited as a labour welfare officer from November 1973 to March 1974, with Indian Tools Limited as a personnel officer from April 1974 to February 1975, with MICO (Bosch) Limited as a welfare officer from February 1975 to June 1976, with Skol Breweries Limited (Shaw Wallace) as a personnel and administration officer from June 1976 to March 1979, with RCF Limited as a personnel and welfare officer from March 1979 to April 1982, with US Vitamins Limited as a personnel manager from April 1982 to May 1984, with Tata Infotech Limited from May 1984 to March 1999 as a senior vice president – human resources, with Mastek Limited from 1999 to 2001 as a group senior vice president - human resources, Gilbert Tweed, Mumbai as a human resources consultant from December 2001 to May 2003, Lionbridge Technologies Private Limited from May 2003 to February 2005 as a vice president – human resources and with Arrk Solutions Private Limited, Mumbai from February 2005 to April 2006 as a vice president - human resources.

As our Head - Human Resource he is responsible for heading our human resources department and is responsible for human resources strategies related to employee policies, escalation and management of grievances, counselling and employee communication.

His annual remuneration in Fiscal 2008 was Rs. 2.62 million.

Rajesh Ghonasgi, 46, is our Chief Financial Officer. He earned a Bachelor's Degree in Commerce from Mumbai University in 1982. He is a member of the Institute of Chartered Accountants of India since 1986 and of the Institute of Company Secretaries of India since 1989. He also qualified as a Cost and Works Accountant in the year 1986.

Prior to joining our Company in March 2008, he worked with S. B. Billimoria & Co. from 1986 to 1987 as Consultant and with Universal Chemicals Limited from 1987 to 1989 as Management Accountant. He worked with Wipro Limited from 1989 to 2000 in various positions in the finance department including Regional Finance Manager, Chief Financial Officer – Systems Engineering Division, Mangaer – Legal and Taxation, Wipro Technologies Group Accounts, Legal and Taxation Manager and Process Quality Manager. He worked with Deutshe Software (India) Limited as Chief Financial Officer from 2000 to 2001. He worked with ICICI Venture Funds Management Company Limited as Chief Financial Officer and Company Secretary from 2001 to 2002 and with Hexaware Technologies Limited as Chief Financial Officer from 2002-2008.

As our Chief Financial Officer, he heads our finance & accounts department and is responsible for financial planning, funds management, accounting and reporting, strategic inititatives, investor relations, risk management and governance and control processes.

His annual remuneration for part of the Fiscal 2008 was 0.52 million.

Rohit Kamat, 52, is our Vice President – Finance. He earned a Bachelor's Degree in Commerce (Hons) from Mumbai University in 1976. He is a member of the Institute of Chartered Accountants of India since 1980 and of the Institute of Company Secretaries of India since 1990. He also qualified as a Cost and Works Accountant in the year 1980.

Prior to joining our Company in 2001, he worked with A. F. Ferguson & Co. from 1980 to 1981 as an Audit Assistant and with Tata Unisys Limited from 1981 to 1992 in various positions in their finance department. He worked with Hitech Plast-Containers (India) Limited from 1992 to 1993 as a financial controller & company secretary. He worked with Syntel Software Private Limited from 1993 to 1999 in various positions in their finance department and with L&T Infotech Limited from 1999 to 2001 as a deputy general manager, finance.

As our Vice President, Finance, he is responsible for financial planning, funds management, financial reporting and corporate taxation.

His annual remuneration in Fiscal 2008 was Rs. 2.53 million.

Shriprakash Dhopeshwarkar, 64 is our Head - Internal Audit and Control. He earned a Master's Degree in Commerce in 1967 from Pune University and is a member of the Institute of Chartered Accountants of India since 1969.

Prior to joining our Company in 2006, he worked with SICOM from 1969 to 1971 as finance officer, and with CIDCO 1971 to 1973 as senior finance officer, with IBM from 1973 to 1976 as senior specialist, with Hindustan Lever Limited from 1976 to 1979 as an administration manager and with Tata Infotech from 1979 to 2006 where he held several positions including Vice President - Internal Audit.

As Head - Internal Audit and control he is in charge of internal audit function. His key responsibilities include planning and executing internal audits so as to carry out independent verification and evaluation of internal controls and checks & balances from risk management and risk assurance point of view.

His annual remuneration in Fiscal 2008 was Rs. 1.80 million

Vivek Sadhale, 33, is our Company Secretary, Head – Legal and Compliance Officer. He earned a Bachelor's Degree in Commerce from Bombay University in 1995 and a Bachelor's degree in Law from Pune University in 2001. He is an Associate member of the Institute of Cost and Works Accountants of India and a Fellow member of the Institute of Company Secretaries of India. He also qualified as Chartered Secretary from the Institute of Chartered Secretaries and Administrators, UK in the year 2002. He is an elected member on the Managing Committee of Western India Regional Council of the Institute of Company Secretaries of India for the period 2007-2010.

Prior to joining our Company in 2000, he worked with Siemens Limited from 1995 to 1996 as a Cost Trainee, with Bombay Dyeing and Manufacturing Co. Limited in 1997 as an executive - cost and with Kirloskar Pneumatic Company Limited from November 1997 to December 1999 in various positions including assistant company secretary.

He holds overall responsibility for legal and corporate secretarial matters.

His annual remuneration in Fiscal 2008 was Rs. 1.40 million.

All our Key Managerial Personnel are permanent employees of our Company and none of our Directors and our Key Managerial Personnel are related to each other except Dr. Anand Deshpande, who is the son of S. P. Deshpande, Executive Director.

Key managerial personnel of our Subsidiary, Persistent Systems, Inc.

Raj Sirohi, 53, is President, Persistent Systems, Inc. He earned a Bachelor's degree in Business and Economics from Delhi University in the year 1978 and has also qualified with an Advanced Management Program from Harvard University in the year 1994.

He has over 25 years of experience in the fields of management and has worked with HCL Technologies Limited heading their USA operations from 1981 to 2004. He also worked with Covansys Corporation as senior vice president of sales and marketing, worldwide from 2005 to 2006.

He heads the operations of our Subsidiary, Persistent Systems, Inc. and is responsible for global sales and marketing.

Yesh Subramanian, 44, is Chief Marketing Officer, Persistent Systems Inc.

He earned a Bachelor's degree in Engineering in 1985 and Master's degree in Engineering in 1986 from Harvey Mudd College, California. He also earned a Master's Degree in Business Administration from Graduate School of Business at

Stanford University, CA in 1992.

Prior to joining Persistent Systems, Inc. in January 2008, he worked as a Financial Analyst at PaineWebber, Inc. (now UBS AG) from 1986 to 1989. He subsequently worked at Strategic Decisions Group as Senior Engagement Manager from 1992 to 1999. He held numerous business development and market strategy positions at emerging technology companies including Vice President - Business Development at Applicast, Inc. from 1999 to 2001, Vice President - Business Development at RedKlay, Inc. (now FullScope, Inc.) from 2001 to 2002, Vice President - Business Development at Edge Dynamics, Inc. from 2002 to 2005 and Executive Vice President Marketing and Business Development at ISGN from 2005 to 2007. He consulted as Vice President - Marketing at Applied Strategies Consulting, Inc. for the period October to December 2007.

As Chief Marketing Officer of our subsidiary, Persistent Systems, Inc. he is responsible for over all marketing efforts.

T M Vijayaraman, 55 is Chief Technology Officer. He earned a Master's Degree in Technology in Computer Science from the Indian Institute of Technology, Chennai in 1976.

Prior to joining Persistent Systems, Inc., he worked with the Company as Head - Core ISV Business Unit for existing customers. Prior to joining the Company in 1998, he worked with the National Center for Software Development & Computing Techniques, Tata Institute of Fundamental Research from 1976 to 1997 as a senior software specialist. He was a visiting fellow with our Company during the period 1997-98.

He is our Chief Technology Officer and is based in the United States.

Ranjan Guha, 50, is Senior Vice President - Strategic Business Development, Persistent Systems, Inc.

He earned a Bachelor's degree in Commerce from Calcutta University in the year 1979 and earned a Post Graduate Diploma in Sales and Marketing Management from Bharatiya Vidya Bhawan, Calcutta in the year 1982.

Prior to joining Persistent Systems, Inc. in December 2007, he worked as Area Sales Director, Western Region with HCL Technologies Limited, USA Operations from 1994 to 2003. In 2003, he joined Interra Information Technologies, Inc as Vice President - Sales and was promoted to President, North America in the year 2005. He jointed e4e, Inc. as President of Applistucture Division, Worldwide in April 2007.

At Persistent Systems, Inc., he is responsible for Strategic Business Development.

Sudhir Kulkarni, 46**,** is Vice President – Sales. He earned a Bachelor's Degree in Commerce from the University of Mumbai in 1981, a Masters Degree in Business Administration from the Indian Institute of Management, Calcutta in 1983 and completed a Program in Globalization as a Chevening Scholar from the London School of Economics in 1997.

He joined Persistent Systems, Inc., in 2006. Earlier he worked as a Sales Manager at Coats Limited from 1983 to 1990. He was an entrepreneur from 1991 to 2000 and worked as the Chief Operating Officer and Senior Vice President, Sales at Clickmarks Inc., from 2000–2006.

As Vice President – Sales, he is responsible for the sales function for our US market.

Manu Gupta, 40, is Vice President – Corporate Development. He earned a Bachelors (Honours) Degree in Physics from Hindu College, University of Delhi in 1988 and a Master of Finance & Control Degree from Department of Finance, University of Delhi in 1991.

Prior to joining Persistent Systems, Inc. in 2006, he was a Vice President - Corporate Finance at Vickers Ballas where he worked from 1996 to 2000 and help set up and run two India Private Equity Funds. He has also served as Vice President (Strategic Initiatives Group) at HCL Technologies Limited where he worked from 2001 to 2006. As Vice President – Corporate Development, he is responsible for our strategic initiatives and inorganic growth.

Shareholding of our Key Managerial Personnel and the key managerial personnel of our Subsidiary (Persistent Systems, Inc.)

Other than as disclosed below, none of our Key Managerial Personnel or the key managerial personnel of Persistent Systems, Inc. hold Equity Shares in the Company.

S. No.	Name of Key Managerial Person	No. of Options granted as on date	No. of Options vested but not exercised as on date	No. of Shares held as on date
1.	Dr. Srikanth Sundararajan	249,375	56,875	-
2.	T M Vijayaraman	119,000	21,000	52,150
3.	Nitin Kulkarni	52,500	-	-
4.	Asit Shah	77,700	17,675	16,625
5.	Sanjiv Kumar	59,500	16,450	-
6.	Dr. Rahul Dighe	43,750	-	-
7.	Rama Sastry	99,750	18,200	53,900
8.	Prashant Raje	59,500	22,400	6,300
9.	Sudhir Alekar	35,000	-	-
10.	Ram Pazhayannur	31,500	9,450	1,050
11.	Shripad Joshi	43,750	17,325	3,675
12.	Kishor Bhalerao	35,000	-	-
13.	Rajesh Ghonasgi	63,000	-	-
14.	Rohit Kamat	55,300	13,125	21,175
15.	Shriprakash Dhopeshwarkar	7,000	-	-
16.	Vivek Sadhale	31,500	6,492	9,082
17.	Raj Sirohi	358,750	125,562	-
18.	Dr. Hemant Pande	94,500	21,000	42,700
19.	Sudhir Kulkarni	61,250	12,250	-
20.	Manu Gupta	52,500	10,500	-
21.	Yesh Subramanian	42,000	-	-
22.	Ranjan Guha	52,500	-	-
	Total	**1,724,625**	**368,304**	**206,657**

Bonus or profit sharing plan of the Key Managerial Personnel

There is no bonus or profit sharing plan for our Key Managerial Personnel.

Interest of Key Managerial Personnel

The key managerial personnel of our Company do not have any interest in our Company other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business and to the extent of stock options and Equity Shares held by them in the Company.

None of our key managerial personnel has been paid any consideration of any nature from the Company, other than their remuneration.

Changes in the Key Managerial Personnel

The changes in the Key Managerial Personnel of our Company in the last three years are as follows:

Name of the Key Managerial Person	Date of joining	Date of leaving	Reason for change
Dr. Jaideep Ganguly	October 14, 2002	July 16, 2004	Resignation
Col. Deepak Wakankar	March 26, 2001	August 27, 2004	Resignation
Sanjiv Kumar	October 4, 2004	-	Appointment
Dr. Rahul Dighe	October 10, 2005	-	Appointment
Ajay Dubey	April 1, 2003	February 10, 2006	Resignation
Shriprakash Dhopeshwarkar	May 15, 2006	-	Appointment
Dr. Srikanth Sundararajan	June 7, 2006	-	Appointment
Dr. Sangeeta Rao	January 10, 2005	August 11, 2006	Resignation
Vivek Tuljapurkar	December 20, 2004	August 25, 2006	Resignation
Kishor Bhalerao	September 4, 2006	-	Appointment
Nitin Kulkarni*	November 20, 2006	-	Appointment
Sudhir Alekar	June 1, 2007	-	Transferred from Persistent Systems, Inc.
Dr. Hemant Pande	-	April 16, 2006	Transferred to Persistent Systems, Inc.
Rajesh Ghonasgi	March 10, 2008		Appointment

Name of the Key Managerial Person	Date of joining	Date of leaving	Reason for change
T. M. Vijayaraman		May 5, 2008	Transferred to Persistent Systems, Inc.
Dr. Hemant Pande	May 16, 2008		Transferred from Persistent Systems, Inc.

** He was appointed in 2004 and resigned in 2005. He again joined our Company in November 2006.*

OUR PROMOTERS AND GROUP ENTITIES

Our Company was founded by our Promoters Dr. Anand Deshpande and S. P. Deshpande in 1990. Details of our Promoters are as follows:

Individuals

	**Dr. Anand Deshpande** His passport number is Z 1564471 His voter’s identification number is MT / 0042 / 0247 / 369129 His driving license number is MDL No. 84/ 15617 /POR For further details, see “Our Management - Biographies of our Directors” on page 89.
	**S. P. Deshpande** His passport number is B 0174008 His voter’s identification number is MT / 0042 / 0247 / 369109 His driving license number is MH 12 20050669028 For further details, see “Our Management - Biographies of our Directors” on page 89.

For details of the terms of appointment of Dr. Anand Deshpande as our Chairman and Managing Director, and S. P. Deshpande as our Executive Director, see “Our Management” on page 89.

We confirm that the Permanent Account Numbers, Bank Account Numbers and Passport Numbers of our Promoters have been submitted to the NSE and BSE at the time of filing the Draft Red Herring Prospectus with them.

Group Entities

Hindu Undivided Families

1. S. P. Deshpande (HUF) was formed consequent to Partition Deed dated March 30, 1974. S. P. Deshpande is the Karta of the S. P. Deshpande (HUF). S. P. Deshpande is authorised to make all decisions on behalf of the HUF.

   Sulabha Deshpande, Dr. Anand Deshpande, Dr. Mukund Suresh Deshpande and Chitra Hemadri Buzruk are the members of the S. P. Deshpande (HUF).

2. R. P. Deshpande (HUF) was formed consequent to Partition Deed dated March 30, 1974. Ramesh. P. Deshpande is the Karta of the R. P. Deshpande (HUF). R. P. Deshpande is authorised to make all decisions on behalf of the HUF.

Interest of our Promoters

Our Promoters are interested in our Company to the extent that they have promoted our Company, their shareholding in our Company and to extent of them being directors of our Company. For further interest, of our Directors, see section ‘Our Management - Interests of Directors’ on page 96.

Common pursuits

We shall adopt the necessary procedures and practices as permitted by law to address any conflict situations, as and when they may arise. For further details on the related party transactions, to the extent of which our Company is involved, see “Related Party Transactions” on page 109.

Sick company

None of the entities forming part of our Group Entities have been declared sick in the past.

Disassociation by the Promoters in the last three years

Except as provided below, our Promoters have not disassociated themselves from any companies/firms during the preceding three years.

S. No.	Name of entity	Date of disassociation	Reason for disassociation
1.	Intrix Systems Private Limited	August 26, 2005	Dilution of promoter holding in the company pursuant to preferential allotment*.

** Intrix Systems Private Limited has not been operational since 1997. An application dated August 31, 2005 was made under S. 560 of the Act for striking its name from the register maintained with the RoC. The notification indicating that Intrix Systems Private Limited is struck off from the register maintained by the RoC is yet to be published in the official gazette.*

Payment or benefit to Promoters

Except as stated in "Financial Information - Related Party Transactions" on page 109, no amount or benefit has been paid or given to any Promoter within the two preceding years from the date of filing of this Draft Red Herring Prospectus or is intended to be paid.

Other confirmations

Our Promoters have further confirmed that they have not been declared as wilful defaulters by the RBI or any other Governmental authority and there are no violations of securities laws committed by them in the past or are pending against them.

RELATED PARTY TRANSACTIONS

CONSOLIDATED DETAILS OF TRANSACTIONS WITH RELATED PARTIES AND OUTSTANDING BALANCES

In Rs. million

Particulars	Nature of Relationships	Financial Year Ended				
		March 31, 2008	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004
Consultancy charges paid	**Key Management Personnel**					
	Sandeep Johri	-	-	-	0.81	0.82
	Total	**-**	**-**	**-**	**0.81**	**0.82**
Commission paid	**Entities in which relatives of Key management personnel are interested**					
	Great Software Laboratory Private Limited (note 4)	-	-	10.54	4.74	1.13
	Total	**-**	**-**	**10.54**	**4.74**	**1.13**
Outstanding written off	**Associate**					
	Intrix Systems Private Limited	-	-	0.09	-	-
	Total	**-**	**-**	**0.09**	**-**	**-**
Reimbursement of project travel expenses and other expenses	**Associate**					
	Intrix Systems Private Limited	-	-	(0.09)	(0.01)	-
	Total	**-**	**-**	**(0.09)**	**(0.01)**	**-**
Remuneration paid	**Key Management Personnel**					
	Dr. Anand Deshpande	7.88	5.91	5.68	6.24	3.21
	Dr. Shridhar Shukla (note 4)	-	-	-	-	0.48
	Ajit Tamhankar (note 4)	-	-	3.12	2.19	2.16
	Ashutosh Joshi (note 4)	-	-	1.73	1.89	1.66
	S. P. Deshpande	2.79	2.43	2.26	2.04	1.63
	Raj Sirohi (note 6)	14.47	9.60	-	-	-
	Ravi Krishnamurthy (note 5)	-	5.66	9.61	1.33	-
	Relatives of Key Management Personnel					
	Chitra Buzruk	1.41	1.18	1.17	1.07	0.83
	Mukund Deshpande	1.39	-	-	-	-
	Shrikanth Joshi (note 4)	-	-	1.41	1.26	0.87
	Total	**27.94**	**24.78**	**24.98**	**16.02**	**10.84**
Dividend paid	Dr. Anand Deshpande	13.57	9.69	8.03	6.35	4.65
	S. P. Deshpande	4.56	3.26	2.71	2.16	1.61
	Chitra Buzruk	0.02	-	-	-	-
	Sonali Anand Deshpande	0.07	0.05	0.04	0.03	0.02
	Dr. Shridhar Shukla (note 4)	-	-	2.24	2.34	1.76
	Ajit Tamhankar (note 4)	-	-	0.15	0.16	0.12
	Ashutosh Joshi (note 4)	-	-	2.65	2.88	2.16
	Sulabha S Deshpande	0.34	0.24	0.20	0.16	0.12
	Total	**18.56**	**13.24**	**16.02**	**14.08**	**10.44**

Outstanding Balances

Particulars	Nature of Relationships	Financial Year Ended				
		March 31, 2008	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**
Creditors	**Entities in which relatives of Key management personnel are interested**					
	Great Software Laboratory Private Limited (note 4)	-	-	1.02	0.62	1.13
	Total	**-**	**-**	**1.02**	**0.62**	**1.13**

In Rs. million

Notes:

1. Although Ashutosh Joshi, Shrikanth Joshi and Ajit Tamhankar ceased to be a related party on November 18, 2005, the remuneration paid is disclosed for the entire year.
2. Although Great Software Laboratory Private Limited ceased to be a related party on November 18, 2005, the Commission paid is disclosed for the entire year.
3. Although Mr. Ashutosh Joshi, Dr. Shridhar Shukla and Mr. Ajit Tamhankar ceased to be a related party on November 18, 2005, the dividend paid is disclosed for the entire year.
4. Parties ceased to be a related party on November 18, 2005
5. Ravi Krishnamurthy resigned as President of Persistent Systems, Inc., on September 30, 2006.
6. Raj Sirohi joined as President of Persistent Systems, Inc., on August 21, 2006.

DIVIDEND POLICY

The declaration and payment of dividends will be recommended by our Board of Directors and approved by our shareholders, at their discretion, and will depend on a number of factors, including but not limited to our profits, capital requirements and overall financial condition. The Board may also from time to time pay interim dividends. All dividend payments are made in cash to the shareholders of the Company. We have paid out the following dividends since Fiscal 2004.

						In Rs. million
	Face Value (Rs/share)	Year Ended				
		March 31, 2008	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004
Class of Shares						
Equity share capital	10	358.61	81.54	81.52	89.33	78.88
Series A Participatory Cumulative Optionally Convertible Preference shares of Rs 100 each fully paid-up.	100	-	20.91	20.91	-	-
Dividend on Equity Shares						
Interim Dividend						
- Rate		5.00%	15.00%	15.00%	9.00%	15.00%
- Amount		17.93	12.23	13.43	7.80	11.83
- Rate		7.00%	15.00%	10.00%	11.00%	-
- Amount		25.10	12.23	8.03	9.54	-
Dividend on Series A Participatory Cumulative Optionally Convertible preference shares of Rs 100 each fully						
(Refer Note 1 below)						
Interim Dividend						
- Rate		-	15.00%	10.00%	-	-
- Amount		-	3.14	0.77	-	-
- Rate		-	15.00%	-	-	-
- Amount		-	3.13	-	-	-
Corporate Dividend Tax		7.31	4.31	3.12	2.27	1.52

The amounts paid as dividends in the past are not in any manner indicative of our dividend policy or dividends, if any, that may be declared or paid in the future.

SECTION V: FINANCIAL INFORMATION

RESTATED CONSOLIDATED FINANCIAL INFORMATION

Auditors' Report

The Board of Directors
Persistent Systems Limited
"Bhageerath"
402, Senapati Bapat Road,
Pune – 411 016

Dear Sirs,

1. We, S.R. Batliboi & Co. Chartered Accountants ("SRB") and Joshi Apte & Co. ("JACO") Chartered Accountants (collectively referred to as "Joint Auditors"), have examined the restated consolidated balance sheet of Persistent Systems Limited (the "Company") and it's subsidiaries as stated in paragraph 2 below, (collectively referred to as the "Group") as at, March 31, 2008, March 31, 2007, March 31, 2006, March 31, 2005 and March 31, 2004 and the related restated consolidated profit and loss account and restated consolidated statement of cash flows for the financial years ended March 31, 2008, March 31, 2007, March 31, 2006, March 31, 2005 and March 31, 2004 (collectively, the "Consolidated Summary Statements"). These Consolidated Summary Statements have been prepared by the Company and approved by the Board of Directors for the proposed Public Offer (referred to as the "Offer"), in accordance with the requirements of:

   a) paragraph B(1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

   b) the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 ('the Guidelines') as amended;

   c) Revised Guidance Note on Reports in Company Prospectuses issued by the Institute of Chartered Accountants of India; and

   d) the terms of reference dated June 9, 2008, received from the Company, requesting the Joint Auditors to carry out the assignment, in connection with the Offer Document being issued by the Company for its proposed Offer.

   Management has informed us that the Company proposes to make an Offer of fresh issue of 4,008,920 equity shares and offer for sale by existing shareholders of 965,916 equity shares, having a face value of Rs. 10 each, at an issue price to be arrived at by the book building process.

Consolidated Summary Statements as per audited Consolidated Financial Statements:

2. The Consolidated Summary Statements of the Group have been extracted by the management from the Consolidated Financial Statements of the Group, which have been approved by the Board of Directors and jointly audited by SRB and JACO for the financial years ended March 31, 2008 and March 31, 2007 and audited by JACO for the financial years ended March 31, 2006, March 31, 2005 and March 31, 2004.

   This report, in so far as it relates to the amounts included for the financial years ended March 31, 2006, March 31, 2005 and March 31, 2004 is concerned, is based on the Consolidated Financial Statements, the Consolidated Summary Statements and Other Consolidated Financial Information audited by and the reports of JACO and relied upon by SRB for these years.

   SRB did not audit the financial statements of the subsidiaries Persistent eBusiness Solutions Limited (PeBS) and Persistent Systems, Inc (PSI), Persistent Systems Pte. Ltd. (PSP) for the financial years as set out below. These financial statements have been audited by JACO. Auditors' reports of JACO for the respective years have been furnished to SRB and the joint auditors' opinion in so far as it relates to the amounts included in these Consolidated Summary Statements are based on the auditors' report of JACO.

In Rs. million

Year ended	PeBS		PSI		PSP	
	Total Assets	Total	Total Assets	Total	Total	Total

		Revenue		Revenue	Assets	Revenue
March 31, 2008	21.54	36.82	176.81	709.38	6.73	10.79
March 31, 2007	8.96	13.75	138.62	453.66	-	-

3. In accordance with the requirements of Paragraph B of Part II of Schedule II of the Act, the SEBI Guidelines and terms of our engagement agreed with you, we report that:

   i) The Consolidated Summary Statements, of the Group, including as at and for the years ended March 31, 2006, March 31, 2005 and March 31, 2004 examined by JACO and the report submitted by JACO on which reliance has been placed by SRB and for the years ended March 31, 2008 and March 31, 2007 jointly examined by us, as set out in Annexure I, II and III to this report, are after making adjustments and regrouping as in our opinion were appropriate and more fully described in Significant Accounting Policies (Refer Annexure IV) and Notes on Restatements and Changes in Significant Accounting Policies (Refer Annexure V)

   ii) Based on the above, and also as per the reliance placed by SRB on the reports submitted by JACO, for the respective years, we are of the opinion that the Consolidated Summary Statements have been made, after incorporating:

      a) Adjustments for the changes in the accounting policies retrospectively in respective financial years, to reflect the same accounting treatment as per the changed accounting policy for all the reporting periods;

      b) Adjustments for the material amounts in the respective financial years to which they relate;

   iii) There are no extra-ordinary items which need to be disclosed separately in the Consolidated Summary Statements; and

   iv) There are no qualifications in the auditors' reports, which require any adjustments to the Consolidated Summary Statements.

Other Consolidated Financial Information:

4. At the Company's request, we have examined the following Other Consolidated Financial Information proposed to be included in the Offer Document, prepared by the management and approved by the Board of Directors of the Company and annexed to this report relating to the Group for the financial years ended March 31, 2008, March 31, 2007, March 31, 2006, March 31, 2005 and March 31, 2004. In respect of the financial years ended March 31, 2006, March 31, 2005 and March 31, 2004, this information has been included based on the reports submitted by JACO and relied upon by SRB

   (i) Details of restated consolidated secured loans of the Group for the years ended March 31, 2008, March 31, 2007, March 31, 2006, March 31, 2005 and March 31, 2004, as set out in Annexure VI;

   (ii) Break-up of outstanding secured loans taken by the Group for the year ended March 31, 2008 specifying terms and conditions including interest rate, repayment schedule and details of charge created thereof, as set out in Annexure VIA;.

   (iii) Details of restated consolidated investment of the Group for the years ended March 31, 2008, March 31, 2007, March 31, 2006, March 31, 2005 and March 31, 2004, as set out in Annexure VII;

   (iv) Statement of restated consolidated sundry debtors of the Group for the years ended March 31, 2008, March 31, 2007, March 31, 2006, March 31, 2005 and March 31, 2004, as set out in Annexure VIII;

   (v) Statement of restated consolidated loans and advances of the Group for the years ended March 31, 2008, March 31, 2007, March 31, 2006, March 31, 2005 and March 31, 2004, as set out in Annexure IX;

   (vi) Details of restated consolidated other income of the Group for the years ended March 31, 2008, March 31, 2007, March 31, 2006, March 31, 2005 and March 31, 2004, as set out in Annexure X;

   (vii) Statement of contingent liabilities of the Group for the years ended March 31, 2008, March 31, 2007, March 31, 2006, March 31, 2005 and March 31, 2004, as set out in Annexure XI;

   (viii) Statement of consolidated related party transactions of the Group for the years ended March 31, 2008, March 31, 2007, March 31, 2006, March 31, 2005 and March 31, 2004, as set out in Annexure XII;

(ix) Statement of restated consolidated Segment results of the Group for the years ended March 31, 2008, March 31, 2007, March 31, 2006, March 31, 2005 and March 31, 2004, as set out in Annexure XIII;

(x) Statement of restated consolidated accounting ratios of the Group i.e. Earnings Per Shares, basic and diluted ("EPS"), Return on Net Worth ("RoNW") and Net Asset Value ("NAV") for the Group, for the years ended March 31, 2008, March 31, 2007, March 31, 2006, March 31, 2005 and March 31, 2004, as set out in Annexure XIV.

In our opinion, the Other Consolidated Financial Information contained in the Annexure to this report as referred to above, read along with the Significant Accounting Policies as set out in Annexure IV and Notes on Restatements and Changes in Significant Accounting Policies as set out in Annexure V prepared after making adjustments and regrouping as considered appropriate, have been prepared in accordance with Part II of Schedule II of the Act and the Guidelines.

This report should not be in any way construed as a re-issuance or re-dating of any of the previous audit reports issued by the auditors for the respective years nor should this report be construed as a new opinion on any of the financial statements referred to herein.

This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed Issue of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For JOSHI APTE & Co.
Chartered Accountants

per C. K. Joshi
Partner
Membership No.: 30428
Place: Pune
Date: June 12, 2008

For S. R. BATLIBOI & Co.
Chartered Accountants

per Arvind Sethi
Partner
Membership No.: 89802
Place: Pune
Date: June 12, 2008

ANNEXURE I: CONSOLIDATED SUMMARY STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED

					In Rs. million
			As at		
	March 31, 2008	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004
A. Fixed Assets:					
Gross block	2,928.37	2,640.18	2,006.67	845.31	647.48
Less: Accumulated depreciation	1,285.86	1,026.20	783.33	350.31	234.06
Net Block	**1,642.51**	**1,613.98**	**1,223.34**	**495.00**	**413.42**
Capital work-in-progress including capital Advance	330.75	130.97	266.59	290.40	24.13
Total	**1,973.26**	**1,744.95**	**1,489.93**	**785.40**	**437.55**
B. Investments	**691.71**	**246.91**	**115.22**	**101.38**	**110.68**
C. Current Assets, Loans and Advances:					
Sundry debtors	744.89	537.80	392.92	287.20	118.48
Cash and bank balances	113.16	112.72	39.46	60.43	48.03
Other current assets	89.39	42.82	20.73	20.85	1.30
Loans and advances	403.11	265.17	258.94	160.32	50.00
Total	**1,350.55**	**958.51**	**712.05**	**528.80**	**217.81**
D. Liabilities and Provisions:					
Secured loans	-	-	-	211.24	13.10
Deferred tax liability	2.55	0.57	4.42	3.38	5.73
Current liabilities and provisions	727.25	433.27	283.36	183.32	142.66
Total	**729.80**	**433.84**	**287.78**	**397.94**	**161.49**
E. Net Worth (A+B+C-D)	**3,285.72**	**2,516.53**	**2,029.42**	**1,017.64**	**604.55**
Net Worth represented by:					
F. Share Capital					
Equity	358.61	81.54	81.52	89.33	78.88
Preference	-	20.91	20.91	-	-
G. Reserves and Surplus	2,927.11	2,414.08	1,926.99	928.31	525.67
H. Net Worth (F+G)	**3,285.72**	**2,516.53**	**2,029.42**	**1,017.64**	**604.55**

Note:
The above statement should be read with significant accounting policies as in Annexure IV and selected notes on restatements as in Annexure V.

As per our report of even date

For JOSHI APTE & Co.
Chartered Accountants

C. K. Joshi
Partner
M.No. 30428
Pune
Date : June 12, 2008

For S. R. BATLIBOI & Co.
Chartered Accountants

per Arvind Sethi
Partner
M.No. 89802
Pune
Date : June 12, 2008

For and on behalf of the Board of Directors

Dr. Anand Deshpande
Chairman and
Managing Director
Pune
Date : June 12, 2008

S. P. Deshpande
Director

ANNEXURE II : CONSOLIDATED SUMMARY STATEMENT OF PROFITS AND LOSSES, AS RESTATED

	Notes on restatement	In Rs. million				
		Year Ended				
		March 31, 2008	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004
Income						
Sale of software services and products		4,248.50	3,156.28	2,164.89	1,468.67	816.60
Other income		269.35	20.87	23.30	19.81	11.82
Total		**4,517.85**	**3,177.15**	**2,188.19**	**1,488.48**	**828.42**
Expenditure						
Personnel expenses		2,711.45	1,761.31	1,167.76	747.78	381.59
Operating and other expenses		637.24	589.57	416.61	272.43	174.76
Financial expenses		-	1.12	8.95	0.47	0.27
Depreciation		279.99	269.92	187.08	124.91	76.80
Total		**3,628.68**	**2,621.92**	**1,780.40**	**1,145.59**	**633.42**
Profit before taxation, exceptional and prior period items		**889.17**	**555.23**	**407.79**	**342.89**	**195.00**
Exceptional items - income / (expense)		(35.18)	37.63	(5.64)	-	(0.03)
Prior period items - income / (expense)		-	(19.50)	-	(7.87)	0.70
Profit Before Tax		**853.99**	**573.36**	**402.15**	**335.02**	**195.67**
Provision For Tax						
Current tax		98.70	15.71	5.75	1.50	1.60
MAT credit		(89.44)	-	-	-	-
Deferred tax charge / (credit)		1.99	(5.58)	0.54	0.14	-
Fringe benefit tax		11.00	8.06	5.17	-	-
Net Profit Before Restatement Adjustments		**831.74**	**555.17**	**390.69**	**333.38**	**194.07**
Restatement Adjustments						
Due To Changes In Accounting Policies						
Gratuity	**1 (a)**	-	0.28	(3.22)	3.01	3.69
Leave encashment	**1 (b)**	-	11.00	0.53	(9.75)	(2.26)
Exchange gain / (loss) on forward contract	**1 (c)**	13.06	(4.16)	(5.98)	0.27	(3.19)
Exchange gain / (loss) on derivatives	**1 (c)**	-	18.63	(18.63)	-	-
Provision for bonus	**1 (d)**	2.00	(2.00)	-	-	-
Preliminary and preoperative expenses	**1 (e)**	-	-	-	0.08	0.04
Other restatement adjustments						
Depreciation	**2 (a)**	-	-	(19.50)	-	(0.12)
Prior period items	**2 (a)**	-	18.22	0.98	7.95	(0.49)
Bad and doubtful debts recovered	**2 (b)**					
(a) Bad debts		-	-	-	(0.43)	0.43
(b) Provision for doubtful debts		(14.87)	8.72	5.53	(2.72)	3.38
Employees stock options	**2 (c)**	-	(37.63)	9.89	14.81	-
Current tax	**2 (d)**	-	8.33	0.55	-	(2.16)
Deferred tax charge / (credit)	**2 (e)**	-	(1.73)	1.06	2.49	0.26
Restatements Adjustments (Net)		**0.19**	**19.66**	**(28.79)**	**15.71**	**(0.42)**
Net Profit, As Restated		**831.93**	**574.83**	**361.90**	**349.09**	**193.65**
Balance Brought Forward From The Previous Year		**924.22**	**620.73**	**472.38**	**242.90**	**112.60**
Profit Available For Appropriation, As Restated		**1,756.15**	**1,195.56**	**834.28**	**591.99**	**306.25**
Appropriations						
Interim dividend on equity shares		43.03	24.46	21.46	17.34	11.83

	Notes on restatement	Year Ended				
		March 31, 2008	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**
						In Rs. million
Dividend on preference shares		-	6.27	0.77	-	-
Tax on dividends		7.31	4.31	3.12	2.27	1.52
Transfer to general reserve		334.90	236.30	188.20	100.00	50.00
Balance Carried Forward, As Restated		**1,370.91**	**924.22**	**620.73**	**472.38**	**242.90**

Note:
The above statement should be read with significant accounting policies as in Annexure IV and selected notes on restatements as in Annexure V.

As per our report of even date

For JOSHI APTE & Co.
Chartered Accountants

C. K. Joshi
Partner
M.No. 30428
Pune
Date : June 12, 2008

For S. R. BATLIBOI & Co.
Chartered Accountants

per Arvind Sethi
Partner
M.No. 89802
Pune
Date : June 12, 2008

For and on behalf of the Board of Directors

Dr. Anand Deshpande
Chairman and
Managing Director
Pune
Date : June 12, 2008

S. P. Deshpande
Director

ANNEXURE III - CONSOLIDATED STATEMENT OF CASH FLOWS AS RESTATED

					In Rs. million
			Year Ended		
	March 31, 2008	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**
A. Cash Flows From Operating Activities					
Profit Before Taxation And Exceptional Items, as restated	**889.36**	**586.42**	**377.39**	**348.24**	**197.18**
Exceptional items	(35.18)	-	(5.64)	-	-
Profit Before Taxation	**854.18**	**586.42**	**371.75**	**348.24**	**197.18**
Adjustments for:					
Depreciation	279.99	269.92	206.58	124.91	76.92
(Profit) / loss on sale of fixed assets (net)	(1.05)	(3.85)	0.33	(0.16)	(0.62)
(Profit)/ loss on sale of investments (net)	(0.18)	(0.37)	(0.41)	0.10	(0.57)
Interest income	(0.84)	(0.97)	(0.83)	(0.54)	(0.59)
Dividend income	(25.43)	(7.22)	(11.07)	(4.26)	(2.98)
Interest expense	-	1.12	8.95	0.48	0.27
Foreign exchange (gain) / loss	(2.33)	5.70	(0.80)	(0.22)	2.71
Exchange difference on translation of foreign currency cash and cash equivalents	0.10	0.18	(0.45)	(0.15)	(0.05)
Exchange loss on derivative contracts	13.19	(18.63)	18.63	-	-
Bad debts written off	-	-	-	-	1.70
Goodwill	-	-	-	-	0.07
Provision for doubtful debts	23.38	51.48	5.48	0.88	1.09
Provision for doubtful intercorporate deposit	2.78	-	-	-	-
Operating Profit Before Working Capital Changes	**1,143.79**	**883.78**	**598.16**	**469.28**	**275.13**
Movements In Working Capital :					
(Increase) in sundry debtors	(227.90)	(202.18)	(110.47)	(169.74)	(39.05)
(Increase) / decrease in other current assets	(46.53)	(22.07)	0.10	(19.46)	(1.30)
(Increase) / decrease loans and advances	(46.44)	(5.80)	(98.65)	(113.96)	(30.47)
Increase / (decrease) in current liabilities and Provisions	259.30	159.59	88.08	52.42	54.94
Cash Generated From Operations	**1,082.22**	**813.32**	**477.22**	**218.54**	**259.25**
Direct taxes paid	(115.36)	(12.84)	(14.37)	(1.54)	(3.10)
Net Cash From/(Used In) Operating Activities	**966.86**	**800.48**	**462.85**	**217.00**	**256.15**
B. Cash Flows From Investing Activities					
Purchase of fixed assets	(488.07)	(577.97)	(930.52)	(471.01)	(157.42)
Proceeds from sale of fixed assets	2.88	11.89	17.20	0.44	1.84
Purchase of investments	(2,431.45)	(1,082.44)	(1,691.14)	(585.01)	(340.55)
Sale of investments	1,980.29	950.84	1,683.99	586.85	269.38
Interest received	0.81	0.52	0.77	0.44	0.61
Dividends received	25.43	7.22	11.07	4.26	2.98
Net Cash Used In Investing Activities	**(910.11)**	**(689.94)**	**(908.63)**	**(464.03)**	**(223.16)**
C. Cash Flows From Financing Activities					
Proceeds from issuance of share capital including securities premium (net of share issue expenses).	(6.09)	0.25	674.41	87.37	-
Proceeds from borrowings	-	-	-	198.13	8.87
Repayment of borrowings	-	-	(211.24)	-	-
Interest paid	-	(1.12)	(8.95)	(0.47)	(0.27)
Dividends paid	(43.03)	(31.87)	(21.09)	(29.17)	(1.97)

					In Rs. million
	Year Ended				
	March 31, 2008	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004
Tax on dividends paid	(7.31)	(4.31)	(3.12)	(3.78)	(0.25)
Net cash from/(used in) financing activities	**(56.43)**	**(37.05)**	**430.01**	**252.08**	**6.38**
Net increase in cash and cash equivalents (A+B+C)	**0.32**	**73.49**	**(15.77)**	**5.05**	**39.37**
Cash and cash equivalents at the beginning of the year	108.83	35.52	50.84	45.64	6.22
Exchange difference on translation of foreign currency cash and cash equivalents	(0.10)	(0.18)	0.45	0.15	0.05
Cash and cash equivalents at the end of the year	109.05	108.83	35.52	50.84	45.64

Components of cash and cash equivalents as at					**Year Ended**
	March 31, 2008	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**
Cash and cheques on hand	0.12	0.09	0.08	0.07	0.10
Balances with other banks					
- on current account	60.88	72.07	13.65	21.15	27.26
- on deposit account	-	-	-	20.00	-
Balances with other banks					
- on current account	47.76	36.66	21.78	9.41	18.28
- on saving account	0.29	0.01	0.01	0.21	-
Components of cash and cash equivalents as at the end of the year	**109.05**	**108.83**	**35.52**	**50.84**	**45.64**

Note:
The above statement should be read with significant accounting policies as in Annexure IV and selected notes on restatements as in Annexure V.

As per our report of even date

For JOSHI APTE & Co.
Chartered Accountants

C. K. Joshi
Partner
M.No. 30428
Pune
Date : June 12, 2008

For S. R. BATLIBOI & Co.
Chartered Accountants

per Arvind Sethi
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M.No. 89802
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Date : June 12, 2008

For and on behalf of the Board of Directors

Dr. Anand Deshpande
Chairman and
Managing Director
Pune
Date : June 12, 2008

S. P. Deshpande
Director

ANNEXURE IV: SIGNIFICANT ACCOUNTING POLICIES

1. **Principles of Consolidation**

The consolidated balance sheets of Persistent Systems Limited (the "Company") and it's subsidiaries, (together referred to as the "Group") for the years ended March 31, 2008, March 31, 2007, March 31, 2006, March 31, 2005 and March 31, 2004 and the related profit and loss account and statement of cash flows for the years ended on March 31, 2008, March 31, 2007, March 31, 2006, March 31, 2005 and March 31, 2004 (collectively, the "Consolidated Summary Statements") have been extracted by the management from the Consolidated Financial Statements of the Group for the years ended March 31, 2008, March 31, 2007, March 31, 2006, March 31, 2005 and March 31, 2004.

The consolidated financial statements of the Group are prepared under historical cost convention in accordance with generally accepted accounting principles applicable in India, and the Notified Accounting Standard 21 (AS-21) on consolidation of financial statements, to the extent possible in the same format as that adopted by parent Company (the Company) for its separate financial statements.

The financial statements of the Company and its subsidiary companies have been combined on a Line by Line basis by adding together the book values of like items of assets and liabilities, income and expenses after fully eliminating intra group balances and intra group transactions. Any excess of the cost to the parent company of its investment in a subsidiary and the parent company's portion of equity of subsidiary at the date, at which investment in the subsidiary is made, is described as goodwill and recognised separately as an asset in the 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 and are presented in the same manner as the Company's unconsolidated financial statements.

The subsidiary companies considered in consolidated financial statements are

Name of the subsidiary	**Ownership Percentage**				
	March 31, 2008	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**
Persistent eBusiness Solutions Limited	100%	99.97%	99.97%	99.97%	99.97%
Persistent Systems Inc.	100%	100%	100%	100%	100%
ControlNet (India) Private Limited	-	-	100%	-	-
e2eConnect Inc.	-	-	-	-	-
Persistent Pte. Ltd.	100%	-	-	-	-

The details of revenue, profit before tax and profit after tax in respect of the companies that ceased to be subsidiaries have been set out below:

In Rs. million

Name of Company	**Fiscal Year**	**Income**	**Profit before tax**	**Profit after tax**	**Date on which the company ceased to be a subsidiary**
e2eConnect Inc.	2002-03	5.00	(10.23)	(10.23)	December 1, 2003
ControlNet (India) Private Limited	2005-06	52.39	(57.56)	(57.81)	April 1, 2006

2. **Significant Accounting Policies**

A. **Basis of preparation**

These statements have been prepared to comply in all material respects with the Notified Accounting Standards by Companies Accounting Standards Rules, 2006. These statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Group.

B. **Fixed assets and intangibles**

Fixed assets are stated at cost, less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Borrowing costs relating to acquisition of fixed assets which take substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

Capital work-in-progress includes cost of fixed assets that are not ready or put to use and advances paid to construct or acquire fixed assets.

Costs relating to software licenses of enduring nature, are capitalized on acquisition and amortized over their estimated useful lives.

C. **Depreciation**

Depreciation is provided using the Straight Line Method (SLM) as per the useful lives of the assets estimated by the management, or at the rates prescribed under schedule XIV of the Companies Act, 1956, whichever is higher.

Software are amortised over a period of three years or over their estimated useful lives whichever is lower.

Depreciation on assets purchased / sold during the year is charged on a pro-rata basis. Individual assets whose cost does not exceed Rs. 5,000 are depreciated at 100%.

A comparative statement of rates of depreciation followed by the Company and applicable rates as per the schedule XIV of the Companies Act is as below:

Assets	**Rates (SLM)**	**Rates as per Schedule XIV (SLM)**
Computers	33.33%	16.21%
Plant and Machinery	20.00%	4.75%
Furniture and fixtures	20.00%	6.33%
Vehicles	20.00%	9.50%
Building	4.00%	1.63%

D. **Impairment**

i. The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

ii. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

E. **Investments**

Investments that are readily realisable and intended to be held for a period not more than a year are classified as current investments. All other investments are classified as long-term investments.

Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline, other than temporary decline, in the value of the investments.

F. **Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

i. Income from software services

Revenue from time and material engagements is recognised on time basis in accordance with the terms of the contracts.

In case of fixed price contracts, revenue is recognized based on the milestones achieved as specified in the contracts, on the percentage of completion basis.

Revenue from licensing of products is recognised on delivery of products.

Revenue from royalty is recognised on sale of products in accordance with the terms of the relevant agreement.

Revenue from maintenance contracts is recognised on a pro-rata basis over the period of the contract as and when services are rendered.

Unbilled revenue represents revenue recognised in relation to work done on fixed price projects 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 recognised as per the terms of contract.

ii. Interest

Revenue from interest is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

iii. Dividends

Revenue from dividend is recognised when the Company’s right to receive payment is established by the Balance Sheet date.

G. **Foreign Currency Translation**

i. **Initial Recognition**

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

ii. **Conversion**

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

iii. **Exchange Differences**

Exchange differences arising on the settlement of monetary items or on reporting the Group's monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, are recognised as income or expenses in the period in which they arise except those arising from investments in non-integral operations.

Exchange differences from accounting period commencing on or after April 01, 2007 in respect of fixed assets acquired, including foreign currency liabilities relating thereto, are recognized as income or expenses in the period in which they arise.

iv. Forward exchange contracts not intended for trading or speculation purposes covered by AS 11.

The premium or discount arising at the inception of forward exchange contracts is amortized as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

v. **Options and Forward exchange contracts not intended for trading or speculation purposes, classified as derivative instruments**

Pursuant to the announcement made by the Institute of Chartered Accountants of India (ICAI) regarding "Accounting for Derivatives", options and forward exchange contracts, not covered by (iv) above are classified as derivatives and are marked to market at each balance sheet date. The resultant net losses on portfolio basis are recognized in the Profit and Loss Account on the principle of prudence. The resultant net gains, if any, on such derivatives are not recognized in financial statements. Any profit or loss arising on cancellation or renewal of such forward exchange contract is recognized as income or expense for the year.

vi Translation of Non-integral foreign operation

In translating the financial statements of a non-integral foreign operation for incorporation in financial statements, the assets and liabilities, both monetary and non-monetary, of the non-integral foreign operation are translated at the closing rate; income and expense items of the non-integral foreign operation are translated at exchange rates at an average rate for the current period; and all resulting exchange differences are accumulated in a foreign currency translation reserve until the disposal of the net investment.

H. **Retirement and other employee benefits**

Gratuity

Gratuity liability represents defined benefit obligation and is provided for on the basis of actuarial valuations made using Projected Unit Credit (PUC) method at the end of each financial year for employees covered under Group Gratuity Scheme of the Life Insurance Corporation of India.

Superannuation

The Group has provided for a superannuation scheme as a defined contribution plan covering eligible employees. The Group makes annual contribution to the superannuation fund managed by Life Insurance Corporation of India 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 Profit and Loss Account on an accrual basis. There are no other contributions payable other than contribution payable to the respective fund.

Provident fund

The Group has provided for a provident fund scheme as a defined contribution plan covering eligible employees. The Group 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 employer's contribution is charged to the Profit and Loss Account on an accrual basis. There are no other contributions payable other than contribution payable to the respective fund.

Leave salary

The Group has made a provision for short term leave absences based on estimates. Long-term compensated absences are provided for based on actuarial valuation by using the Projected Unit Credit (PUC) Method.

Long Service Awards

Long Service Awards to all eligible employees, as per Company's policy are provided based on actuarial valuation made at the end of financial year. Actuarial valuations are made as per PUC (Projected Unit Credit) method.

Actuarial gains and losses

Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

I. **Income taxes**

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the Group has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realized against future taxable profits.

Deferred tax assets or liabilities relating to the timing differences arising and reversing during the tax holiday period under Section 10A of the Income Tax Act, 1961, are not recognised.

At each balance sheet date the Group re-assesses unrecognised deferred tax assets. It recognizes unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realized.

Deferred tax assets and deferred tax liabilities across various countries of operations are not set off against each other as the Group does not have a legal right to do so.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Group writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Minimum Alternative Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the Group will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the Profit and Loss Account and shown as MAT Credit Entitlement. The Group reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Group will pay normal Income Tax during the specified period.

J. **Segment Reporting Policies**

The Group’s operations predominantly relate to providing outsourced software product development services covering full life-cycle of product to its customers.

Accordingly product development services represented along with broad industry classes comprise primary basis of segmental information. Secondary segmental reporting is done on the basis of geographical location of customers who are invoiced or in relation to whom revenue is otherwise recognised.

The accounting principles consistently used in the preparation of financial statements are applied to record income and expenses in individual segments.

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

There were no inter-segmental transactions during the year.

Segregation of assets, liabilities, depreciation and other non-cash expenses into various primary segments has not been done as the assets are used interchangeably between segments and the Group is of the view that it is not practical to reasonably allocate liabilities and other non-cash expenses to individual segments and an adhoc allocation will not be meaningful.

K. **Earnings Per Share (EPS)**

The earnings considered in ascertaining EPS comprise the net profit after tax. The number of shares used in computing the basic earning per share is the weighted average number of shares outstanding during the year as reduced by the shares held by PSPL ESOP Management Trust at the balance sheet date, which are obtained by the PSPL ESOP Management Trust from finance provided by the Company.

The number of shares used in computing the diluted earning per share comprises the weighted average number of share considered for deriving basic earning per share, and also the weighted average number of shares, if any issued on the conversion of all dilutive potential Equity Shares. The number of shares and potentially dilutive Equity Shares are adjusted for the issued bonus shares and sub-division of shares.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

L. **Provisions**

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

M. **Cash and Cash equivalents**

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with an original maturity period of three months or less.

N. **Employee stock compensation cost**

Measurement and disclosure of the employee share-based payment plans is done in accordance with the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India.

The Company measures compensation cost relating to employee stock options using the intrinsic value method. Compensation expense is amortized over the vesting period of the option on a straight-line basis if the fair market value of the underling stock exceeds the exercised price at the measurement date, which typically is the grant date.

O. **Lease**

Where the Group is the lessee

Assets acquired as leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating lease. Operating lease payments are recognized as an expense in the Profit and Loss account on a straight-line basis over the lease term.

As per our report of even date

For JOSHI APTE & Co.	**For S. R. BATLIBOI & Co.**	**For and on behalf of the Board of Directors**	
Chartered Accountants	Chartered Accountants		
C. K. Joshi	per Arvind Sethi	Dr. Anand Deshpande	S. P. Deshpande
Partner	Partner	Chairman and Managing Director	Director
M.No. 30428	M.No. 89802		
Pune	Pune	Pune	
Date : June 12, 2008	Date : June 12, 2008	Date : June 12, 2008	

ANNEXURE V – NOTES ON RESTATEMENTS AND CHANGES TO SIGNIFICANT ACCOUNTING POLICIES:-

NOTES ON RESTATEMENTS

1. **Change in Accounting Policies**

a. **Gratuity**

The Group had provided gratuity up to the year ended March 31, 2004 as per the terms of employment and for the years ended March 31, 2006 and March 31, 2005 based on actuarial valuations as prescribed by Accounting Standard 15 (AS 15) 'Accounting for Retirement Benefits in the financial statements of Employers'.

During the year ended March 31, 2007, the Group has early adopted the Accounting Standard 15 (Revised 2005) (Revised AS 15) issued by the Institute of Chartered Accountants of India (ICAI), which is mandatory from accounting periods commencing from December 7, 2006.

As required by Revised AS 15, the gratuity liability is provided for on the basis of an actuarial valuation as per projected unit credit method made at the end of each financial year.

Accordingly, gratuity liability has been recomputed on the basis of an actuarial valuation as per projected unit credit method and has been restated in the Statement of Assets and Liabilities as at March 31, 2006, March 31, 2005 and March 31, 2004. The corresponding amounts have been restated in the Summary Statement of Profits and Losses, as restated for the respective years. The effect of changes pertaining to the year ended March 31, 2003 and earlier years amounting to Rs. 3.67 million has been appropriately adjusted to the General Reserve as at April 1, 2003.

b. **Leave encashment**

The Group had provided leave encashment up to the year ended March 31, 2004 as per terms of employment and for the years ended March 31, 2005 and March 31, 2006 based on actuarial valuations as prescribed by Accounting Standard 15 (AS 15) 'Accounting for Retirement Benefits in the financial statements of Employers'.

During the year ended March 31, 2007, the Group has early adopted the Revised AS 15, which is mandatory from accounting periods commencing from December 7, 2006.

As required by Revised AS 15, the Group has made a provision for short term leave of absences based on estimates and long-term compensated absences are provided for on the basis of an actuarial valuation made at the end of each financial year.

Accordingly, provision for leave encashment has been recomputed on the basis of revised accounting policy and has been restated in the Statement of Assets and Liabilities as at March 31, 2006, March 31, 2005, and March 31, 2004. The corresponding amounts have been restated in the Summary Statement of Profits and Losses, as restated for the respective years. The effect of changes pertaining to the year ended March 31, 2003 and earlier years amounting to Rs. (3.18) million has been appropriately adjusted to the General Reserve as at April 1, 2003.

c. **Options and Forward exchange contracts not intended for trading or speculation purposes, classified as derivative instruments**

Pursuant to the announcement made by the Institute of Chartered Accountants of India (ICAI) regarding "Accounting for Derivatives", options and forward exchange contracts, not covered by AS 11 are classified as derivatives and are marked to market at each balance sheet date. The resultant net losses on portfolio basis are recognised in the Profit and Loss Account on the principle of prudence. The resultant net gains, if any, on such derivatives are not recognised in financial statements. Accordingly, the Group has classified the options and forward exchange contracts not covered by AS 11 as derivatives and have marked to market derivatives outstanding at balance sheet date for the years ended March 31, 2007, March 31, 2006, March 31, 2005 and March 31, 2004. The resultant net loss on portfolio basis has been recognised in the profit and loss account for the year ended March 31, 2006.

Consequent to above premium on such contracts which were earlier amortised over the period of contract and was recognised in profit and loss account, has been reversed for the years ended March 31, 2007, March 31, 2006, March 31, 2005 and March 31, 2004.

d. **Provision for Bonus**

As per the Payment of Bonus Amendment Ordinance, 2007, applicable with retrospective effect from April 1, 2006, the Group had made a provision of Rs. 2.00 million in the financial statements for year ended March 31, 2008 with respect to the year ended March 31, 2007. Accordingly, adjustments have been made to the Summary Statement of Profit and Losses, as restated for the year ended March 31, 2007.

e. **Preliminary and preoperative expenses**

The Group adopted Accounting Standard 26, (AS-26) - Intangible Assets as issued and required by the ICAI for the first time in preparing the financial statements for the year ended March 31, 2004. Accordingly, Preliminary and Pre-operative Expenses of Persistent eBusiness Solutions Limited incurred prior to March 31, 2003 and amortized over five years during March 31, 2005 and March 31, 2004, were restated and have been adjusted in the opening balance in Profit and Loss account at April 1, 2003.

f. **Goodwill on Consolidation**

Goodwill written off in the year ended March 31, 2004 has been adjusted in the year in which such goodwill originated. Accordingly, adjustments have been made to the Summary statement of Profits and Losses, as restated, for the years ended March 31, 2004 and have been adjusted in the opening balance in Profit and Loss account at April 1, 2003.

2. **Other adjustments**

a. **Prior period items**

In the financial statements for the years ended March 31, 2007, March 31, 2006, March 31, 2005 and March 31, 2004 the Group had classified certain items as prior period. For the purpose of Statement of Assets and Liabilities and Summary Statement of Profits and Losses, as restated, these prior period items have been restated and reflected in the respective years to which they relate.

b. **Recovery of bad and provision for doubtful debts**

Bad debts

Bad debts written off in the year ended March 31, 2004, which were subsequently recovered in the year ended March 31, 2005 have been adjusted in the year in which such debts were originally written off. Accordingly, adjustments have been made to the Summary Statement of Profits and Losses, as restated, for the year ended March 31, 2005 and March 31, 2004.

Provision for doubtful debts

Provision for doubtful debts which were subsequently reversed due to recovery from sundry debtors has been adjusted in the respective year in which the provision was made. Accordingly, adjustments have been made in the Summary Statement of Profits and Losses, as restated, for the year ended March 31, 2008, March 31, 2007, March 31, 2006, March 31, 2005 and March 31, 2004.

c. **Employees stock options**

Based on the Guidance Note on Share based payments issued by the ICAI, the Group had made a provision in respect of stock appreciation rights of Rs 9.89 million in March 31, 2006 and of Rs. 14.81 millions in the year March 31, 2005. This provision was subsequently reversed in the year ended March 31, 2007. Accordingly, adjustments have been made to the Summary Statement of Profits and Losses, as restated, for the year ended March 31, 2007, March 31, 2006 and March 31, 2005.

d. **Current taxes**

Current taxes provided in the year ended March 31, 2007, March 31, 2006 and, March 31, 2004 on an estimated basis and reversed in subsequent years based on final determination of the tax liabilities or on completion of assessments by the tax authorities, have been adjusted to the Summary Statement of Profits and Losses, as restated and reflected in the respective years to which they relate.

e. **Deferred tax**

Deferred tax Assets and Liabilities for the years ended March 31, 2007, March 31, 2006, March 31, 2005 and March 31, 2004 have been recomputed and restated considering the adjustments to the restated Profit and Loss account. Accordingly, adjustments have been made to the Summary Statement of Profits and Losses, as restated, for the respective years.

3. **Material Regroupings**

The following regroupings have been made in the Statement of Assets and Liabilities as restated, and the Summary Statement of Profits and Losses, as restated for the years ended March 31, 2007, March 31, 2006, March 31, 2005 and March 31, 2004.

a) Unbilled Revenue

Unbilled revenue was included in Loans and Advances as at March 31, 2006, March 31, 2005 and March 31, 2004, which has been regrouped and included in Other Current Assets.

b) Unsecured loan

Suppliers' Deferred Credit as at March 31, 2006, March 31, 2005 and March 31, 2004 was included in Unsecured Loans. This has been regrouped and included in Sundry Creditors.

c) Provisions for expenses

Superannuation provision as at March 31, 2006, March 31, 2005 and March 31, 2004 and Accrued Employees Liabilities at March 31, 2005 were included in Provisions, which have been regrouped and disclosed in Current Liabilities.

d) Netting of Advance Income tax and Provision for tax

Advance income tax as at March 31, 2006, March 31, 2005 and March 31, 2004 was included in Loans and Advances, which has been regrouped and included in Provision for Income tax (Net of advance tax) in Provisions.

e) Project related travelling expenses

Project related travelling expenses for the years ended March 31, 2006, March 31, 2005 and March 31, 2004 were disclosed separately in the Profit and Loss Account, which have been regrouped and included in Travelling and Conveyance in Operating and Other expenses.

f) Sales and marketing expenses

Advertisement and Sponsorship Fees, Commission on Sales and Foreign Travel for the years ended March 31, 2006, March 31, 2005 and March 31, 2004 were included in Sales and Marketing Expenses, which have been regrouped and included in Operating and Other Expenses.

g) Netting of Foreign exchange gain / loss

i. Exchange gain / loss related to revenue

Foreign exchange gain related to revenue for the year ended March 31, 2006, March 31, 2005 and March 31, 2004 has been grouped under Sale of software services and products. This has been regrouped and Net Exchange Gain related to Revenue has been included in Other Income.

Foreign exchange loss related to revenue for the year ended March 31, 2007 has been grouped under Sale of software services and products. This has been regrouped and Net Exchange loss related to Revenue has been included in Operating and other expenses.

ii. Exchange loss other than related to revenue

Foreign exchange loss other than related to revenue for the year ended March 31, 2006, March 31, 2005 and March 31, 2004 has been grouped under Administrative and Other Expenses. Consequent to regrouping mentioned in note no. 3(g)(i) this has been regrouped and Net Exchange loss other than related to Revenue has been included in Other Income.

Balance of Profit and Loss Account as at April 1, 2003 (restated)

Particulars	Rs. Million
Profit and Loss Account as at April 1, 2003 (Audited)	136.55
Gratuity	0.06
(Refer Note No. 1 (a) of Annexure V)	
Leave encashment	(0.13)
(Refer Note No. 1 (b) of Annexure V)	
Preliminary and preoperative expenses	(0.12)
(Refer Note No. 1 (e) of Annexure V)	
Goodwill written off	(17.60)
(Refer Note No. 1 (f) of Annexure V)	
Current tax	(6.72)
(Refer Note No. 2 (a) of Annexure V)	
Prior period items	0.56
(Refer Note No. 2 (b) of Annexure V)	
Profit and Loss Account as at April 1, 2003 (Restated)	**112.60**

As per our report of even date

For JOSHI APTE & Co.
Chartered Accountants

C. K. Joshi
Partner
M.No. 30428
Pune
Date : June 12, 2008

For S. R. BATLIBOI & Co.
Chartered Accountants

per Arvind Sethi
Partner
M.No. 89802
Pune
Date : June 12, 2008

For and on behalf of the Board of Directors

Dr. Anand Deshpande
Chairman and
Managing Director
Pune
Date : June 12, 2008

S. P. Deshpande
Director

ANNEXURE VI: CONSOLIDATED DETAILS OF SECURED LOANS

					In Rs. million
	As At				
	March 31, 2008	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**
Foreign currency term loan from bank	-	-	-	198.52	
Total	**-**	**-**	**-**	**198.52**	**-**
Working capital facilities from banks					
- Export packing credit	-	-	-	12.72	13.10
	-	**-**	**-**	**12.72**	**13.10**
Total Secured Loans	**-**	**-**	**-**	**211.24**	**13.10**

Note:
The above statement should be read with significant accounting policies as in Annexure IV and selected notes on restatements as in Annexure V.

ANNEXURE VIA : CONSOLIDATED DETAILS OF PRINCIPAL TERMS AND CONDITIONS OF SECURED LOANS SANCTIONS OBTAINED BY THE GROUP, BUT NOT EXERCISED AS AT MARCH 31, 2008

SECURED LOANS						
Working Capital Facilities						
Sr. No.	**Name of the Institution**	**Nature**	**Rs. Million**	**Repayment Terms**	**Interest Rate**	**Security**
1	Citibank, N.A.	Short term facilities to be used by the borrower for financing its Working Capital requirements.	45	Maximum tenor of 120 days for pre shipment and 180 days for post shipment finances.	For Export Finance - In rupees @ 7.5% p.a. / In foreign currency @ Libor + 0.75%.	Pari Passu charge on present and future receivables. Demand Promissory note and Letter of Continuity for facility value. Goods Security Agreement for facility value.
2	State Bank of India (This facility has been satisfied on May 9, 2008)	Working Capital (EPC/PCFC) limit	200		As per RBI Directives/ Bank's policy from time to time.	Primary - First Pari Passu charge on entire current assets of the Company
				a) Pre-shipment upto 180 days.	2.90% below State Bank Advance Rate (SBAR) i.e. 8.60% p.a.	
				b) Beyond 180 days upto 270 days	1.65% below SBAR i.e. 9.85% p.a.	
				c) Against incentives receivable from Govt. covered by ECGC Guarantees (upto 90 days)	2.90% below SBAR i.e. 8.60% p.a.	
				d) Post shipment credit (Applicable for purchase/discount/negotiation of bills in respect of (i) and (ii) below)		
				(i) Demand Bills (for transit period as specified by FEDAI)	2.90% below SBAR i.e. 8.60% p.a.	
				(ii) Usance Bills (For total period comprising usance period of export bills, transit period as specified by FEDAI and grace period wherever applicable)		
				a) Upto 90 days	2.90% below SBAR i.e. 8.60%	
				b) Beyond 90 days and upto 6 months from the date of shipment.	1.65% below SBAR i.e. 9.85% (for the period beyond 90 days)	
3	Bank of India	Working Capital (Fund based)	100	Packing credit will be allowed against confirmed export orders from approved parties and normally will be extended for	9.0% PCFC - 100 BPS over LIBOR + upfront commission of 100 BPS p.a.	Working capital limit to be secured by first pari passu charge on Book Debts.

		periods not beyond 270 days.	upto USD1 Million & 50 BPS p.a. over 1 Million.
Total	**345**		

<u>Note:-</u>

The above statement should be read with significant accounting policies as in Annexure IV and selected notes on restatements as in Annexure V.

ANNEXURE VII : CONSOLIDATED DETAILS OF INVESTMENTS

					In Rs. million
			As At		
	March 31, 2008	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**
Long term investments (at cost)					
Non-trade (Unquoted) Investments					
In Associate companies					
Intrix Systems Private Limited (See Note 1)	-	-	-	-	-
Others	0.36	0.39	-	-	-
Total (A)	**0.36**	**0.39**	**-**	**-**	**-**
Current Investments (at lower of cost and market value)					
Non-trade (Unquoted) Investments					
Mutual funds	691.35	246.52	115.22	101.36	110.66
(Net Asset Value)	*692.38*	*246.72*	*115.45*	*101.39*	*110.67*
Others	-	-	-	0.02	0.02
(Market value)	-	-	-	*0.04*	*0.02*
Total (B)	**691.35**	**246.52**	**115.22**	**101.38**	**110.68**
Grand Total C= (A+B)	**691.71**	**246.91**	**115.22**	**101.38**	**110.68**
Less: Provision for diminution in value of investments **(D)**	-	-	-	-	-
Net Investment (C-D)	**691.71**	**246.91**	**115.22**	**101.38**	**110.68**
Market Value / Net Asset Value of Current Investments	**692.38**	**246.72**	**115.45**	**101.43**	**110.69**

Notes:

1. Investments in associate company represents investments in Intrix Systems Private Limited of Rs. 600 at March 31, 2005, 2004
2. The above statement should be read with significant accounting policies as in Annexure IV and selected notes on restatements as in Annexure V.

ANNEXURE VIII : CONSOLIDATED DETAILS OF SUNDRY DEBTORS

					In Rs. million
			As at		
	March 31, 2008	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**
Debts outstanding for a period exceeding six months					
Unsecured considered good	-	4.25	6.15	0.62	3.84
Unsecured considered doubtful	38.25	54.36	5.06	2.39	10.55
	38.25	**58.61**	**11.21**	**3.01**	**14.39**
Other debts					
Unsecured considered good	744.89	533.55	386.77	286.58	114.64
Unsecured considered doubtful	3.43	4.40	2.37	-	-
	748.32	**537.95**	**389.14**	**286.58**	**114.64**
Sub Total	**786.57**	**596.56**	**400.35**	**289.59**	**129.03**
Less: Provision for doubtful debts	41.68	58.76	7.43	2.39	10.55
Total Debtors	**744.89**	**537.80**	**392.92**	**287.20**	**118.48**

Notes:
1. Details of related party transactions and balances have been disclosed in Annexure XII.
2. The above statement should be read with significant accounting policies as in Annexure IV and selected notes on restatements as in Annexure V.

ANNEXURE IX : CONSOLIDATED DETAILS OF LOANS AND ADVANCES

					In Rs. million
	As At				
	March 31, 2008	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**
Unsecured, Considered Good					
Advance to PSPL ESOP Management Trust	158.33	182.83	182.83	79.34	4.04
Deposits with others	22.66	14.92	23.62	45.90	11.69
Intercorporate deposit	2.78	6.23	3.03	-	0.06
Less: Provision for doubtful inter corporate deposit	(2.78)	-	-	-	-
MAT credit entitlement	89.44	-	-	-	-
Advance Income tax (net of provision)	4.83	-	-	-	-
Advances recoverable in cash or kind or for value to be received	127.85	61.19	49.46	35.08	34.21
Total Loans and Advances	**403.11**	**265.17**	**258.94**	**160.32**	**50.00**

Notes:

The above statement should be read with significant accounting policies as in Annexure IV and selected notes on restatements as in Annexure V.

ANNEXURE X : CONSOLIDATED DETAILS OF OTHER INCOME INCLUDING EXCEPTIONAL ITEMS

						In Rs. million
		Year Ended				
		March 31, 2008	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**
Interest Income						
- from banks		0.21	0.26	0.56	0.54	0.59
- from inter-corporate deposits and bonds		0.62	0.71	0.27	-	-
Dividend income		25.43	7.22	11.07	4.26	2.98
Bad debts recovered		-	-	-	0.43	-
Excess provisions written back		-	1.28	-	0.43	-
Provision for doubtful debts written back		14.87	5.98	0.44	3.17	-
Profit on sale of investments		0.18	0.37	0.41	0.04	0.57
Profit on sale of asset		1.05	4.12	0.14	0.18	0.62
Foreign exchange gains		221.54	-	-	7.60	3.19
Miscellaneous Income		5.45	0.93	1.13	0.32	0.16
Other Income, as per audited financials	**(A)**	**269.35**	**20.87**	**14.02**	**16.97**	**8.11**
Regrouping adjustments	**(B)**		-	9.28	2.84	3.71
Sub total	**(C = A+B)**	**269.35**	**20.87**	**23.30**	**19.81**	**11.82**
Other material adjustments						
(a) Bad debts		-	-	-	(0.43)	-
(b) Provision for doubtful debts		(14.87)	(5.98)	(0.44)	(3.17)	-
(d) Excess provisions written back		-	(1.28)	-	(0.43)	-
(d) Exchange gain / (loss) on forward contract		13.06	(4.16)	(5.98)	0.27	(3.19)
Adjustments on account of restatement	**(D)**	**(1.81)**	**(11.42)**	**(6.42)**	**(3.76)**	**(3.19)**
Other Income as restated before exceptional items	**(E =C+D)**	**267.54**	**9.45**	**16.88**	**16.05**	**8.63**
Add: Exceptional items	**(F)**	**-**	**-**	8.50	**-**	**-**
Other Income as restated after exceptional items	**(G = E+F)**	**267.54**	**9.45**	**25.38**	**16.05**	**8.63**

Notes:

1. The details of 'Other Income' disclosed above are stated after adjusting the effect of restatement. The same have been shown gross of restatement in the Summary Statement of Profits and Losses, as Restated and the adjustments have been listed separately under the head 'Adjustments' therein.
2. Exceptional items given in the above table refer to items which have been grouped as 'Exceptional items' in the Summary Statement of Profits and Losses as Restated, but are in the nature of 'Other Income'.
3. The above statement should be read with significant accounting policies as in Annexure IV and selected notes on restatements as in Annexure V.

ANNEXURE XI : CONSOLIDATED DETAILS OF CONTINGENT LIABILITIES

					In Rs. million
	As At				
	March 31, 2008	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004
Claims against the Company not acknowledged as debts	5.21	0.35	0.35	0.42	0.35
Other bank guarantees	-	-	0.55	-	-
Income tax demand paid for assessment year 2003-04 against which the company has preferred an appeal.	-	-	5.46	-	-

Note:
The above statement should be read with significant accounting policies as in Annexure IV and selected notes on restatements as in Annexure V.

ANNEXURE XII - CONSOLIDATED DETAILS OF TRANSACTIONS WITH RELATED PARTIES AND OUTSTANDING BALANCES

						In Rs. million
Particulars	**Nature of Relationships**	**Financial Year Ended**				
		March 31, 2008	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**
Consultancy charges paid	**Key Management Personnel**					
	Sandeep Johri	-	-	-	0.81	0.82
	Total	**-**	**-**	**-**	**0.81**	**0.82**
Commission paid	**Entities in which relatives of Key management personnel are interested**					
	Great Software Laboratory Private Limited (note 4)	-	-	10.54	4.74	1.13
	Total	**-**	**-**	**10.54**	**4.74**	**1.13**
Outstanding written off	**Associate**					
	Intrix Systems Private Limited	-	-	0.09	-	-
	Total	**-**	**-**	**0.09**	**-**	**-**
Reimbursement of project travel expenses and other expenses	**Associate**					
	Intrix Systems Private Limited	-	-	(0.09)	(0.01)	-
	Total	**-**	**-**	**(0.09)**	**(0.01)**	**-**
Remuneration paid	**Key Management Personnel**					
	Dr. Anand Deshpande	7.88	5.91	5.68	6.24	3.21
	Dr. Shridhar Shukla (note 4)	-	-	-	-	0.48
	Ajit Tamhankar (note 4)	-	-	3.12	2.19	2.16
	Ashutosh Joshi (note 4)	-	-	1.73	1.89	1.66
	S. P. Deshpande	2.79	2.43	2.26	2.04	1.63
	Raj Sirohi (note 6)	14.47	9.60	-	-	-
	Ravi Krishnamurthy (note 5)	-	5.66	9.61	1.33	-
	Relatives of Key Management Personnel					
	Chitra Buzruk	1.41	1.18	1.17	1.07	0.83
	Mukund Deshpande	1.39	-	-	-	-
	Shrikanth Joshi (note 4)	-	-	1.41	1.26	0.87
	Total	**27.94**	**24.78**	**24.98**	**16.02**	**10.84**
Dividend paid	Dr. Anand Deshpande	13.57	9.69	8.03	6.35	4.65
	S. P. Deshpande	4.56	3.26	2.71	2.16	1.61
	Chitra Buzruk	0.02	-	-	-	-
	Sonali Anand Deshpande	0.07	0.05	0.04	0.03	0.02
	Dr. Shridhar Shukla (note 4)	-	-	2.24	2.34	1.76
	Ajit Tamhankar (note 4)	-	-	0.15	0.16	0.12
	Ashutosh Joshi (note 4)	-	-	2.65	2.88	2.16
	Sulabha S Deshpande	0.34	0.24	0.20	0.16	0.12
	Total	**18.56**	**13.24**	**16.02**	**14.08**	**10.44**

Outstanding Balances						**In Rs. Million**
Particulars	**Nature of Relationships**	**Financial Year Ended**				
		March 31, 2008	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**
Creditors	**Entities in which relatives of Key management personnel are interested**					
	Great Software Laboratory Private Limited (note 4)	-	-	1.02	0.62	1.13
	Total	**-**	**-**	**1.02**	**0.62**	**1.13**

Notes:

1. Although Ashutosh Joshi, Shrikanth Joshi and Ajit Tamhankar ceased to be a related party on November 18, 2005, the remuneration paid is disclosed for the entire year.
2. Although Great Software Laboratory Private Limited ceased to be a related party on November 18, 2005, the Commission paid is disclosed for the entire year.
3. Although Mr. Ashutosh Joshi, Dr. Shridhar Shukla and Mr. Ajit Tamhankar ceased to be a related party on November 18, 2005, the dividend paid is disclosed for the entire year.
4. Parties ceased to be a related party on November 18, 2005
5. Ravi Krishnamurthy resigned as President of Persistent Systems, Inc., on September 30, 2006.
6. Raj Sirohi joined as President of Persistent Systems, Inc., on August 21, 2006.
7. The above statement should be read with significant accounting policies as in Annexure IV and selected notes on restatements as in Annexure V.

ANNEXURE XIII: CONSOLIDATED SEGMENT INFORMATION (ON RESTATED NUMBERS)

In Rs. Million

Particulars	Year/ Period	ISV	Telecom	Enterprise & Solutions	Others	Total
Revenue	2005-06	1,202.39	685.42	267.81	9.28	2,164.89
	2006-07	1,879.07	865.51	387.37	24.33	3,156.28
	2007-08	2,175.28	1,086.52	782.68	204.02	4,248.50
Identifiable Expense	2005-06	(572.09)	(281.59)	(171.91)	(6.75)	(1,032.34)
	2006-07	(859.31)	(447.30)	(198.16)	(23.61)	(1,528.38)
	2007-08	(1,071.69)	(565.78)	(344.82)	(140.07)	(2,122.36)
Segmental Operating Income	2005-06	630.30	403.83	95.90	2.53	1,132.55
	2006-07	1,019.76	418.21	189.21	0.72	1,627.90
	2007-08	1,103.59	520.74	437.86	63.95	2,126.14
Unallocable Expenses	2005-06					(769.51)
	2006-07					(1,061.23)
	2007-08					(1,506.13)
Operating Income	2005-06					363.04
	2006-07					566.67
	2007-08					620.01
Other Income (Net of Expenses)	2005-06					14.35
	2006-07					19.75
	2007-08					269.35
Profit before Taxes	2005-06					377.39
	2006-07					586.42
	2007-08					889.36
Income Tax	2005-06					(9.85)
	2006-07					(11.59)
	2007-08					(22.25)
Profit after Tax	2005-06					367.54
	2006-07					574.83
	2007-08					867.11
Extraordinary items	2005-06					(5.64)
	2006-07					-
	2007-08					(35.18)
Profit after Extraordinary items	2005-06					361.90
	2006-07					574.83
	2007-08					831.93

Notes:
The above statement should be read with significant accounting policies as in Annexure IV and selected notes on restatements as in Annexure V.

ANNEXURE XIV : CONSOLIDATED STATEMENT OF ACCOUNTING RATIOS (ON RESTATED NUMBERS)

						In Rs. million
		Year Ended				
		March 31, 2008	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**
Earnings per Share (Rs.)						
(before exceptional items)						
- Basic	**A= B/D**	**30.35**	**24.23**	**14.28**	**13.41**	**7.55**
- Diluted	**A= C/E**	**24.18**	**16.03**	**10.98**	**11.50**	**7.02**
Net profit after tax and before exceptional items, as restated, attributable to equity shareholders	**B**	867.11	567.68	366.67	349.09	193.68
Net profit after tax and before exceptional items, as restated, attributable to potential equity shareholders	**C**	867.11	574.83	367.54	349.09	193.68
Weighted average number of equity shares outstanding during the year	**D**	28,571,738	23,433,309	25,670,758	26,029,130	25,646,250
Weighted average number of potential equity shares outstanding at the end of the year	**E**	35,859,838	35,853,132	33,466,843	30,362,417	27,606,250
Return on Net Worth %	**F= G/H*100**	**26.39**	**22.75**	**18.26**	**34.30**	**32.04**
Net profit after tax before exceptional items, as restated, less dividend on Preference shares and tax thereon.	**G**	867.11	567.68	366.67	349.09	193.68
Net Worth	**H**	3,285.72	2,495.62	2,008.51	1,017.64	604.55
Net Asset Value per Equity Share (Rs.)	**I= J/K**	**91.62**	**306.06**	**246.37**	**113.91**	**76.65**
Total assets less total liabilities less Preference share	**J**	3,285.72	2,495.62	2,008.51	1,017.64	604.55
Number of equity shares outstanding at the end of the year	**K**	35,861,000	8,154,050	8,152,550	8,933,365	7,887,500

Notes:

1) Net worth means Equity Share Capital + Reserves and Surplus.
2) The above statement should be read with significant accounting policies as in Annexure IV and selected notes on restatements as in Annexure V.
3) Pursuant to resolutions passed at the Extraordinary General Meeting held on September 17, 2007 following changes have taken place in equity capital
   (a) 209,045 Series A participatory cumulative optionally convertible preference shares of Rs. 100 each, have been converted into 10 equity shares of Rs. 10 each, and were issued bonus shares in the ratio of 5 equity shares for every 2 equity share held.
   (b) 25,615,000 Equity shares were issued as bonus shares in the ratio of 5 equity shares for every 2 equity shares held by capitalisation of reserves.
4) As per the requirement of AS-20, issued by the ICAI, the corresponding figures relating to all previous reporting periods have been restated to give the effect of bonus shares.

RESTATED UNCONSOLIDATED FINANCIAL INFORMATION

Auditors' Report

The Board of Directors
Persistent Systems Limited
"Bhageerath"
402, Senapati Bapat Road,
Pune – 411 016

Dear Sirs,

1 We, S.R. Batliboi & Co. Chartered Accountants ("SRB") and Joshi Apte & Co. ("JACO") Chartered Accountants (collectively referred to as "Joint Auditors"), have examined the restated unconsolidated balance sheet of Persistent Systems Limited ('the Company') as at March 31, 2008, March 31, 2007, March 31, 2006, March 31, 2005 and March 31, 2004 and the related restated unconsolidated profit and loss accounts and restated unconsolidated statement of cash flows for the financial years ended March 31, 2008, March 31, 2007, March 31, 2006, March 31, 2005 and March 31, 2004 (collectively, the "Unconsolidated Summary Statements"). These Unconsolidated Summary Statements have been prepared by the Company and approved by the Board of Directors for the proposed Public Offer (referred to as the "Offer"), in accordance with the requirements of:

a) paragraph B(1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

b) the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 ('the Guidelines') as amended;

c) Revised Guidance Note on Reports in Company Prospectuses issued by the Institute of Chartered Accountants of India; and

d) the terms of reference dated June 9, 2008, received from the Company, requesting the Joint Auditors to carry out the assignment, in connection with the Offer Document being issued by the Company for its proposed Offer.

Management has informed that the Company proposes to make an Offer of fresh issue of 4,008,920 equity shares and offer for sale by existing shareholders of 965,916 equity shares, having a face value of Rs. 10 each, at an issue price to be arrived at by the book building process.

Unconsolidated Summary Statements as per Audited Financial Statements:

2. The Unconsolidated Summary Statements of the Company has been extracted by the management from the Unconsolidated Financial Statements of the Company which have been approved by the Board of Directors and jointly audited by SRB and JACO for the years ended March 31, 2008, and March 31, 2007, and audited by JACO for the financial years ended March 31, 2006, March 31, 2005 and March 31, 2004.

   This report, in so far as it relates to the amounts included for the financial years ended March 31, 2006, March 31, 2005 and March 31, 2004 is concerned, is based on the Unconsolidated Financial Statements, the Unconsolidated Summary Statements and Other Unconsolidated Financial Information audited by and the reports of JACO, and relied upon by SRB for these years.

3. In accordance with the requirements of Paragraph B of Part II of Schedule II of the Act, the SEBI Guidelines and terms of our engagement agreed with you, we report that:

   i) The Unconsolidated Summary Statements, of the Company, including as at and for the years ended March 31, 2006, March 31, 2005 and March 31, 2004 examined and reported by JACO on which reliance has been placed by SRB for the years ended March 31, 2008 and March 31, 2007 jointly examined by us, as set out in Annexure 1, 2 and 3 to this report, are after making adjustments and regrouping as in our opinion were appropriate and more fully described in Significant Accounting Policies (Refer Annexure 4) and Notes on Restatements and Changes in Significant Accounting Policies (Refer Annexure 5)

ii) Based on the above, and also as per the reliance placed by SRB on the reports submitted by JACO, for the respective years, we are of the opinion that the Unconsolidated Summary Statements have been made, after incorporating:

(i) Adjustments for the changes in the accounting policies retrospectively in respective financial years, to reflect the same accounting treatment as per changed accounting policy for all the reporting period;

(ii) Adjustments for the material amounts in the respective financial years to which they relate;

(iii) There are no extra-ordinary items which need to be disclosed separately in the Unconsolidated Summary Statements; and

(iv) There are no qualifications in the auditors' reports, which require any adjustments to the Unconsolidated Summary Statements.

Other Unconsolidated Financial Information:

4. At the Company's request, we have examined the following Other Unconsolidated Financial Information proposed to be included in the Offer Document, prepared by the management and approved by the Board of Directors of the Company and annexed to this report relating to the Company for the financial years ended March 31, 2008, March 31, 2007, March 31, 2006, March 31, 2005 and March 31, 2004. In respect of the financial years ended March 31, 2006, March 31, 2005 and March 31, 2004, this information has been included based on the reports submitted by JACO and relied upon by SRB:

   i. Unconsolidated restated capitalization statement for pre-issue for the Company as at March 31, 2008, as set out in Annexure 6;
   ii. Details of restated unconsolidated secured loan of the Company for the years ended March 31, 2008, March 31, 2007, March 31, 2006, March 31, 2005 and March 31, 2004; as set out in Annexure 7;
   iii. Break-up of outstanding secured loans taken by the Company as at March 31, 2008 specifying terms and conditions including interest rate, repayment schedule and details of charge created thereof, as set out in Annexure 7a;.
   iv. Details of restated unconsolidated investment of the Company for the years ended March 31, 2008, March 31, 2007, March 31, 2006, March 31, 2005 and March 31, 2004 as set out in Annexure 8;
   v. Statement of restated unconsolidated sundry debtors of the Company for the years ended March 31, 2008, March 31, 2007, March 31, 2006, March 31, 2005 and March 31, 2004, as set out in Annexure 9;
   vi. Statement of restated unconsolidated loans and advances of the Company for the years ended March 31, 2008, March 31, 2007, March 31, 2006, March 31, 2005, and March 31, 2004, as set out in Annexure 10;
   vii. Details of restated unconsolidated other income of the Company for the years ended March 31, 2008, March 31, 2007, March 31, 2006, March 31, 2005 and March 31, 2004, as set out in Annexure 11;
   viii. Statement of dividend declared by the Company for the years ended March 31, 2008, March 31, 2007, March 31, 2006, March 31, 2005 and March 31, 2004 as set out in Annexure 12;
   ix. Statement of restated unconsolidated tax shelters for the Company for the years ended March 31, 2008, March 31, 2007, March 31, 2006, March 31, 2005 and March 31, 2004; and the Statement of possible tax benefits available to the Company (excluding the subsidiaries) and its shareholders, as set out in Annexure 13;
   x. Statement of contingent liabilities of the Company for the years ended March 31, 2008, March 31, 2007, March 31, 2006, March 31, 2005 and March 31, 2004 as set out in Annexure 14;
   xi. Statement of unconsolidated related party transactions of the Company for the years ended March 31, 2008, March 31, 2007, March 31, 2006, March 31, 2005, and March 31, 2004, as set out in Annexure 15;
   xii. Statement of restated unconsolidated accounting ratios of the Company i.e. Earnings Per Shares, basic and diluted ("EPS"), Return on Net Worth ("RoNW") and Net Asset Value ("NAV") for the Company, for the years ended March 31, 2008, March 31, 2007, March 31, 2006, March 31, 2005 and March 31, 2004, as set out in Annexure 16;

   In our opinion, the other unconsolidated financial information contained in the Annexure to this report as referred to above, read along with the Significant Accounting Policies as set out in Annexure 4 and Notes on Restatements and Changes in Significant Accounting Policies as set out in Annexure 5 and also as per the reliance placed by SRB on JACO, for the respective years, are prepared after making adjustments and regrouping as considered appropriate, have been prepared in accordance with Part II of Schedule II of the Act and the Guidelines.

   This report should not be in any way construed as a re-issuance or re-dating of any of the previous audit reports issued by the auditors for the respective years nor should this report be construed as a new opinion on any of the financial statements referred to herein.

This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed Issue of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For JOSHI APTE & Co.
Chartered Accountants

per C. K. Joshi
Partner
Membership No.: 30428
Place:
Date: June 12, 2008

For S. R. BATLIBOI & Co.
Chartered Accountants

per Arvind Sethi
Partner
Membership No.: 89802
Place:
Date: June 12, 2008

ANNEXURE 1 : UNCONSOLIDATED SUMMARY STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED

					In Rs. million
	As At				
	March 31, 2008	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**
A. Fixed Assets:					
Gross block	2,901.49	2,613.55	1,657.22	821.03	628.10
Less: Accumulated depreciation	1,260.61	1,002.37	520.09	330.72	219.81
Net Block	**1,640.88**	**1,611.18**	**1,137.13**	**490.31**	**408.29**
Capital work-in-progress including capital advance	330.75	130.97	266.59	290.40	24.13
Total	**1,971.63**	**1,742.15**	**1,403.72**	**780.71**	**432.42**
B. Investments	**859.95**	**412.44**	**314.58**	**179.28**	**188.58**
C. Current Assets, Loans and Advances:					
Sundry debtors	624.90	501.53	377.10	264.66	106.10
Cash and bank balances	60.85	73.61	9.22	49.85	28.80
Other current assets	76.07	39.41	20.73	20.85	1.30
Loans and advances	406.46	268.79	293.50	164.76	49.49
Total	**1,168.28**	**883.34**	**700.55**	**500.12**	**185.69**
D. Liabilities and Provisions:					
Secured loans	-	-	-	211.24	13.10
Deferred tax liability	2.55	0.57	4.42	3.38	5.73
Current liabilities and provisions	615.36	436.27	314.85	175.37	135.30
Total	**617.91**	**436.84**	**319.27**	**389.99**	**154.13**
E. Net Worth (A+B+C-D)	**3,381.95**	**2,601.09**	**2,099.58**	**1,070.12**	**652.56**
Net Worth represented by:					
F. Share Capital					
Equity	358.61	81.54	81.52	89.33	78.88
Preference	-	20.91	20.91	-	-
G. Reserves and Surplus	3,023.34	2,498.64	1,997.15	980.79	573.68
H. Net Worth (F+G)	**3,381.95**	**2,601.09**	**2,099.58**	**1,070.12**	**652.56**

Note:
The above statement should be read with significant accounting policies as in Annexure 4 and selected notes on restatements as in Annexure 5.

As per our report of even date

For JOSHI APTE & Co.
Chartered Accountants

C. K. Joshi
Partner
M.No. 30428
Pune
Date : June 12, 2008

For S. R. BATLIBOI & Co.
Chartered Accountants

per Arvind Sethi
Partner
M.No. 89802
Pune
Date : June 12, 2008

For and on behalf of the Board of Directors

Dr. Anand Deshpande
Chairman and
Managing Director
Pune
Date : June 12, 2008

S. P. Deshpande
Director

ANNEXURE 2 : UNCONSOLIDATED SUMMARY STATEMENT OF PROFITS AND LOSSES, AS RESTATED

						In Rs. million
	Notes on restatement	Year Ended				
		March 31, 2008	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004
Income						
Sale of software services and products		3,828.77	2,970.56	2,089.22	1,419.83	775.38
Other income		270.10	22.93	25.05	20.71	14.60
Total		**4,098.87**	**2,993.49**	**2,114.27**	**1,440.54**	**789.98**
Expenditure						
Personnel expenses		2,353.94	1,614.06	1,122.92	712.79	365.73
Operating and other expenses		572.66	520.07	375.27	261.67	124.19
Financial expenses		-	1.12	8.95	0.47	0.27
Depreciation		277.97	267.46	181.99	119.49	70.90
Total		**3,204.57**	**2,402.71**	**1,689.13**	**1,094.42**	**561.09**
Net profit before taxation, exceptional and prior period items		**894.30**	**590.78**	**425.14**	**346.12**	**228.89**
Exceptional items - income / (expense)		(35.18)	37.63	(5.21)	-	(34.90)
Prior period items - income / (expense)		-	(19.50)	-	(7.91)	0.15
Net Profit Before Tax		**859.12**	**608.91**	**419.93**	**338.21**	**194.14**
Provision For Tax						
Current tax		98.45	15.71	5.75	1.50	1.60
MAT credit		(89.44)	-	-	-	-
Deferred tax charge / (credit)		1.99	(5.58)	2.10	0.14	-
Fringe benefit tax		11.00	8.05	5.00	-	-
Net Profit Before Restatement Adjustments		**837.12**	**590.73**	**407.08**	**336.57**	**192.54**
Restatement Adjustments						
Due To Changes In Accounting Policies						
Gratuity	**1(a)**	-	0.28	(3.21)	2.99	3.61
Leave encashment	**1(b)**	-	7.62	2.62	(8.49)	(2.36)
Exchange gain / (loss) on forward contract	**1 (c)**	13.06	(4.16)	(5.98)	0.27	(3.19)
Exchange gain / (loss) on derivatives	**1 (c)**	-	18.63	(18.63)	-	-
Provision for bonus	**1(d)**	2.00	(2.00)	-	-	-
Other Restatement Adjustments						
Depreciation	**2(a)**	-	-	(19.50)	-	(0.12)
Prior period items	**2(a)**	-	18.22	0.98	7.99	0.07
Bad and doubtful debts recovered	**2 (b)**					
(a) Bad debts		-	-	-	(0.43)	0.43
(b) Provision for doubtful debts		(14.87)	8.72	5.53	(2.72)	3.34
Employees stock options	**2(c)**	-	(37.63)	9.89	14.81	-
Current tax	**2(d)**	-	8.33	0.55	-	(2.16)
Deferred tax charge / (credit)	**2(e)**	-	(1.73)	1.06	2.49	0.26
Restatements Adjustments (Net)		**0.19**	**16.28**	**(26.69)**	**16.91**	**(0.12)**
Net Profit, As Restated		**837.31**	**607.01**	**380.39**	**353.48**	**192.42**
Balance Brought Forward From The Previous Year		**1,018.95**	**683.28**	**516.44**	**282.57**	**153.50**
Profit Available For Appropriation, As Restated		**1,856.26**	**1,290.29**	**896.83**	**636.05**	**345.92**

Appropriations					
Interim dividend on equity shares	43.03	24.46	21.46	17.34	11.83
Dividend on preference shares	-	6.27	0.77	-	-
Tax on dividends	7.31	4.31	3.12	2.27	1.52
Transfer to general reserve	334.90	236.30	188.20	100.00	50.00
Balance Carried Forward, As Restated	**1,471.02**	**1,018.95**	**683.28**	**516.44**	**282.57**

Note:
The above statement should be read with significant accounting policies as in Annexure 4 and selected notes on restatements as in Annexure 5.

As per our report of even date

For JOSHI APTE & Co.	For S. R. BATLIBOI & Co.	For and on behalf of the Board of Directors	
Chartered Accountants	Chartered Accountants		
C. K. Joshi Partner M.No. 30428 Pune Date : June 12, 2008	per Arvind Sethi Partner M.No. 89802 Pune Date : June 12, 2008	Dr. Anand Deshpande Chairman and Managing Director Pune Date : June 12, 2008	S. P. Deshpande Director

ANNEXURE 3 - UNCONSOLIDATED STATEMENT OF CASH FLOWS, AS RESTATED

					In Rs. million
	Year ended				
	March 31, 2008	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004
A. Cash Flows From Operating Activities					
Net Profit Before Taxation and Exceptional Items, as restated	**894.49**	**618.59**	**396.84**	**352.63**	**230.82**
Exceptional items	**(35.18)**	**-**	(5.21)	**-**	**-**
Profit Before Taxation	**859.31**	**618.59**	**391.63**	**352.63**	**230.82**
Adjustments for:					
Depreciation	277.97	267.46	201.49	119.49	71.02
(Profit) / loss on sale of fixed assets (net)	(1.03)	(3.85)	0.33	(0.16)	(0.62)
(Profit)/ loss on sale of investments (net)	(0.18)	(0.37)	(0.41)	0.10	(0.57)
Interest income	(2.42)	(3.03)	(2.70)	(1.68)	(2.57)
Dividend income	(25.43)	(7.22)	(11.07)	(4.26)	(2.98)
Interest expense	-	1.12	8.95	0.48	0.27
Foreign exchange (gain) / loss	(2.36)	5.70	(0.80)	(0.22)	2.05
Bad debts written off	-	-	-	-	1.70
Exchange difference on translation of foreign currency cash and cash equivalents	0.10	0.18	(0.45)	(0.15)	(0.05)
Exchange (gain) / loss on derivatives	13.19	(18.63)	18.63	-	-
Provision for doubtful inter corporate deposits	2.78	-	-	-	-
Provision for doubtful debts	15.23	47.37	5.44	0.88	0.71
Operating Profit Before Working Capital Changes	**1,137.16**	**907.32**	**611.04**	**467.11**	**299.78**
Movements In Working Capital :					
(Increase) in sundry debtors	(136.05)	(173.77)	(117.18)	(159.58)	(23.63)
(Increase) / decrease in other current assets	(36.64)	(18.66)	0.10	(19.46)	(1.30)
(Increase) / decrease loans and advances	(46.28)	(4.43)	(128.81)	(115.55)	(12.33)
Increase / (decrease) in current liabilities and provisions	144.62	127.91	126.38	48.16	54.20
Cash Generated From Operations	**1,062.81**	**838.37**	**491.53**	**220.68**	**316.72**
Direct taxes paid	(115.10)	(12.81)	(14.72)	(1.55)	(3.19)
Net Cash From Operating Activities	**947.71**	**825.56**	**476.81**	**219.13**	**313.53**
B. Cash Flows From Investing Activities					
Purchase of fixed assets	(487.31)	(576.52)	(843.27)	(465.98)	(157.14)
Proceeds from sale of fixed assets	2.86	11.89	16.40	0.40	1.80
Purchase of investments	(2,425.15)	(1,082.65)	(1,690.85)	(584.93)	(340.39)
Sale of investments	1,980.29	950.84	1,683.99	586.85	264.29
Purchase of investment in subsidiary	(2.69)	(43.57)	(121.46)	-	(72.99)
Interest received	2.40	3.05	2.80	1.89	1.64
Dividends received	25.43	7.22	11.07	4.26	2.98
Cash and cash equivalents on account of amalgamation	-	4.92	-	-	-
Net Cash Used In Investing Activities	**(904.17)**	**(724.82)**	**(941.32)**	**(457.51)**	**(299.81)**
C. Cash Flows From Financing Activities					
Proceeds from issuance of share capital including securities premium (net of share issue expenses)	(6.09)	0.25	674.41	87.37	-

	Year ended In Rs. million				
	March 31, 2008	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004
Proceeds from borrowings	-	-	-	198.13	8.87
Repayment of borrowings	-	-	(211.24)	-	-
Interest paid	-	(1.12)	(8.95)	(0.47)	(0.27)
Dividends paid	(43.03)	(31.87)	(21.09)	(29.17)	(1.97)
Tax on dividends paid	(7.31)	(4.31)	(3.12)	(3.78)	(0.25)
Net cash from/(used in) financing activities	**(56.43)**	**(37.05)**	**430.01**	**252.08**	**6.38**
Net increase in cash and cash equivalents (A+B+C)	**(12.89)**	**63.69**	**(34.50)**	**13.70**	**20.10**
Cash and cash equivalents at the beginning of the year	**69.80**	**6.29**	**40.34**	**26.49**	**6.34**
Exchange difference on translation of foreign currency cash and cash equivalents	**(0.10)**	**(0.18)**	**0.45**	**0.15**	**0.05**
Cash and cash equivalents at the end of the year	**56.81**	**69.80**	**6.29**	**40.34**	**26.49**

Components of cash and cash equivalents as at	March 31, 2008	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004
Cash and cheques on hand	0.12	0.09	0.08	0.07	0.10
With scheduled banks					
- on current account	56.40	69.70	6.20	20.06	26.39
- on deposit account	-	-	-	20.00	-
- on saving account	0.29	0.01	0.01	0.21	-
Components of cash and cash equivalents as at the end of the year	**56.81**	**69.80**	**6.29**	**40.34**	**26.49**

Note:
The above statement should be read with significant accounting policies as in Annexure 4 and selected notes on restatements as in Annexure 5.

As per our report of even date

For JOSHI APTE & Co.
Chartered Accountants

C. K. Joshi
Partner
M.No. 30428
Pune
Date : June 12, 2008

For S. R. BATLIBOI & Co.
Chartered Accountants

per Arvind Sethi
Partner
M.No. 89802
Pune
Date : June 12, 2008

For and on behalf of the Board of Directors

Dr. Anand Deshpande
Chairman and
Managing Director
Pune
Date : June 12, 2008

S. P. Deshpande
Director

ANNEXURE 4 – SIGNIFICANT ACCOUNTING POLICIES:-

A. Basis of preparation

These statements have been prepared to comply in all material respects with the Notified Accounting Standards by Companies Accounting Standards Rules, 2006. These statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company.

B. Fixed assets and Intangibles

Fixed assets are stated at cost, less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Borrowing costs relating to acquisition of fixed assets, which takes substantial period of time to get ready for its intended use, are also included to the extent they relate to the period till such assets are ready to be put to use.

Capital work-in-progress includes cost of fixed assets that are not ready or put to use and advances paid to construct or acquire fixed assets.

Costs relating to software licenses, of enduring nature, are capitalised on acquisition and amortised over their estimated useful lives.

C. Depreciation

Depreciation is provided using the Straight Line Method (SLM) as per the useful lives of the assets estimated by the management, or at the rates prescribed under schedule XIV of the Companies Act, 1956, whichever is higher.

Software licenses of enduring nature are amortised over a period of three years or over their estimated useful lives whichever is lower.

Depreciation on assets purchased / sold during the year is charged on a pro-rata basis. Individual assets whose cost does not exceed Rs. 5,000 are depreciated at 100%.

A comparative statement of rates of depreciation followed by the Company and applicable rates as per the Schedule XIV of the Companies Act is as below:

Assets	Rates (SLM)	Rates as per Schedule XIV (SLM)
Computers	33.33%	16.21%
Plant and Machinery	20.00%	4.75%
Furniture and fixtures	20.00%	6.33%
Vehicles	20.00%	9.50%
Buildings	4.00%	1.63%

D. Impairment

i. The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.
ii. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

E. Investments

Investments that are readily realisable and intended to be held for a period of not more than a year are classified as current investments. All other investments are classified as long-term investments.

Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline, other than temporary decline in the value of the investments.

F. Revenue recognition

Revenue is recognised to the extent it is probable that the economic benefit will flow to the Company and the revenue can be reliably measured.

i. Income from Software Service

Revenue from time and material engagements is recognised on time basis in accordance with the terms of the contracts.

In case of fixed price contracts, revenue is recognised based on the milestones achieved as specified in the contracts, on the percentage of completion basis.

Revenue from licensing of products is recognised on delivery of products.

Revenue from royalty is recognised on sale of products in accordance with the terms of the relevant agreement.

Revenue from maintenance contracts are recognised on a pro-rata basis over the period of the contract as and when services are rendered.

Unbilled revenue represents revenue recognised in relation to work done on fixed price projects 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 recognised as per the terms of contract.

ii. Interest

Revenue from interest is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

iii. Dividends

Revenue from dividend is recognised when the Company's right to receive payment is established by the balance sheet date. Dividend from subsidiaries is recognised even if such dividend is declared after the balance sheet date but pertains to period on or before the date of Balance Sheet as per the requirement of Schedule VI of the Companies Act, 1956.

G. Foreign currency translations

i Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

ii Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

iii Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or expenses in the year in which they arise.

Exchange differences from the accounting period commencing on or after April 01, 2007 in respect of fixed assets acquired, including foreign currency liabilities relating thereto, are recognised as income or expenses in the period in which they arise.

iv. Forward exchange contracts not intended for trading or speculation purposes covered by AS 11.

The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

v. Options and Forward exchange contracts not intended for trading or speculation purposes, classified as derivative instruments

Pursuant to the announcement made by the Institute of Chartered Accountants of India (ICAI) regarding "Accounting for Derivatives", options and forward exchange contracts, not covered by (iv) above are classified as derivatives and are marked to market at each balance sheet date. The resultant net losses on portfolio basis are recognised in the Profit and Loss Account on the principle of prudence. The resultant net gains, if any, on such derivatives are not recognised in financial statements. Any profit or loss arising on cancellation or renewal of such forward exchange contract is recognised as income or expense for the year.

H. Retirement and other employee benefits

i. *Gratuity*

Gratuity liability represents defined benefit obligation and is provided for based on actuarial valuations, by using the Projected Unit Credit (PUC) method, made at the end of each financial year for employees covered under Group Gratuity Scheme of the Life Insurance Corporation of India.

ii. Superannuation

Superannuation is a defined contribution plan covering all eligible employees. The contribution to the superannuation fund managed by Life Insurance Corporation of India 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 Profit and Loss Account on an accrual basis. There are no other contributions payable other than contribution payable to the respective fund.

iii. Provident fund

Provident Fund is a defined contribution plan covering eligible employees. The 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 employer's contribution is charged to the Profit and Loss Account on an accrual basis. There are no other contributions payable other than contribution payable to the respective fund.

iv. Leave encashment

The short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation by using the Projected Unit Credit (PUC) Method.

v. Long Service Awards

Long Service Awards to all eligible employees, as per Company's policy are provided based on actuarial valuation made at the end of financial year. Actuarial valuations are made as per Projected Unit Credit (PUC) Method.

vi. Actuarial gains and losses

Actuarial gains/losses are immediately taken to Profit and Loss Account and are not deferred.

I. Income taxes

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

Deferred tax assets or liabilities relating to the timing differences arising and reversing during the tax holiday period under Section 10A of the Income Tax Act, 1961, are not recognised.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available.

The Minimum Alternative Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the Profit and Loss Account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

J. Segment Reporting Policies

In accordance with paragraph 4 of Notified Accounting Standard 17 (AS-17) “Segment Reporting” the Company has disclosed segmental information only on the basis of the consolidated financial statements which shall be presented together with the unconsolidated financial statements.

K. Earnings Per Share (EPS)

The earnings considered in ascertaining EPS comprise the amount attributable to the Equity Shareholders. The number of shares used in computing the basic earning per share is the weighted average number of shares outstanding during the year as reduced by the shares held by PSPL ESOP Management Trust at the balance sheet date, which are obtained by the PSPL ESOP Management Trust from finance provided by the Company.

The number of shares used in computing the diluted earning per share comprises the weighted average number of share considered for deriving basic earning per share, and also the weighted average number of shares, if any issued on the conversion of all dilutive potential Equity Shares. The number of weighted average shares outstanding during the year and potentially dilutive Equity Shares are adjusted for the issued bonus shares and sub division of shares.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to the Equity Shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential Equity Shares.

L. Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

M. Cash and Cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short term investments with an original maturity period of three months or less.

N. Employee stock compensation cost

Measurement and disclosure of the employee share-based payment plans is done in accordance with the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India.

The Company measures compensation cost relating to employee stock options using the intrinsic value method. Compensation expense is amortised over the vesting period of the option on a straight-line basis if the fair market value of the underling stock exceeds the exercised price at the measurement date, which typically is the grant date.

O. Lease

Where the Company is the lessee, assets acquired as leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as an operating lease. Operating lease payments are recognised as an expense in the Profit and Loss account on a straight-line basis over the lease term.

As per our report of even date

For JOSHI APTE & Co.
Chartered Accountants

C. K. Joshi
Partner
M.No. 30428
Pune
Date : June 12, 2008

For S. R. BATLIBOI & Co.
Chartered Accountants

per Arvind Sethi
Partner
M.No. 89802
Pune
Date : June 12, 2008

For and on behalf of the Board of Directors

Dr. Anand Deshpande
Chairman and
Managing Director
Pune
Date : June 12, 2008

S. P. Deshpande
Director

ANNEXURE 5 – NOTES ON RESTATEMENTS AND CHANGES TO SIGNIFICANT ACCOUNTING POLICIES:-

NOTES ON RESTATEMENTS

1. **Change in Accounting Policies**

a. **Gratuity**

The Company had provided gratuity up to the year ended March 31, 2004 as per the terms of employment and for the years ended March 31, 2006 and March 31, 2005 based on actuarial valuations as prescribed by Accounting Standard 15 (AS 15) 'Accounting for Retirement Benefits in the Financial Statements of Employers'.

During the year ended March 31, 2007, the Company early adopted the Accounting Standard 15 (Revised 2005) (Revised AS 15) issued by the Institute of Chartered Accountants of India (ICAI), which is mandatory from accounting periods commencing from December 7, 2006.

As required by Revised AS 15, the gratuity liability is provided for on the basis of an actuarial valuation as per projected unit credit method made at the end of each financial year.

Accordingly, gratuity liability has been recomputed on the basis of an actuarial valuation as per projected unit credit method and has been restated in the Statement of Assets and Liabilities as at March 31, 2006, March 31, 2005 and March 31, 2004. The corresponding amounts have been restated in the Summary Statement of Profits and Losses, as restated for the respective years. The effect of changes pertaining to the year ended March 31, 2003 and earlier years amounting to Rs. 3.67 million has been appropriately adjusted to the General Reserve as at April 1, 2003.

b. **Leave encashment**

The Company had provided leave encashment up to the year ended March 31, 2004 as per terms of employment and for the years ended March 31, 2005 and March 31, 2006 based on actuarial valuations as prescribed by AS 15, 'Accounting for Retirement Benefits in the Financial Statements of Employers'.

During the year ended March 31, 2007, the Company has early adopted the Revised AS 15, which is mandatory from accounting periods commencing from December 7, 2006.

As required by Revised AS 15, the Company has made a provision for short term leave of absences based on estimates and long term compensated absences are provided for on the basis of an actuarial valuation made at the end of each financial year.

Accordingly, provision for leave encashment has been recomputed on the basis of revised accounting policy and has been restated in the Statement of Assets and Liabilities as at March 31, 2006, March 31, 2005 and March 31, 2004. The corresponding amounts have been restated in the Summary Statement of Profits and Losses, as restated for the respective years. The effect of changes pertaining to the year ended March 31, 2003 and earlier years amounting to Rs. (3.18) million has been appropriately adjusted to the General Reserve as at April 1, 2003.

c. **Options and Forward exchange contracts not intended for trading or speculation purposes, classified as derivative instruments**

Pursuant to the announcement made by the Institute of Chartered Accountants of India (ICAI) regarding "Accounting for Derivatives", options and forward exchange contracts, not covered by AS 11 are classified as derivatives and are marked to market at each balance sheet date. The resultant net losses on portfolio basis are recognised in the Profit and Loss Account on the principle of prudence. The resultant net gains, if any, on such derivatives are not recognised in financial statements. Accordingly, the Company has classified the options and forward exchange contracts not covered by AS 11 as derivatives and have marked to market derivatives outstanding at balance sheet date for the years ended March 31, 2007, March 31, 2006, March 31, 2005 and March 31, 2004. The resultant net loss on portfolio basis has been recognised in the profit and loss account for the year ended March 31, 2006.

Consequent to above premium on such contracts which were earlier amortised over the period of contract and was recognised in profit and loss account, has been reversed for the years ended March 31, 2007, March 31, 2006, March 31, 2005 and March 31, 2004.

d. **Provision for Bonus**

As per the Payment of Bonus Amendment Ordinance, 2007, applicable with retrospective effect from April 1, 2006, the Company had made a provision of Rs 2.00 million in the financial statements for year ended March 31, 2008 with respect to the year ended March 31, 2007. Accordingly, adjustments have been made to the Summary Statement of profit and losses, as restated for the year ended March 31, 2007

2. **Other adjustments**

a. Prior period items

In the financial statements for the years ended March 31, 2007, March 31, 2006, March 31, 2005 and March 31, 2004 the Company had classified certain items as prior period. For the purpose of Statement of Assets and Liabilities and Summary Statement of Profits and Losses, as restated, these prior period items have been restated and reflected in the respective years to which they relate.

b. Recovery of bad and provision for doubtful debts

i. Bad debts

Bad debts written off in the year ended March 31, 2004, which were subsequently recovered in the year ended March 31, 2005 have been adjusted in the year in which such debts were originally written off. Accordingly, adjustments have been made to the Summary Statement of Profits and Losses, as restated, for the year ended March 31, 2005 and March 31, 2004.

ii. Provision for doubtful debts

Provision for doubtful debts which were subsequently reversed due to recovery from sundry debtors has been adjusted in the respective year in which the provision was made. Accordingly, adjustments have been made in the Summary Statement of Profits and Losses, as restated, for the year ended March 31, 2008, March 31, 2007, March 31, 2006, March 31, 2005 and March 31, 2004.

c. Employees stock options

Based on the Guidance Note on Share based payments issued by the ICAI, the Company had made a provision in respect of stock appreciation rights of Rs 9.89 million in March 31, 2006 and of Rs. 14.81 millions in the year March 31, 2005. This provision was subsequently reversed in the year ended March 31, 2007. Accordingly, adjustments have been made to the Summary Statement of Profits and Losses, as restated, for the year ended March 31, 2007, March 31, 2006 and March 31, 2005.

d. Current taxes

Current taxes provided in the year ended March 31, 2007, March 31, 2006 and March 31, 2004 on an estimated basis and reversed in subsequent years based on final determination of the tax liabilities or on completion of assessments by the tax authorities have been adjusted to the Summary Statement of Profits and Losses, as restated and reflected in the respective years to which they relate.

e. Deferred tax

Deferred tax Assets and Liabilities for the years ended March 31, 2007, March 31, 2006, March 31, 2005 and March 31, 2004 have been recomputed and restated considering the adjustments to the restated Profit and Loss account. Accordingly, adjustments have been made to the Summary Statement of Profits and Losses, as restated, for the respective years.

3. **Material Regroupings**

The following regroupings have been made in the Statement of Assets and Liabilities as restated, and the

Summary Statement of Profits and Losses, as restated for the years ended March 31, 2007, March 31, 2006, March 31, 2005 and March 31, 2004.

a. Unbilled Revenue

Unbilled revenue was included in Loans and Advances as at March 31, 2006, March 31, 2005 and March 31, 2004, which has been regrouped and included in Other Current Assets.

b. Unsecured loan

Suppliers' Deferred Credit as at March 31, 2006, March 31, 2005 and March 31, 2004 was included in Unsecured Loans. This has been regrouped and included in Sundry Creditors.

c. Provisions for expenses

Superannuation provision as at March 31, 2006, March 31, 2005 and March 31, 2004 and Accrued Employees Liabilities at March 31, 2005 were included in Provisions, which have been regrouped and disclosed in Current Liabilities.

d. Netting of Advance Income tax and Provision for tax

Advance income tax as at March 31, 2006, March 31, 2005 and March 31, 2004 was included in Loans and Advances, which has been regrouped and included in Provision for Income tax (Net of advance tax) in Provisions.

e. Project related travelling expenses

Project related travelling expenses for the years ended March 31, 2006, March 31, 2005 and March 31, 2004 were disclosed separately in the Profit and Loss Account, which have been regrouped and included in Travelling and Conveyance in Operating and Other expenses.

f. Sales and marketing expenses

Advertisement and Sponsorship Fees, Commission on Sales and Foreign Travel for the years ended March 31, 2006, March 31, 2005 and March 31, 2004 were included in Sales and Marketing Expenses, which have been regrouped and included in Operating and Other Expenses.

g. Netting of Foreign exchange gain / loss

i. Exchange gain / loss related to revenue
Foreign exchange gain related to revenue for the year ended March 31, 2006, March 31, 2005 and March 31, 2004 has been grouped under Sale of software services and products. This has been regrouped and Net Exchange Gain related to Revenue has been included in Other Income.

Foreign exchange loss related to revenue for the year ended March 31, 2007 has been grouped under Sale of software services and products. This has been regrouped and Net Exchange loss related to Revenue has been included in Operating and other expenses.

ii. Exchange loss other than related to revenue
Foreign exchange loss other than related to revenue for the year ended March 31, 2006, March 31, 2005 and March 31, 2004 has been grouped under Administrative and Other Expenses. Consequent to regrouping mentioned in note no. 3(g)(i) this has been regrouped and Net Exchange loss other than related to Revenue has been included in Other Income.

Balance of profit and loss account as at April 1, 2003 (restated)

Particulars	Rs. Million
Profit and Loss Account as at April 1, 2003 (Audited)	160.07
Current Tax	(6.72)
(Refer Note No. 2(d) of Annexure 5)	
Prior Period Items	0.15
(Refer Note No. 2(a) of Annexure 5)	
Profit and Loss Account as at April 1, 2003 (Restated)	**153.50**

As per our report of even date

For JOSHI APTE & Co.
Chartered Accountants

C. K. Joshi
Partner
M.No. 30428
Pune
Date : June 12, 2008

For S. R. BATLIBOI & Co.
Chartered Accountants

per Arvind Sethi
Partner
M.No. 89802
Pune
Date : June 12, 2008

For and on behalf of the Board of Directors

Dr. Anand Deshpande
Chairman and
Managing Director
Pune
Date : June 12, 2008

S. P. Deshpande
Director

ANNEXURE 6 : UNCONSOLIDATED CAPITALISATION STATEMENT AS AT MARCH 31, 2008

		In Rs. million
	Pre-issue as at March 31, 2008	***Post-issue as at March 31, 2008**
Short-term debt	-	
Long-term debt	-	
Total debt	**-**	**-**
Shareholders' funds		
- Equity share capital	358.61	
- Reserves and Surplus, as restated	3,023.34	
Total shareholders' funds	**3,381.95**	**-**

**Share Capital and Reserves and Surplus, post issue can be ascertained only on the conclusion of the book building process.*

Note:
The above statement should be read with significant accounting policies as in Annexure 4 and selected notes on restatements as in Annexure 5.

ANNEXURE 7: UNCONSOLIDATED DETAILS OF SECURED LOANS

					In Rs. million
	As At				
	March 31, 2008	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**
Foreign currency term loan from bank	-	-	-	198.52	-
Total	**-**	**-**	**-**	**198.52**	**-**
Working capital facilities from banks					
- Export packing credit	-	-	-	12.72	13.10
Total	**-**	**-**	**-**	**12.72**	**13.10**
Total Secured Loans	**-**	**-**	**-**	**211.24**	**13.10**

Note:
The above statement should be read with significant accounting policies as in Annexure 4 and selected notes on restatements as in Annexure 5.

ANNEXURE 7A : UNCONSOLIDATED DETAILS OF PRINCIPAL TERMS AND CONDITIONS OF SECURED LOANS SANCTIONS OBTAINED BY THE COMPANY, BUT NOT EXERCISED AS AT MARCH 31, 2008

SECURED LOAN						
Working Capital Facilities						
Sr. No.	**Name of the Institution**	**Nature**	**In Rs. million**	**Repayment Terms**	**Interest Rate**	**Security**
1	Citibank, N.A.	Short term facilities to be used by the borrower for financing its Working Capital requirements.	45	Maximum tenor of 120 days for pre shipment and 180 days for post shipment finances.	For Export Finance - In rupees @ 7.5% p.a. / In foreign currency @ Libor + 0.75%.	Pari Passu charge on present and future receivables. Demand Promissory note and Letter of Continuity for facility value. Goods Security Agreement for facility value.
2	State Bank of India (This facility has been satisfied on May 9, 2008)	Working Capital (EPC/PCFC) limit	200		As per RBI Directives/ Bank's policy from time to time.	Primary - First Pari Passu charge on entire current assets of the Company
				a) Pre-shipment upto 180 days.	2.90% below State Bank Advance Rate (SBAR) i.e. 8.60% p.a.	
				b) Beyond 180 days upto 270 days	1.65% below SBAR i.e. 9.85% p.a.	
				c) Against incentives receivable from Govt. covered by ECGC Guarantees (upto 90 days)	2.90% below SBAR i.e. 8.60% p.a.	
				d) Post shipment credit (Applicable for purchase/discount/negotiation of bills in respect of (i) and (ii) below)		
				(i) Demand Bills (for transit period as specified by FEDAI)	2.90% below SBAR i.e. 8.60% p.a.	
				(ii) Usance Bills (For total period comprising usance period of export bills, transit period as specified by FEDAI and grace period wherever applicable)		
				a) Upto 90 days	2.90% below SBAR i.e. 8.60%	
				b) Beyond 90 days and upto 6 months from the date of shipment.	1.65% below SBAR i.e. 9.85% (for the period beyond 90 days)	
3	Bank of India	Working Capital (Fund based)	100	Packing credit will be allowed against confirmed export orders from approved parties and normally will be extended for periods not beyond 270	9.0% PCFC - 100 BPS over LIBOR + upfront commission of	Working capital limit to be secured by first pari passu charge on Book

		days.	100 BPS p.a. upto USD1 Million & 50 BPS p.a. over 1 Million.	Debts.
Total	**345**			

Note:
The above statement should be read with significant accounting policies as in Annexure 4 and selected notes on restatements as in Annexure 5.

ANNEXURE 8 : UNCONSOLIDATED DETAILS OF INVESTMENTS

					In Rs. million
	As At				
	March 31, 2008	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**
Long term investments (at cost)					
Trade (Unquoted) Investments					
In Subsidiary companies					
Persistent Systems, Inc.	165.92	165.92	122.35	77.90	77.90
Persistent eBusiness Solutions Limited	42.28	42.28	42.28	42.28	42.28
Persistent Systems Pte. Ltd	2.68	-	-	-	-
ControlNet (India) Private Limited	-	-	77.01	-	-
Total (A)	**210.88**	**208.20**	**241.64**	**120.18**	**120.18**
Non Trade (Unquoted) Investments					
In Associate company					
Intrix Systems Private Limited	-	-	-	-	-
Total (B)	-	-	-	-	-
Current Investments (at lower of cost and market value)					
Non-trade (Unquoted) Investments					
Mutual funds	691.35	246.52	115.22	101.36	110.66
(Net Asset Value)	*692.38*	*246.72*	*115.45*	*101.39*	*110.67*
Others	-	-	-	0.02	0.02
(Market value)	-	-	-	*0.04*	*0.02*
Total (C)	**691.35**	**246.52**	**115.22**	**101.38**	**110.68**
Grand Total D= (A+B+C)	**902.23**	**454.72**	**356.86**	**221.56**	**230.86**
Less: Provision for diminution in value of investments (E)	42.28	42.28	42.28	42.28	42.28
Net Investment (D-E)	**859.95**	**412.44**	**314.58**	**179.28**	**188.58**
Market Value / Net Asset Value of Current Investments	**692.38**	**246.72**	**115.45**	**101.43**	**110.69**

Note:

1. Investments in associate company represents investments in Intrix Systems Private Limited of Rs. 600 at March 31, 2005 and 2004.
2. The above statement should be read with significant accounting policies as in Annexure 4 and selected notes on restatements as in Annexure 5.

ANNEXURE 9 : UNCONSOLIDATED DETAILS OF SUNDRY DEBTORS

					In Rs. million
	As At				
	March 31, 2008	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004
Debts outstanding for a period exceeding six months					
Unsecured considered good	-	4.25	6.15	0.62	3.77
Unsecured considered doubtful	26.45	50.10	4.75	2.12	0.81
	26.45	**54.35**	**10.90**	**2.74**	**4.58**
Other debts					
Unsecured considered good	624.90	497.28	370.95	264.04	102.33
Unsecured considered doubtful	3.43	4.40	2.37	-	-
	628.33	**501.68**	**373.32**	**264.04**	**102.33**
Sub Total	**654.78**	**556.03**	**384.22**	**266.78**	**106.91**
Less: Provision for doubtful debts	29.88	54.50	7.12	2.12	0.81
Total Debtors	**624.90**	**501.53**	**377.10**	**264.66**	**106.10**

Notes:
1. Details of related party transactions and balances have been disclosed in Annexure 15.
2. The above statement should be read with significant accounting policies as in Annexure 4 and selected notes on restatements as in Annexure 5.

ANNEXURE 10 : UNCONSOLIDATED DETAILS OF LOANS AND ADVANCES

					In Rs. million
	As At				
	March 31, 2008	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004
Unsecured, Considered Good					
Loans to subsidiary	-	-	31.72	-	-
Advance to subsidiaries	8.37	7.07	14.87	7.34	1.54
Advance to PSPL ESOP Management Trust	158.33	182.83	182.83	79.34	4.04
Deposits with others	21.29	13.27	22.27	45.70	11.51
Intercorporate deposit	2.78	6.23	3.03	-	0.06
Less:- Provision for doubtful Intercorporate deposit	(2.78)	-	-	-	-
MAT credit entitlement	89.44	-	-	-	-
Advance Income tax (net of provision)	4.71	-	-	-	-
Advances recoverable in cash or kind or for value to Be received	124.32	59.39	38.78	32.38	32.34
Unsecured, Considered Doubtful					
Loan to a subsidiary	25.53	25.53	25.53	25.53	25.53
Less: Provision for non-recoverable loan	(25.53)	(25.53)	(25.53)	(25.53)	(25.53)
Total Loans and Advances	**406.46**	**268.79**	**293.50**	**164.76**	**49.49**

Notes:
The above statement should be read with significant accounting policies as in Annexure 4 and selected notes on restatements as in Annexure 5.

ANNEXURE 11: UNCONSOLIDATED DETAILS OF OTHER INCOME INCLUDING EXCEPTIONAL ITEMS

						In Rs. million
		Year Ended				
		March 31, 2008	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004
Interest Income						
- from banks		0.21	0.25	0.52	0.25	0.42
- from inter-corporate deposits and bonds		2.21	2.78	2.18	1.43	2.15
Dividend income		25.43	7.22	11.07	4.26	2.98
Bad debts recovered		-	-	-	0.43	-
Excess provisions written back		-	1.28	-	0.43	-
Provision for doubtful debts written back		14.87	5.98	0.44	3.17	-
Profit on sale of investments		0.18	0.37	0.41	0.04	0.57
Profit on sale of asset		1.03	4.12	0.14	0.18	0.62
Foreign exchange gains		220.83	-	-	7.60	3.19
Miscellaneous income		5.34	0.93	0.69	0.08	0.11
Other Income, as per audited financial statements	**(A)**	**270.10**	**22.93**	**15.45**	**17.87**	**10.04**
Regrouping adjustments	**(B)**		-	9.60	2.84	4.56
Sub total	**(A+B)**	**270.10**	**22.93**	**25.05**	**20.71**	**14.60**
Other restatement adjustments						
(a) Bad debts		-	-	-	(0.43)	-
(b) Provision for doubtful debts		(14.87)	(5.98)	(0.44)	(3.17)	-
(c) Exchange gain / loss on forward contract		13.06	(4.16)	(5.98)	0.27	(3.19)
(d) Excess provisions written back		-	(1.28)	-	(0.43)	-
Adjustments on account of restatement	**(C)**	**(1.81)**	**(11.42)**	**(6.42)**	**(3.76)**	**(3.19)**
Other Income as restated before exceptional items	**(D =A+B+C)**	**268.29**	**11.51**	**18.63**	**16.95**	**11.41**
Add: Exceptional items	**(E)**	**-**	**-**	8.50	**-**	**-**
Other Income as restated after exceptional items	**(F=D+E)**	**268.29**	**11.51**	**27.13**	**16.95**	**11.41**

Notes:

1. The details of 'Other Income' disclosed above are stated after adjusting the effect of restatement. The same have been shown gross of restatement in the Summary Statement of Profits and Losses, as Restated and the adjustments have been listed separately under the head 'Adjustments' therein.
2. Exceptional items given in the above table refer to items which have been grouped as 'Exceptional items' in the Summary Statement of Profits and Losses as Restated, but are in the nature of 'Other Income'.
3. The above statement should be read with significant accounting policies as in Annexure 4 and selected notes on restatements as in Annexure 5.

ANNEXURE 12 : UNCONSOLIDATED STATEMENT OF DIVIDEND DECLARED

						In Rs. million
	Face Value (Rs/share)	**Year Ended**				
		March 31, 2008	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**
Class of Shares						
Equity share capital	10	358.61	81.54	81.52	89.33	78.88
Series A Participatory Cumulative Optionally Convertible Preference shares of Rs 100 each fully paid-up.	100	-	20.91	20.91	-	-
Dividend on Equity Shares						
Interim Dividend						
- Rate		5.00%	15.00%	15.00%	9.00%	15.00%
- Amount		17.93	12.23	13.43	7.80	11.83
- Rate		7.00%	15.00%	10.00%	11.00%	-
- Amount		25.10	12.23	8.03	9.54	-
Dividend on Series A Participatory Cumulative Optionally Convertible preference shares of Rs 100 each fully						
(Refer Note 1 below)						
Interim Dividend						
- Rate		-	15.00%	10.00%	-	-
- Amount		-	3.14	0.77	-	-
- Rate		-	15.00%	-	-	-
- Amount		-	3.13	-	-	-
Corporate Dividend Tax		7.31	4.31	3.12	2.27	1.52

Note:

1) In the Extra Ordinary General Meeting held on September 17, 2007, the Company has converted 209,045 Series A Participatory Cumulative Optionally Convertible Preference Shares of Rs. 100 each, into 2,090,450 Equity Shares of Rs. 10 each in the ratio of 10 Equity Shares of Rs. 10 each for every Preference Share held.

2) The above statement should be read with significant accounting policies as in Annexure 4 and selected notes on restatements as in Annexure 5.

ANNEXURE 13 : STATEMENT OF TAX SHELTERS

						In Rs. million
Particulars		**2007-08**	**2006-07**	**2005-06**	**2004-05**	**2003-04**
(a) Profit before current and deferred taxes, as restated		894.49	618.58	396.83	352.62	230.85
(b) Income Tax Rate (%)		33.99	33.66	33.66	36.59	35.88
(c) Tax Expenses		304.04	208.21	133.57	129.02	82.83
Adjustments on account of :-						
(d) Permanent Differences						
Deduction u/s 10 A of the Act		(860.28)	(618.44)	(412.20)	(321.96)	(202.10)
Deduction u/s 80 HHE of the Act		-	-	-	-	(2.87)
Dividend exempt u/s 10 (34) of the Act		(25.43)	(7.22)	(11.07)	(4.26)	(2.98)
Others		(9.60)	(13.30)	19.28	1.13	2.65
Total		(895.31)	(638.96)	(403.99)	(325.09)	(205.30)
(e) Temporary Differences						
Difference between book depreciation and tax depreciation		1.60	(25.20)	11.31	(34.90)	(16.50)
Provision for doubtful debts		(24.62)	47.36	5.45	4.47	0.25
Provision for retirement benefits		50.30	20.15	5.85	7.00	1.19
Total		27.28	42.31	22.61	(23.43)	(15.06)
(f) Net Adjustments	(d + e)	(868.03)	(596.65)	(381.38)	(348.52)	(220.36)
(g) Tax Saving thereon	(f * b)	(295.04)	(200.83)	(128.37)	(127.52)	(79.07)
(h) Total Taxation Charge	(g + c)	9.00	7.38	5.20	1.50	3.76
(i) Total current tax as per books of accounts, as restated		98.45*	7.38	5.20	1.50	3.76

*Includes MAT

Notes:
1. Temporary differences arising and reversing during the tax holiday period under Section 10A of the Income Tax Act, 1961 have not been considered in the above statement.
2. The above statement should be read with significant accounting policies as in Annexure 4 and selected notes on restatements as in Annexure 5.

ANNEXURE 14: UNCONSOLIDATED DETAILS OF CONTINGENT LIABILITIES

					In Rs. million
	March 31, 2008	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**
Claims against the Company not acknowledged as debts	5.21	0.35	0.35	0.42	0.35
Income tax demand paid for assessment year 2003-04 against which the company has preferred an appeal.	-	-	5.46	-	-

Note:
The above statement should be read with significant accounting policies as in Annexure 4 and selected notes on restatements as in Annexure 5.

ANNEXURE 15 - UNCONSOLIDATED DETAILS OF TRANSACTIONS WITH RELATED PARTIES AND OUTSTANDING BALANCES

Transactions during the period / year						**In Rs. million**
Particulars	**Nature of Relationships**	**Financial Year Ended**				
		March 31, 2008	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**
Revenue from services rendered	**Subsidiaries**					
	Persistent Systems, Inc.	108.95	145.23	118.50	76.91	46.50
	Persistent Systems Pte. Ltd.	4.76	-	-	-	-
	Persistent eBusiness Solutions Limited	18.64	-	-	-	-
	Total	**132.35**	**145.23**	**118.50**	**76.91**	**46.50**
Reimbursement of project travel expenses and other expenses	**Subsidiaries**					
	Persistent eBusiness Solutions Limited	5.55	5.64	2.16	1.62	0.30
	Persistent Systems, Inc.	3.79	1.51	7.95	2.45	5.63
	Persistent Systems Pte. Ltd.	0.38	-	-	-	-
	Associate					
	Intrix Systems Private Limited	-	-	0.09	0.01	-
	Total	**9.72**	**7.15**	**10.20**	**4.08**	**5.93**
Interest received	**Subsidiaries**					
	Persistent eBusiness Solutions Limited	1.66	2.07	1.15	1.15	1.04
	Persistent Systems, Inc.	-	-	-	-	0.94
	ControlNet (India) Private Limited	-	-	0.76	-	-
	Total	**1.66**	**2.07**	**1.91**	**1.15**	**1.98**
Rent received	**Subsidiaries**					
	Persistent eBusiness Solutions Limited	0.02	0.04	0.04	0.04	-
	Total	**0.02**	**0.04**	**0.04**	**0.04**	**-**
Services received	**Subsidiaries**					
	Persistent Systems, Inc.	146.59	104.56	81.65	29.88	-
	ControlNet (India) Private Limited	-	-	11.11	-	-
	Total	**146.59**	**104.56**	**92.76**	**29.88**	**-**
Commission paid	**Subsidiaries**					
	Persistent Systems, Inc.	29.87	11.06	16.07	23.39	-
	Entities in which relatives of Key management personnel are interested					
	Great Software Laboratory Private Limited (note 4)	-	-	10.54	4.74	1.13
	Total	**29.87**	**11.06**	**26.61**	**28.13**	**1.13**
Project travel expenses and other expenses	**Subsidiaries**					
	Persistent Systems, Inc.	24.47	17.44	1.85	14.76	-
	Total	**24.47**	**17.44**	**1.85**	**14.76**	**-**
Outstanding written off	**Associate**					
	Intrix Systems Private Limited	-	-	0.09	-	-
	Total	**-**	**-**	**0.09**	**-**	**-**
Remuneration paid	**Key Management Personnel**					
	Dr. Anand Deshpande	7.88	5.91	5.68	6.24	3.21
	Dr. Shridhar Shukla (note 4)	-	-	-	-	0.48
	Ajit Tamhankar (note 4)	-	-	3.12	2.19	2.16
	Ashutosh Joshi (note 4)	-	-	1.73	1.89	1.66
	S. P. Deshpande	2.79	2.43	2.26	2.04	1.63

Transactions during the period / year						In Rs. million
Particulars	**Nature of Relationships**	**Financial Year Ended**				
		March 31, 2008	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**
	Relatives of Key Management Personnel					
	Chitra Buzruk	1.41	1.18	1.17	1.07	0.83
	Mukund Deshpande	1.39	-	-	-	-
	Shrikanth Joshi (note 4)	-	-	1.41	1.26	0.87
	Total	**13.47**	**9.52**	**15.37**	**14.69**	**10.84**
Dividend paid	Dr. Anand Deshpande	13.57	9.69	8.03	6.35	4.65
	S. P. Deshpande	4.56	3.26	2.71	2.16	1.61
	Chitra Buzruk	0.02	-	-	-	-
	Sonali Anand Deshpande	0.07	0.05	0.04	0.03	0.02
	Dr. Shridhar Shukla (note 4)	-	-	2.24	2.34	1.76
	Ajit Tamhankar (note 4)	-	-	0.15	0.16	0.12
	Ashutosh Joshi (note 4)	-	-	2.65	2.88	2.16
	Sulabha S Deshpande	0.34	0.24	0.20	0.16	0.12
	Total	**18.56**	**13.24**	**16.02**	**14.08**	**10.44**

Transactions during the year						In Rs. million
Particulars	**Nature of Relationships**	**Financial Year Ended**				
		March 31, 2008	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**
Investments	**Subsidiaries**					
	Persistent Systems, Inc.	-	43.57	44.45	-	72.99
	Persistent Systems Pte. Ltd.	2.68	-	-	-	-
	ControlNet (India) Private Limited	-	-	77.01	-	-
	Total	**2.68**	**43.57**	**121.46**	**-**	**72.99**
Intercorporate deposits given	**Subsidiaries**					
	Persistent Systems, Inc.	-	-	-	-	2.84
	Persistent eBusiness Solutions Limited	-	-	-	-	7.95
	ControlNet (India) Private Limited	-	-	42.83	-	-
	Total	**-**	**-**	**42.83**	**-**	**10.79**
Loans and advances	**Subsidiaries**					
	Persistent Systems, Inc.	-	-	-	-	1.66
	Total	**-**	**-**	**-**	**-**	**1.66**

Outstanding Balances						In Rs. million
Particulars	**Nature of Relationships**	**Financial Year Ended**				
		March 31, 2008	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**
Loans and advances	**Subsidiaries**					
	Persistent eBusiness Solutions Limited	0.18	1.84	2.20	1.56	0.36
	Persistent Systems, Inc.	7.86	5.23	11.55	5.78	1.01
	Persistent Systems Pte. Ltd.	0.34	-	-	-	-
	ControlNet (India) Private Limited	-	-	1.12	-	-
	Total	**8.38**	**7.07**	**14.87**	**7.34**	**1.37**
Creditors	**Subsidiaries**					
	Persistent Systems, Inc.	8.40	45.93	49.70	9.48	-
	Entities in which relatives of Key management personnel are interested					

Transactions during the period / year						In Rs. million
Particulars	**Nature of Relationships**	**Financial Year Ended**				
		March 31, 2008	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**
	Great Software Laboratory Private Limited (note 4)	-	-	1.02	0.62	1.13
	Total	**8.40**	**45.93**	**50.72**	**10.10**	**1.13**
Debtors	**Subsidiaries**					
	Persistent Systems, Inc.	-	16.03	27.89	10.22	-
	Persistent eBusiness Solutions Limited	4.24	-	-	-	-
	Total	**4.24**	**16.03**	**27.89**	**10.22**	**-**
Intercorporate deposits given	**Subsidiaries**					
	Persistent eBusiness Solutions Limited	25.53	25.53	25.53	25.53	25.53
	Persistent Systems, Inc.	-	-	-	-	0.16
	ControlNet (India) Private Limited	-	-	31.72	-	-
	Total	**25.53**	**25.53**	**57.25**	**25.53**	**25.69**
Investments	**Subsidiaries**					
	Persistent Systems, Inc.	165.92	165.92	122.35	77.90	77.90
	Persistent eBusiness Solutions Limited	42.28	42.28	42.28	42.28	42.28
	Persistent Systems Pte. Ltd.	2.68	-	-	-	-
	ControlNet (India) Private Limited	-	-	77.01	-	-
	Total	**210.88**	**208.20**	**241.64**	**120.18**	**120.18**

Notes:

1. Although Ashutosh Joshi, Shrikanth Joshi and Ajit Tamhankar ceased to be a related party on November 18, 2005, the remuneration paid is disclosed for the entire year.
2. Although Great Software Laboratory Private Limited ceased to be a related party on November 18, 2005, the Commission paid is disclosed for the entire year.
3. Although Ashutosh Joshi, Dr. Shridhar Shukla and Ajit Tamhankar ceased to be a related party on November 18, 2005, the dividend paid is disclosed for the entire year.
4. Ceased to be a related party on November 18, 2005.
5. ControlNet (India) Private Limited was merged with the Company w.e.f. April 1, 2006.
6. Intrix Systems Private Limited was dissolved on January 20, 2006.
7. **7.** The above statement should be read with significant accounting policies as in Annexure 4 and selected notes on restatements as in Annexure 5.

ANNEXURE 16 : UNCONSOLIDATED STATEMENT OF ACCOUNTING RATIOS (ON RESTATED NUMBERS)

						In Rs. million
		Year Ended				
		March 31, 2008	**March 31, 2007**	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**
Earnings per Share (Rs.) (before exceptional items)						
- Basic	**A= B/D**	**30.54**	**25.60**	**14.99**	**13.58**	**8.86**
- Diluted	**A= C/E**	**24.33**	**16.93**	**11.52**	**11.64**	**8.24**
Net profit after tax and before exceptional items, as restated, attributable to equity shareholders	**B**	872.49	599.86	384.73	353.48	227.34
Net profit after tax and before exceptional items, as restated, attributable to potential equity shareholders	**C**	872.49	607.01	385.60	353.48	227.34
Weighted average number of equity shares outstanding during the year	**D**	28,571,738	23,433,309	25,670,758	26,029,130	25,646,250
Weighted average number of potential equity shares outstanding at the end of the year	**E**	35,859,838	35,853,132	33,466,843	30,362,417	27,606,250
Return on Net Worth %	**F= G/H*100**	**25.80**	**23.25**	**18.51**	**33.03**	**34.84**
Net profit after tax and before exceptional items, as restated, less dividend on Preference shares and tax thereon	**G**	872.49	599.86	384.73	353.48	227.34
Net Worth	**H**	3,381.95	2,580.18	2,078.67	1,070.12	652.56
Net Asset Value per Equity Share (Rs.)	**I= J/K**	**94.31**	**316.43**	**254.97**	**119.79**	**82.73**
Total assets less total liabilities less Preference share	**J**	3,381.95	2,580.18	2,078.67	1,070.12	652.56
Number of equity shares outstanding at the end of the year	**K**	35,861,000	8,154,050	8,152,550	8,933,365	7,887,500

Notes:
1. Net worth means Equity Share Capital + Reserves and Surplus.
2. The above statement should be read with significant accounting policies as in Annexure 4 and selected notes on restatements as in Annexure 5.
3. Pursuant to resolutions passed at the Extraordinary General Meeting held on September 17, 2007 following changes have taken place in equity capital
   (a) 209,045 Series A participatory cumulative optionally convertible preference shares of Rs. 100 each, have been converted into 10 equity shares of Rs. 10 each, and were issued bonus shares in the ratio of 5 equity shares for every 2 equity share held.
   (b) 25,615,000 Equity shares were issued as bonus shares in the ratio of 5 equity shares for every 2 equity shares held by capitalisation of reserves.
4. As per the requirement of AS-20, issued by the ICAI, the corresponding figures relating to all previous reporting periods have been restated to give the effect of bonus shares.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our consolidated financial condition and results of operations should be read in conjunction with our audited consolidated and unconsolidated financial statements for the Fiscal years ended March 31, 2008, 2007 and 2006, restated in accordance with SEBI Guidelines, including the notes thereto, which appear elsewhere in this Draft Red Herring Prospectus. Our restated consolidated and unconsolidated financial information was prepared in accordance with Indian GAAP, which differ in certain material respects from generally accepted accounting principles in other jurisdictions, including US GAAP and IFRS.

As indicated in Annexure V (Notes on Adjustments and Significant Accounting Policies for Restated Financial information) at page 127, our Company has adopted significant changes in its accounting policies and estimates in regard to, among other matters, gratuity, leave encashment, long service awards, deferred tax, intangible assets, foreign exchange gains / losses and miscellaneous expenditure, with a view to align them to the changes in the Indian GAAP.

Overview

We are an outsourced software product development ("OPD") specialist, offering our customers the benefits of offshore delivery. We deliver services across all stages of the product life cycle, which enables us to work with a wide-range of customers and allows us to develop, enhance and deploy our customers' software products. We have created an innovative suite of time-to-market accelerators and tools that give our customers a competitive advantage. Over the past five years, we have contributed to more than 2,000 product releases for our customers. We believe our comprehensive suite of service offerings allows us to attract new customers and expand existing customer relationships.

Our consolidated revenue registered an annual growth of 51.23%, 44.22% and 48.96% during Fiscal 2008, Fiscal 2007 and Fiscal 2006 in US Dollar terms, respectively. However, in Rupee terms our consolidated revenues grew at an annual growth rate of 34.60%, 45.79% and 47.40% during Fiscal 2008, Fiscal 2007 and Fiscal 2006, respectively. Our consolidated net profit, as restated, grew at an annual growth rate of 44.73%, 58.84% and 3.67% during Fiscal 2008, Fiscal 2007 and Fiscal 2006, respectively.

Basis of Consolidation

The consolidated financial statements of the Company and its subsidiary companies are prepared under historical cost convention in accordance with the Indian GAAP

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

Name of the subsidiary company	Country of incorporation	Shareholding %
Persistent Systems, Inc.	USA	100% shareholding by the Company
Persistent eBusiness Solutions Limited ("PeBS")	India	100% shareholding by the Company
Persistent Systems Pte. Ltd. (refer note 1)	Singapore	100% shareholding by the Company
E2e Connect, Inc. (refer note 2)	USA	100% shareholding by PeBS
ControlNet (India) Private Limited (CNIPL) (refer note 3)	India	100% shareholding by the Company

(1) We established a wholly-owned subsidiary in Singapore, Persistent Systems Pte. Ltd., in April 2007.
(2) e2e Connect Inc., a 100% subsidiary of PeBS, was wound up on December 1, 2003.
(3) The Company acquired 100% of equity capital of ControlNet (India) Private Limited with effect from October 6, 2005. In accordance with the scheme of amalgamation approved by the High Court of Mumbai and its bench in Goa, ControlNet was amalgamated with the Company with effect from April 1, 2006.

Factors affecting results of operations and financial condition

The principal factors that we believe affect our results of operations and financial conditions are described below.

Demand for our services by customers

We have developed a comprehensive range of products and services across all areas of the product life cycle in order to address the varied and expanding requirements of our customers. We believe that our comprehensive range of services, time-to-market accelerators and tools help our customers achieve their business objectives and enables us to obtain additional business from existing customers as well as address a larger base of potential new clients. We added 126, 100 and 50 new customers (including license sales) in Fiscal 2008, 2007 and 2006, respectively.

The future demand for our services by our existing customers and our ability to add new customers is dependent upon acceptance of our products and services in the software product market, our ability to keep pace with technological changes and provide innovative services, pricing pressures for our services, due to continued competition from other companies offering OPD services and continued demand for offshoring of OPD services by national and international corporations.

Dependence on the US market

A significant proportion of our revenues is derived and is expected to be derived in the future from clients located in the United States where a large number of product companies are located. We are looking to expand our business in Europe and other geographies where we believe there exists significant new business opportunities.

In Fiscal 2008, 2007 and 2006, 87.62%, 92.30% and 87.95% of our revenues from sale of software services and products, respectively, were derived from clients located in the United States. This calculation of revenues by client geography is based on the location of the specific client entity for which billing is done, irrespective of the location where services may be rendered. Consequently, in the event of any economic slowdown in the United States, our clients may reduce or postpone their IT spending significantly or cut or delay product releases or versions, which may in turn lower the demand for our services and negatively affect our business, financial condition and results of operations.

Customer engagement size

Our customers as determined by their engagement size with us have been generally split evenly over the last three fiscal years by large customers (annual revenue over US$3 million), medium sized customers (annual revenue over US$1 million and less than US$3 million) and small customers (annual revenue up to US$1 million).

The table below sets forth the number of customers for services and products on the basis of engagement size.

Number of Customers	Fiscal 2008	Fiscal 2007	Fiscal 2006
Large customers (Over US$3 million)	5	6	5
Medium customers (Over US$1 million and less than US$ 3 million)	20	14	9
Small customers (Up to US$ 1 million)	237	169	95
Total	**262**	**189**	**109**

The growth in the number of clients in each of the categories shown above reflects our strategy to expand our business from existing clients and grow new client business. See "Business—Strategy" on page 57.

Proportion of work performed at client sites

We derive revenue from services and products provided both offshore and onsite. Offshore revenues consist of software development and related services performed in our facilities in India. Onsite revenues consist of revenues from software services performed at clients' premises or at our premises outside India. Service performed at a client site or outside India typically generates higher revenues per employee than the same service performed at our facilities in India. We expect that onsite services will grow as a proportion of our total revenues in coming years due to our strategy to assist our customers to deploy their products to end-users through consulting and professional services that we offer onsite.

The following table shows contribution from the onsite and offshore businesses to our income from software services and products for the Fiscal 2008, 2007 and 2006.

	Year ended March 31		
Income from software services and products	**2008**	**2007**	**2006**
Onsite	11.22%	7.55%	7.48%
Offshore	88.78%	92.45%	92.52%

Employees and employee costs

A principal component of our ability to compete effectively is our ability to attract and retain qualified employees. We have increased our employees (including those under contractual employment with the Company and our subsidiaries as well as our trainees) from 3,005 at the end of Fiscal 2007 to 3,867 at the end of Fiscal 2008.

The principal component of the cost of our income is the wage cost of our technical people such as software development engineers. Wage costs in India, including the technology services industry, have historically been significantly lower than wage costs in the United States and Europe for comparably skilled professionals. However, if wages in India continue to increase at a faster rate than in the United States due to competitive pressures, we may experience a greater increase in our employee costs, particularly project managers and other mid-level professionals, thereby eroding one of our principal cost advantages over OPD companies in US and other developed countries.

Our gross margin depends in part on our billing rates, our offshore and onsite utilisation of our technical people, our team mix on projects, any growth in personnel expenses, particularly salary increases, and foreign currency rates especially US Dollar and INR.

Investment in Software Development Centers

We have invested significantly in our fixed assets for Software Development Centers over the past three years. Our net block of fixed assets after depreciation were Rs. 1,973.26 million**,** Rs. 1,744.95 million, Rs. 1,489.93 million, as at March 31, 2008, March 31, 2007 and March 31, 2006, respectively. Our fixed assets consist of land, building, computer equipment, capital work in progress, software and fixtures and furnishings and vehicles. The net block of our fixed assets increased by 13.08%, 17.12% and 89.70% as at March 31, 2008, March 31, 2007 and March 31, 2006, respectively compared to the respective preceding balance sheet dates mainly due to expenditure relating to acquisition / construction of our new software development centers, in Pune, Goa, Nagpur, Bangalore and Hyderabad.

We expect to invest approximately Rs. 1,400 million to Rs. 1,500 million in capital expenditures in Fiscal 2009 and Fiscal 2010 in respect of establishment of additional Software Development Centers and procurement of additional computing equipment that we believe will give us a platform to grow our business. We expect to fund our capital expenditures in these periods with cash generated from operating activities and net proceeds from the IPO. We may adjust the timing and amounts of our capital expenditures based on various factors, including cash flows, results of operations and general market conditions.

Tax holidays

We benefit from the tax holidays given by the Government for the export of IT Services from specially designated software technology parks. As a result of these incentives our profits have been subjected to relatively lower incidence of tax, as we enjoy partial exemption from Indian corporate income taxes in respect of profits derived from exported IT Services and products. Our effective rate of tax was, 2.60%, 1.98% and 2.65%, respectively, for each of Fiscal 2008, Fiscal 2007 and Fiscal 2006. The Finance Act 2008 has extended this tax holiday from March 31, 2009 to March 31, 2010. When our tax benefits expire or terminate, our tax expense is likely to materially increase, reducing our profitability after tax. See "Statement of Tax benefits" on page 41 for further details.

Foreign exchange rates and regulations

Our financial statements under Indian GAAP are reported in Indian Rupees. A substantial portion of our income from the sale of software services and products is generated in US$ while a large part of our expenses are incurred in Rupees. We expect that a majority of our revenues will continue to be generated in US$ for the foreseeable future. In Fiscal 2008, 2007 and 2006, our US$ denominated revenues represented 93.24%, 96.22% and 97.17% of our total revenues, respectively. Consequently, our results from operations are affected to the extent the value of the Rupee fluctuates against the US$. In particular, a significant appreciation of the Rupee against the US$ and other foreign currencies (such as the Euro and Pound Sterling) has the effect of reducing the Rupee value of our foreign currency denominated revenues, thereby adversely affecting our results of operations. This negative effect has been marked during Fiscal 2007 and 2008 as the Rupee appreciation against the US$ has been significant. However, we have partially offset this negative impact by following currency hedging policy using forward contracts and options. For information on the rupee and US$ exchange rates in the last three Fiscal Years, see "Certain Conventions, Presentation of Financial, Industry and Market Data" on page x.

Also, under the FEMA, as amended, an Indian company is required to take all reasonable steps to realise and repatriate into India all foreign exchange earned by the company outside India, in accordance with the rules specified by the RBI. These rules apply to the Company and its branch offices located outside India. FEMA also imposes certain restrictions on capital account transactions by Indian companies. Although these regulations do not significantly impact our operations at present, there can be no assurance that this will be the case in future periods.

Significant Accounting Policies

Significant Accounting Estimates and Judgments

Preparation of our consolidated financial statements in conformity with Indian GAAP requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities as at the date of our financial statements, and the reported amounts of revenue and expenses during the relevant reporting periods. Actual amounts could differ from those estimates.

Fixed assets and intangibles

Fixed assets are stated at cost, less accumulated depreciation and impairment losses if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

Capital work in progress includes cost of fixed assets that are not ready or put to use and advances paid to construct or acquire fixed assets.

Costs relating to software licenses of enduring nature, which are acquired, are capitalized and amortized over their estimated useful lives.

Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at the lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost and provision for diminution in value is made to recognize a decline that is other than temporary in the value of the investments.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Revenue from time and material engagements is recognized on time basis in accordance with the terms of the contracts.

Revenue from fixed price engagements is recognized in accordance with the proportionate completion method as per the terms of the contract.

Revenue from licensing of products is recognized on delivery of products.

Revenue from royalty is recognized on sale of products in accordance with the terms of the relevant agreement.

Revenue from maintenance contracts are recognized pro-rata over the period of the contract as and when services are rendered.

Unbilled revenue represents revenue recognized in relation to work done on fixed price projects 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 as per the terms of contract.

Foreign currency translation

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange differences arising on the settlement of monetary items or on reporting Group's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or expenses in the year in which they arise except those arising from investments in non-integral operations.

Exchange differences from accounting period commencing on or after April 1, 2007 in respect of fixed assets acquired, including foreign currency liabilities relating thereto, are recognized as income or expenses in the period in which they arise.

The premium or discount arising at the inception of forward exchange contracts (which are not classified as derivatives) is amortized as expense or income over the life of the contract. Exchange differences on such contracts are recognized in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognized as income or as expense for the year.

Pursuant to the announcement made by the Institute of Chartered Accountants of India (ICAI) regarding "Accounting for Derivatives", options and forward exchange contracts, which are classified as derivatives, are marked to market at each balance sheet date. The resultant net losses on portfolio basis are recognized in the Profit and Loss Account on the principle of prudence. Net gains, if any, on such derivatives are not recognized in financial statements. Any profit or loss arising on cancellation or renewal of such forward exchange contract is recognized as income or expense for the year.

In translating the financial statements of a non-integral foreign operation for incorporation in financial statements, the assets and liabilities, both monetary and non-monetary, of the non-integral foreign operation are translated at the closing rate; income and expense items of the non-integral foreign operation are translated at exchange rates at an average rate for the relevant period; and all resulting exchange differences are accumulated in a foreign currency translation reserve until the disposal of the net investment.

ESOP Scheme

Measurement and disclosure of the employee share-based payment plans is done in accordance with the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India.

The Company measures compensation cost relating to employee stock options using the intrinsic value method. Compensation expense is amortised over the vesting period of the option on a straight line basis if the fair market value of the underlying stock exceeds the exercised price at the measurement date, which typically is the grant date.

Results of Operations

Income from software services and products

Income from software services and products consist of income from outsourced product development services, income from licensing of products and royalties, and reimbursement of project related travel expenses. The following table shows growth of income from software services and products in three preceding Fiscal Years:

In Rs. million.

	Fiscal year ended March 31,		
	2008	**2007**	**2006**
Income from outsourced product development services	4,049.34	3,002.86	2,052.65
Income from licensing of products and royalties	84.90	45.99	32.79
Reimbursement of travel expenses	114.26	107.43	79.45
Total	4,248.50	3,156.28	2,164.89
Growth	34.60%	45.79%	47.40%

The following table shows the percentage contribution of our four business units to our income from software services and products for the Fiscal years ended March 31, 2006, 2007 and 2008:

	Fiscal year ended March 31,		
Income from software services and products	**2008**	**2007**	**2006**
ISV	51.20%	59.53%	55.54%
Telecom	25.57%	27.42%	31.66%
Enterprise and Solutions	18.42%	12.27%	12.37%
Others*	4.81%	0.78%	0.43%

**Includes VLSI, Embedded Systems and Practices.*

We derive revenue from software development services rendered on a time-and-material basis or on a fixed-price basis and from licensing of products and royalties.

The following table shows break-up of income from software services and products for the Fiscal years ended March 31, 2008, 2007 and 2006 into time and material, fixed price and licensing of products and royalties.

	Fiscal year ended March 31,		
Income from software services and products	**2008**	**2007**	**2006**
Time and Material basis	86.81%	88.19%	88.15%
Fixed Price basis	11.19%	10.35%	10.34%
Licensing of Products and royalties	2.00%	1.46%	1.51%

In order to deliver projects in line with commitments, we monitor the progress of defined goals for all contracts on a regular basis. This includes a review of our ability and the customer's ability to perform on the contract and a review of historical and extraordinary conditions that may lead to contract delays or termination. Losses on contracts (if any) are provided for in full in the period of the loss.

Our income from software services and products also includes reimbursement of expenses from customers. This relates to travel and other expenses reimbursed by the customers in relation to projects in accordance with the terms of contracts.

Other Income

Other income includes among other things, foreign exchange gains, dividends from investments, provison for doubtful debts written back and regrouping adjustments. The following table shows our total other income as well as foreign exchange gains, dividends from investments, provison for doubtful debts written back and regrouping adjustments for Fiscal 2008, 2007 and 2006:

In Rs. million

	Fiscal year ended March 31,		
	2008	**2007**	**2006**
Other Income	269.35	20.87	23.30
Of which:			
Foreign Exchange gains	221.54	-	-
Dividend income	25.43	7.22	11.07

Provision for doubtful debts written back	14.87	5.98	0.44
Regrouping adjustments*	-	-	9.28

* Regrouping adjustments relates to inclusion of exchange gain in other income instead of being included in sale of products and services.

Expenditure

Our total expenditure comprises personnel expenses, operating and other expenses, financial expenses and depreciation.

The following table summarises details of our Total Income and Expenditure for the years indicated:

In Rs. million

Particulars	Fiscal 2008	Fiscal 2007	Fiscal 2006
Total Income	4,517.85	3,177.15	2,188.19
Expenditure:			
Personnel expenses	2,711.45	1,761.31	1,167.76
% of Total Income	60.02%	55.44%	53.37%
Operating and other expenses	637.24	589.57	416.61
% of Total Income	14.10%	18.56%	19.04%
Financial expenses	-	1.12	8.95
% of Total Income	0.00%	0.04%	0.41%
Depreciation	279.99	269.92	187.08
% of Total Income	6.20%	8.50%	8.55%
Total Expenditure	3,628.68	2,621.92	1,780.40
% of Total Income	80.32%	82.52%	81.36%

Personnel expenses

Personnel expenses include salary, allowances, bonuses and incentives of all our employees, expenses incurred on staff welfare and benefits, our contribution to provident, superannuation funds and social security schemes, gratuity expenses and charges payable to software professionals and consultants working on a contractual basis.

Operating and other expenses

Operating and other expenses include expenses incurred by us other than personnel expenses. It broadly includes expenses incurred in relation to operations, sales and marketing and general administration such as travelling and conveyance, power and fuel expenses, internet bandwidth charges, communication expenses, recruitment and training expenses, rent, lease rental charges, insurance, repairs and maintenance, computer consumables, printing and stationery, advertisement expenses, audit fees, Directors' commission and sitting fees, foreign exchange loss, books, membership and subscriptions, donations, provisions for doubtful debts, bad debts written off and other miscellaneous expenses.

Financial expenses

Financial expenses include interest and related expenses incurred by us in connection with term loans and working capital finance availed from the banks and financial institutions.

Depreciation

Depreciation is provided using the Straight Line Method as per the useful lives of the assets estimated by the management, or at the rates prescribed under Schedule XIV of the Companies Act, 1956, whichever is higher.

Leasehold improvements are depreciated over the period of lease.

Depreciation on assets purchased / sold during the year is charged on a pro-rata basis. Individual assets costing Rs. 5,000 or less are fully depreciated in the period / year of purchase.

Total taxes

Tax expenses comprise current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the applicable tax laws. Deferred income tax reflects the impact of current year timing differences between taxable income and accounting income for the year and the reversal of timing differences of earlier years,

Deferred tax is measured based on tax rates and tax laws enacted or substantially enacted at the date of balance sheet. Deferred tax assets are recognized only to the extent there is reasonable certainty that the sufficient future taxable income will be available against which such deferred tax assets can be realized.

Foreign currency translation

Foreign exchange transactions are recorded in reporting currency (Indian Rupees), by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of transaction. Exchange differences arising on settlement of monetary items or on reporting of the Company's monetary items at rates different from those at which they were initially recorded during the year are recognized as income and expenses in the year they arise except those arising from investments in non-integral operations. Exchange differences arising in respect of fixed assets acquired from outside India were capitalized as a part of fixed assets until December 7, 2006. Exchange differences from accounting period commencing on or after December 7, 2006 in respect of fixed assets acquired, including foreign currency liability thereto, are recognized as income or expenses in the period/year in which they arise.

ESOP Plans

With the objective of creating employee ownership and enhancing retention of employees, our Company established the PSPL ESOP Management Trust in 1999. Since then, we have instituted eight Employee Stock Option Plans (the "ESOP Schemes") covering about 23.40% of our employees as at March 31, 2008.

As of March 31, 2008, we had 5.38 million options (post-bonus), outstanding under the various ESOP Plans.

Restatement

The restated financial information for each of the Fiscal 2008, 2007 and 2006 has been presented in compliance with paragraph B(1) of Part II of Schedule II to the Companies Act and the relevant SEBI Guidelines. The effect of such restatements is that the previous years' financial information included in this Draft Red Herring Prospectus have been restated to conform with methods used in preparing the latest financial statements, as well as to conform to any changes in accounting policies and estimates. The total impact of the adjustments to consolidated net profits was Rs. 0.19 million, Rs. 19.66 million and Rs. (28.79) million in Fiscal 2008, 2007 and 2006, respectively.

The principal adjustments to our restated financial information included adjustments in relation to gratuity, leave encashment, deferred taxes, intangible assets, depreciation, exchange gain/ loss on derivatives, provision for bonus, miscellaneous expenditure and other adjustments (including income taxes, prior period items, recovery of bad and doubtful debts and employee stock options). Material regroupings were also made in the restated statements of assets and liabilities and summary statement of profits and losses. All of these adjustments are described in Annexure V (Notes on Restatements and changes to Significant Accounting Policies for Restated Financial Information) on page 127.

Year ended March 31, 2008 compared to year ended March 31, 2007

Income

In Fiscal 2008 our revenue was derived predominantly from the export of software services and products. Our total income increased by 42.20% to Rs. 4,517.85 million in Fiscal 2008 from Rs. 3,177.15 million in Fiscal 2007.

Sales of software services and products

In Fiscal 2008, the revenue of the Group increased by 51.23% from US$69.97 million to US$105.81 million due to growth of business from existing customers, addition of new accounts, growth of onsite sales, product licenses and royalties. We continued to expand our services adding 127 new customers in Fiscal 2008. Our sale from product licenses and royalties increased by 84.61% to Rs. 84.90 million in Fiscal 2008 from Rs. 45.99 million in Fiscal 2007. Our onsite sales increased by 99.97% to Rs. 476.77 million in Fiscal 2008 from Rs. 238.42 million in Fiscal 2007.

Due to sharp depreciation of US Dollar against INR, the revenue in INR increased by 34.60% to Rs. 4,248.50 million in Fiscal 2008 from Rs. 3,156.28 million in Fiscal 2007. The currency translation loss in Fiscal 2008 due to appreciation of INR against US$ was partially offset by hedging gain of Rs. 221.54 million reported as other income.

Other Income

Other income increased significantly to Rs. 269.35 million in Fiscal 2008 from Rs. 20.87 million in Fiscal 2007. This increase was primarily due to exchange gain of Rs. 221.54 million derived by the Group from forward currency contract as per its hedging policy compared with no foreign exchange gains made in Fiscal 2007, Rs. 18.21 million increase in dividend income which was due to an increase in the investment of surplus funds, and Rs. 8.89 million increase in the recovery of doubtful debts provided in earlier years.

Expenditure

Our total expenditure increased by 38.40% to Rs. 3,628.68 million in Fiscal 2008 from Rs. 2,621.92 million in Fiscal 2007. This was principally due to an increase in personnel expenses and operating and other expenses, as described below. However, as a percentage of total income, total expenditure declined to 80.32% in Fiscal 2008 from 82.52% in Fiscal 2007, resulting in an improvement in net margin.

Personnel expenses

Our personnel expenses increased by 53.95% to Rs. 2,711.45 million in Fiscal 2008 from Rs. 1,761.31 million in Fiscal 2007. However, as a percentage of total income, personnel expenses increased by 4.58% to 60.02% from 55.44% in Fiscal 2007. This increase was principally due to the following factors: (a) in Fiscal 2008, we increased our personnel headcount by 29%; (b) The salary structure was significantly revised during the year to keep pace with changes in the market; (c) We strengthened our sales and marketing team by adding senior personnel in the US and in India; and (d) We made a provision for long service awards on an actuarial basis for the first time during Fiscal 2008.

Operating and other expenses

Our operating and other expenses increased by 8.09% to Rs. 637.24 million in Fiscal 2008 from Rs. 589.57 million in Fiscal 2007. However, as a percentage of total income, operating and other expenses decreased in Fiscal 2008 to 14.10% from 18.56% in Fiscal 2007. This reflected economies of scale and an increase in operational efficiency. The overall increase in operating expenses in Fiscal 2008 was principally due to the following: (a) increase in project-related travel expenses as well as fees paid for processing visas / work permits; (b) increase in electricity and fuel expenses due to a revision of the tariff and the increased use of internally generated power; (c) increase in recruitment expenses; (d) increase in training expenses due to newly adopted training initiatives in the areas of technical skills, soft skills and leadership; (e) increase in software support expenses resulting from the need to acquire additional licenses as a result of our increased head count; (f) increase in rates, fees and municipal taxes in connection with our new facilities; and (g) increase in repair and maintenance expenses.

The above increase was partially offset by (a) lower provision for doubtful debt; (b) decrease in insurance expenses; (c) decrease in sales commission and (d) reduction in foreign exchange loss.

Financial expenses

The Group enjoyed debt-free status in Fiscal 2008. As a result, our financial expenses declined by 100% to Rs. nil in Fiscal 2008 from Rs. 1.12 million in Fiscal 2007.

Depreciation

Depreciation increased by 3.73% to Rs. 279.99 million in Fiscal 2008 from Rs. 269.92 million in Fiscal 2007 due to the addition of fixed assets amounting to Rs. 311.62 million during the year.

As a percentage of total income, depreciation declined to 6.20% in Fiscal 2008 in comparison to 8.50% in Fiscal 2007, reflecting better utilisation of assets due to growth of our business.

Profit before taxation, exceptional and prior period items

Principally for the reasons discussed above, profit before taxation, exceptional and prior period items increased by 60.14% to Rs. 889.17 million in Fiscal 2008 from Rs. 555.23 million in Fiscal 2007.

Exceptional and prior period items

The Company deferred its initial public offer of its equity shares, which was planned during Fiscal 2008, due to adverse market sentiments. As a result the share issue expenses amounting to Rs. 35.18 million were written-off. There were no prior period items in Fiscal 2008.

In Fiscal 2007, a provision of Rs. 37.63 million was reversed with respect to stock appreciation rights under various ESOP schemes due to conversion of stock appreciation rights to options to purchase shares. In Fiscal 2007, we incurred a charge against profit of Rs. 19.50 million with respect to a change in the method of capitalization of software licenses under our Enterprise Agreement.

Profit before taxes

Our profit after exceptional and prior period items and before taxes increased by 48.94% to Rs. 853.99 million in Fiscal 2008 from Rs. 573.36 million in Fiscal 2007.

Provision for tax

We are entitled to tax exemption in respect of profit derived from export of software services and products from our software development centers registered under the Software Technology Park of India (STPI) Scheme until March 31, 2010. A substantial portion of our profits is, therefore exempt from Income tax.

With effect from April 1, 2007, we are exposed to the Minimum Alternative Tax (MAT) on our book profits as per provisions of section 115JB of the Income Tax Act. However, we are entitled to claim set-off against future tax liability of an amount equal to the excess of MAT paid over actual income-tax liability for the year.

The provision for tax for Fiscal 2008 was Rs. 98.70 million. However, the MAT credit available against future tax liability amounted to Rs. 89.44 million. The net income tax liability for the year amounted to Rs. 9.26 million as against Rs. 15.71 million for the Fiscal 2007. The deferred tax charge for the year was Rs. 1.99 million as against a deferred tax credit of Rs. 5.58 million for the Fiscal 2007.

We made a provision of Rs. 11.0 million during the Fiscal 2008 compared to Rs. 8.06 million during the Fiscal 2007 towards Fringe Benefit Tax (FBT) payable on the value of benefits provided and/or deemed to have been provided to our employees.

Total tax expense for the year amounted to Rs. 22.25 million compared to Rs. 18.19 million for Fiscal 2007. As a proportion of total income, provision for tax for Fiscal 2008 declined to 0.49% from 0.57% for Fiscal 2007.

Net profit, before restatement adjustments

Principally for the reasons discussed above, our net profit before restatement adjustments increased by 49.82% to Rs. 831.74 million in Fiscal 2008 from Rs. 555.17 million in Fiscal 2007.

Net profit, restated

Our net profit after restatement adjustments increased by 44.73% to Rs. 831.93 million in Fiscal 2008 from Rs. 574.83 million in Fiscal 2007. The net increase in restated profit of Rs. 0.19 million in Fiscal 2008 was mainly on account of an exchange gain on a forward contract and provision for bonus due to retrospective amendment of the Payment of Bonus Act, which were partially offset by adjustments relating to provision for doubtful debts.

Year ended March 31, 2007 compared to year ended March 31, 2006

Income

In Fiscal 2007, our revenue was derived predominantly from the export of software services and products. Our total income increased by 45.20% to Rs. 3,177.15 million in Fiscal 2007 from Rs. 2,188.19 million in Fiscal 2006.

Sales of software services and products

Income from sales of software services and products increased by 45.79%, to Rs. 3,156.28 million in Fiscal 2007 from Rs. 2,164.89 million in Fiscal 2006. This increase was primarily due to growth of business from our existing customers, the addition of 92 new customers and an increase in the sale of product licenses, royalties and onsite sales. Our onsite sales increased by 47.28% to Rs. 238.42 million in Fiscal 2007 from Rs. 161.88 million in Fiscal 2006.

Our sale from product licenses and royalties increased by 40.26% to Rs. 45.99 million in Fiscal 2007 from Rs. 32.79 million in Fiscal 2006.

Other Income

Other income decreased by 10.43% to Rs. 20.87 million in Fiscal 2007 from Rs. 23.30 million in Fiscal 2006.

Expenditure

Our total expenditure increased by 47.27% to Rs. 2,621.92 million in Fiscal 2007 from Rs. 1,780.40 million in Fiscal 2006. This was principally due to an increase in personnel expenses and operating and other expenses, as described below. As a percentage of total income, total expenditure was 82.52% in Fiscal 2007 in comparison to 81.36% in Fiscal 2006.

Personnel expenses

Our personnel expenses increased by 50.83% to Rs. 1,761.31 million in Fiscal 2007 from Rs. 1,167.76 million in Fiscal 2006. As a percentage of total income, personnel expenses increased in Fiscal 2007 to 55.44% from 53.37% in Fiscal 2006. This increase was principally due to the following: (a) in Fiscal 2007 we increased our employee headcount by 30%: (b) our salary structure was upwardly revised during Fiscal 2007 to keep pace with changes in the market; (c) senior personnel were added to key divisions, such as our sales and marketing division; and (d) the personnel expenses for Fiscal 2007 include expenses for 12 months of Control Net (India) Pvt. Limited, compared to expenses for six months included in Fiscal 2006.

Operating and other expenses

Our operating and other expenses increased by 41.52% to Rs. 589.57 million in Fiscal 2007 from Rs. 416.61 million in Fiscal 2006. However, despite the overall increase, as a percentage of total income, operating and other expenses decreased in Fiscal 2007 to 18.56% from 19.04% in Fiscal 2006. This reflected economies of scale as our income increased by 45.20% in Fiscal 2007. The overall increase in operating and other expenses was principally due to the following: (a) increase in project-related travel expenses as well as fees paid for processing work permits/ visas; (b) increase in electricity and fuel expenses due to an increase in the power tariff and increased use of internally generated power; (c) increase in recruitment expenses during Fiscal 2007; (d) increase in training expenses due to newly adopted training initiatives for technical skills; (e) increase in software support expenses resulting from the need to acquire additional licenses as a result of our increased head count; (f) increase in our doubtful debt provisions; (g) increase in insurance expenses due to the increase in the value of assets covered under our various insurance policies; (h) increase in rates, fees and municipal taxes in connection with our new facilities; (i) increase in repair and maintenance expenses; and (j) an increase in sales commissions paid on new business.

Financial expenses

Our financial expenses decreased by 87.49% to Rs. 1.12 million in Fiscal 2007 from Rs. 8.95 million in Fiscal 2006. This decrease was principally a result of prepayment in January 2006 of the foreign currency loan taken during Fiscal 2005. We had no debt outstanding as on March 31, 2007.

Depreciation

Depreciation charged increased by 44.28% to Rs. 269.92 million in Fiscal 2007 from Rs. 187.08 million in Fiscal 2006. This increase was due to the capitalization of assets acquired in Fiscal 2007, primarily for our Aryabhata software development center in Pune. As a percentage of total income, depreciation charged was 8.50% in Fiscal 2007 in comparison to 8.55% in Fiscal 2006.

Profit before taxation, exceptional and prior period items

Our profit before taxation, exceptional and prior period items increased by 36.16% to Rs. 555.23 million in Fiscal 2007 from Rs. 407.79 million in Fiscal 2006.

In Fiscal 2007 a provision of Rs. 37.63 million was reversed with respect to stock appreciation rights under various ESOP schemes due to conversion of stock appreciation rights to options to purchase shares. In Fiscal 2007 we incurred a charge against profit of Rs. 19.50 million with respect a change in the method of capitalization of software licenses under our Enterprise Agreement.

In Fiscal 2006, we had an exceptional charge against profit of Rs. 5.64 million being the net effect of an extra-ordinary payment of Rs. 13.70 million to employees and prior period expenses of Rs. 0.44 million which was partially offset by money received in respect of out of court settlement of legal dispute amounting to Rs. 8.50 million.

Profit before tax

Principally for the reasons discussed above, our net profit, as restated before tax increased by 42.57% to Rs. 573.36 million in Fiscal 2007 from Rs. 402.15 million in Fiscal 2006.

Provision for Tax

We did not have significant exposure to income tax as we are entitled to a tax holiday under Sec. 10A of the Income Tax Act, 1961 in respect of our software development centers registered under the Software Technology Park (STP) scheme.

Our total tax expenses increased by 58.73% to Rs. 18.19 million in Fiscal 2007 from Rs. 11.46 million in Fiscal 2006. This comprised current tax charge of Rs. 15.71 million and fringe benefit tax of Rs. 8.06 million, which were offset by a release of Rs. 5.58 million in deferred taxes. During Fiscal 2007, we made a provision in respect of the demands made by the Income-tax authorities for Fiscal 2002 and 2003. We contested the demand by filing an appeal with the Commissioner of Income-tax.

Net profit, before restatement adjustments

Our net profit before restatement adjustments increased by 42.10% to Rs. 555.17 million in Fiscal 2007 from Rs. 390.69 million in Fiscal 2006.

Net profit, restated

Our net profit after restatement adjustments increased by 58.84% to Rs. 574.83 million in Fiscal 2007 from Rs. 361.90 million in Fiscal 2006. The restatement adjustments for Fiscal 2007 increased our net profit, as restated by Rs. 19.66 million whereas the restated adjustments for Fiscal 2006 decreased our net profit as restated by Rs. 28.79 million. The net increase in restated profit of Rs. 19.66 million in Fiscal 2007 was mainly on account of exchange gain on derivatives, write back of provision for leave, gratuity, current taxes, doubtful debts, and prior period expenses which were partially offset by provision for bonus due to retrospective amendment of the Payment of Bonus Act, adjustments relating to a provision for employee's stock options, foreign exchange loss on a forward contract and deferred tax.

Year ended March 31, 2006 compared to year ended March 31, 2005

Income

Our total income increased by 47.01% to Rs. 2,188.19 million in Fiscal 2006 from Rs. 1,488.48 million in Fiscal 2005. This was primarily derived from exports of software services and products.

Sales of software services and products

Income from sales of software services and products increased by 47.40%, to Rs. 2,164.89 million in Fiscal 2006 from Rs. 1,468.67 million in Fiscal 2005. This increase was primarily due to growth in business from our existing customers as we continued to expand our service offering to cover the full product lifecycle as well as the addition of 50 new customers in Fiscal 2006.

Other income

Other income increased by 17.62%, to Rs. 23.30 million in Fiscal 2006 from Rs. 19.81 million in Fiscal 2005. This increase was primarily due to an exchange rate gain in Fiscal 2006 as well as increased dividend and interest income during Fiscal 2006.

Expenditure

Our total expenditure increased by 55.41% to Rs. 1,780.40 million in Fiscal 2006 from Rs. 1,145.59 million in Fiscal 2005. As a percentage of total income, total expenditure was 81.36% in Fiscal 2006 in comparison to 76.96% in Fiscal

2005. This increase was principally due to an increase in personal expenses and operating and other expenses as described below in greater detail.

Personnel expenses

Our personnel expenses increased by 56.16% to Rs. 1,167.76 million in Fiscal 2006 from Rs. 747.78 million in Fiscal 2005. As a percentage of total income, personnel expenses increased in Fiscal 2006 to 53.37% from 50.24% in Fiscal 2005. This increase was principally due to upward revision in salary and increase in the number of employees during the year. Employees increased from 1,671 as of March 31, 2005 to 2,255 as of March 31, 2006.

Operating and other expenses

Our operating and other expenses increased by 52.92% to Rs. 416.61 million in Fiscal 2006 from Rs. 272.43 million in Fiscal 2005. As a percentage of total income, operating and other expenses increased to 19.04% in Fiscal 2006 from 18.30% in Fiscal 2005. This increase was principally due to the following: (a) an increase in project related travel expenses; (b) an increase in sales and marketing expenses resulting from an expansion of the sales and marketing team; and (c) an increase in administrative and other expenses comprising internet link charges, software support charges and electricity charges. In addition, we incurred first time operating expenses in Fiscal 2006 in respect of our new Software Development Center in Pune that became operational during the year.

Financial expenses

Our financial expenses increased to Rs. 8.95 million in Fiscal 2006 from Rs. 0.47 million in Fiscal 2005. Interest costs increased in Fiscal 2006 as a result of the foreign currency loan taken during the year for the establishment of the new Software Development Center in Pune.

Depreciation

Depreciation increased by 49.77% to Rs. 187.08 million in Fiscal 2006 from Rs. 124.91 million in Fiscal 2005. As a percentage of total income, depreciation increased in Fiscal 2006 to 8.55% from 8.39% in Fiscal 2005. This increase is principally attributable to the capitalization of assets on completion of Phase 1 of the new Software Development Center in Pune.

Profit before taxation, exceptional and prior period items

Principally for the reasons discussed above, our net profit before taxation, exceptional and prior period items increased by 18.93% to Rs. 407.79 million in Fiscal 2006 from Rs. 342.89 million in Fiscal 2005.

In Fiscal 2006, we had an exceptional charge against profit of Rs. 5.64 million being the net effect of an extra-ordinary payment of Rs. 13.70 million to employees and prior period expenses of Rs. 0.44 million which was partially offset by money received in respect of out of court settlement of legal dispute amounting to Rs. 8.50 million.

Profit before tax

Principally for the reasons discussed above, our profit before tax increased by 20.04% to Rs. 402.15 million in Fiscal 2006 from Rs. 335.02 million in Fiscal 2005.

Provision for tax

We did not have significant exposure to income tax as we enjoyed a tax holiday under Sec. 10A of the Income Tax Act, 1961 in respect of our software development centers registered under the Software Technology Park Scheme.

Our total tax increased by 598.78% to Rs. 11.46 million in Fiscal 2006 from Rs. 1.64 million in Fiscal 2005 mainly due to introduction of fringe benefit tax during the year. In Fiscal 2006, our provision for fringe benefit tax of Rs. 5.17 million.

Net profit, before restatement adjustments

Principally for the reasons discussed above, our net profit before restatement adjustments increased by 17.19% to Rs. 390.69 million in Fiscal 2006 from Rs. 333.38 million in Fiscal 2005.

Net profit, restated

Our net profit after restatement adjustments increased by 3.67% to Rs. 361.90 million in Fiscal 2006 from Rs. 349.09 million in Fiscal 2005. The restatement adjustments for Fiscal 2006 decreased our net profit, as restated by Rs. 28.79 million whereas the restatement adjustments for Fiscal 2005 increased our net profits, as restated by Rs. 15.71 million. Our net profit after restatement adjustments for Fiscal 2006 decreased by Rs. 28.79 million due to adjustments relating to increase in provision for depreciation and gratuity, exchange loss on forward contracts and derivatives, partially offset by reduction in provision for leave, deferred tax and current tax, write back of provision for bad and doubtful debts of earlier years and employee stock options and prior period items.

Our net profit after restatement adjustments for Fiscal 2005 increased by Rs. 15.71 million, mainly due to reduction in provision for gratuity, employee stock options, deferred tax, increase in exchange gain on forward contracts and prior period items partially off-set by provision for bad and doubtful debts and increase in the provision for leave encashment.

Liquidity and Capital Resources

We broadly define liquidity as our ability to generate sufficient funds from both internal and external sources to meet our obligations and commitments. In addition, liquidity includes the ability to obtain appropriate equity and debt financing and loans and to convert into cash those assets that are no longer required to meet existing strategic and financial objectives. Therefore, liquidity cannot be considered as separate from capital resources that consist of current or potentially available funds for use in achieving long-range business objectives and meeting debt service and other commitments.

We have historically financed our working capital primarily through funds generated from our operations. Our business requires a significant amount of working capital. We believe that we will have sufficient capital resources from our operations, net proceeds of this Issue and other loans and borrowings to meet our capital requirements for at least the next 12 months.

Cash Flows

Set forth below is a table of selected, consolidated restated cash flow statement data for the Fiscal 2008, 2007 and 2006:

In Rs. million

	Fiscal year ended March 31,		
	2008	**2007**	**2006**
Net cash generated from operating activities	966.86	800.48	462.85
Net cash (used) in investing activities	(910.11)	(689.94)	(908.63)
Net cash generated from / (used in) financing activities	(56.43)	(37.05)	430.01
Cash and cash equivalents at beginning of year/period	108.83	35.52	50.84
Increase/(decrease) in cash and cash equivalents	0.32	73.49	(15.77)
Exchange difference on translation of foreign currency cash and cash equivalents	(0.10)	(0.18)	0.45
Cash and cash equivalents at end of year/period	109.05	108.83	35.52

Net cash generated from operating activities

Our net cash generated from operating activities is principally used for capital expenditure, investment and payment of dividends.

In Fiscal 2008, net cash generated from operating activities was Rs. 966.86 million. Profit before taxation was Rs. 889.36 million, which was adjusted by Rs. 279.99 million for depreciation. Changes in current assets and liabilities that had a current period cash flow impact consisted mainly of an increase in sundry debtors of Rs. 227.90 million and an increase in current liabilities and provisions of Rs. 259.30 million.

In Fiscal 2007, net cash generated from operating activities was Rs. 800.48 million. Profit before taxation was Rs. 586.42 million, which was adjusted by Rs. 269.92 million for depreciation. Changes in current assets and liabilities that had a current period cash flow impact consisted mainly of an increase in sundry debtors of Rs. 202.18 million and an increase in current liabilities and provisions of Rs. 159.59 million.

In Fiscal 2006, net cash generated from operating activities was Rs. 462.85 million. Profit before taxation was Rs. 377.39 million, which was adjusted by Rs. 206.58 million for depreciation. Changes in current assets and liabilities that had a current period cash flow impact consisted mainly of an increase in sundry debtors of Rs. 110.47 million, an increase in loans and advances of Rs. 98.65 million and an increase in current liabilities and provisions of Rs. 88.08 million.

Net cash used in investing activities

In Fiscal 2008, our net cash used in investing activities was Rs. 910.11 million. This reflected expenditures on fixed assets of Rs. 488.07 million and fresh investment of Rs. 2,431.45 million which was partially offset by proceeds from the sale of investments of Rs. 1,980.29 million, interest and dividend income of Rs. 26.24 million and proceeds from sale of fixed assets of Rs. 2.88 million.

In Fiscal 2007, our net cash used in investing activities was Rs. 689.94 million. This reflected expenditures on fixed assets of Rs. 577.97 million and fresh investment of Rs. 1,082.44 million, which was partially offset by proceeds from the sale of investments of Rs. 950.84 million and interest and dividend income of Rs. 7.74 million and proceeds from sale of fixed assets of Rs. 11.89 million.

Our net cash used in investing activities was Rs. 908.63 million in Fiscal 2006. This reflected expenditures on fixed assets of Rs. 930.52 million and fresh investment of Rs. 1,691.14 million which was partially offset by proceeds from the sale of investments of Rs. 1,683.99 million and interest and dividend income of Rs. 11.84 million and proceeds from sale of fixed assets of Rs. 17.20 million.

Net Cash generated from / (used in) financing activities

In Fiscal 2008, our net cash used in financing activities was Rs. 56.43 million, which mainly comprised interim dividend payments of Rs. 43.03 million for Fiscal 2008 and a tax on these dividends of Rs. 7.31 million. Our net cash used towards expenditure incurred for the issue of bonus shares was Rs. 6.42 million. Net proceeds from issue of Equity Shares (including premium) to Non Executive Independent Directors was Rs. 0.33 million.

In Fiscal 2007, our net cash used in financing activities was Rs. 37.05 million, which mainly comprised interim dividend payments of Rs. 31.87 million for Fiscal 2007 and a tax on these dividends of Rs. 4.31 million.

In Fiscal 2006, our net cash generated from financing activities was Rs. 430.01 million. We raised Rs. 927.38 million from the issuance of share capital including security premium and incurred share issue expenses of Rs. 6.87 million. We bought back 979,450 equity shares for Rs. 246.10 million. We repaid Rs. 211.24 million of borrowings and paid interest of Rs. 8.95 million. In Fiscal 2006, we paid interim dividends of Rs. 21.09 million, as well as a tax on these dividends of Rs. 3.12 million.

Capital Expenditures

During Fiscal 2008, 2007 and 2006, our principal capital expenditures related to establishment of new software development centers and procurement of computing equipment and software tools for our software development centers.

We expect to invest approximately Rs. 1,400 million to Rs. 1,500 million in capital expenditures in Fiscal 2009 and Fiscal 2010 in respect of establishment of additional software development centers and procurement of additional computing equipment that we believe will give us a platform to grow our business. We expect to fund our capital expenditures in these periods with cash generated by operating activities and net proceeds from the Issue. We may adjust the timing and amounts of our capital expenditures based on various factors, including cash flows, results of operations and market conditions generally.

We believe that the proceeds of the Issue, together with our current cash on hand and cash generated by operating activities, will be sufficient to meet our material commitments and anticipated cash needs for working capital, capital expenditures, business expansion and investments. We expect to finance our operations with cash generated by operating activities. There can be no assurance that we will be able to raise additional capital on terms acceptable to us or at all. The sale of additional equity or equity-linked securities would result in dilution of our Company's shareholders. From time to time, we evaluate possible investments, acquisitions, divestments or mergers and may, if a suitable opportunity arises, make an investment, acquisition or divestment or enter into a merger, which may increase our capital needs.

Certain Balance Sheet Items

Set forth below is a table of our selected consolidated balance sheet data as at March 31, 2008, 2007 and 2006:

(*In Rs. million*)

	As at March 31,		
	2008	**2007**	**2006**
Fixed assets (Net) including Capital Work in Progress (CWIP)	1,973.26	1,744.95	1,489.93
Investments	691.71	246.91	115.22
Current assets	1,350.55	958.51	712.05
Total assets	4,015.52	2,950.37	2,317.20
Secured borrowings	-	-	-
Deferred tax liabilities	2.55	0.57	4.42
Current liabilities and provisions	727.25	433.27	283.36
Net current liabilities	729.80	433.84	287.78
Total assets less current liabilities	3,285.72	2,516.53	2,029.42

Fixed assets

Our total fixed assets after accumulated depreciation were Rs. 1,973.26 million, Rs. 1,744.95 million, Rs. 1,489.93 million as at March 31, 2008, 2007 and 2006, respectively. Our fixed assets consist of land, building, plant and machinery such as computer equipment, capital work-in-progress, software, fixtures, furnishings and vehicles. The value of fixed assets increased by 13.08% in Fiscal 2008 compared to Fiscal 2007 due to addition of the assets, computers and software tools in various software development centers. The value of our fixed assets increased by 17.12% in Fiscal 2007 compared to Fiscal 2006 mainly due to the Aryabhata software development center that became operational during Fiscal 2007. The value of our fixed assets increased by 89.70% in Fiscal 2006 compared to Fiscal 2005 mainly due to expenditure relating to the construction of our software development center, Pingala, at Erandwane, Pune.

Our fixed assets included our capital work-in-progress, which was Rs. 330.75 million, Rs. 130.97 million and Rs. 266.59 million as at March 31, 2008, 2007 and 2006, respectively. These amounts represent ongoing capital expenditure, including capital advances on establishing software development centers and procurement of computing equipments and software development tools, that are not ready or put to use. The increases in these amounts are mainly due to ongoing capital expenditure for our software development centers under construction in Hinjewadi, Pune and Parsodi, Nagpur.

Investments

Our investments mainly consist of surplus funds parked in liquid or short term schemes of selected mutual funds. In Fiscal 2007, Kriyari, Inc., a customer of Persistent Systems, Inc., allotted shares worth Rs. 0.39 million to Persistent Systems, Inc. as part consideration for software development services.

Our total investments were Rs. 691.71 million**,** Rs. 246.91 million and Rs. 115.22 million as at March 31, 2008, 2007 and 2006, respectively. The increase in total investment of 180.15% from Fiscal 2007 to Fiscal 2008 was due to fresh investment out of internal accruals. The 114.29% increase in investments in Fiscal 2007 compared to Fiscal 2006 was principally due to internal accruals. The 13.65% increase in investments from Fiscal 2005 to Fiscal 2006 was principally due to investment in mutual funds out of proceeds from Series A Participatory Cumulative Partially Convertible Preference Share capital including securities premium.

Sundry debtors

Sundry debtors principally consists of receivables relating to the sale of software development services and products. We have a policy of providing for all the invoices outstanding for a period of six months or more and for those invoices that are otherwise considered doubtful.

Our sundry debtors amounts (net of provisions) as at March 31, 2008, 2007 and 2006 were Rs. 744.89 million, Rs. 537.80 million and Rs. 392.92 million, respectively. A 38.51% increase in sundry debtors from Fiscal 2007 to Fiscal 2008, a 36.87% increase in sundry debtors from Fiscal 2006 to Fiscal 2007 and a 36.81% increase in sundry debtors from Fiscal 2005 to Fiscal 2006 was mainly due to growth in sales coupled with an extended credit period given to some new customers.

An age-wise breakdown of sundry debtors as at March 31, 2008 follows:

Sr. No.	No. Of days outstanding	Amounts outstanding as on March 31, 2008 (Rs. Million)	Percentage
1.	0 – 30 days	416.36	55.90%
2.	30 – 60 days	271.38	36.43%
3.	60 – 90 days	8.73	1.17%
4.	90 – 120 days	23.52	3.16%
5.	Over 120 days	24.90	3.34%
	Total	**744.89**	**100.00%**

Notes:

- Outstanding amount includes amount billed but not due
- Outstanding amount in number of days is calculated from the posting date of Invoice

Cash and bank balances

Bank balances in India comprise balances in Rupee accounts and balances in Exchange Earner's Foreign Currency (EEFC) accounts in US$. We also maintain current accounts with Bank of America, Silicon-valley Bank and Bank of India in the USA, Citibank N.A. Singapore, Bank of India, London and with the Bank of Tokyo-Mitsubishi, Japan to cater to the requirement of the business in foreign countries.

Our total cash and bank balances as at March 31, 2008, 2007 and 2006 were Rs. 113.16 million, Rs. 112.72 million and Rs. 39.46 million, respectively. The 0.39% increase in cash and bank balance from Fiscal 2007 to Fiscal 2008 was mainly due to the growth of our operations. The 185.66% increase in cash and bank balances in Fiscal 2007 compared to Fiscal 2006 was due to remittances amounting to Rs. 59.50 million received on March 30, 2007. The 34.70% decrease in cash and bank balances from Fiscal 2005 to Fiscal 2006 was principally due to a decision to reduce the amount in our current accounts in view of the of availability of funds at short notice through lines of credit sanctioned by banks.

Other current assets

Our other current assets as at March 31, 2008, 2007 and 2006, were Rs. 89.39 million, Rs. 42.82 million and Rs. 20.73 million, respectively. Other current assets mainly comprises unbilled revenue, which represents revenue recognised in relation to work performed on fixed price projects until the balance sheet date for which billing has not taken place and accrued income

The 108.76% increase, 106.56% increase and 0.58% decrease in other current assets from Fiscal 2007 to Fiscal 2008, from Fiscal 2006 to Fiscal 2007 and from Fiscal 2005 to Fiscal 2006, respectively, was principally due to an increase in unbilled revenue.

Loans and advances

Our total loans and advances as at March 31, 2008, 2007 and 2006 were Rs. 403.11 million, Rs. 265.17 million and Rs. 258.94 million, respectively. Loans and advances include: advances to our PSPL ESOP Management Trust; advances for income tax; deposits; advances recoverable in cash or in kind for value to be received; and VAT receivable. The 52.02% increase in loans and advances in Fiscal 2008 compared to Fiscal 2007 was principally due to our MAT credit entitlement, VAT receivable, advance income tax and other advances which were partially offset by a reduction in advances given to PSPL ESOP Management Trust. The 2.41% increase in loans and advances in Fiscal 2007 compared to Fiscal 2006 was due to an increase in the amount of recoverable advances given to employees and prepaid insurance premium, which were partially offset by the release of deposits on surrender of leased premises during the year. The 61.51% increase in loans and advances from Fiscal 2005 to Fiscal 2006 was principally due to an increase in the advance given to the PSPL ESOP Management Trust to purchase additional shares earmarked by the Company for the various ESOP Schemes.

Current Liabilities and Provisions

Our current liabilities and provisions as at March 31, 2008, 2007 and 2006 were Rs. 727.25 million, Rs. 433.27 million and Rs. 283.36 million, respectively. Our current liabilities include sundry creditors, advances from customers, accrued employee liabilities, unearned revenue and other liabilities. Our provisions include provision for employee compensation (ESOP), provisions for gratuity, leave encashment, provision for long term benefits, provision for derivative contracts, proposed dividends and income tax and fringe benefit tax.

The 67.85% increase in current liabilities and provisions in Fiscal compared to Fiscal 2007 reflected (i) an increase in accrued employee liabilities and performance bonus. (ii) a liability towards long service awards payable to employees on an actuarial basis (iii) a provision for employee compensation (ESOP); and (iv) a provision for market to market loss recognised on outstanding forward and option contracts.

The 52.90% increase in current liabilities and provisions in Fiscal 2007 compared to Fiscal 2006 reflected (i) an increase in current liabilities due to an increase in the amount of sundry creditors for capital goods in connection with the new facilities under construction at Hinjewadi, Pune and Parsodi, Nagpur and an increase in the amount of accrued liabilities due to the growth in the number of employees and (ii) an increase in provisions for gratuity and leave encashment due to early adoption of the revised Accounting Standard 15 (AS - 15) relating to retirement benefits. The 54.57% increase in current liabilities and provisions from Fiscal 2005 to Fiscal 2006 was principally due to the increase in sundry creditors and a provision for expenses due to the growth of our operations.

Indebtedness

We rely on both Rupee and foreign currency denominated borrowings. We currently have fund based facilities available to us in respect of working capital of approximately Rs. 145 million against hypothecation of current assets and book debts and non-fund based facilities of Rs. 8.00 million for issue of bank guarantees and letters of credit, as described in "Financial Indebtedness" on page 195. On March 31, 2008, we had not availed any of these lines of credit and we did not have any debt on our balance sheet.

Secured Loans

We did not have any outstanding secured loans as at March 31, 2008.

In Fiscal 2006 we availed a foreign currency term loan from the Export-Import Bank of India to finance the first phase of our software development center at Pune. We prepaid the entire term loan, without any prepayment charges, by utilising the funds received from the additional capital raised during Fiscal 2006.

Unsecured Loans

We did not have any outstanding unsecured loans as at March 31, 2008, March 31, 2007 or March 31, 2006.

Contingent Liabilities

As of March 31, 2008, we had the following contingent liabilities that have not been provided for:

(*Rs. Million*)

Particulars	Amount
Claims against the Company not acknowledged as debt	5.21
Guarantees and Counter guarantees given by the Company	1.36
Total	**6.57**

Off-Balance Sheet Arrangements

We do not have any material off-balance sheet arrangements.

Quantitative and qualitative disclosure about market risk

General

Market risk is attributable to all market sensitive financial instruments including foreign currency receivables and payables. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchange rates, commodity, prices, equity prices and other market changes that affect market risk sensitive instruments.

Our exposure to market risk is a function of our revenue generating activities and any future borrowing activities in foreign currency. The objective of market risk management is to avoid excessive exposure of our earnings and equity to loss. Most of our exposure to market risk arises out of our foreign currency accounts receivable.

Risk management procedures

We manage market risk through treasury operations. Our treasury operations' objectives and policies are approved by the Audit Committee. Our treasury operations include the management of cash resources, implementing hedging strategies for foreign currency exposures and ensuring compliance with market risk limits and policies.

Exchange rate risk

Although our functional currency is the Indian Rupee, we transact a significant portion of our business in several other currencies, particularly the US$. Our exchange rate risk primarily arises from our foreign currency revenues, receivables, payables and other foreign currency assets and liabilities. We expect that a majority of our revenues will continue to be generated in US$ for the foreseeable future. In Fiscal 2008, 2007 and 2006, our US$ denominated revenues represented 93.24%, 96.22% and 97.17% of our total revenues, respectively.

A significant portion of our expenses, comprising the personnel expenses and operating and other expenses are and will continue to be denominated and incurred in Indian Rupees. In Fiscal 2008, 2007 and 2006, rupee-denominated expenses represented 77.49%, 81.17%, and 84.13% of the personnel expenses and operating and other expenses, respectively. Therefore, changes in the exchange rate between the rupee and other currencies, especially with respect to the US$, may have a material adverse effect on our revenues, other income, personnel expenses, operating and other expenses and net income, which may in turn have a negative impact on our business, operating results and financial condition. The exchange rate between the Rupee and the US$ has changed substantially in recent years and may fluctuate substantially in the future.

We have sought to reduce the effect of exchange rate movements on our operating results by entering into foreign exchange forward contracts and currency options to cover a portion of outstanding accounts receivables and projected earnings in foreign currency. As at March 31, 2008 the value of projected earnings covered under such forward contracts and currency options amounted to US$136.85 million. However, we may not be able to enter into forward contracts and currency options to insulate ourselves adequately from foreign currency exchange risks. In addition, any such contracts may not perform effectively as a hedging mechanism.

Interest rate risk

We had no borrowings outstanding as of March 31, 2008.

Analysis of certain changes

Unusual or infrequent events or transactions

To our knowledge there have been no unusual or infrequent events or transactions that have taken place during the last three fiscal years, except as disclosed as extraordinary items and fixed assets in this section.

Significant economic changes

There have been no significant economic changes in the past three fiscal years that has affected our business except for appreciation of the Indian Rupee against US$ as described above. The negative effect of this appreciation has been marked during Fiscal 2007 and 2008 as the Rupee appreciation against the US$ has been significant.

Known trends or uncertainties

Our business has been impacted and we expect will continue to be impacted by the trends identified above in "Factors Affecting our Financial Results" on page 176 and the uncertainties described in the section titled "Risk Factors" on page xii. To our knowledge, except as we have described in this Draft Red Herring Prospectus, there are no known factors, which we expect to have a material adverse impact on our revenues or income from continuing operations.

Future relationship between expenditure and revenues

Except as described in "Risk Factors", "Our Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages xii, 57 and 175, respectively, to the best of our knowledge, there is no future relationship between expenditure and income that will have a material adverse impact on the operations and finances of our Company.

Significant regulatory changes

The tax holiday we enjoyed under the Software Technology Park Scheme is scheduled to expire on March 31, 2010. When our tax benefits expire or terminate, our tax expense is likely to materially increase, reducing our profitability after tax. For more information, see "Tax Holiday" above and our "Statement of Tax Benefits" on page 41. Except for the phasing out of this tax holiday and the regulatory changes as described in the section titled "Regulations and Policies" on page 74, there have been no significant regulatory changes that could affect our income from continuing operations.

Dependence on few customers

Our business is dependent on a few customers as described in Risk Factors on page xii.

Competitive conditions

Our business has been impacted and we expect will continue to be impacted by the competitive trends identified above in "Factors Affecting our Financial Results" on page 176.

Material Developments Post March 31, 2008

1. We incorporated a wholly owned subsidiary, Persistent Systems and Solutions Limited, to undertake software development activities especially from Special Economic Zones.

2. With a view to take advantage of tax holiday available to units established in Special Economic Zones, we have entered into a Letter of Intent to take on lease more than 60,000 sq ft. area in Sundew Properties Private Limited IT SEZ, Hyderabad, through our wholly owned subsidiary, Persistent Systems and Solutions Limited.

3. We have invested a sum of GBP 100,000 through our wholly owned subsidiary in Singapore, Persistent Systems Pte. Ltd., in a UK based company engaged in mobile application development.

FINANCIAL INDEBTEDNESS

As on June 30, 2008, the details of our secured borrowings are as follows:

1. Sanction letter dated June 30, 2007 and loan agreement dated October 10, 2005 with Citibank N.A.

In Rs. million

Facility	Sanctioned amount	Amount outstanding	Repayment and interest rate
Post Shipment Export Finance under contracts, Purchase orders and Letters of credit	45	Nil	i. Maximum tenor of 120 days for pre shipment finance and 180 days for post shipment ii. Interest rate on rupee borrowings 7.5% per annum in rupees iii. Interest rate on foreign currency borrowings LIBOR + 0.75% iv. Commissions, if any to be determined on the basis of the specific facility

Other Key terms and conditions:

i. Security:
   a. Loan secured by pari passu charge over all present and future receivables
   b. Loan secured by demand promissory note
   c. Goods Security Agreement for facility value

ii. Insurance: Company has to ensure comprehensive insurance against all risks on all assets of the Company whether or not such assets are offered as security for the facilities. Assets offered as security to be insured with Citibank NA as co loss payee.

iii. Annual Audited financial statements to be provided to the lender within 90 days after the financial year end and Monthly Book Debt statements to be provided within 15 days of the month end.

iv. Lender to have rights to audit facilities and financial statements with 24 hours notice

v. A majority of export transactions are to be routed through Citibank N.A.

vi. Future borrowings by the Company or issuance of any guarantee would be with prior intimation to Citibank N.A

vii. Changes in the equity, management and operating structure of the Company can be effected only after 2 weeks prior intimation'

2. Sanction letter dated September 26, 2007 and Supplemental Agreement of Hypothecation dated March 2, 2006 with the Bank of India

In Rs. million

Facility	Sanctioned amount	Amount outstanding	Repayment and interest rate
Fund Based working Capital Limits	100	Nil	i. Valid for a period of one year and is subject to annual review. ii. PCFC - Interest at a specified rate plus LIBOR and 100 basis points plus upfront commission of 100 basis points up to US$ one million and 50 basis points over US$ one million. iii. Export packing credit at interest rate of 9.5% iv. Usance charges for Inland/ Foreign DP/DA are as follows: a. up to 180 days: up to 10 days at 0.180%, 10 days to 3 months 0.360% beyond 3 months 0.360% +.0.92% per month. b. Charges for bank guarantee: Performance BG Rs. 180+0.61 per quarters or part there of with a minimum for 2 quarters. Financial bank guarantee Rs. 180+.086% per qtr or part there of with a minimum for 2 quarters. v. Packing credit will be allowed against conformed export orders and normally will be extended for periods not beyond 270 days.
Non Fund Based	8	Nil	

Other Key terms and conditions:

i. Security: Loan secured by pari passu charge over book debts of the Company.

ii. Inspection to be done on a quarterly basis or as and when required by the lender.

iii. Insurance: Company is required to obtain receivable insurance from recognised insurance agencies.

iv. Annual financial statements to be provided to the Bank of India within six months of close of financial year.
v. Bank of India to have rights to audit facilities with 24 hour notice
vi. Processing charges on fund based limit of Rs. 100 million payable at the rate of Rs. 14.5 per million and non-fund based limit of Rs. 8.00 million are payable at the rate of Rs. 7.25 per million.
vii. During the currency of the facilities granted to the Company, the Company will not without the prior written permission of the Bank change the capital structure, formulate scheme of amalgamation or reconstruction, make drastic changes in its management set up and sell or dispose off or create security or encumbrances on the assets charged to the bank in favour of any other bank, financial institution, company firm, individual.
viii. Future borrowings by the Company will require consent from the Bank of India
ix. The Lender reserves the right to appoint its nominee on the Company's Board of Directors either as a part time or full time director to oversee the functioning of the Company in order to look after the bank's interest.
x. The Company is required to take prior approval from Bank of India for opening any account with any other bank or any other branch of Bank of India

SECTION VI- LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as stated below there are no outstanding litigation, suits, criminal or civil prosecutions, proceedings or tax liabilities against our Company, our Directors, our Promoters, the Promoter Group, members forming part of our Promoter Group and our Subsidiaries and there are no defaults, non- payment of statutory dues, overdues to banks/financial institutions/small scale undertaking(s), defaults against banks/financial institutions/small scale undertaking(s), defaults in dues payable to holders of any debentures, bonds or fixed deposits or arrears on preference shares issued by our Company, our Directors, our Promoters, the Promoter Group, members forming part of our Promoter Group and our Subsidiaries, defaults in creation of full security as per terms of issue/other liabilities, proceedings initiated for economic/civil/any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (I) of Part 1 of Schedule XIII of the Act) other than unclaimed liabilities of the Company, the Directors, the Promoters, the Promoter Group and the Subsidiaries and no disciplinary action has been taken by SEBI or any stock exchanges against our Company, our Directors, our Promoters, the Promoter Group, members forming part of our Promoter Group and our Subsidiaries that would result in a material adverse effect on our consolidated business taken as a whole.

Further, except as disclosed hereunder, our Company, our Directors, our Promoters, the Promoter Group, members forming part of our Promoter Group and our Subsidiaries have not been declared as wilful defaulters by the RBI or any government authority and there have been no violations of securities laws in the past or pending against them.

A. Criminal litigations

Criminal litigations filed against our Promoters and Directors

A criminal complaint bearing CMA. No. 78 of 2004 has been filed against our Promoter Directors Dr. Anand Deshpande, S. P. Deshpande and Ashutosh Joshi, an erstwhile Director of our Company, in their capacity as Directors of our Company, before the Judicial Magistrate First Class Court at Pimpri by Sachin Omprakash Agarwal. In his complaint Sachin Omprakash Agarwal has sought that the accused be tried for alleged offences under Ss. 323 (punishment for voluntarily causing hurt), 504 (intentional insult with intention to provoke breach of peace), 406 (cheating) and 420 (punishment for breach of trust), of the Indian Penal Code read with Sec. 34 (acts done by several persons in furtherance of common intention) of the Indian Penal Code. The extent of penalty/punishment that may be imposed on the Promoter Directors in the event that the judgment goes against them is imprisonment up to three years and a fine of up to Rs. 5,000. The Court had ordered the concerned police station to submit investigation report, which has been submitted on April 15, 2004.

The police report dated April 6, 2004 states that there was no mention in the records at the security gate of the Company confirming the entry or presence of Sachin Omprakash Agarwal or his two brothers on the Company premises on February 13, 2004, when the incidents averred to by Sachin Omprakash Agarwal in his complaint are alleged to have taken place.

The report also records that the police have been provided with a copy of an e-mail from Sachin Omprakash Agarwal dated February 10, 2004 seeking a meeting with officers of our Company at Hotel Panchali, Jangali Maharaj Road, Pune at 9:00 AM on February 13, 2004 and indicating that Sachin Omprakash Agarwal was not willing to attend a meeting at the premises of the Company.

The next date of hearing in this matter is scheduled for July 14, 2008.

Criminal litigations filed by our Company

Nil

B. Civil litigations

Litigations filed against our Promoters, Directors and the Company

Nil

Litigations filed against the Company

1. A civil suit bearing C.S. No. 390 of 2005 has been filed against the Company and PSPL ESOP Management Trust, before the Hon'ble Civil Judge Junior Division, Pune at Pune by Sachin Omprakash Agarwal. In this suit, Sachin Omprakash Agarwal has claimed Rs. 108,888 towards full and final settlement payable by the Company towards the salary dues and employment stock option plan with interest at the rate of 12.00% per annum from the date of the demand notice till actual realisation of the amount along with costs of the suit. The next date of hearing is scheduled for July 18, 2008.

Other actions filed/initiated against the Company

1. The Company has filed an application bearing Application No. 1341090 with the Registrar of Trademarks for registration of its service mark 'Ensure'. An opposition was filed by Hero Corporate Services Limited vide opposition No. BOM-226663 against the said application. The Company has filed counter statement on November 16, 2006 denying all grounds set out in the objection. The matter is pending for further action with the Registrar of Trademarks.

2. The Company has filed an application bearing Application No. 1341093 with the Registrar of Trademarks for registration of its service mark 'Get to Live'. An opposition was raised by General Electric Company vide Opposition No. 257191 against the said application. The Company has filed counter statement on August 29, 2007 denying all grounds set out in the objection. The matter is pending for further action with the Registrar of Trademarks.

Tax related appeals filed by the Company

1. By an assessment order dated March 24, 2006 for the Assessment Year 2003-2004, passed by the Assessing Officer J.C.I.T., Circle 4 Pune, the Assessing Officer (i) restricted the Company's claim for a deduction under Section 10A of the I.T. Act, 1961 to Rs. 101,442,588 as against the Company's claim of Rs. 128,263,219 and granted a deduction under Section 80HHE of Rs. 14,340,263, and (ii) rejected the Company's claim for a deduction under Sec. 10A of the I.T. Act towards interest of Rs. 472,810 and considered the same as income from other sources and subjected the gross amount of interest of Rs. 1,090,243 to income tax without allowing the deduction for interest expenses of Rs. 617,433. Aggrieved by the said Order, the Company has filed an appeal dated April 21, 2006 before the Commissioner of Income Tax (Appeals II), against the order passed by the Assessing Officer. The Company has inter alia claimed the following reliefs: (i) to allow deduction under Sec. 10A of the I.T. Act of Rs. 128,263,219 and (ii) the income of Rs. 1,090,243 be taxed on net basis after deducting interest expenses, instead of taxing it on gross basis. The matter is pending disposal. The next date of hearing has not yet been notified.

2. By an assessment order dated December 29, 2006 and rectification order dated January 16, 2007 for the Assessment Year 2004-2005, passed by the Assessing Officer A.C.I.T., Circle 4 Pune, the Assessing Officer (i) reduced the Company's claim for a deduction under Section 10A of the I.T. Act by Rs. 12,127,665 and granted a deduction of Rs. 2,872,628 under Section 80HHE and (ii) rejected the Company's deduction under Sec. 10A of the I.T. Act towards interest of Rs. 2,292,366 and considered the same as interest from other sources and subjected gross amount of interest of Rs. 2,563,721 to income tax without allowing deduction for interest expenses of Rs. 271,355. Aggrieved by the said Order, the Company has filed an appeal dated January 24, 2007 before the Commissioner of Income Tax (Appeals II), against the order passed by the Assessing Officer. The Company has *inter alia* claimed the following reliefs: (i) to allow further deduction under Sec. 10A of the I.T. Act of Rs. 12,127,665 instead of deduction of Rs. 2,872,628 under Sec. 80 HHE of the I.T. Act, and (ii) net income of Rs. 2,292,366 from interest be considered as income from business instead of income from other sources. The matter is pending and date of hearing has not yet been notified.

3. The Company received a notice dated June 17, 2007, from the Transfer Pricing Officer, Additional CIT, TP V, Mumbai with respect to determination of the arms length price under S. 92 CA of the I.T. Act in respect of certain international transactions of the Company with its associated enterprises. The Company submitted its reply vide its letter dated February 19, 2007. In pursuance of the said letter of the Company, the Transfer

Pricing Officer, Additional CIT, TP V, Mumbai had asked for the certain additional information. Thereafter, the Company has been informed that the office of the said Transfer Pricing Officer, Additional CIT, TP V, Mumbai is shifted to Pune. Subsequently, the Company has received a notice dated June 9, 2008 from the Deputy Commissioner of Income Tax, Transfer Pricing IV, Pune to produce evidence in terms of Section 92CA(2) of the I.T. Act in support of computation of arms length price in relations to the international transactions during the assessment year 2005-2006. The representative of the Company attended the hearing on June 23, 2008 and produced evdence in support of computation of arms length price. The next date of hearing has not been notified.

4. The Company received summons in respect of service tax for the assessment years 2005-2006 and 2006-2007, whereby the Superintendent SIV-II Service Tax Cell, Pune III called upon the Company to submit certain information and documents to ascertain whether the Company had evaded service tax. The Company has, by way of its letter dated August 23, 2007, provided the information and documents as requested by the Superintendent. The Company has not received any further communication from the Superintendent SIV-II Service Tax Cell, Pune III in this regard.

5. Our Company has received a letter dated December 18, 2007 from the Deputy Commissioner of Service Tax, Division-II, requiring the Company to pay service tax in relation to certain maintenance services and business auxiliary services provided by the Company since May 5, 2006. In response to this letter, the Company has paid service tax of Rs. 3.51 million alongwith interest of Rs. 0.51 million under protest and filed a claim for refund of the same.

   Our Company has received a notice dated May 7, 2008 bearing reference No. F. No. VGN(30)/STC/P-III/192/Refund/07/357 and another notice bearing reference No. F. No. VGN(30)/STC/P-III/175/Refund/07/311 in May, 2008 from the Deputy Commissioner Service Tax Pune-III to show cause why its claim for refund of service tax should not be rejected.

   Further, Our Company has received a notice dated May 16, 2008 bearing reference No. F. No. CE/PIII/STC/SIV-III/Persistent/07/298 from the Commissioner Central Excise Pune-III to show cause as to why the Company has not paid service tax of Rs. 8.31 million (plus applicable interest and penalty) on the payments made to certain commission agents situated outside India towards maintenance and repairs services and business support services. The Company has paid service tax of Rs. 5.10 million and interest of Rs. 0.66 million under protest and submitted its reply on the abovereferred notice in consultation with its legal counsel. The matter is yet ot be posted for hearing.

6. On February 12, 2008, the Company had received a notice dated January 30, 2008 bearing reference number MHR-SRO-PN-INS-IV/C18(AD)/33 880/ from the Deputy Director of Employee State Insurance Corporation (ESIC) requiring the Company to show cause as to why it was not liable to pay a sum of Rs. 8.33 million in respect of ESIC contribution for the Financial Year 2000-01and interest on delayed payment. While the Company had contested the demand on a number of grounds in consultation with its ESIC consultant, the Company has made a provision in accounts of Rs. 0.34 million (including an amount of Rs. 1.7 million towards interest on delayed payment) on a prudential basis. Representatives from the Company have attended two hearings before the Deputy Director, ESIC and have submitted certain documents and details. A final decision in the matter is awaited.

Other actions filed/initiated by the Company

1. The Company had filed an application under Sec. 22 of the Act bearing Ref. No. PSPL/RD/Persistent Software on September 11, 2006 before the Regional Director, Southern Region, Ministry of Company Affairs, Chennai for issue of appropriate orders to Persistent Software Private Limited to change its name. The Regional Director vide its order No. 4/22/AP-9/2006 dated November 28, 2006, directed Persistent Software Private Limited to change its name within three months from the date of the order. On non-compliance of the order by Persistent Software Private Limited, the Company had brought the same to the notice of the Regional Director and the Registrar of Companies, Hyderabad. Consequently, the Registrar of Companies, Hyderabad addressed a letter dated July 31, 2007 to the Regional Director, with a copy to the Company informing the Regional Director of the non-compliance, and requesting for appropriate directions. The Company also received a letter dated July 31, 2007 from the Regional Director stating that action is being taken to prosecute Persistent Software Private Limited and its directors for non compliance of the orders issued by the Regional Director under Sec. 22 of the Act. However, till date, no further communication regarding the change in name of Persistent Software Private Limited pursuant to the order of the Regional Director has been received by us.

2. The Company has vide its letter dated June 14, 2007 addressed to Pacific Solution and Technologies Limited, a company incorporated in Nigeria, (sent through email dated June 15, 2007) requested the said Pacific Solution and Technologies Limited to cease and desist using a logo similar to the Company logo. However, till date the Company has not received any response from to the said letter. The Company is considering appropriate legal action against Pacific Solution and Technologies Limited.

3. The Company has vide its letter dated July 9, 2007 addressed to Persistent Fitness Centre, a firm in Pune, requested them to cease and desist using the word "Persistent" in the name of the firm. The letter was returned and received by the Company as "unclaimed" by Persistent Fitness Centre. Consequently, the Company sent an email on September 20, 2007 requesting Persistent Fitness Centre to cease and desist using the word "Persistent" in the name of the firm. However, the Company has not received any response to the said email. The Company has sent a legal notice to Persistent Fitness Centre on October 29, 2007 and November 22, 2007 through an advocate, directing them to cease and desist from using the word "Persistent" in the name of the firm. The Company had a personal meeting with the proprietor of Persistent Fitness Centre on December 24, 2007. The proprietor of Persistent Fitness Centre has orally informed the Company that he will revert back with his decision on ceasing to use the word "Persistent".

GOVERNMENT APPROVALS

In view of the approvals listed below, we can undertake this Issue and our current business activities and no further major approvals from any governmental or regulatory authority or any other entity are required to undertake the Issue or continue our business activities. Unless otherwise stated, these approvals are all valid as of the date of this Draft Red Herring Prospectus.

We have received the necessary consents, licenses, permissions and approvals from the Government and various governmental agencies required for our present business and except as mentioned below, no further major approvals are required for carrying on our present business.

Approvals related to the Issue

1. In Principle approval dated [●] from the NSE
2. In Principle approval dated [●] from the BSE

Approvals for the business

A. Approvals from the Reserve Bank of India

1. Letter bearing Ref. no. EC.Mumbai.FID.(II)/24/04.02.07/P-184/1999-2000 dated July 03, 2000 from the p. General Manager, RBI allowing foreign equity investment in India through automatic route of RBI for allotting 2,800 Equity Shares of Rs. 100 each to Intel 64 LLC. The Registration No. is FC00 BYR 2035.
2. Letter bearing Ref No. EC. Mumbai. FID.II/946/04.02.07/P-184/2002-03 dated November 07, 2002 from the p. General Manager, RBI approving to issue of 252,000 Equity Shares of Rs. 10 each as fully paid bonus shares in proportion of 9 bonus shares for every one existing fully paid Equity Share held by Intel 64 LLC on repatriation basis.
3. Letter bearing Ref. no. ECMumbai/.FID-II/1337/04.02.01/P-120/2002-2003 dated January 02, 2003 from the p. General Manager, RBI, received by our Company acknowledging receipt of Form FC GPR with regard to issue of 252,000 Equity Shares of Rs. 10 each at par to Intel 64 LLC on repatriation basis.
4. Letter bearing Ref. no. FED.MUMBAI.CAD.FID.(II)/2672/04.02.01/P-120/04-05 dated November 11, 2004 from the p. General Manager, RBI, received by our Company acknowledging receipt of Form FC GPR with regard to issue of 34,365 Equity Shares of Rs. 10 each at a premium of Rs. 73.52 per share to Intel 64 LLC on repatriation basis.
5. Letter bearing Ref. no. FED.MUMBAI.CAD.FID(II)/3911/04.02.01/P-120/04-05 dated March 09, 2005 from the p. General Manager, RBI, received by our Company acknowledging receipt of Form FC GPR with regard to issue of 500 Equity Shares of Rs. 10 each at a premium of Rs. 80.73 per share to Sandeep Johri with Aarti Johri both residing at the United States of America on non-repatriation basis. Vide letter bearing Ref. no. FED.MRO.CAP/6782 /04.66.120/2006-07 dated December 5, 2006 the p. General Manager, RBI has intimated to our Company that it need not file the Form FCGPR with the RBI for shares issued on non-repatriation basis, remittance for which has been made through the NRO account.
6. Letter bearing Ref. no. FED.MRO.CAP/6096/04.66.120/2006-07 dated November 23, 2006 from the p. General Manager, RBI, received by our Company acknowledging receipt of Form FC GPR with regard to issue of 1,57,135 Equity Shares of Rs. 10 each at a premium of Rs. 400.69 per share to Intel Mauritius on repatriation basis.
7. Letter bearing Ref. no. FED.MRO.CAP/6098/04.66.120/2006-07 dated November 23, 2006 from the p. General Manager, RBI, received by our Company acknowledging receipt of Form FC GPR with regard to issue of 153,750 and 55,295 CCPS of Rs. 100 each at a premium of Rs. 4,001.63 per share to Norwest and Gabriel, respectively on repatriation basis.
8. Letter bearing Ref. no. FED.MRO.CAP/9899/04.66.120/2007-08 dated February 8, 2008 from the Assistant Manager, RBI, received by our Company acknowledging receipt of Form FC GPR with regard to issue of bonus shares on repatriation basis as follows:

Name of Shareholders	No. of Bonus Shares issued
Norwest FVCI	38,43,750 Equity Shares of Rs. 10 each
Gabriel	13,82,375 Equity Shares of Rs. 10 each
Intel Mauritius	3,92,837 Equity Shares of Rs. 10 each
Intel 64 Operations	6,54,890 Equity Shares of Rs. 10 each
Hewlett Packard Company	1,31,022 Equity Shares of Rs. 10 each

9. Letter bearing Ref. no. FED.MRO.CAP/9900/04.66.120/2007-08 dated February 8, 2008 from the Assistant

Manager, RBI, received by our Company acknowledging receipt of Form FC GPR with regard to conversion of 2,09,045 CCPS of Rs. 100 each into 20,90,450 Equity Shares as follows:

Name of Shareholders	No. of Equity Shares issued on conversion
Norwest FVCI	15,37,500 Equity Shares of Rs. 10 each
Gabriel	5,52,950 Equity Shares of Rs. 10 each

B. Company specific approvals

1. Certificate of incorporation for our Company, issued by the Additional Registrar of Companies, Maharashtra at Mumbai bearing certificate number 11-56696 of 1990, certifying that Persistent Systems Private Limited was incorporated under the Act as a private limited company on May 30, 1990.
2. Fresh Certificate of Incorporation issued by the Registrar of Companies, Maharashtra at Pune bearing CIN U72300MH1990PLC056696 dated September 28, 2007 certifying change of name of the Company from "Persistent Systems Private Limited' to "Persistent Systems Limited' consequent upon change of name on conversion of Company from private limited company to a public limited company. The CIN of the Company has been updated by the Ministry of Corporate Affairs to U72300PN1990PLC056696.

C. Premises specific approvals

i. STPI related approvals

Pune

1. Approval bearing Ref. no. STP/P/VIII(A)/(622)/2000/1522 dated May 22, 2000 issued by the Director and Chief Executive, STPI, and extended vide letter No. STP/P/VIII(A)(622)/2000/1027 dated August 25, 2005, issued by the Joint Director, STPI, permitting our Company to set up units Bhageerath and Panini under the STPI Scheme of the Government of India for the purpose of development of Computer Software. The approval is valid till May 21, 2010. Vide its letter no. STP/P/VIII(A)(622)/2000/7859 dated October 30, 2007 issued by the Joint Director, STPI Pune has taken a note of change of name consequent to conversion of the Company from private limited company to a public limited company.
2. Letter bearing Ref. no. STP/P/VIII(A)/(622)/2000/1195 dated November 20, 2002 issued by the Deputy Director (Technical), STPI, permitting the expansion of operations of our STP facility of Panini unit on 1st and 2nd floor. This approval is valid till May 21, 2010, in terms of the approval at item 1 above.
3. Letter bearing Ref. no. STP/P/VIII(A)/(622)/2000/2020 dated January 29, 2003 issued by the Director, STPI, permitting the expansion of operations of our STP facility of Panini unit on third floor along with ground floor. This approval is valid till May 21, 2010, in terms of the approval at item 1 above.
4. Green Card bearing Ref. no. MIT/STPI-P/2006/485 dated October 31, 2006 issued by the Designated Officer for Secretary to the Government of India, Department of Information Technology and Chairman, Interministerial Standing Committee on Software Technology Park Scheme in respect of the Bhageerath and Panini units. The card is valid till August 28, 2010
5. Letter bearing Ref. no. STP/P/VIII(A)/(906)/2004/1070 dated April 06, 2005 issued by the Asst. Director, Technical, STPI, permitting our Company to operate from Additional workplace at Aryabhata - Pingala units, on same terms as contained in letter bearing Ref. no. STP/P/VIII (A) /(906)/ 2004/ 1155 dated April 20, 2004, issued by the Director & Chief Executive. This approval is valid till April 19, 2009. Vide its letter no. STP/P/VIII(A)(906)/2004/7879 dated October 30, 2007 issued by the Joint Director, STPI Pune has taken a note of change of name consequent to conversion of the Company from private limited company to a public limited company.
6. Green Card bearing Ref. no. MIT/STPI-P/2005/351 dated April 24, 2006 by the Designated Officer for Secretary to the Government of India, Department of Information Technology and Chairman, Inter ministerial Standing Committee on Software Technology Park Scheme in respect of the Aryabhata - Pingala units. This card is valid till April 19, 2009. The units of the Company Manikchand Galleria and Suma Centre which were earlier covered by this Green Card have been debonded.
7. Letter bearing Ref. no. STP/P/VIII(A)(23)/07-08/3973 dated June 14, 2007 issued by the Joint Director, STPI, permitting our Company to set up a unit at Hinjewadi under the STPI Scheme of the Government of India for the purpose of development of Computer Software. The approval is valid till June 13, 2012. Vide its letter no. STP/P/VIII(A)(23)/2007-08/7861 dated October 30, 2007 issued by the Joint Director, STPI Pune has taken a note of change of name consequent to conversion of the Company from private limited company to a public limited company.
8. Green Card bearing Ref. no. MIT/STPI-P/2007-08/040, dated June 18, 2007 issued by the Designated Officer for Secretary to the Government of India, Ministry of Information Technology and Chairman, Interministerial

Standing Committee on Software Technology Park Scheme in respect of the Hinjewadi unit. The card is valid till January 18, 2011.

Goa

1. Letter bearing Ref. no. STP:PER:48(1997)/EOP/52/97/3155 dated May 20, 2004 issued by the Director STPI for extension of STP approval for a further period of five years effective from May 31, 2004. This approval was transferred in the name of our Company on amalgamation of ControlNet with our Company and the same is valid till May 30, 2009. Vide its letter no. Ref No. :STP:PER: 48 (1997)/EOP/52/97/SR/9802 dated November 26, 2007 issued by the Assistant Director, STPI Navi Mumbai has taken a note of change of name consequent to conversion of the Company from private limited company to a public limited company.
2. Green Card bearing Ref. no.MIT/STPI-MUM/2004/1087, dated May 24, 2004 in the name of our Company (originally in the name of ControlNet) by the Designate Officer for Secretary to the Government of India, Ministry of Information Technology and Chairman, Interministerial Standing Committee on Software Technology Park Scheme in respect of the Goa unit. This card is valid till May 23, 2009. This card was transferred in the name of our Company on amalgamation of ControlNet with our Company.
3. Letter bearing Ref. no. STP:PER:48(1997)/EOP/52/97/(PM)/(PM)/256 dated January 9, 2007, issued by the Assistant Director, STPI, Navi Mumbai, stating that there is no objection to the change of name from ControlNet (India) Private Limited to Persistent Systems Private Limited pursuant to the amalgamation of ControlNet with our Company.
4. Provisional Certificate of Registration no. STPAG:STP:21:2007 dated August 29, 2007 issued by Director, Directorate of Information Technology, Government of Goa for change in name from ControlNet to Persistent Systems Private Limited.

Thane

1. Letter bearing Ref. no. STP/P/VIII (A) (160)/97/705 dated March 23, 2000 issued by the Deputy Director (Technical), STPI, Pune permitting the expansion of operations of our STP facility unit in Goa in the name of ControlNet to a new location at 59, Electronic Sadan No.1, MIDC Electronic Zone, Mahape, New Mumbai 400701 vide Expansion Case No. STP/P/2000/EXP/41, which is valid till May 30, 2009. Vide its letter no. MIDC/ROMHP/ITC/Gala No 58 & 59/5996 dated November 30, 2007 issued by Area Manager, MIDC Mahape informed the Company that the Corporation has take a note of scheme of amalgamation of ControlNet and the Company.

Bangalore

1. Ref no.EIG/PERSISTENT/GEN/31487 dated November 14, 2005 issued by the Director, STPI for setting up Unit and Vide Letter Ref. No.EIG/PERSISTENT/GEN/31488 issued by Director STP received per under STPI Scheme of the Government of India for development computer software. This approval is valid till November 13, 2010.

Nagpur

1. Letter bearing Ref. no. STP/N/VIII(A)(01)/2003/115 dated July 11, 2003 issued by the Assistant Director (Technical), STPI, permitting our Company to set up a unit at Nagpur under the STPI Scheme of the Government of India for the purpose of development of Computer Software. The approval is valid till October 27, 2008.
2. Approval bearing Ref. no. STP/N/VIII(A)(01)/2003/561 dated April 5, 2004 issued by the Member Technical, STP Nagpur, certifying that our Company located at Office No. 203 & 204, IT Tower, Near VRCE Telephone Exchange, Nagpur 440022 is registered as 100% EOU under the STP Scheme of the government of India vide approval letter No: STP/P/VIII(A)(01)/2003/114 dated July 11, 2003, and is therefore, eligible for Electrical Duty Exemption.
3. Green Card bearing no. MIT/STP-N/07/15 dated August 8, 2007 by the Designated Officer for Secretary to the Government of India, Ministry of Information Technology and Chairman, Interministerial Standing Committee on Software Technology Park Scheme. This card is valid till August 7, 2009. Vide letter Ref. No.STP/N/VIII(A)(01)/2003/6462 dated November 27, 2007 from the Center In-charge, STPI, Nagpur taking note of change of name from Persistent Systems Private Limited to Persistent Systems Limited consequent to conversion of the Company from private limited company to public limited company.
4. Letter bearing reference no. STP/N/VIII(A)(1)/2003/6848 dated March 12, 2008 from STPI Nagpur for issuing no objection for expansion of the STP facility to new location at Plot no 8 & 9, IT Park MIDC Parsodi Nagpur.

Hyderabad

1. Letter bearing ref. no. STPH/IMSC/07-08/1781/13661 dated October 10, 2007, issued by the Director STPI, permitting our Company to set up a unit at Hyderabad under the STPI scheme of the Government of India for the purpose of development of computer software and IT enabled services. The approval is valid for a period of five years from the date of commencement of production.
2. Green Card bearing no. MCIT/STPH/2007-2008/2334/6100 dated December 3, 2007 by the Director under Software Technology Park Scheme of the Govt. of India as a 100% EOU. This card is valid till October 9, 2010.

ii. Approvals for private bonded warehouse and inbond manufacturing sanctions

Pune

1. The Company has obtained License no. PN VI/Cus –STPU/116/2000 dated October 19, 2000 from the Deputy Commissioner of Central Excise & Customs for its Bhageerath unit, which was valid till December 31, 2004. By letter dated December 01, 2004, this license is extended till December 31, 2009.
2. The Company executed a B-17 bond bearing F. No. V(B-17)Persistent/2003 dated March 18, 2008 for an amount of Rs. 40,000,000 with the Deputy Commissioner of Central Excise. The bond is valid till February 28, 2013.
3. The Company has obtained License No. PN VI / Cus – STPU / 60 / 2002 dated November 29, 2002, from the Deputy Commissioner of Central Excise & Customs for its Panini unit, which was valid till December 31, 2006 and has been revalidated till January 31, 2010.
4. The Company has received Custom Bond Acceptance F. no. V(B-17) Persistent Systems/2002 dated December 26, 2002 for an amount of Rs. 32,00,000, from the Deputy Commissioner of Central Excise & Customs for its Panini unit, which was valid till December 13, 2006 and vide Letter F. no. V (B-17) PERSISTENT/2002 dated December 15, 2006 issued by Superintendent (Tech) Central Excise & Customs, Pune VI Division has been extended till December 12, 2011.
5. The Company has obtained License No. PN – IV/ CUS/STP – 58/2007 dated July 3, 2007, from Assistant Commissioner of Central Excise, Pune IV- Division, for its Hinjewadi unit, which is valid till July 12, 2010.
6. The Company has received Custom Bond Acceptance F. No. VIII(Cus)48 – 51/ Persistent.STP/07/Pt I./1460 dated July 17, 2007 from Assistant Commissioner of Central Excise, Pune IV- Division for its Hinjewadi unit. The bond is valid till July 12, 2010. Vide letter no. F.NO. VIII(Cus)48-51/Persistant/STP/07/Part-I/3154 dated December 27, 2007, the Office of Assistant Commissioner Central Excise & Customs, Pune – IV Division has recorded change of name of the Company from Persistent Systems Private Limited to Persistent Systems Limited consequent to conversion of the Company from private limited company to public limited company.
7. The Company has obtained License No. PVI/CUS – STP / 146 / 2005-06 dated May 05, 2005 for its Aryabhata – Pingala Unit, which was valid till May 05, 2008. This license has been amended on February 21, 2007 for expansion of the above unit from the Assistant Commissioner of Central Excise, Pune VI Division. The License is revalidated upto March 31, 2010.
8. The Company has executed a B-17 bond bearing F. No. B-17(Bond)/Persistent/2005 dated March 23, 2007 for an amount of Rs. 40,000,000 with the Assistant Commissioner of Central Excise and Customs. The bond is valid till February 6, 2011.

Goa

1. The Company has obtained Customs bonded warehouse License No. 06 / 2006-07 dated March 26, 2007 from the Assistant Commissioner of Central Excise Division-II (Margao) for its Goa unit. This license is valid till May 30, 2009.
2. The Company has executed B-17 Bond bearing F. No. B-17/DIVII/12/2006-07 dated March 26, 2007 in respect of its Goa unit. This bond is valid unless revoked.

Bangalore

1. The Company has received a Private Bonded Warehouse license being no. 232/2005 (CUSTOMS) dated December 19, 2005 and Bond Manufacturing Sanction order no. 232/2005 (CUSTOMS) dated December 19, 2005 from the Assistant Commissioner of Customs for its Bangalore unit. The approval is valid till May 30, 2010.

Nagpur

1. The Company has received approval for private bonded warehouse letter bearing Ref. no. C. No. VIII(CUS)40 –2/2003/4895 dated September 16, 2003 issued by the Deputy Commissioner of Customs & Central Excise, Division-I, Nagpur The Registration No. of the unit being 04 / STP – PBW / CUS / DIV – I / 2003. The license is valid till revoked earlier.
2. License Number C.No. VIII(CUS)40-2/2003/4897 dated September 16, 2003, bearing Ref. no. 03/CUS/STP-PBW/DN-I/2003, issued by the Deputy Commissioner of Customs & Central Excise, Division I, Nagpur to carry on manufacturing goods and their operations at the private bonded warehouse. The license is valid till revoked earlier.
3. Licence Number 06/PBW-STP/CUS/DIVN-1/2008 dated April 2, 2008 issued by the Deputy Commissioner of Customs & Central Excise, Division I, Nagpur for Private Bonded Custom Warehouse for Plot no 8 & 9, IT Park, MIDC Parsodi, Nagpur. The license is valid for the period of five years.
4. License Number 09/PBW-STP/CUS/DIVN-1/2008 dated April 16, 2008 issued by the Deputy Commissioner of Customs & Central Excise, Division I, Nagpur to carry on manufacturing and other operations at the private bonded warehouse. The license is valid upto 15th April 2013.

Hyderabad

1. The Company received CPBW Licence. No. 42/2007 dated November 19, 2007, bearing Ref. no. C.No.VII/85/40/61/2007-cus dated November 19, 2007, issued by the Superintendent (Tech). The license is valid till August 31, 2008.

iii. Electricity department approval

Pune

1. Load Sanction Order No. CE/PUZ/I/Com/ HT Spl – 1078 dated July 15, 1998 issued by the Chief Engineer, Pune Urban Zone for its Panini Unit.
2. The Company has received a letter bearing Ref. no. Ja.Kra.Vini/ Pune Shahar Janitra /193/1283 dated March 19, 2003 from the Electrical Inspector, Electricity Department, Pune granting approval to operate its Diesel Generator (DG) set for its Panini unit.
3. Load Sanction Order vide letter No. CE/PUZ/I/COM/HT Spl – 1266 dated February 17, 2001 issued by the Chief Engineer, Pune Urban Zone for its Bhageerath Unit.
4. The Company has received approval letter no. Ja.Kra.Vini/Tansha/162/003778 October 8, 2001, from the Electrical Inspector, Electricity Department, Pune, granting approval to operate its DG set for its unit at Bhageerath.
5. Load Sanction Order vide letter No. SE/GKUC/HT Spl – 143/1226 dated April 13, 2005 issued by the Superintending Engineer (GKUC) for its Aryabhata – Pingala unit.
6. The Company has received a letter bearing Ref. no. Ja.Kra./Vini/Pune/PC/ 938/3634 dated May 31, 2006 from the Electrical Inspector, Electricity Department, Pune granting approval to operate its DG set for its Aryabhata - Pingala unit.
7. The Company has received a letter bearing Ref. no. Ja.Kra./ViniPune/ PC/163/4891 dated July 15, 2006 from the Electrical Inspector, Electricity Department, Pune granting approval to operate its DG set for its Aryabhata - Pingala unit.
8. The Company has received an undated letter bearing Ref. no. Ja.Kra./ViniPune/PC/162/4892 from the Electrical Inspector, Electricity Department, Pune granting approval to operate DG set for its Aryabhata - Pingala unit.
9. The Company has received a letter bearing Ref. no. Ja.Kra./ViniPune/PC/1008/7684 dated November 10, 2006 from the Electricity Department, Pune granting approval to operate its DG set for its Aryabhata - Pingala unit.
10. The Company has received Load Sanction Order vide letter bearing Ref. no. SE/GKUC/T/HT – 6266/1797 dated March 23, 2007 from Superintending Engineer (GKUC) for its Hinjewadi unit.
11. The Company has received a letter dated September 14, 2007 bearing Ref. no. Ja.Kra./ViniPune/PC/153/6112/2007-08 from the Electrical Inspector, Electricity Department, Pune granting approval to operate DG set for its Hinjewadi unit.

Goa

1. Agreement dated January 29, 2008 with Reliance Energy Limited (REL) for its Goa unit for supplying electricity, which is valid till January 30, 2010.

Nagpur

1. Load Sanction Order vide letter bearing Ref. no. SE/NUC/Tech – 6/6005 /6006/HT/865/ 8198 dated November 20, 2006 has been obtained for sanction of enhancement of power supply has been obtained by the Company from Superintending Engineer (NUC).
2. The Company has received a letter bearing Ref. no. Ja.Kra.Vini Na/1004 dated May 19, 2007 from the Electrical Inspector, Electricity Department, Nagpur granting its approval to set up its DG set.
3. The Company has received a sanction from the Superintendent Engineer, NUC, MSEDCL, Nagpur for enhancement of power supply for its office at 2nd/3rd floor, IT Tower, IT Park MIDC Parsodi Nagpur from 250 KVA to 375 KVA vide sanction letter number SE/NUC/Tech-6/6005/6006/HT/C-944/B-767/0247 dated January 14, 2008.

iv. Taxation related approvals and licenses

Pune

1. Subsequent to amendment in The Central Sales Tax Act (Registration & Turnover) Rules, 1957, the Company has obtained certificate of registration under the Central Sales Tax bearing registration no. MH 01 C 251760 dated April 01, 2006 issued by Registration Officer Sales Tax Department, Maharashtra for Bhageerath, Panini, Aryabhata – Pingala and Nagpur units. The Company's Tax payer Identification No. (TIN) is 27470307422 C. This certificate being a renewal has replaced the previous certificates.
2. The Company has obtained registration under the Maharashtra Value Added Tax Act, 2002 bearing registration no. MH 01 V 396157, MH 01 V 396158, MH 01 V 396159 and MH 01 V 396160 all dated April 1, 2006 issued by Registration Officer, Sales Tax Department, Maharashtra for its Bhageerath, Panini, Aryabhata – Pingala and Nagpur units. The Company's Tax Payer Identification Number (TIN) is 27470307422 V.
3. The Company has obtained a Service Tax Code – AABCP1209QST001 for its unit at Bhageerath Pune, dated April 4, 2007 from the Superintendent (Group III) Service Tax, Pune Central Excise Department Pune-III.
4. The Company has obtained a Professional Tax Registration No. PT/E/2/2/6/28/18/794 dated February 1, 1992 from the Commercial Tax Officer, Professional Tax Office, Pune City, Division 3, Pune.

Goa

1. The Company has received letter bearing Ref. no. TIN: 30550105908/10931 dated January 23, 2007 from the Commercial Tax Officer, Panaji Ward and has Central Registration Certificate No. P/CST/8036, under the Tax Payer's Identification Number (TIN) 30550105908, which is valid from April 01, 2006.

Bangalore

1. The Company has obtained registration certificate vide letter bearing Ref. no. TIN: 29110469480 dated February 16, 2006 from the Assistant Commissioner of Commercial Taxes, Bangalore for its Bangalore unit. The Company's Tax Payer Identification Number (TIN) 29110469480. The above Certificate is valid from January 31, 2006 until cancelled.
2. Certificate of registration dated February 16, 2006, from the Assistant Commissioner of Commercial Taxes, Bangalore, issuing central sales tax registration registering our Company as a dealer under the Central Sales Tax Act, 1956 by way of Tax Payer Identification No. 29110469480. The certificate is valid from January 31, 2006, until cancelled.

Hyderabad

1. The Company has obtained Value Added Tax registration certificate dated November 13, 2007 issued by the Commercial Tax Officer, Madhapur Circle, Hyderabad Rural Division, Hyderabad, bearing registration number 28512217856, effective from November 1, 2007.
2. The Company has obtained Central Sales Tax registration certificate dated November 14, 2007 issued by the Commercial Tax Officer, Madhapur Circle, Hyderabad Rural Division, Hyderabad, bearing registration number 28512217856, effective from November 1, 2007.

3. The Company has been enrolled under the Andhra Pradesh Tax Profession Act, 1987 by way of an enrollment certificated dated December 15, 2007 issued by the Professional Tax Officer, Madhapur Circle, Commercial Taxes Deparment, Hyderabad. The Company has been alloted the Professional Tax Identification Number 28937338676 by way of the above certificate for the registration of its business as a "dealer" and the

Professional Tax Identification Number 28606039106 for the purposes of payment of wages.

V. *Labour law registrations*

Pune

1. The Company had obtained Provident Fund Registration no. MH/PN/31202 vide letter bearing Ref. No. MH/PN/31202/PF/Enf II/MME/738 dated November 11, 1994 from Regional Provident Fund Commissioner, Maharashtra & Goa. The same is effective from July 31, 1994.
2. The Company has obtained Employment Exchange Registration no. 2501491 vide letter bearing Ref. no. ESE/251/EMI dated January 17, 2006 issued by the Officer, District Employment and Self-employment Guidance Center.
3. The Company has registered certain Apprenticeship Contracts with the Board of Apprenticeship Training, WR, Mumbai, Ministry of Human Resources Development Department of Higher Education, Government of India, which has been confirmed by the said Board vide its letter bearing Ref. no. 122568/5889 dated June 18, 2007 issued by Asst. Central Apprentice Adviser.

Goa

1. Registration under the Employees State Insurance Corporation, Regional Office Goa, bearing Ref. no. 32 – P / 13 / 11 / 1 / 85 – Coverage 32 – 3335 – 67 issued on March 13, 2007. The above is a provisional registration and is in effect from January 1, 2007.
2. Letter bearing Ref. no. DLC/SG/CL/(R-379)/07/3096 dated March 12, 2008 from the Deputy Labour Commissioner, Margoa – Goa, amending the earlier certificate of registration dated December 20, 2007 issued by the Registering Officer, under the Contract Labour (Regulation and Abolition) Act, 1970, and Rules there under. The Registration number is DLC/SG/CL/(R-379)/2007 valid upto March 31, 2009.

vi. *District Industries Center approvals*

Pune

1. The Company has obtained the following registrations from the District Industries Center, Pune:

   a. Letter No. JDI / PNE / IT / Persistent / 2007 / 2460 dated February 07, 2007 which is valid till February 8, 2010. This certificate being a renewal has replaced all previous certificates and has been issued in respect of Kapilvastu, Panini, Bhageerath and Aryabhata –Pingala Units;
   b. Additional Premises Certificate No. JDI / PNE / IT / Persistent / 2007 / 78 dated April 18, 2007 for inclusion of Hinjewadi.
   c. Vide letter No. JDI/Pune/IT/Pvt. Ltd to Limited/2007/1046 dated November 23, 2007 issued by the Joint Director of Industries, Pune Region, Pune, has informed that the office has accepted the change in name of the Company as the Company has converted into a Public Limited Company.

Nagpur

1. The Company has received from the District Industrial Centre, Nagpur a letter bearing Ref. no. KR.JIUKNA./ NAVIN GHATAK PRAMANPATRA/2005/4246 and Pramanpatra Krmank:-268 dated May 4, 2005 issued by the General Manager, DIC Nagpur granting approval for its new IT unit certifying that the Company's unit at Nagpur is a new IT Unit and the same is eligible for exemption / concessional stamp duty under the Bombay Stamp Act, 1958 under the IT Registration No.11/14/0001 dated June 2, 2004.

2. The Company has renewed its registration as a Software unit with District Industries Centre bearing Reference Number JDIN/IT-SW Regn/LSI/11-14-00/JDIN/2342 dated November 16, 2007 and issued by the Joint Director of Industries. This certificate is extended upto June 1, 2010.

D. ***General approvals***

1. Certificate dated May 16, 1991 providing our Company with its Importer — Exporter Code (IEC) issued by Ministry of Commerce, Government of India. The allotted number is IEC No.3191000089 from the Foreign Trade Development Officer.

   The above Certificate was last updated on March 19, 2008 and the following nine units are covered under the

IEC No.

a. Panini
b. Bhageerath
c. Office No. 203 and 204, IT Tower, Nagpur
d. Aryabhata -Pingala
e. Bangalore
f. Hinjewadi
g. Verna (Goa)
h. Hyderabad
i. Plot No. 8 & 9, IT Park, Parsodi, Nagpur

2. The Company has obtained Permanent Account Number (PAN) AABCP 1209 Q from the Commissioner of Income-Tax - I, Pune, effective from May 30, 1990. Income Tax Department has taken a note of Change of Name and issued a new PAN Card in the new name.
3. The Company has obtained Tax Deduction Account Number (TAN) PNEP00909 G, Pune dated August 30, 2000 from the Deputy Commissioner of Income-Tax Circle 6 (1) (TDS).
4. The Company obtained certificate of completion of development work of part building block A (third and fourth floor) on Plot No. 39 situated at Rajiv Gandhi Infotech Park, Hinjewadi vide letter no. /EE/IT/Plan/248/2008 dated January 31, 2008 from Executive Engineer, MIDC, Shivajinagar, Pune.

E. Municipal approvals

1. The Company has obtained permission to establish work place from Asst. Municipal Commissioner (Spl.), Pune Municipal Corporation, License and Sky-Sign Department for the following:
   a. Panini Unit bearing Ref. no. Out No. L / 5000 dated October 18, 2000. The permission is valid till March 31, 2009.
   b. Bhageerath Unit bearing Ref. no. Out No. L / 7083 dated January 23, 2002. The permission is valid till March 31, 2009.
   c. Kapilvastu Unit bearing Ref. no. Out No. L / 1128 dated September 21, 1994. The permission is valid till March 31, 2009.
   d. Aryabhata Pingala Unit bearing Ref. no. Out No. L / 29 dated April 8, 2008. The permission is valid till March 31, 2009.
2. Approval letter bearing Ref. no. 210/ AOS dated February 28, 2005 issued by the Asst. Octroi Superintendent, Octroi tax Department, Nagpur Municipal Corporation granting exemption for payment of Octroi Duty.
3. The Company has obtained the Shops and Establishments Licenses for the following units:
   a. Kapilvastu Unit bearing registration no. Shivaji Nagar/II/5580 dated May 17, 1995. The License to operate as a commercial establishment is valid till December 13, 2008.
   b. Panini Unit bearing registration no. Shivaji / II / 8393 dated February 26, 1999. The License to operate as a commercial establishment is valid till December 13, 2008.
   c. Aryabhata and Pingala Units Pune bearing registration no. Koth/ II / 22053 dated August 18, 2005. The License to operate as a commercial establishment is valid till December 13, 2008
   d. Bhageerath Unit bearing Ref. no. Shivaji / II / 10752 dated September 07, 2001. The License to operate as a commercial establishment is valid till December 13, 2008.
   e. Nagpur Unit bearing registration no. II – 94 – 798 dated January 6, 2006. The License to operate as a commercial establishment is valid till December 31, 2009.
   f. Bangalore Unit certificate bearing registration no. 76/vasm/4246 dated March 31, 2006. The validity of the certificate is till December 31, 2010.
   g. Goa Unit bearing Ref. no. S & E / II / MRG / Y2K / 583 dated January 22, 2007. The License to operate as a commercial establishment is valid till December 31, 2008.
4. The Company has obtained certificate no. 518 dated October 19, 2001 for its unit at Bhageerath to erect Sky Sign unit. The certificate is valid till March 18, 2009.
5. The Company has obtained certificate no. 381 dated March 22, 2002 for its unit at Bhageerath to erect SkySign unit. The certificate is valid till March 18, 2009.
6. The Company has received Letter No.EE/IT/Plan/1907/2007 dated October 16, 2007 from MIDC confirming completion of ground, first and second floor on Plot No.39, situated at Rajiv Gandhi Infotech Park, MIDC, Phase I, Hinjewadi and permitted occupying the part building Block A (ground floor, first floor and second floor).
7. The Company has received Letter No.EE/IT/TB/2184/2007 dated November 21, 2007 from MIDC giving its permission to maintain service road and garden area below HP line on Plot No.39, situated at the Rajiv Gandhi Infotech Park, MIDC, Phase I, Hinjewadi.

8. The Company has obtained Certificate of Registration under the Andhra Pradesh Shops & Establishments Act, 1988 vide Registration Number: C/252/DCLRRZ/2008, dated March 05, 2008. The Certificate is valid upto December 31, 2008.

F. Registration of foreign branches

United Kingdom

1. Certificate of Registration dated March 15, 2004 for having established a branch office in the United Kingdom, Scotland, allotting Company number F000925 and Branch number BR007506.
2. The Company has received a letter bearing Ref. no. PN:FE:494 dated November 11, 2003, from the Bank of India (Pune) granting approval to remit funds made for establishing branch offices overseas (Scotland, U.K) subject to the remittance being made through the EEFC account of the entity and other conditions.
3. The Company has received certificate of registration bearing Ref. no. 270 828 7858 67 797 for VAT dated May 27, 2005, registration number being 828 7858 67 from HM Customs & Excise.
4. The Company has received Employers Reference Number 961XZ51464 and Accounts Office Reference Number 961PR10179808 dated March 10, 2004 from Inland Revenue.

Japan

1. Letter giving Certificate of Registration for establishing a Branch office in Japan has been obtained under the FEMA from the Bank of India, Pune vide letter no. PN: FE: SDT: 506 dated January 31, 2005.
2. The Company has received a letter bearing Ref. no. PN: FE: SDT: 8 dated April 4, 2005 from the Bank of India permitting to remit funds through the EEFC account or any other account with the bank.
3. The Company has received a letter bearing Ref. no. PN: FE: SDT: 140 dated July 06, 2005, from the Bank of India (Pune) granting, approval to remit funds made for establishing branch offices overseas Japan subject to the remittance being made through the EEFC account of the entity and other conditions.
4. Certificate dated February 9, 2005 issuing company registration no. 0104-03-005-135 for establishment of branch office in Japan.

The Netherlands

1. The Company has received the Certificate of Registration effective from July 6, 2007 for establishing a Branch office in The Netherlands allotting Dossier Number 24417793. Registration is administered by Chamber of Commerce for Rotterdam.
2. The Company has received CIT registration no. 8181.98.722 VAT registration no. NL8181.98.722.B01 dated August 8, 2007 from the Dutch Tax Authority.

Canada

1. The Company has received Extra Provincial License and Ontario Corporation No. 1742788 from the Ministry of Government Services, Ontario under the Extra Provincial Corporations Act, 1984. The license is effective from September 26, 2007.
2. The Company has received Certificate of Registration No. A0072864 dated November 9, 2007issued by the Registrar of Companies, Province of British Columbia, Canada registering the Company as an extra provincial company under Business Corporation Act.

G. Miscellaneous approvals

1. The Company has obtained Environmental Clearance Certificate for construction of proposed IT Park at MIDC Government IT Park, Hinjewadi, being Order No21-415/ 2006-IA.III dated June 6, 2007 issued by the Additional Director (IA), Ministry of Environment and Forests.
2. The Company does not require Environmental Clearance Certificates from the Pollution Control Board for any of its other units.
3. The Company has received letter bearing Ref. no. CDSL/OPS/SD/5201 dated December 7, 2005 from CDSL, informing that the Equity Shares of the Company have been admitted into CDSL vide ISIN-INE262H01013.
4. The Company has received letter bearing Ref. no. NSDL/II/SI/JNG/7667/2007 dated November 30, 2007 from NSDL informing that the Equity Shares of the Company have been admitted into NSDL vide ISIN-INE262H01013.

H. Approvals for our Subsidiaries

Persistent eBusiness Solutions Limited

1. Certificate of incorporation for Persistent eBusiness Solutions Limited, issued by the Registrar of Companies, Pune bearing certificate number 25-14896 of 2000, certifying that Persistent eBusiness Solutions Limited is incorporated under the Act as a private limited company on May 17, 2000.
2. Fresh Certificate of Incorporation issued by the Registrar of Companies, Maharashtra at Pune bearing CIN U72200PN2000PLC014896 dated September 27, 2007 certifying change of name from "PERSISTENT eBUSINESS SOLUTIONS PRIVATE LIMITED' to "PERSISTENT eBUSINESS SOLUTIONS LIMITED' consequent upon change of name on conversion from private limited company to a public limited company.
3. Vide letter No. STP/P/VIII (A)/(727)/2001/7285 dated October 8, 2007, Joint Director, STPI has given a no objection certificate to de-bonding of customs bonded warehouse at Kapilvastu.
4. Vide letter No. F.No.VIII/ CUS-STP / PERSISTENT / 2002 dated March 10, 2008, Deputy Commissioner, Central Excise, Pune – VI Division has debonded the premises located at 1st Floor, Kapilvast, 397/9, Senapati Bapat Road, Pune 411016.
5. Vide letter No. STP/P/VIII(A)(727)/2001/3351 dated April 28, 2008, Joint Director, STPI has approved cancellation of its approval letter no. STP/P/VIII(A)(727)/2001/9526 dated December 21, 2001 and leggal agreement signed with STPI.

Persistent Systems, Inc.

1. The Company has incorporated a subsidiary Persistent Systems, Inc. vide certificate of registration issued by California Corporation Code effective from October 18, 2001. The company has its place of business in the following cities:

   a. City of Waltham, Massachusetts: The company has been issued a temporary Business License No. 07-285. dated August 27, 2007. The license is valid from August 27, 2007 and expires on August 27, 2011.
   b. The State of Washington:
      The company has been issued a Business License having UBI number: 602-755-538 and APPID – 939389 valid from August 27, 2007.
   c. State of New Jersey: The company has been issued a Certificate of Authority No. 0400208856 dated December 21, 2007 by New Jersey Department of Treasury, Division of Revenue, Business Gateway Services.

Persistent Systems Pte. Ltd.

1. The Company has received its incorporation Certificate from the Registrar of Companies and Business, Singapore. Company number being 200706736G. The certificate is valid from April 19, 2007.
2. The Company has received a Customs Trader Registration for Central Registration Number CR 76736070000C. The application ID C070151937 has been approved.

Persistent Systems and Solutions Limited

1. Certificate of incorporation for Persistent Systems and Solutions Limited, issued by the Registrar of Companies, Pune bearing certificate number U72900PN2008PLC132078, certifying that Persistent Systems and Solutions Limited is incorporated under the Act as a public limited company on May 22, 2008.
2. Certificate of Commencement of Business for Persistent Systems and Solutions Limited, issued by the Registrar of Companies, Pune cerifying that Persistent Systems and Solutions Limited is entitled to commence business on May 31, 2008.

I. Other approvals

1. The Company has received approval bearing Ref. no. 3/144/2002-CL.VII dated April 30, 2003 from the Ministry of Finance, Government of India for Chitra Hemadri Buzruk's (Dr. Anand Deshpande's sister and S. P. Deshpande's daughter) appointment as Manager (HR & Administration).
2. The Company has received approval bearing Ref no. 12/637/2007-CL.VIII dated October 25, 2007 from Ministry of Corporate Affairs, Government of India for Dr. Mukund Deshpande's (Dr. Anand Deshpande's brother and S. P. Deshpande's son) appointment as Technical Manager. Vide letter bearing reference F. No. 12/637/2007 CL. VII, the Ministry of Corporate Affairs amended its approval bearing Ref no. 12/637/2007-CL.VIII dated October 25, 2007 permitting the Company to designate Dr. Mukund Deshpande as "Senior Architect" in place of "Technical Manager".

3. The Company has been granted an exemption from attaching the Balance Sheet, Profit and Loss Account, Schedules to the Accounts and Notes forming part of the Accounts, Report of the Board of Directors and Auditors to the Annual Accounts of the Company under Section 212(8) of the Act for the Financial Year 2007-08 with respect its Subsidiaries Persistent Systems, Inc., Persistent eBusiness Solutions Limited and Persistent Systems Pte. Ltd. The said approval has been granted to the Company by way of a letter bearing reference number 47/429/2007-CL-III from the Under Secretary, Ministry of Corporate Affairs, Government of India.

J. Pending applications

1. The Company has acquired property situated at Thane pursuant to the scheme of amalgamation with ControlNet. The Company has made an application dated March 20, 2007 to the Area Manager MIDC, Navi Mumbai for the amendment of its records, transferring the property to our Company. Vide its letter no. MIDC/ROMHP/ITC/Gala No. 58 &59/5996 dated November 30, 2007 issued by Area Manager, MIDC Mahape informed the Company that the Corporation has taken a note of scheme of amalgamation of ControlNet and the Company. There are some applications yet to be made to the various authorities for their approvals recording the name of the Company to make this unit as a full fledged unit of our Company. The Company is proposing to dispose of the said property for which a Memorandum of Understanding is entered into on May 14, 2008.
2. A completion certificate has yet to be issued for our unit Aryabhata located at Plot No. 9A/12, CTS No. 12A /12 Erandvana, Pune 411 004.
3. Persistent Systems, Inc. has made application for Business License in the State of California, State of Connecticut and State of Illionis.
4. Persistent Systems and Solutions Limited has made an application to the Developmet Commissioner, Vishakapatnam Special Economic Zone, on June 18, 2008 to set up a software development unit in a special economic zone in Hyderabad.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

Our Board of Directors vide resolution passed by way of circulation on September 6, 2007, approved a notice for convening the extra ordinary general meeting of the shareholders of the Company in order to seek their approval for the initial public offering by way of special resolution under Section 81(1A) of the Act. Our Shareholders granted their approval for the Issue by way of a special resolution under Section 81 (1A) of the Act at their extraordinary general meeting held on September 17, 2007. Our Board of Directors has passed a resolution on July 6, 2008 approving the Issue and has directed that a confirmation of the earlier resolution passed by the Shareholders on September 17, 2007 be obtained from them by way of special resolution at their next general meeting.

The Offer for Sale has been authorised by the Selling Shareholders as follows:

S. No.	Selling Shareholder	Number of Equity Shares offered	Date of consent
1.	Dr. Shridhar Bhalchandra Shukla holding shares jointly with Vijayalaxmi Shridhar Shukla	485,000	June 12, 2008
2.	Ashutosh Vinayak Joshi	480,916	June 12, 2008
	Total	**965,916**	

Prohibition by SEBI

Our Company, the Selling Shareholders, our Directors, our Promoters, our Subsidiaries, our Promoter Group companies, associates of our Promoter Group companies and other companies promoted by our Promoters and companies with which our Company's Directors are associated as directors have not been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI.

Eligibility for the Issue

We are eligible for the Issue as per Clause 2.2.1 of the SEBI Guidelines as explained under Clause 2.2.1 of the SEBI Guidelines states as follows:

"2.2.1 (An unlisted company may make an initial public offering (IPO) of equity shares or any other security which may be converted into or exchanged with equity shares at a later date, only if it meets all the following conditions:

(a) The company has net tangible assets of at least Rs. 3 crores in each of the preceding 3 full years (of 12 months each), of which not more than 50% is held in monetary assets:

Provided that if more than 50% of the net tangible assets are held in monetary assets, the company has made firm commitments to deploy such excess monetary assets in its business/project;

(b) The company has a track record of distributable profits in terms of Sec. 205 of the Companies Act, for at least three (3) out of immediately preceding five (5) years;

Provided further that extraordinary items shall not be considered for calculating distributable profits in terms of Sec. 205 of Companies Act;

(c) The company has a net worth of at least Rs. 1 crore in each of the preceding 3 full years (of 12 months each);

(d) In case the company has changed its name within the last one year, at least 50% of the revenue for the preceding 1 full year is earned by the company from the activity suggested by the new name; and

(e) The aggregate of the proposed issue and all previous issues made in the same financial year in terms of size (i.e., offer through offer document + firm allotment + promoters' contribution through the offer document), does not exceed five (5) times its pre-issue networth as per the audited balance sheet of the last financial year.)"

1. The Company has net tangible assets of at least Rs. 3 Crores in each of the three financial years ended on March 31, 2006, 2007 and 2008 and not more than 50% of such net tangible assets are held in monetary assets comprising of cash & bank balances.

2. The Company has a track record of distributable profits in terms of Sec. 205 of the Companies Act, during the three Financial years ended on March 31, 2006, 2007 and 2008.

3. The Company has a net worth of at least Rs. 1 Crore in each of the three Financial years ended on March 31, 2006, 2007 and 2008.

The distributable profits of the Company as per Sec. 205 of the Companies Act, and its net worth for the last five Financial Years ended on March 31, 2004, 2005, 2006, 2007 and 2008, as per the restated financial information of the Company are as under:

In Rs. million

Particulars	Fiscal ended March 31, 2008	Fiscal ended March 31, 2007	Fiscal ended March 31, 2006	Fiscal ended March 31, 2005	Fiscal ended March 31, 2004
Distributable Profits	753.58	546.31	342.35	318.13	173.18
Net Worth	3,381.95	2,601.09	2,099.58	1,070.12	652.56
Net Tangible Assets	3,306.47	2,547.86	2,030.98	1,239.23	630.12
Monetary Assets	552.92	447.07	385.70	324.75	50.39
Monetary Assets as a % of Net Tangible Assets	16.72%	17.55%	18.99%	26.21%	8.00%

Notes:
1. Distributable Profits are as per Sec. 205 of the Companies Act;
2. Net Worth is the aggregate of the equity share capital and reserves, excluding miscellaneous expenditure, if any;
3. Net Tangible Assets is the sum of all net assets of the Company, excluding intangible assets as defined under Accounting Standard 26 issued by the Institute of Chartered Accountants of India;
4. Monetary Assets are money held and assets and liabilities to be received or paid in fixed or determinable amount of money.

Disclaimer Clause

AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED TO MEAN THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS, ENAM SECURITIES PRIVATE LIMITED, MORGAN STANLEY INDIA COMPANY PRIVATE LIMITED AND JM FINANCIAL CONSULTANTS PRIVATE LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000 AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY AND THE SELLING SHAREHOLDERS ARE PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE ISSUER COMPANY AND THE SELLING SHAREHOLDERS DISCHARGES THEIR RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE THE BOOK RUNNING LEAD MANAGERS, ENAM SECURITIES PRIVATE LIMITED, MORGAN STANLEY INDIA COMPANY PRIVATE LIMITED AND JM FINANCIAL CONSULTANTS PRIVATE LIMITED HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED JULY 15, 2008 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:

I. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS MORE PARTICULARLY REFERRED TO IN THE ANNEXURE HERETO IN CONNECTION WITH THE FINALISATION OF THE DRAFT PROSPECTUS PERTAINING TO THE SAID ISSUE;

II. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS

DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY, WE CONFIRM THAT:

(A) THE DRAFT PROSPECTUS FORWARDED TO THE BOARD IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;

(B) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY THE BOARD, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND

(C) THE DISCLOSURES MADE IN THE DRAFT PROSPECTUS / LETTER OF OFFER ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE (AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 1956, THE SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000 AND OTHER APPLICABLE LEGAL REQUIREMENTS).

III. WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE PROSPECTUS ARE REGISTERED WITH THE BOARD AND THAT TILL DATE SUCH REGISTRATION IS VALID.

IV. WE HAVE SATISFIED OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.

V. WE CERTIFY THAT WRITTEN CONSENT FROM SHAREHOLDERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED / SOLD / TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT PROSPECTUS WITH THE BOARD TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT PROSPECTUS.

VI. WE CERTIFY THAT CLAUSE 4.6 OF THE SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000, WHICH RELATES TO SECURITIES INELIGIBLE FOR COMPUTATION OF PROMOTERS CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE CLAUSE HAVE BEEN MADE IN THE DRAFT PROSPECTUS.

VII. WE UNDERTAKE THAT CLAUSES 4.9.1, 4.9.2, 4.9.3 AND 4.9.4 OF THE SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000 SHALL BE COMPLIED WITH. WE CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION AND SUBSCRIPTION FROM ALL FIRM ALLOTTEES WOULD BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF THE ISSUE. WE UNDERTAKE THAT AUDITORS' CERTIFICATE TO THIS EFFECT SHALL BE DULY SUBMITTED TO THE BOARD. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE COMPANY ALONG WITH THE PROCEEDS OF THE PUBLIC ISSUE – NOT APPLICABLE.

VIII. WHERE THE REQUIREMENTS OF PROMOTERS' CONTRIBUTION IS NOT APPLICABLE TO THE ISSUER, WE CERTIFY THE REQUIREMENTS OF PROMOTERS' CONTRIBUTION UNDER CLAUSE 4.10 {SUB-CLAUSE (A), (B) OR (C), AS MAY BE APPLICABLE} ARE NOT APPLICABLE TO THE ISSUER – NOT APPLICABLE.

IX. WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE ISSUER FOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT ISSUE FALL WITHIN THE 'MAIN OBJECTS' LISTED IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER

OF THE ISSUER AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION.

X. WE CONFIRM THAT NECESSARY ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE MONEYS RECEIVED PURSUANT TO THE ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SECTION 73(3) OF THE COMPANIES ACT, 1956 AND THAT SUCH MONEYS SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES MENTIONED IN THE PROSPECTUS/LETTER OF OFFER. WE FURTHER CONFIRM THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE ISSUER SPECIFICALLY CONTAINS THIS CONDITION - NOTED FOR COMPLIANCE.

XI. WE CERTIFY THAT NO PAYMENT IN THE NATURE OF DISCOUNT, COMMISSION, ALLOWANCE OR OTHERWISE SHALL BE MADE BY THE ISSUER OR THE PROMOTERS, DIRECTLY OR INDIRECTLY, TO ANY PERSON WHO RECEIVES SECURITIES BY WAY OF FIRM ALLOTMENT IN THE ISSUE – NOT APPLICABLE.

XII. WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE PROSPECTUS THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE SHARES IN DEMAT OR PHYSICAL MODE – NOT APPLICABLE AS THE ISSUE SIZE IS MORE THAN RS. 10 CRORES, HENCE UNDER SECTION 68B OF THE COMPANIES ACT, 1956, THE EQUITY SHARES ARE TO BE ISSUED IN DEMAT MODE ONLY.

XIII. WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE DRAFT PROSPECTUS/LETTER OF OFFER:

(A) AN UNDERTAKING FROM THE ISSUER THAT AT ANY GIVEN TIME THERE SHALL BE ONLY ONE DENOMINATION FOR THE SHARES OF THE COMPANY AND

(B) AN UNDERTAKING FROM THE ISSUER THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY THE BOARD FROM TIME TO TIME.

The filing of the Draft Red Herring Prospectus does not, however, absolve the Company and the Selling Shareholders from any liabilities under Sec. 63 or Sec. 68 of the Companies Act or from the requirement of obtaining such statutory and/or other clearances as may be required for the purpose of the proposed issue. SEBI further reserves the right to take up at any point of time, with the Book Running Lead Managers, any irregularities or lapses in the Draft Red Herring Prospectus."

The Book Running Lead Managers, the Selling Shareholders, and our Company accept no responsibility for statements made otherwise than in the Draft Red Herring Prospectus or in the advertisement or any other material issued by or at our instance and anyone placing reliance on any other source of information would be doing so at his own risk.

All legal requirements pertaining to the issue will be complied with at the time of filing of the Red Herring Prospectus with the Registrar of Companies, Maharashtra, Pune, in terms of Sec. 56, Sec. 60 and Sec. 60B of the Companies Act.

Disclaimer from the Company, the Selling Shareholders, BRLMs

Investors that bid in the Issue will be required to confirm and will be deemed to have represented to the Company, the Selling Shareholders, the Underwriters and their respective directors, officers, agents, affiliates, and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Company and will not Issue, sell, pledge, or transfer the Equity Shares of the Company to any person who is not eligible under any applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Company. The Company, the Selling Shareholders, the Underwriters and their respective directors, officers, agents, affiliates, and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares of the Company.

Caution

Our Company, the Selling Shareholders, our Directors and the BRLMs accept no responsibility for statements made otherwise than in this Draft Red Herring Prospectus or in the advertisements or any other material issued by or at our instance and anyone placing reliance on any other source of information, including our web site www.persistentsys.com, would be doing so at his or her own risk.

The BRLMs accept no responsibility, save to the limited extent as provided in the MOU entered into between the BRLMs, our Company and the Selling Shareholders and the Underwriting Agreement to be entered into between the Underwriters, our Company and the Selling Shareholders.

All information shall be made available by us and the BRLMs to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports, at bidding centers or elsewhere.

Neither our Company, nor the Selling Shareholders nor the BRLMs are liable to the Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

Disclaimer in respect of jurisdiction

This Issue is being made in India to persons resident in India including Indian nationals resident in India who are majors, Hindu Undivided Families (HUFs), companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, as amended from time to time, or any other trust law and who are authorised under their constitution to hold and invest in shares, Public financial institutions as specified in Sec. 4A of the Companies Act, venture capital funds registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million, and to non-residents including FVCIs, multilateral and bilateral institutions, FIIs registered with SEBI and eligible NRIs provided that they are eligible under all applicable laws and regulations to hold Equity Shares of the Company. This Draft Red Herring Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to Equity Shares offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Draft Red Herring Prospectus comes is required to inform himself or herself about, and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Pune, Maharashtra, India only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Draft Red Herring Prospectus has been submitted to SEBI. Accordingly, the Equity Shares represented thereby may not be offered or sold, directly or indirectly, and this Draft Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Draft Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of our Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

The Equity Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the U.S. Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. Accordingly, the Equity Shares are only being offered and sold (i) in the United States to "qualified institutional buyers", as defined in Rule 144A under the U.S. Securities Act, in transactions exempt from the registration requirements of the U.S. Securities Act, and (ii) outside the United States to certain persons in offshore transactions in compliance with Regulation S under the U.S. Securities Act.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Until the expiry of 40 days after the commencement of the Issue, an offer or sale of Equity Shares within the United States by a dealer (whether or not it is participating in the Issue) may violate the registration requirements of the U.S. Securities Act.

Each purchaser acquiring the Equity Shares outside the United States pursuant to Regulation S of the U.S. Securities Act will be deemed to have represented and agreed that it has received a copy of this Draft Red Herring Prospectus and such other information, as it deems necessary to make an informed investment decision and that:

1. the purchaser acknowledges that the Equity Shares have not been and will not be registered under the U.S. Securities Act, or with any securities regulatory authority of any state of the United States, and are subject to restrictions on transfer;
2. the purchaser and the person, if any, for whose account or benefit the purchaser is acquiring the Equity Shares, was located outside the United States at the time the buy order for the Equity Shares was originated and continues to be located outside the United States and has not purchased the Equity Shares for the account or benefit of any person in the United States or entered into any arrangement for the transfer of the Equity Shares or any economic interest therein to any person in the United States;
3. the purchaser is not an affiliate of the Company or a person acting on behalf of such affiliate; and it is not in the business of buying and selling securities or, if it is in such business, it did not acquire the Equity Shares from the Company or an affiliate thereof in the initial distribution of the Equity Shares;
4. if, in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Equity Shares, or any economic interest therein, such Equity Shares or any economic interest therein may be offered, sold, pledged or otherwise transferred only (i) to a person whom the beneficial owner and/or any person acting on its behalf reasonably believes is a qualified institutional buyer (as defined in Rule 144A) in a transaction meeting the requirements of Rule 144A, (ii) in accordance with Regulation S under the U.S. Securities Act, or (iii) in accordance with Rule 144 under the U.S. Securities Act (if available), or any transaction exempt from the registration requirements of the U.S. Securities Act, in each case in accordance with any applicable securities laws of any state of the United States or any other jurisdiction;
5. the purchaser is purchasing the Equity Shares in an offshore transaction meeting the requirements of Rule 903 of Regulation S under the U.S. Securities Act; and
6. the purchaser acknowledges that the Company, the Selling Shareholders, the BRLMs and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations and agreements deemed to have been made by virtue of its purchase of the Equity Shares are no longer accurate, it will promptly notify the Company, and if it is acquiring any of the Equity Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account.

Each purchaser acquiring the Equity Shares within the United States pursuant to an exemption from the registration requirements of the U.S. Securities Act will be deemed to have represented and agreed that it has received a copy of this Draft Red Herring Prospectus and such other information as it deems necessary to make an informed investment decision and that:

1. the purchaser is authorised to consummate the purchase of the Equity Shares in compliance with all applicable laws and regulations;
2. the purchaser acknowledges that the Equity Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States and are subject to restrictions on transfer;
3. the purchaser (i) is a qualified institutional buyer (as defined in Rule 144A under the U.S. Securities Act), (ii) is aware that the sale to it is being made in a transaction not subject to the registration requirements of the U.S. Securities Act, and (iii) is acquiring such Equity Shares for its own account or for the account of a qualified institutional buyer with respect to which it exercises sole investment discretion;
4. the purchaser is aware that the Equity Shares are being offered in the United States in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act;
5. if in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Equity Shares, or any economic interest therein, such Equity Shares or any economic interest therein may be offered, sold, pledged or otherwise transferred only (i) to a person whom the beneficial owner and/or any person acting on its behalf reasonably believes is a qualified institutional buyer (as defined in Rule 144A) in a transaction meeting the requirements of Rule 144A, (ii) in accordance with Regulation S under the U.S. Securities Act, or (iii) in accordance with Rule 144 under the U.S. Securities Act (if available), or any transaction exempt from the registration requirements of the U.S. Securities act, in each case in accordance with any applicable securities laws of any state of the United States or any other jurisdiction;
6. the Equity Shares are “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act and no representation is made as to the availability of the exemption provided by Rule 144 for resale of any Equity Shares;

7. the purchaser will not deposit or cause to be deposited such Equity Shares into any depositary receipt facility established or maintained by a depositary bank other than a Rule 144A restricted depositary receipt facility, so long as such Equity Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act;
8. the Company shall not recognise any offer, sale, pledge or other transfer of the Equity Shares made other than in compliance with the above-stated restrictions; and
9. the purchaser acknowledges that the Company, the Selling Shareholders, the BRLMs and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations and agreements deemed to have been made by virtue of its purchase of the Equity Shares are no longer accurate, it will promptly notify the Company, and if it is acquiring any of the Equity Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account.

Each person in a Member State of the EEA which has implemented the Prospectus Directive (each, a "Relevant Member State) who receives any communication in respect of, or who acquires any Equity Shares under, the offers contemplated in this Draft Red Herring Prospectus will be deemed to have represented, warranted and agreed to and with each Underwriter and the Company that:

1. it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and
2. in the case of any Equity Shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) the Equity Shares acquired by it in the placement have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of the Underwriters has been given to the offer or resale; or (ii) where Equity Shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those Equity Shares to it is not treated under the Prospectus Directive as having been made to such persons.

For the purposes of this provision, the expression an "offer of Equity Shares to the public" in relation to any of the Equity Shares in any Relevant Member States means the communication in any form and by any means of sufficient information on the terms of the offer and the Equity Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Equity Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

Disclaimer clause of the BSE

As required, a copy of the Draft Red Herring Prospectus has been submitted to BSE. The Disclaimer Clause as intimated by BSE to us, post scruitiny of this Draft Red Herring Prospectus shall be included in the Red Herring Prospectus priot to the RoC filing.

Disclaimer clause of the NSE

As required, a copy of the Draft Red Herring Prospectus has been submitted to NSE. The Disclaimer Clause as intimated by NSE to us, post scruitiny of this Draft Red Herring Prospectus shall be included in the Red Herring Prospectus prior to the RoC filing.

Filing

A copy of this Draft Red Herring Prospectus had been filed with SEBI at Corporation Finance Department, Plot No. C4-A, "G" Block, Bandra Kurla Complex, Bandra (East), Mumbai 400 051.

A copy of the Red Herring Prospectus, along with the documents required to be filed under Sec. 60B of the Companies Act, would be delivered for registration to the RoC and a copy of the Prospectus to be filed under Sec. 60 of the Companies Act would be delivered for registration with RoC.

Listing

Applications have been made to the BSE and NSE for permission to deal in and for an official quotation of our Equity Shares. [●] will be the Designated Stock Exchange with which the basis of Allotment will be finalised.

If the permissions to deal in and for an official quotation of our Equity Shares are not granted by any of the Stock Exchanges, our Company and the Selling Shareholders will forthwith repay, without interest, all moneys received from the applicants in pursuance of this Draft Red Herring Prospectus. If such money is not repaid within 8 days after our Company become liable to repay it, i.e. from the date of refusal or within 15 days from the Bid/Issue Closing Date, whichever is earlier, then the Company and every Director of the Company who is an officer in default shall, on and from such expiry of 8 days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Sec. 73 of the Companies Act.

The Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at both the Stock Exchanges mentioned above are taken within seven working days of finalisation of the basis of allotment for the Issue.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, which is reproduced below:

"Any person who:

(a) Makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or

(b) Otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name

shall be punishable with imprisonment for a term which may extend to five years."

Consents

Consents in writing of: (a) the Selling Shareholders, the Directors, the Company Secretary and Compliance Officer, the auditors, the legal advisors, the Bankers to the Company, the Bankers to the Issue, the IPO Grading Agency; and (b) the Book Running Lead Managers, the Escrow Collection Banks and the Registrar to the Issue to act in their respective capacities, have been obtained and would be filed along with a copy of the Red Herring Prospectus with the RoC as required under Sec. 60 and 60B of the Companies Act and confirmation that such consents will not be withdrawn up to the time of delivery of the Red Herring Prospectus for registration with the RoC.

In accordance with the Companies Act and the SEBI Guidelines, S. R. Batliboi & Co., and Joshi Apte & Co., the Company's Joint Auditors have given their written consent to the inclusion of their report in the form and context in which it appears in the Draft Red Herring Prospectus.

CRISIL Limited, the agency engaged by us for the purpose of obtaining IPO grading in respect of this Issue, will give its written consent to the inclusion of their report in the form and context in which it will appear in the Red Herring Prospectus and such consent and report will not be withdrawn up to the time of delivery of the Red Herring Prospectus and the Prospectus to the Designated Stock Exchange.

Expert opinion

Except the report of CRISIL Limited in respect of the IPO grading of this Issue that will be annexed with the Red Herring Prospectus and except as stated in this Draft Red Herring Prospectus, we have not obtained any expert opinions.

Expenses of the Issue

The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees.

The estimated Issue expenses are as under:

Activity	Expenses * (In Rs. million)	% of Issue size*	% of Issue Expense*
Lead management fee and underwriting commissions	[•]	[•]	[•]
Advertising and Marketing expenses	[•]	[•]	[•]
Printing and stationery	[•]	[•]	[•]
Others (Registrar fee, legal fee, fee etc.)	[•]	[•]	[•]
IPO Grading Fees	[•]	[•]	[•]
TOTAL	**[•]**	**[•]**	**[•]**

* *Will be incorporated after finalisation of the Issue Price*

The Issue expenses, except the listing fee which shall be borne entirely by our Company, shall be shared between our Company and the Selling Shareholders in the proportion as stated in the engagement letter executed among the Company, Selling Shareholders and BRLMs. The listing fees will be paid by our Company.

Fees payable to the Book Running Lead Managers

The total fees payable to the Book Running Lead Managers (including underwriting commission and selling commission) is stated in the engagement letters from our Company and the Selling Shareholders with the BRLMs, a copy of each of which is available for inspection at our Registered Office.

Fees payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue for processing of application, data entry, printing of CAN/refund order, preparation of refund data on magnetic tape, printing of bulk mailing register will be as per the Memorandum of Understanding dated [●] signed with our Company, a copy of which is available for inspection at our Registered Office.

The Registrar to the Issue will be reimbursed for all out-of-pocket expenses including cost of stationery, postage, stamp duty and communication expenses. Adequate funds will be provided to the Registrar to the Issue to enable it to send refund orders or allotment advice by registered post/speed post/under certificate of posting.

Particulars regarding public or rights issues during the last five years

We have not made any public or rights issues during the last five years.

Previous issues of shares otherwise than for Cash

Except as stated in "Capital Structure" on page 16 and "History and Corporate Matters" on page 82, our Company has not issued any Equity Shares for consideration otherwise than for cash.

Commission and brokerage paid on previous issues of the Equity Shares

There has been no public issue in the past of our Company's Equity Shares. Thus, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of the Equity Shares since our Company's inception.

Companies under the same management

We do not have any companies under the same management within the meaning of Sec. 370(1) (B) of the Companies Act.

Promise v/s performance

Neither our Company nor any Promoter, Promoter Group or associate companies have made any previous public or rights issues.

Outstanding debentures or bonds

Our Company does not have any outstanding debentures or bonds.

Stock market data of our Equity Shares

This being an initial public issue of the Company, the Equity Shares are not listed on any stock exchange.

Purchase of property

Except as stated in "Objects of the Issue" on page 34, there is no property which has been purchased or acquired or is proposed to be purchased or acquired which is to be paid for wholly or partly from the proceeds of the present Issue or the purchase or acquisition of which has not been completed on the date of this Draft Red Herring Prospectus, other than property, in respect of which:

1. The contract for the purchase or acquisition was entered into in the ordinary course of business, nor was the contract entered into in contemplation of the Issue, nor is the issue contemplated in consequence of the contract; or

2. The amount of the purchase money is not material.

Except as stated in this Draft Red Herring Prospectus, the Company has not purchased any property in which any of its Promoters and/or Directors, have any direct or indirect interest in any payment made thereunder.

Mechanism for redressal of investor grievances

The Memorandum of Understanding between the Registrar to the Issue and our Company will provide for retention of records with the Registrar to the Issue for a period of at least one year from the last date of dispatch of letters of allotment, demat credit, refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, application number, number of shares applied for, amount paid on application, Depository Participant, and the bank branch or collection center where the application was submitted.

Disposal of investor grievances by the Company

We estimate that the average time required by the Company or the Registrar to the Issue for the redressal of routine investor grievances shall be seven working days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, the Company will seek to redress these complaints as expeditiously as possible.

We have appointed Vivek Sadhale, our Company Secretary, as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue-related problems. He can be contacted at the following address:

Vivek Sadhale
Bhageerath,
402, Senapati Bapat Road
Pune 411016, India
Tel: (91 20) 2570 2800
Fax: (91 20) 2570 2626
Email: investors@persistent.co.in
Website: www.persistentsys.com

Changes in Auditors

Other than S. R Batliboi & Co., who were appointed as joint auditors along with Joshi Apte & Co. at the AGM on July 19, 2006, there have been no changes to the auditors in the last three years.

Capitalisation of reserves or profits

Our Company has not capitalised our reserves or profits during the last five years, except as stated in "Capital

Structure” on page 16.

Revaluation of assets

The Company has not revalued its assets in the last five years.

Payment or benefit to officers of our Company

Except statutory benefits upon termination of their employment in our Company or superannuation, no officer of our Company is entitled to any benefit upon termination of his employment in our Company or superannuation. For details see “Our Management” at page 89.

None of the beneficiaries of loans and advances and sundry debtors are related to the Directors of the Company.

SECTION VII- ISSUE INFORMATION

TERMS OF THE ISSUE

The Equity Shares being issued are subject to the provisions of the Companies Act, our Memorandum and Articles, the terms of this Draft Red Herring Prospectus, the Red Herring Prospectus and the Prospectus, Bid cum Application Form, the Revision Form, the Confirmation of Allocation Note and other terms and conditions as may be incorporated in the allotment advices and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, the Government of India, the Stock Exchanges, the RBI, RoC and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Ranking of Equity Shares

The Equity Shares being issued shall be subject to the provisions of the Companies Act and our Memorandum and Articles and shall rank *pari passu* in all respects with the existing Equity Shares including rights in respect of dividend**.** The Allottees will be entitled to dividend or any other corporate benefits, if any, declared by our Company after the date of Allotment.

Mode of payment of dividend

We shall pay dividend, if recommended by our Board, to our shareholders as per the provisions of the Companies Act.

Face Value and Issue Price

The Equity Shares with a face value of Rs. 10 each are being issued in terms of the Red Herring Prospectus at a price of Rs. [●] per Equity Share, including a share premium of Rs. [●] per Equity Share. At any given point of time there shall be only one denomination for the Equity Shares.

The Floor Price is [●] times the face value and the Cap Price is [●] times the face value.

Compliance with SEBI Guidelines

We shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

Rights of the Equity Shareholder

Subject to applicable laws, the equity shareholders shall have the following rights:

1. Right to receive dividend, if declared;
2. Right to attend general meetings and exercise voting powers, unless prohibited by law;
3. Right to vote on a poll either in person or by proxy;
4. Right to receive offers for rights shares and be allotted bonus shares, if announced and allotted;
5. Right to receive surplus on liquidation;
6. Right of free transferability of Equity Shares; and
7. Such other rights, as may be available to a shareholder of a listed public company under the Companies Act, the terms of the listing agreements with the Stock Exchanges and our Memorandum and Articles.

For a detailed description of the main provisions of our Articles dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, see the section titled "Main Provisions of Articles of Association of our Company" on page 255 of this Draft Red Herring Prospectus.

Market lot and trading lot

In terms of existing SEBI Guidelines, the trading in the Equity Shares shall only be in dematerialised form for all investors. Since trading of our Equity Shares will be in dematerialised mode, the tradable lot is one Equity Share. In terms of Sec. 68B of the Companies Act, the Equity Shares shall be Allotted only in dematerialised form. Allotment through this Issue will be done only in electronic form in multiples of [●] Equity Shares subject to a minimum Allotment of [●] Equity Shares.

Jurisdiction

Exclusive jurisdiction for the purpose of this Issue is with the competent courts/authorities in Pune, Maharashtra, India.

Nomination facility to the Investor

In accordance with Sec. 109A of the Companies Act, the sole or first Bidder, along with other joint Bidder(s), may nominate any one person in whom, in the event of death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Sec. 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/transfer/alienation of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Registered Office of our Company or at the registrar and transfer agent of our Company.

In accordance with Sec. 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Sec. 109A of the Companies Act, shall upon the production of such evidence as may be required by our Board, elect either:

1. to register himself or herself as the holder of the Equity Shares; or
2. to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, our Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with, within a period of 90 days, our Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the Allotment of Equity Shares in the Issue will be made only in dematerialised mode, there is no need to make a separate nomination with us. Nominations registered with the respective Depository Participant of the applicant would prevail. If the investors require changing the nomination, they are requested to inform their respective Depository Participant.

Minimum subscription

If we do not receive the minimum subscription of 90% of the Fresh Issue, including devolvement of the members of the Syndicate, if any, within 60 days from the Bid/Issue Closing Date, we shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after we become liable to pay the amount, we shall pay interest as per Sec. 73 of the Companies Act.

The requirement for minimum subscription is not applicable to the Offer for Sale.

In case of under subscription in the Issue, the Equity Shares in the Fresh Issue will be issued prior to the sale of Equity Shares in the Offer for Sale. Any expense incurred by our Company on behalf of the Selling Shareholders, if any, regarding refunds, interest for delays, etc for the equity Shares being offered through the Offer for Sale, will be reimbursed by the Selling Shareholders to our Company.

Further, in accordance with Clause 2.2.2A of the SEBI Guidelines, we shall ensure that the number of Allottees, i.e. persons to whom the Equity Shares will be Allotted under the Issue shall be not less than 1,000.

In the event we are not able to allot at least 60% of the Net Issue to QIBs, we shall refund the entire application money.

Arrangement for disposal of Odd Lots

There are no arrangements for disposal of odd lots.

Restrictions

As per the existing policy of the Government of India, OCBs cannot participate in this Issue. Further, NRIs, who

are not Eligible NRIs, are not permitted to participate in this Issue. Equity Shares acquired by Eligible NRIs can only be sold to Indian residents and other NRIs.

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933 (the "U.S. Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the U.S. Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Accordingly, the Equity Shares are only being offered and sold (i) in the United States to "qualified institutional buyers", as defined in Rule 144A under the U.S. Securities Act, in transactions exempt from the registration requirements of the U.S. Securities Act and (ii) outside the United States to certain persons in offshore transactions in compliance with Regulation S under the U.S. Securities Act.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

ISSUE STRUCTURE

The present Issue of up to 4,974,836 Equity Shares consists of a Fresh Issue of 4,008,920 Equity Shares and an Offer for Sale of 965,916 Equity Shares at a price of Rs. [●] for cash aggregating Rs. [●] million is being made through the Book Building Process. The Issue comprises a Net Issue 4,573,944 Equity Shares and a reservation for Eligible Employees 400,892 Equity Shares. In case of under subscription in the Issue, the Equity Shares in the Fresh Issue will be issued prior to the sale of Equity Shares in the Offer for Sale. The Company is considering a Pre-IPO Placement of up to 219,279 Equity Shares with certain investors. The Company will complete the issuance of such Equity Shares prior to the filing of the RHP with the RoC. If the Pre-IPO Placement is completed, (i) the Issue size offered to the public would be reduced to the extent of such Pre-IPO Placement, subject to a minimum Issue size of 10% of the post Issue capital being offered to the public and (ii) the Employee Reservation Portion shall (if required) be accordingly reduced.

	QIBs	Non-Institutional Bidders	Retail Individual Bidders	Eligible Employees
Number of Equity Shares*	At least 2,744,367 Equity Shares	Not less than 457,394 Equity Shares or Issue less allocation to QIB Bidders and Retail Individual Bidders.	Not less than 1,372,183 Equity Shares or Issue less allocation to QIB Bidders and Non-Institutional Bidders.	Up to 400,892 Equity Shares.
Percentage of Issue size available for allotment/allocation	At least 60% of Net Issue being allocated. However, up to 5% of the QIB Portion shall be available for allocation proportionately to Mutual Funds only.	Not less than 10% of Net Issue or the Issue less allocation to QIB Bidders and Retail Individual Bidders.	Not less than 30% of Net Issue or the Issue less allocation to QIB Bidders and Non-Institutional Bidders.	Up to 8.06% of the Issue.
Basis of Allotment/Allocation if respective category is oversubscribed	Proportionate as follows: (a) 137,218 Equity Shares shall be allocated on a proportionate basis to Mutual Funds; and (b) 2,607,149 Equity Shares shall be Allotted on a proportionate basis to all QIBs including Mutual Funds receiving allocation as per (a) above.	Proportionate	Proportionate	Proportionate.
Minimum Bid	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000.	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000.	[●] Equity Shares.	[●] Equity Shares.
Maximum Bid	Such number of Equity Shares not exceeding the size of the Issue, subject to applicable limits.	Such number of Equity Shares not exceeding the size of the Issue subject to applicable limits.	Such number of Equity Shares whereby the Bid Amount does not exceed Rs. 100,000.	Such number of Equity Shares in multiples of [●] Equity Shares so that it does not exceed [●].
Mode of Allotment	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.
Trading Lot	One Equity Share	One Equity Share	One Equity Share	One Equity Share

	QIBs	Non-Institutional Bidders	Retail Individual Bidders	Eligible Employees
Who can apply **	Public financial institutions as specified in Sec. 4A of the Companies Act, FIIs registered with SEBI, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million, National Investment Fund.	Eligible NRIs, Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, scientific institutions societies and trusts.	Resident Indian individuals, HUF (in the name of Karta), Eligible NRIs applying for Equity Shares such that the Bid Amount does not exceed Rs. 100,000 in value.	A permanent employee or a Director (whether whole-time, part-time or otherwise) of the Company as of [●], 2007 who is based, working and present in India as on the date of submission of the Bid cum Application Form except our Promoters or any member of our Promoter Group.
Terms of payment	Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Member.	Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Member.	Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Member.	Margin Amount applicable to Eligible Employees at the time of submission of Bid cum Application Form to the Syndicate Member.
Margin amount	10% of Bid Amount.	100% of Bid Amount.	100% of Bid Amount.	100% of Bid Amount.

* Subject to valid Bids being received at or above the Issue Price. In terms of Rule 19(2)(b) of the SCRR, this is an Issue for less than 25% of the post–Issue capital, therefore, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Net Issue shall be Allotted to Qualified Institutional Buyers on a proportionate basis out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. If at least 60% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, not less than 10% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Net Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price. Under-subscription, if any, in the Retail or Non Institutional Portion would be met with spill over from other categories or combination of categories at the discretion of our Company and the Selling Shareholders in consultation with the BRLMs. Under-subscription, if any, in the Employee Reservation Portion will be added back to the Retail/ Non Institution Portion in equal proportion. In case of under-subscription in the Net Issue, spillover to the extent of under-subscription shall be permitted from the Employee Reservation Portion.

** In case the Bid cum Application Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form.

If the Pre-IPO Placement is completed, the QIB Portion, the Retail Portion, the Mutual Fund Portion and the Non Institutional portion as well as the Employee Reservation Portion shall (if required) be accordingly reduced.

Withdrawal of the Issue

Our Company and the Selling Shareholders, in consultation with the BRLMs, reserve the right not to proceed with the Issue at any time after the Bid/Issue Opening Date but before the Board meeting for Allotment, without assigning any reason thereof. Notwithstanding the foregoing, the Issue is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which the Company shall apply only for after Allotment, and (ii) the final RoC approval of the Prospectus after it is filed with the Stock Exchanges.

Bidding/ Issue program

BID/ISSUE OPENS ON	**[●]**
BID/ISSUE CLOSES ON	**[●]**

Bids and any revision in Bids shall be accepted **only between 10.00 a.m. and 5.00 p.m**. (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centers mentioned on the Bid cum Application Form **except that on the Bid/Issue Closing Date, Bids shall be accepted only between 10.00 a.m. and 3.00 p.m. (Indian Standard Time)** and uploaded till (i) 4.00 p.m. in case of Bids by QIB Bidders, and Non-Institutional Bidders where the Bid Amount is in excess of Rs. 100,000, and Bidders in the Employee Reservations Portion; and (ii) 5.00 p.m., which may be extended upto such time deemed fit by Stock Exchanges taking into account the number of applications received upto the closure of timings and repoted by BRLMs to the Stock Exchanges within half hour of such clsoure, in case of Bids by Retail Individual Bidders, where the Bid Amount is up to Rs. 100,000. Due to limitation of time available for uploading the Bids on the Bid/Issue Closing Date, the Bidders are advised to submit their Bids one day prior to the Bid/Issue Closing Date and, in any case, no later than 1.00 p.m. (Indian Standard Time) on the Bid/Issue Closing Date. Bidders are cautioned that in the event a large number of Bids are received on the Bid/Issue Closing Date, as is typically experienced in public offerings, which may lead to some Bids not being uploaded due to lack of sufficient time to upload, such Bids that cannot be uploaded will not be considered for allocation under the Issue. Bids will only be accepted on working days, i.e., Monday to Friday (excluding any public holiday).

On the Bid/Issue Closing Date, extension of time will be granted by the Stock Exchanges only for uploading the Bids received by Retail Bidders after taking into account the total number of Bids received upto the closure of timings for acceptance of Bid cum Application Forms as stated herein and reported by the BRLMs to the Stock Exchange within half an hour of such closure.

Our Company and the Selling Shareholders reserves the right to revise the Price Band during the Bidding Period in accordance with the SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band advertised at least one day prior to the Bid /Issue Opening Date.

In case of revision in the Price Band, the Bidding/ Issue Period will be extended for three additional days after revision of Price Band subject to the Bidding/ Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding/ Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a press release, and also by indicating the change on the website of the BRLMs and the Syndicate Member.

ISSUE PROCEDURE

Book Building Procedure

In terms of Rule 19(2)(b) of the SCRR, this is an Issue for less than 25% of the post–Issue capital of the Company, therefore, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Issue shall be Allotted to QIBs on a proportionate basis out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for Allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. If at least 60% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, not less than 10% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Net Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the Syndicate. In case of QIB Bidders, our Company and the Selling Shareholders, in consultation with BRLMs, may reject Bid at the time of acceptance of Bid cum Application Form provided that the reasons for rejecting the same are provided to such Bidders in writing. In case of Non-Institutional Bidders, Retail Individual Bidders and Bids under the Employee Reservation Portion, our Company and the Selling Shareholders would have a right to reject the Bids only on technical grounds.

Investors should note that the Equity Shares would be allotted to all successful Bidders only in the dematerialised form. Bidders will not have the option of getting Allotment of the Equity Shares in physical form. The Equity Shares on Allotment shall be traded only in the dematerialised segment of the Stock Exchanges.

Bid cum Application Form

Bidders shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for making a Bid in terms of the Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the RoC, the Bid cum Application Form shall be considered as the Application Form. Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorised our Company and the Selling Shareholders to make the necessary changes in the Red Herring Prospectus and the Bid cum Application Form as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories is as follows:

Category	Colour of Bid cum Application Form
Indian public and Eligible NRIs applying on a non-repatriation basis.	White
Non Residents, Eligible NRIs or FIIs applying on a repatriation basis.	Blue
Bidders in the Employee Reservation Portion.	Pink

Who can Bid?

1. Indian nationals resident in India who are majors in single or joint names (not more than three);
2. Hindu undivided families (HUFs) in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First Bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta". Bids by HUFs would be considered at par with those from individuals;
3. Eligible NRIs on a repatriation basis or a non-repatriation basis subject to applicable laws. NRIs other than Eligible NRIs are not permitted to participate in this Issue;
4. Companies and corporate bodies registered under the applicable laws in India and authorised to invest in equity shares;
5. Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts/societies and who are authorised under their constitution to hold and invest in equity shares;
6. Scientific and/or industrial research authorised to invest in equity shares;
7. Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to the RBI

regulations and the SEBI guidelines and regulations, as applicable);
8. Mutual funds registered with SEBI;
9. FIIs registered with SEBI, on a repatriation basis;
10. Multilateral and bilateral development financial institutions;
11. Venture capital funds registered with SEBI;
12. Foreign venture capital investors registered with SEBI;
13. State Industrial Development Corporations;
14. Insurance companies registered with the Insurance Regulatory and Development Authority, India;
15. As permitted by the applicable laws, provident funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to invest in equity shares;
16. Pension funds with a minimum corpus of Rs. 250 million and who are authorised under their constitution to invest in equity shares;
17. National Investment Fund; and
18. Eligible Employees of the Company.

Participation by associates of BRLMs and Syndicate Member:

Associates of BRLMs and Syndicate Member may bid and subscribe to Equity Shares in the Issue either in the QIB Portion or in the Non-Institutional Portion as may be applicable to such investors. Such bidding and subscription may be on their own account or on behalf of their clients. Allotment to all investors including associates of BRLMs and Syndicate Member shall be on a proportionate basis.

However, the BRLMs and Syndicate Member shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligation.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law.

The information below is given for the benefit of the Bidders. The Company, the Selling Shareholders and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Prospectus. Bidders are advised to make their own inquiries and independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.

Maximum and minimum Bid size

1. **For Retail Individual Bidders:** The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter and it must be ensured that the Bid Amount payable by the Bidder does not exceed Rs. 100,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs. 100,000. In case the Bid Amount is over Rs. 100,000 due to revision of the Bid or revision of the Price Band or on exercise of option to bid at Cut-off Price, the Bid would be considered for allocation under the Non-Institutional Portion. The option to bid at Cut-off Price is an option given only to the Retail Individual Bidders indicating their agreement to Bid and purchase Equity Shares at the final Issue Price as determined at the end of the Book Building Process.

2. **For Non-Institutional Bidders and QIB Bidders**: The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of [●] Equity Shares. A Bid cannot be submitted for more than the Issue size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. Under existing SEBI Guidelines, a QIB Bidder cannot withdraw its Bid after the Bid /Issue Closing Date.

   In case of revision in Bids, the Non-Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs. 100,000 for being considered for allocation in the Non-Institutional Portion. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non-Institutional Bidders and QIB Bidders are not entitled to the option of bidding at Cut-off Price.

3. **For Bidders in the Employee Reservation Portion**: The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter. Bidders in the Employee Reservation Portion applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 may bid at Cut-off Price. However, the maximum Bid

by an Employee cannot exceed [●]. The allotment in the Employee Reservation Portion will be on a proportionate basis.

Information for the Bidders:

1. Our Company and the Selling Shareholders will file the Red Herring Prospectus with the RoC at least three days before the Bid/Issue Opening Date.

2. The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid cum Application Form to potential investors.

3. Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Red Herring Prospectus and/or the Bid cum Application Form can obtain the same from the Registered Office or from any of the members of the Syndicate.

4. The Bids should be submitted in the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of a member of the Syndicate. Bid cum Application Forms, which do not bear the stamp of a member of the Syndicate will be rejected.

Method and process of Bidding

1. Our Company, the Selling Shareholders and the BRLMs shall declare the Bid/Issue Opening Date and the Bid/Issue Closing Date at the time of filing the Red Herring Prospectus with RoC and also publish the same in three widely circulated newspapers (one each in English, Hindi and Marathi). This advertisement shall contain the minimum disclosures as specified under Schedule XX-A of the SEBI Guidelines. The members of the Syndicate shall accept Bids from the Bidders during the Bidding/Issue Period in accordance with the terms of the Syndicate Agreement. Investors who are interested in subscribing to our Equity Shares should approach any of the members of the Syndicate or their authorised agent(s) to register their Bid.

2. The Bidding Period shall be a minimum of three working days and shall not exceed seven working days. In case the Price Band is revised, the revised Price Band and Bidding Period will be published in three national newspapers (one each in English, Hindi and Marathi) and the Bidding Period may be extended, if required, by an additional three days, subject to the total Bidding Period not exceeding 10 working days.

3. Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details, see the section titled "Issue Procedure - Bids at Different Price Levels" on page 232) within the Price Band and specify the demand (i.e. the number of Equity Shares bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.

4. The Bidder cannot bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to a member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the section titled "Issue Procedure - Build up of the Book and Revision of Bids" on page 235.

5. The members of the Syndicate will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip ("TRS") for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.

6. During the Bidding Period, Bidders may approach a member of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients/investors who place orders through them and shall have the right to vet the Bids, subject to the terms of the Syndicate Agreement and this Draft Red Herring Prospectus.

7. Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the section titled "Issue Procedure - Terms of Payment" on page 234.

Bids at different price levels

1. The Price Band has been fixed at Rs. [•] to Rs. [•] per Equity Share of Rs. 10 each, Rs. [•] being the Floor Price and Rs. [•] being the Cap Price. The Bidders can bid at any price within the Price Band in multiples of Re. 1.

2. In accordance with the SEBI Guidelines, our Company and the Selling Shareholders reserves the right to revise the Price Band during the Bidding Period. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band.

3. In case of revision in the Price Band, the Issue Period will be extended for three additional days after revision of Price Band subject to a maximum of 10 working days. Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a public notice in three national newspapers (one each in English, Hindi and Marathi) and also by indicating the change on the websites of the BRLMs and at the terminals of the members of the Syndicate.

4. Our Company and the Selling Shareholders in consultation with the BRLMs, can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of or intimation to, the Bidders.

5. The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. **Retail Individual Bidders and Bidders in the Employee Reservation Portion applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 may bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB Bidders and Non-Institutional Bidders in excess of Rs. 100,000 and such Bids from QIBs and Non-Institutional Bidders shall be rejected.**

6. Retail Individual Bidders who bid at Cut-off Price and Eligible Employees bidding under the Employee Reservation Portion at Cut-Off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at Cut-Off Price and Eligible Employees bidding under the Employee Reservation Portion at Cut-Off Price shall deposit the Bid Amount based on the Cap Price in the Escrow Account. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders, who Bid at Cut-off Price and Eligible Employees bidding under the Employee Reservation Portion at Cut-Off Price (i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), the Retail Individual Bidders, who Bid at Cut-off Price, shall receive the refund of the excess amounts from the Escrow Account or the Refund Account, as the case may be.

7. In case of an upward revision in the Price Band announced as above, Retail Individual Bidders and Eligible Employees bidding under the Employee Reservation Portion at Cut-Off Price, who had bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the cap of the revised Price Band (such that the total amount i.e. original Bid Amount plus additional payment does not exceed Rs. 100,000 if the Bidder wants to continue to bid at Cut-off Price), with the member of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs. 100,000, the Bid by a Retail Individual Bidder will be considered for allocation under the Non-Institutional Portion in terms of this Draft Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the Cap Price prior to revision, the number of Equity Shares bid for shall be adjusted downwards for the purpose of allotment, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.

8. In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders and Eligible Employees bidding under the Employee Reservation Portion, who have bid at Cut-off Price, could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account or the Refund Account, as the case may be.

Application in the Issue

Equity Shares being issued through the Red Herring Prospectus can be applied for in the dematerialised form only.

Bids by Mutual Funds

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Funds Portion. In the event that the demand is greater than 137,218 Equity Shares, allocation shall be made to Mutual Funds on proportionate basis to the extent of the Mutual Funds Portion. The remaining demand by Mutual Funds shall, as part of the aggregate demand by QIB Bidders, be made available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Funds Portion.

The Bids made by the asset management companies or custodian of Mutual Funds shall specifically state the names of the concerned schemes for which the Bids are made. In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made.

As per the current regulations, the following restrictions are applicable for investments by Mutual Funds:

No Mutual Fund scheme shall invest more than 10% of its net asset value in equity shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No Mutual Fund under all its schemes should own more than 10% of any company's paid-up capital carrying voting rights.

Bids by Eligible NRIs

Eligible NRIs are required to comply with the following:

1. Individual Eligible NRIs can obtain the Bid cum Application Form from the Registered Office, or from the members of the Syndicate.

2. Eligible NRI Bidders may note that only such Bids as are accompanied by payment in free foreign exchange shall be considered for allotment. Eligible NRIs who intend to make payment through the NRO accounts shall use the Bid cum Application Form meant for resident Indians (White in colour).

Bids by FIIs

The issue of Equity Shares to a single FII should not exceed 10% of our post-Issue issued capital (i.e. 10% of 39,869,920 Equity Shares). In respect of an FII investing in the Issue on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of our total issued capital in case such sub-account is a foreign corporate or an individual. In accordance with the foreign investment limits applicable to us, the aggregate FII investment in us cannot exceed 24% of our total issued capital. The said 24% limit can be increased up to 100% by passing a resolution by the Board followed by passing a special resolution to that effect by the shareholders of our Company.

Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals, including approvals in terms of Regulation 15A(1) of the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations 1995, as amended ("FII Regulations"), an FII or its sub account (as defined under the FII Regulations) may issue, deal or hold, instruments issued overseas by a FII against securities held by it that are listed or proposed to be listed on any stock exchange in India ("Offshore Derivative Instrument"), only to persons that are regulated by an appropriate foreign regulatory authority (as defined under the FII Regulations). Such issuance is only permitted after compliance with "know your client" norms. The FII or sub-account is also required to ensure that no further issue or transfer of any Offshore Derivative Instrument issued by it is made to any persons that are not regulated by an appropriate foreign regulatory authority.

Associates and affiliates of the Underwriters, including the BRLMs, that are FIIs or its sub-account may issue offshore derivative instruments against Equity Shares allocated to them in the Issue, subject to the aforesaid restrictions.

Bids by SEBI-registered Venture Capital Funds and Foreign Venture Capital Investors

The SEBI (Venture Capital) Regulations, 1996 and the SEBI (Foreign Venture Capital Investors) Regulations, 2000 prescribe investment restrictions on Venture Capital Funds and Foreign Venture Capital Investors registered with the SEBI. Accordingly, the holding by any Venture Capital Fund should not exceed 25% of the corpus of the Venture Capital Fund.

The SEBI has issued a notification dated October 16, 2006 stating that the shareholding of SEBI registered Venture Capital Funds and Foreign Venture Capital Investors held in a company prior to making an initial public offering would be exempt from lock-in requirements only if the shares have been held by them for at least one year prior to the time of filing the draft red herring prospectus with SEBI.

The above information is given for the benefit of the Bidders. The Bidders are advised to make their own enquiries about the limits applicable to them. Our Company, the Selling Shareholders and the BRLMs do not accept any responsibility for the completeness and accuracy of the information stated hereinabove. Our Company, the Selling Shareholders and the BRLMs are not liable to inform the investors of any amendments or modifications or changes in applicable laws or regulations, which may occur after the date of the Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.

Escrow mechanism

Our Company and the Selling Shareholders shall open Escrow Accounts with the Escrow Collection Banks in whose favour the Bidders shall write the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid Amount from Bidders would be deposited in the Escrow Account. The Escrow Collection Banks will act in terms of the Red Herring Prospectus and the Escrow Agreement. The monies in the Escrow Account shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Issue Account and the Refund Account as per the terms of the Escrow Agreement.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between us, the Selling Shareholders, the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

Terms of payment and payment into the Escrow Accounts

Each Bidder, shall pay the applicable Margin Amount, with the submission of the Bid cum Application Form by way of a cheque or demand draft in favour of the Escrow Account (for details see the section titled "Issue Procedure - Payment Instructions" on page 242.) and submit the same to the member of the Syndicate to whom the Bid is being submitted. Bid cum Application Forms accompanied by cash shall not be accepted.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders till the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of the Issue from the Escrow Account, as per the terms of the Escrow Agreement, into the Issue Account. The balance amount after transfer to the Issue Account shall be transferred to the Refund Account.

Each category of Bidders i.e. QIB Bidders, Non-Institutional Bidders, Retail Individual Bidders and Eligible Employees bidding under the Employee Reservation Portion would be required to pay their applicable Margin Amount at the time of the submission of the Bid cum Application Form. The Margin Amount payable by each category of Bidders is mentioned in the section titled "Issue Structure" on page 226. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the members of the Syndicate do not waive such payment, the full amount of payment has to be made at the time of submission of the Bid cum Application Form.

Where the Bidder has been allocated lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allotment, will be refunded to such Bidder within 15 days from the Bid /Issue Closing Date, failing which our Company and the Selling Shareholders shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

Electronic registration of Bids

1. The members of the Syndicate will register the Bids using the on-line facilities of the BSE and the NSE. There will be at least one on-line connectivity in each city, where a stock exchange is located in India and where Bids are being accepted.

2. The BSE and the NSE will offer a screen-based facility for registering Bids for the Issue. This facility will be

available on the terminals of the members of the Syndicate and their authorised agents during the Bidding/Issue Period. The members of the Syndicate can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently download the off-line data file into the on-line facilities for book building on a regular basis. On the Bid /Issue Closing Date, the members of the Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges. Bidders are cautioned that a high inflow of bids typically experienced on the last day of the bidding may lead to some Bids received on the last day not being uploaded due to lack of sufficient uploading time, and such bids that could not uploaded may not be considered for allocation.

3. The aggregate demand and price for Bids registered on the electronic facilities of the BSE and the NSE will be displayed on-line at all bidding centers and at the websites of BSE and NSE.

4. At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:

   i. Name of the Bidder(s)
   ii. Investor category – individual, corporate, Mutual Fund etc.
   iii. Numbers of Equity Shares bid for
   iv. Bid price
   v. Bid cum Application Form number
   vi. Margin Amount paid upon submission of Bid cum Application Form
   vii. Depository participant identification number and client identification number of the beneficiary account of the Bidder

5. A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate.** The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or the Selling Shareholders or our Company.

6. Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

7. It is to be distinctly understood that the permission given by the BSE and the NSE to use their network and software of the online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company, the Selling Shareholders or the BRLMs are cleared or approved by the BSE and the NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our Promoters, our management or any scheme or project of our Company.

8. It is also to be distinctly understood that the approval given by the BSE and the NSE should not in any way be deemed or construed that this Red Herring Prospectus has been cleared or approved by the BSE and the NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; nor does it warrant that our Equity Shares will be listed or will continue to be listed on the BSE and the NSE.

9. Only Bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for allocation/Allotment. In case of discrepancy of data between the BSE or the NSE and the members of the Syndicate, the decision of the BRLMs based on the physical records of the Bid cum Application Forms shall be final and binding on all concerned.

Build up of the book and revision of Bids

1. Bids registered through the members of the Syndicate shall be electronically transmitted to the BSE or the NSE mainframe on a regular basis.

2. The book gets built up at various price levels. This information will be available with the BRLMs on a regular basis.

3. During the Bidding/Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band during the Bidding/Issue Period using the printed Revision Form which is a part of the Bid cum Application Form.

4. Revisions can be made in both the desired number of Equity Shares and the Bid price by using the Revision Form. Apart from mentioning the revised options in the Revision Form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed in the Revision Form. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.

5. The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid. **Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.**

6. Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Draft Red Herring Prospectus. In case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft for the incremental amount in the QIB Margin Amount, if any, to be paid on account of upward revision of the Bid at the time of one or more revisions by the QIB Bidders.

7. When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**

8. Only Bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for Allocation. In case of discrepancy of data between the BSE or the NSE and the members of the Syndicate, the decision of the BRLMs based on physical records of the Bid cum application forms shall be final and binding on all concerned.

Price discovery and allocation

1. After the Bid /Issue Closing Date, the BRLMs will analyse the demand generated at various price levels.

2. Our Company and the Selling Shareholders, in consultation with the BRLMs, shall finalise the "Issue Price" and the number of Equity Shares to be allocated in each investor category.

3. The allocation to QIBs will be at least 60% of the Net Issue and allocation to Non-Institutional and Retail Individual Bidders will be not less than 10% and 30% of the Net Issue, respectively, on a proportionate basis, in a manner specified in the SEBI Guidelines and the Red Herring Prospectus, in consultation with the Designated Stock Exchange, subject to valid bids being received at or above the Issue Price. 5% of the QIB Portion is available for allocation on a proportionate basis to Mutual Funds only.

4. Under-subscription, if any, in the Retail or Non Institutional Portion would be met with spill over from other categories or combination of categories at the discretion of our Company and the Selling Shareholders in consultation with the BRLMs. Under-subscription, if any, in the Employee Reservation Portion will be added back to the Retail/ Non Institution Portion in equal proportion. In case of under-subscription in the Net Issue, spillover to the extent of under-subscription shall be permitted from the Employee Reservation Portion. However, if the aggregate demand by Mutual Funds is less than 137,218 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be Allotted proportionately to the QIB Bidders. In the event that the aggregate demand in the QIB Portion has been met, under subscription, if any, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company and the Selling Shareholders in consultation with the BRLMs.

5. Allocation to Eligible NRIs, FVCIs, FIIs etc applying on a repatriation basis will be subject to the terms and conditions stipulated by the RBI while granting permission for the allotment or transfer of Equity Shares to them and to applicable law.

6. The BRLMs, in consultation with the Company and the Selling Shareholders, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.

7. We reserve the right to cancel the Issue any time after the Bid/Issue Opening Date but before the Allotment without assigning any reasons whatsoever. The Selling Shareholders reserves the right to cancel the Offer for Sale any time

after the Bid/Issue Opening Date but before the Allotment without assigning any reasons whatsoever.

8. In terms of the SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.

Signing of Underwriting Agreement and RoC Filing

1. Our Company, the Selling Shareholders, the BRLMs and the Syndicate Member shall enter into an Underwriting Agreement upon finalisation of the Issue Price.

2. After signing the Underwriting Agreement, we would update and file the updated Red Herring Prospectus with RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price and Issue size and would be complete in all material respects.

Advertisement regarding Issue Price and Prospectus

After filing of the Prospectus with the RoC, a statutory advertisement will be issued by our Company in three widely circulated newspapers (one each in English, Hindi Marathi). This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Issuance of CAN

1. Upon approval of the basis of Allotment by the Designated Stock Exchange, the BRLMs or the Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue.;

2. The BRLMs or members of the Syndicate would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder; and

3. Such Bidders who have been allocated Equity Shares and who have already paid the Margin Amount for the said Equity Shares into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of their cheque or demand draft paid into the Escrow Accounts. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder.

INVESTORS ARE ADVISED TO INSTRUCT THEIR DEPOSITORY PARTICIPANT TO ACCEPT THE EQUITY SHARES THAT MAY BE ALLOTTED TO THEM PURSUANT TO THIS ISSUE.

Notice to QIBs: Allotment, Reconciliation and Revised CANs

After the Bid/Issue Closing Date, based on the electronic book, QIBs will be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the physical book prepared by the Registrar. Subject to SEBI Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange and specified in the physical book. As a result, a revised CAN may be sent to QIBs, and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirety the earlier CAN.

Designated Date and Allotment of Equity Shares

1. Our Company and the Selling Shareholders will ensure that the Allotment of Equity Shares is completed within 15 days of the Bid/Issue Closing Date. After the funds are transferred from the Escrow Account to the Issue Account and the Refund Account on the Designated Date, our Company and the Selling Shareholders would ensure that the credit to the successful Bidders' depository accounts of the allotted Equity Shares to the allottees within two working days from the date of Allotment.

2. As per the SEBI Guidelines, **Equity Shares will be issued, transferred and allotted only in the dematerialised form to the Allottees**. Allottees will have the option to re-materialise the Equity Shares so allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Letters of allotment or refund orders

Our Company and the Selling Shareholders shall give credit to the beneficiary account with Depository Participants within two working days from the date of the finalisation of basis of Allotment. Applicants residing at sixty-eight centers where clearing houses are managed by the RBI will get refunds through ECS only except where applicant is otherwise disclosed as eligible to get refunds through direct credit and RTGS. We shall ensure dispatch of refund orders, if any, of value up to Rs. 1,500, by "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or first Bidder's sole risk within 15 days of the Bid/Issue Closing Date. Applicants to whom refunds are made through electronic transfer of funds will be sent a letter through Under Certificate of Posting", intimating them about the mode of credit of refund within fifteen days of closure of Bid / Issue.

Interest in case of delay or despatch of allotment letters / refund orders in case of publc issue

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines, our Company and the Selling Shareholders further undertakes that:

1. Allotment of Equity Shares will be made only in dematerialised form within 15 days from the Bid/Issue Closing Date; and

2. The Company shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if Allotment is not made, refund orders are not dispatched and/or demat credits are not made to investors within the 15 day time prescribed above.

Our Company will provide adequate funds required for dispatch of refund orders or Allotment advice to the Registrar to the Issue.

Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by us, as Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

GENERAL INSTRUCTIONS

Do's:

1. Check if you are eligible to apply.

2. Read all the instructions carefully and complete the Bid cum Application Form (white, blue or pink in colour) as the case may be.

3. Ensure that the details about your Depository Participant and beneficiary account are correct and the beneficiary account is activated as Equity Shares will be allotted in the dematerialised form only.

4. Ensure that the Bids are submitted at the bidding centers only on forms bearing the stamp of a member of the Syndicate.

5. Ensure that you have been given a TRS for all your Bid options.

6. Submit Revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS.

7. Each of the Bidders, should mention their Permanent Account Number (PAN) allotted under the I.T. Act. If you have mentioned "Applied For" or "Not Applicable", in the Bid cum Application Form in the section dealing with PAN number, ensure that you submit Form 60 or 61, as the case may be, together with permissible documents as address proof.

8. Ensure that the name(s) given in the Bid cum Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the Bid cum Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Bid cum Application Form

9. Ensure that the Demographic Details are updated, true and correct, in all respects.

Don'ts:

1. Do not Bid for lower than the minimum Bid size.

2. Do not Bid/revise Bid price to less than Floor Price or higher than the Cap Price.

3. Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate.

4. Do not pay the Bid amount in cash, by money order or by postal order or by stock invest.

5. Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate only.

6. Do not Bid at Cut-off Price (for QIB Bidders, Non-Institutional Bidders and Bidders bidding under the Employee Reservation Portion, for whom the Bid Amount exceeds Rs. 100,000).

7. Do not fill up the Bid cum Application Form such that the Equity Shares bid for exceeds the Issue size and/or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations.

8. **Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.**

Bids and revisions of Bids

Bids and revisions of Bids must be:

1. Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white or blue or pink colour).

2. In single name or in joint names (not more than three, and in the same order as mentioned in the account details with their Depository Participant).

3. Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form.

4. The Bids from the Retail Individual Bidders must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter subject to a maximum Bid Amount of Rs. 100,000.

5. For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares in multiples of [●] Equity Shares such that the Bid Amount exceeds Rs. 100,000. Bids cannot be made for more than the Net Issue. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.

6. For Bidders bidding under the Employee Reservation Portion, the Bid must be for a minimum of [●] Equity Shares in multiples of [●] and for a maximum of [●].

7. Thumb impressions and signatures other than in the languages specified in the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bidder's depository account details

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THE EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN

THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

Bidders should note that on the basis of name of the Bidders, Depository Participant's name and identification number and beneficiary account number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders or give credit through Direct Credit, NEFT, RTGS or ECS and occupation ("Demographic Details"). Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ECS credit or credit through Direct Credit, NEFT or RTGS for refunds/CANs/Allocation advice and printing of Company particulars on the refund order and the Demographic Details given by Bidders in the Bid cum Application Form would not be used for these purposes by the Registrar. Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants.

By signing the Bid cum Application Form, the Bidder would be deemed to have authorised the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Refund orders/allocation advices/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the sole or Bidders sole risk and neither the Escrow Collection Bank(s) nor the BRLMs shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary account number, then such Bids are liable to be rejected.

Bidder's bank details

Bidders should note that on the basis of names of the Bidders, Depository Participant's name, Depository Participant Identification Number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar will obtain from the Depository the Bidder bank Account details. These bank account details would be printed on the refund order, if any, to be sent to Bidders or used for sending the refund through Direct Credit, NEFT, RTGS or ECS, hence, Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in credit of refund to Bidders at the sole or Bidders sole risk and neither the BRLMs nor the Company or the Selling Shareholders shall have any responsibility and undertake any liability for the same.

In case of refunds through electronic modes as detailed in the Red Herring Prospectus, Bidders may note that refunds may get delayed if bank particulars obtained from the Depository Participant are incorrect.

Bids under Power of Attorney

In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum and articles of association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, our Company and the Selling Shareholders reserve the right to reject such Bids in whole or in part.

In case of the Bids made pursuant to a power of attorney by FIIs, FVCIs, VCFs and Mutual Funds, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Company and the Selling Shareholders reserve the right to reject such Bid in whole or in part.

The Company and the Selling Shareholders, in their absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application Form, subject to such terms and conditions that our Company, the Selling Shareholders/the BRLMs may deem fit.

Bids made by insurance companies

In case of the Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by the Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form. Failing this, our Company and the Selling Shareholders reserve the right to reject such Bids in whole or in part.

Bids made by Provident Funds

In case of the Bids made by provident funds, subject to applicable law, with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/pension fund must be lodged along with the Bid cum Application Form. Failing this, our Company and the Selling Shareholders reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

Bids by Eligible Employees

For the purpose of the Employee Reservation Portion, Eligible Employee means all or any of the following:

1. A permanent employee or a Director (whether whole-time, part-time or otherwise) of the Company as of [●], 2007 who is based, working and present in India as on the date of submission of the Bid cum Application Form except our Promoters or any member of our Promoter Group. The Eligible Employee(s) may also be referred to as "Eligible Employee under the Employee Reservation Portion" in this Draft Red Herring Prospectus

2. Bids under Employee Reservation Portion by Eligible Employees shall be:

    i. Made only in the prescribed Bid cum Application Form or Revision Form (i.e. pink colour Form).
    ii. Employees, as defined above, should mention the Employee Number at the relevant place in the Bid cum Application Form.
    iii. The sole/ first Bidder has to be an Eligible Employee.
    iv. Only Eligible Employees (as defined above) would be eligible to apply in this Issue under the Employee Reservation Portion.
    v. Only those Bids, which are received at or above the Issue Price, would be considered for allocation under this category.
    vi. Eligible Employees who Bid for Equity Shares of or for a value of not more than Rs. 100,000 in any of the bidding options can apply at Cut-Off Price. This facility is not available to other Eligible Employees whose Bid Amount in any of the bidding options exceeds Rs. 100,000.
    vii. The maximum Bid under Employee Reservation Portion by an Employee cannot exceed Rs. 500,000
    viii. Bid by Eligible Employees can be made also in the 'Net Issue' portion and such Bids shall not be treated as multiple bids.
    ix. If the aggregate demand in this category is less than or equal to 400,892 Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand. Under-subscription, if any, in the Employee Reservation Portion will be added back to the Retail/ Non Institution Portion in equal proportion.
    x. If the aggregate demand in this category is greater than 400,892 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis. For the method of proportionate basis of allocation, see the section titled "Issue Procedure" on page 229.

Bids by Non Residents, including Eligible NRIs, FIIs and FVCIs on a repatriation basis

Bids and revision to the Bids must be made:

1. On the Bid cum Application Form or the Revision Form, as applicable (blue in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.

2. In a single name or joint names (not more than three and in the same order as their account details with their Depository Participant).

3. Eligible NRIs for a Bid Amount of up to Rs. 100,000 would be considered under the Retail Portion for the purposes of allocation and for a Bid Amount of more than Rs. 100,000 would be considered under Non-Institutional Portion for the purposes of allocation. Other Non-Resident Bidders must Bid for a minimum of such number of Equity Shares and in multiples of [●] that the Bid Amount exceeds Rs. 100,000. For further details, see the section titled "Issue Procedure - Maximum and Minimum Bid Size" on page 230.

4. In the names of individuals, or in the names of FIIs, FVCIs, etc but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding Eligible NRIs) or their nominees.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only, net of bank charges and/or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US$ or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. Our Company and the Selling Shareholders will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

It is to be distinctly understood that there is no reservation for Non Residents, including Eligible NRIs, FIIs and FVCIs and all Non Residents will be treated on the same basis with other categories for the purpose of allocation.

As per the existing policy of the government of India, OCBs cannot participate in this Issue. Further, NRIs, who are not Eligible NRIs, are not permitted to participate in this Issue.

Payment instructions

Our Company and the Selling Shareholders shall open Escrow Accounts with the Escrow Collection Bank(s) for the collection of the Bid Amounts payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation in the Issue.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

Payment into Escrow Account

1. The Bidders for whom the applicable margin is equal to 100% shall, with the submission of the Bid cum Application Form draw a payment instrument for the Bid Amount in favour of the Escrow Account and submit the same to the members of the Syndicate.

2. In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs.

3. The payment instruments for payment into the Escrow Account should be drawn in favour of:

    i. In case of resident QIB Bidders: "Escrow Account – Persistent Public Issue-QIB-R"
    ii. In case of Non Resident QIB Bidders: "Escrow Account- Persistent Public Issue-QIB-NR"
    iii. In case of resident Bidders: "Escrow Account – Persistent Public Issue-R"
    iv. In case of Non Resident Bidders: "Escrow Account – Persistent Public Issue-NR"
    v. In case of Eligible Employees: "Escrow Account- Persistent Public Issue-Employee"

4. In case of Bids by Eligible NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in NRE accounts or Foreign Currency Non-Resident (FCNR) accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of NRO Account of Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE or FCNR account.

5. In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with

documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to a Special Rupee Account.

6. Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Refund Account.

7. The monies deposited in the Escrow Account will be held for the benefit of the Bidders till the Designated Date.

8. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Issue Account.

9. On the Designated Date and not later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Banks shall refund all amounts payable to unsuccessful Bidders and the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders.

Payments should be made by cheque, or demand draft drawn on any bank (including a co-operative bank), which is situated at, and is a member of or sub member of the banker's clearing house located at the center where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/stockinvest/money orders/postal orders will not be accepted.

Payment by Stockinvest

In terms of the Reserve Bank of India's Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn.

SUBMISSION OF BID CUM APPLICATION FORM

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts equivalent to the Margin Amount shall be submitted to the members of the Syndicate at the time of submission of the Bid.

Separate receipts shall not be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection center of the members of the Syndicate will issue a TRS slip giving the details of the Bids registered and acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

OTHER INSTRUCTIONS

Joint Bids in case of Individuals

Bids may be made in single or joint names (not more than three). In case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communication will be addressed to the first Bidder and will be dispatched to his or her address.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same. In this regard, illustrations of certain procedures which may be followed by the Registrar to the Issue to detect multiple applications are provided below:

1. All applications with name, age, status and first line address will be converted into a string and a photo match will be carried out amongst all the applications processed. A print out of the addresses will be taken to check for multiple applications/bids.

2. All applications will be scanned for PAN and in case the applications bear the same number these will be treated as multiple applications.

3. The Applications will be scanned for same or identical DP/ID and client ID numbers. In case applications bear the same numbers, these will be treated as multiple applications.

4. All the multiple applications as described above would be physically verified. On completion of this, the applications will be identified as multiple applications.

In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made.

Bids made by Eligible Employees both under Employees Reservation Portion as well as in the Net Issue shall not be treated as multiple Bids.

In cases where there are more than 20 valid applicants having a common address, such shares will be kept in abeyance, post allotment and released on confirmation of KYC norms by the depositories

The Company and the Selling Shareholders reserve the right to reject, in their absolute discretion, all or any multiple Bids in any or all categories.

'PAN' or 'GIR' Number

All Bidders or in the case of a Bid in joint names, each of the Bidders, should mention his/her PAN allotted under the I.T. Act. It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN, as the Bid is liable to be rejected on this ground. In case the sole/First Bidder and joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "Applied for" in the Bid cum Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the sole/First Bidder and each of the joint Bidder(s), as the case may be, would be required to submit Form 60 (form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in Rule 114B of the Income Tax Rules, 1962), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income-tax in respect of transactions specified in Rule 114B of the Income Tax Rules, 1962), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) ration card (b) passport (c) driving license (d) identity card issued by any institution (e) copy of the electricity bill or telephone bill showing residential address (f) any document or communication issued by any authority of the Central Government, state government or local bodies showing residential address (g) any other documentary evidence in support of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended by a notification issued on December 1, 2004 by the Central Board of Direct Taxes, Department of Revenue, Ministry of Finance. All Bidders are requested to furnish, where applicable, the revised Form 60 or Form 61 as the case may be.**

Unique Identification Number ("UIN")

With effect from July 1, 2005, SEBI had decided to suspend all fresh registrations for obtaining UIN and the requirement to contain/quote UIN under the SEBI MAPIN Regulations/Circulars vide its circular MAPIN/Cir-13/2005. However, in a recent press release dated December 30, 2005, SEBI has approved certain policy decisions and has now decided to resume registrations for obtaining UINs in a phased manner. The press release states that the cut off limit for obtaining UIN has been raised from the existing limit of trade order value of Rs. 100,000 to Rs. 500,000 or more. The limit will be reduced progressively. For trade order value of less than Rs. 500,000, an option will be available to investors to obtain either the PAN or UIN. These changes are, however, not effective as of the date of this Draft Red Herring Prospectus and SEBI has stated in the press release that the changes will be implemented only after necessary amendments are made to the SEBI MAPIN Regulations.

Right to reject Bids

In case of QIB Bidders, the Company and the Selling Shareholders in consultation with the BRLMs may reject Bids provided that the reason for rejecting the same shall be provided to such Bidders in writing. In case of Non-Institutional Bidders, Retail Individual Bidders, Bidders in the Employee Reservation Portion, the Company and the Selling Shareholders have the right to reject Bids based on technical grounds only. Consequent refunds shall be made by cheque, pay order, draft or alternative means of remittance described in this Draft Red Herring Prospectus and will be sent to the Bidder's address at the Bidder's risk.

GROUNDS FOR TECHNICAL REJECTIONS

Bidders are advised to note that Bids are liable to be rejected on, inter alia, the following technical grounds:

1. Amount paid does not tally with the amount payable for the highest value of Equity Shares bid for;
2. Age of first Bidder not given;
3. In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no such partnership firm, shall be entitled to apply in its own name;
4. NRIs, except Eligible NRIs;
5. Bids by persons not competent to contract under the Indian Contract Act, 1872, including minors and persons of unsound mind;
6. **PAN not stated or Form 60 or Form 61, as applicable, or GIR number furnished instead of PAN. See the section titled "Issue Procedure—PAN or GIR Number" on page 244;**
7. Bids for lower number of Equity Shares than specified for that category of investors;
8. Bids at a price less than lower end of the Price Band;
9. Bids at a price more than the higher end of the Price Band;
10. Bids at Cut-off Price by Non-Institutional Bidders and QIB Bidders and Bids in the Employee Reservation Portion exceeding Rs. 100,000;
11. Bids for number of Equity Shares, which are not in multiples of [•];
12. Category not ticked;
13. Multiple Bids as defined in this Draft Red Herring Prospectus;
14. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
15. Bids accompanied by stockinvest/money order/postal order/cash;
16. Signature of sole and/or joint Bidders missing;
17. Bid cum Application Form does not have the stamp of the BRLMs or the Syndicate Member;
18. Bid cum Application Form does not have the Bidder's depository account details or such details are incomplete;
19. Bid cum Application Form is not delivered by the Bidder within the time prescribed as per the Bid cum Application Form and the Red Herring Prospectus and as per the instructions in the Red Herring Prospectus and the Bid cum Application Form;
20. In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), the depositary participant's identity (DP ID) and the beneficiary account number;
21. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations. See the details regarding the same in the section titled "Issue Procedure – Bids at Different Price Levels" on page 232;
22. Bids by OCBs;
23. Bids by U.S. persons other than entities that are "qualified institutional buyers" as defined in Rule 144A under the U.S. Securities Act of 1933;
24. Bids by QIBs not submitted through members of the Syndicate;
25. Bids by employees of the Company or Directors of the Company not eligible to apply in the Employee Reservation Portion;
26. In case of Bid cum Application forms are not available with Registrar to the Issue for reasons such as force majeure, acts of God, flood or similar circumstances;
27. Bids not uploaded in the Book;
28. Bids or revision thereof by QIB Bidders, Non – Institutional Bidders where the Bid amount is in excess of Rs. 100,000, uploaded after 5.00 p.m. or any such time as prescribed by Stock Exchanges on the Bid / Issue closing Date; and
29. Bids in the Employee Reservation Portion where the first holder is not an Eligible Employee.

Equity Shares in dematerialised form with NSDL or CDSL

As per the provisions of Sec. 68B of the Companies Act, the Equity Shares in this Issue shall be allotted only in a de-materialised form, (i.e. not in the form of physical certificates but will be in fungible form and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among our Company, the respective Depositories and the Registrar to the Issue:

1. an agreement dated November 26, 2007 between NSDL, our Company and Registrar to the Issue;
2. an agreement dated October 30, 2007 between CDSL, our Company and Registrar to the Issue.

All Bidders can seek Allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

Information in relation to dematerialised Equity Shares

1. A Bidder applying for Equity Shares must have at least one beneficiary account with the Depository Participants of either NSDL or CDSL prior to making the Bid.

2. The Bidder must necessarily fill in the details (including the beneficiary account number and Depository Participant's identification number) appearing in the Bid cum Application Form or Revision Form.

3. Equity Shares allotted to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.

4. Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details with the Depository Participant. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details with the Depository Participant.

5. If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid cum Application Form or Revision Form, it is liable to be rejected.

6. The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant.

7. It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.

8. The trading of the Equity Shares would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.

COMMUNICATIONS

All future communication in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid cum Application Form number, details of Depository Participant, number of Equity Shares applied for, date of Bid cum Application Form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

Disposal of investor grievances

We estimate that the average time required by us or the Registrar to the Issue for the redressal of routine investor grievances shall be seven days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

We have appointed. Vivek Sadhale, Company Secretary as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue-related problems. He can be contacted at the following address:

Vivek Sadhale
Bhageerath
402, Senapati Bapat Road
Pune 411016, India
Tel: (91 20) 2570 2800
Fax: (91 20) 2570 2626
Email: investors@persistent.co.in

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, which is reproduced below:

"Any person who:

(a) **makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or**

(b) **otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name,**

shall be punishable with imprisonment for a term which may extend to five years."

Basis of allotment

1. For Retail Individual Bidders

i. Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all successful Retail Individual Bidders will be made at the Issue Price.

ii. The Net Issue less allocation to Non-Institutional Bidders and QIB Bidders shall be available for allocation to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.

iii. If the valid Bids in this category is for less than or equal to 1,372,183 Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Individual Bidders to the extent of their valid Bids.

iv. If the valid Bids in this category are for more than 1,372,183 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of [●] Equity Shares and in multiples of 1 Equity Shares thereafter. For the method of proportionate basis of allocation, refer page 248.

2. For Non-Institutional Bidders

i. Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all successful Non-Institutional Bidders will be made at the Issue Price.

ii. The Net Issue less allocation to QIB Bidders and Retail Individual Bidders shall be available for allocation to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.

iii. If the valid Bids in this category is for less than or equal to 457,394 Equity Shares at or above the Issue Price, full allotment shall be made to Non-Institutional Bidders to the extent of their valid Bids.

iv. In case the valid Bids in this category are for more than 457,394 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of [●] Equity Shares and in multiples of 1 Equity Shares thereafter. For the method of proportionate basis of allocation refer page 248.

3. For QIB Bidders

i. Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all the QIB Bidders will be made at the Issue Price.

ii. The Net Issue less allocation to Non-Institutional Portion and Retail Portion shall be available for proportionate allocation to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.

iii. However, eligible Bids by Mutual Funds only shall first be considered for allocation proportionately in the Mutual Funds Portion. After completing proportionate allocation to Mutual Funds for an amount of 137,218 Equity Shares (the Mutual Funds Portion), the remaining demand by Mutual Funds, if any, shall then be considered for allocation proportionately, together with Bids by other QIBs, in the remainder of the QIB Portion (i.e. after excluding the Mutual Funds Portion). For the method of allocation in the QIB Portion, see the paragraph titled "Illustration of Allotment to QIBs" on page 249.

iv. If the valid Bids by Mutual Funds are for less than 137,218 Equity Shares, the balance Equity Shares available for allocation in the Mutual Funds Portion will first be added to the QIB Portion and allocated proportionately to the QIB Bidders. For the purposes of this paragraph it has been assumed that the QIB Portion for the purposes of the Issue amounts to 60% of the Net Issue size, i.e. 2,744,367 Equity Shares.

v. Allotment shall be undertaken in the following manner:

(a) In the first instance allocation to Mutual Funds for 5% of the QIB Portion shall be determined as follows:

- In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.

- In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full allotment to the extent of valid bids received above the Issue Price.

- Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available to all QIB Bidders as set out in (b) below.

(b) In the second instance allocation to all QIBs shall be determined as follows:

- In the event that the oversubscription in the QIB Portion, all QIB Bidders who have submitted Bids at or above the Issue Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.

- Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.

- Under subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.

The aggregate allotment to QIB Bidders shall not be less than 2,744,367 Equity Shares.

4. For Employee Reservation Portion

i. Bids received from the Eligible Employees at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Eligible Employees will be made at the Issue Price.

ii. If the aggregate demand in this category is less than or equal to 400,892 Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand.

iii. If the aggregate demand in this category is greater than 400,892 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of [●] Equity Shares up to a minimum of [●] Equity Shares and in multiples of 1 Equity Shares thereafter. For the method of proportionate basis of allocation, refer below.

iv. Only Eligible Employees are eligible to apply under Employee Reservation Portion.

Method of proportionate basis of allocation in the Issue

Bidders will be categorised according to the number of Equity Shares applied for by them.

1. The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.

2. Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.

3. Under-subscription, if any, in the Retail or Non Institutional Portion would be met with spill over from other categories or combination of categories at the discretion of our Company and the Selling Shareholders in consultation with the BRLMs. Under-subscription, if any, in the Employee Reservation Portion will be added back to the Retail/ Non Institution Portion in equal proportion. In case of under-subscription in the Net Issue, spillover to the extent of under-subscription shall be permitted from the Employee Reservation Portion.

In all Bids where the proportionate allotment is less than [●] Equity Shares per Bidder, the allotment shall be made as follows:

1. Each successful Bidder shall be allotted a minimum of [●] Equity Shares; and
2. The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner approved by the Designated Stock Exchange.

If the proportionate allotment to a Bidder is a number that is more than [●] but is not a multiple of one (which is the market lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. All Bidders in such categories would be allotted Equity Shares arrived at after such rounding off.

If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted Equity Shares are not sufficient for proportionate allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares. The basis of allocation on a proportionate basis shall be finalised in consultation with the Designated Stock Exchange.

Illustration of allotment to QIBs and Mutual Funds ("MF")

A. Issue details

S. No	Particulars	Issue details
1	Net Issue size	200 million equity shares
2	Allocation to QIB (at least 60% of the Net Issue)	120 million equity shares
	Of which:	
	a. Reservation For Mutual Funds, (5%)	6 million equity shares
	b. Balance for all QIBs including Mutual Funds	114 million equity shares
3	Number of QIB applicants	10
4	Number of equity shares applied for	500 million equity shares

B. Details of QIB Bids

S. No	Type of QIB bidders#	No. of shares bid for (in million)
1	A1	50
2	A2	20
3	A3	130
4	A4	50
5	A5	50
6	MF1	40
7	MF2	40
8	MF3	80
9	MF4	20
10	MF5	20
	TOTAL	**500**

 # A1-A5: (QIB Bidders other than Mutual Funds), MF1-MF5 (QIB Bidders which are Mutual Funds)

C. Details of allotment to QIB Bidders/Applicants

Number of equity shares in million

Type of QIB bidders	Shares bid for	Allocation of 6 million equity shares to MF proportionately (please see note 2 below)	Allocation of balance 114 million equity shares to QIBs proportionately (please see note 4 below)	Aggregate allocation to MFs
(I)	**(II)**	**(III)**	**(IV)**	**(V)**
A1	50	0	11.40	0
A2	20	0	4.56	0
A3	130	0	29.64	0
A4	50	0	11.40	0
A5	50	0	11.40	0
MF1	40	1.2	9.12	10.32
MF2	40	1.2	9.12	10.32
MF3	80	2.4	18.24	20.64
MF4	20	0.6	4.56	5.16
MF5	20	0.6	4.56	5.16
	500	**6**	**114**	**51.60**

Please note:

1. The illustration presumes compliance with the requirements specified in this Draft Red Herring Prospectus in the section titled "Issue Structure" on page 226.

2. Out of 120 million equity shares allocated to QIBs, 6 million (i.e. 5%) will be allocated on proportionate basis among five Mutual Fund applicants who applied for 200 shares in the QIB Portion.

3. The balance 114 million equity shares i.e. 120 - 6 (available for Mutual Funds only)] will be allocated on proportionate basis among 10 QIB Bidders who applied for 500 equity shares (including 5 Mutual Fund applicants who applied for 200 equity shares).

4. The figures in the fourth column titled "Allocation of balance 114 million equity shares to QIBs proportionately" in the above illustration are arrived as under:

   i. For QIBs other than Mutual Funds (A1 to A5) = Number of equity shares Bid for X 114 /49

   ii. For Mutual Funds (MF1 to MF5) = (No. of shares bid for (i.e., in column II of the table above) less equity shares allotted (i.e., column III of the table above) X 114/494

   iii. The numerator and denominator for arriving at allocation of 120 million equity shares to the 10 QIBs are reduced by 6 million shares, which have already been allotted to Mutual Funds in the manner specified in column III of the table above.

DISPOSAL OF APPLICATIONS AND APPLICATION MONEYS

Our Company and the Selling Shareholders shall ensure dispatch of Allotment advice, refund orders (except for Bidders who receive refunds through electronic transfer of funds) and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the Allotment to the Stock Exchanges within two working days of date of Allotment of Equity Shares.

In case of applicants who receive refunds through ECS, direct credit or RTGS, the refund instructions will be given to the clearing system within 15 days from the Bid/ Issue Closing Date. A suitable communication shall be sent to the bidders receiving refunds through this mode within 15 days of Bid/ Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.

Our Company and the Selling Shareholders shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within seven working days of Allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines, our Company and the Selling Shareholders further undertake that:

1. Allotment of Equity Shares shall be made only in dematerialised form within 15 (fifteen) days of the Bid/Issue Closing Date;

2. Dispatch of refund orders or in a case where the refund or portion thereof is made in electronic manner, the refund instructions are given to the clearing system within 15 (fifteen) days of the Bid/Issue Closing Date would be ensured; and

3. Our Company and the Selling Shareholders shall pay interest at 15% (fifteen) per annum for any delay beyond the 15 (fifteen) day time period as mentioned above, if Allotment is not made and refund orders are not dispatched or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner and/or demat credits are not made to investors within the 15 (fifteen)-day time prescribed above as per the guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No. F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI (Disclosure and Investor Protection) Guidelines, 1994 and the clarifications thereto.

Mode of making refunds

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the Bidders bank account details including nine digit Magnetic Ink Character Recognition (MICR) code. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in credit of refunds to Bidders at the sole or Bidder's sole risk and neither the BRLMs nor the Company and the Selling Shareholders shall have any responsibility and undertake any liability for the same.

The payment of refund, if any, would be done through various modes in the following order of preference:

1. ECS – Payment of refund would be done through ECS for applicants having an account at any of the following 68 centers: Ahmedabad, Bangalore, Bhubaneshwar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna, Thiruvananthapuram (managed by RBI); Baroda, Dehradun, Nashik, Panaji, Surat, Trichy, Trichur, Jodhpur, Gwalior, Jabalpur, Raipur, Calicut, Siliguri (Non-MICR), Pondicherry, Hubli, Shimla (Non-MICR), Tirupur, Burdwan (Non-MICR), Durgapur (Non-MICR), Sholapur, Ranchi, Tirupati (Non-MICR), Dhanbad (Non-MICR), Nellore (Non-MICR) and Kakinada (Non-MICR) (managed by State Bank of India); Agra, Allahabad, Jalandhar, Lucknow, Ludhiana, Varanasi, Kolhapur, Aurangabad, Mysore, Erode, Udaipur, Gorakpur and Jammu (managed by Punjab National Bank); Indore (managed by State Bank of Indore); Pune, Salem and Jamshedpur (managed by Union Bank of India); Visakhapatnam managed by Andhra Bank); Mangalore (managed by Corporation Bank); Coimbatore and Rajkot (managed by Bank of Baroda); Kochi/Ernakulum (managed by State Bank of Travancore); Bhopal (managed by Central Bank of India); Madurai (managed by Canara Bank); Amritsar (managed by Oriental Bank of Commerce); Haldia (Non-MICR) (managed by United Bank of India); Vijaywada (managed by State Bank of Hyderabad); and Bhilwara (managed by State Bank of Bikaner and Jaipur). This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. The payment of refunds is mandatory for applicants having a bank account at any of the abovementioned 68 centers, except where the applicant, being eligible, opts to receive refund through direct credit or RTGS.

2. Direct Credit – Applicants having bank accounts with the Refund Banker(s), as mentioned in the Bid cum Application Form, shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company.

3. RTGS – Applicants having a bank account at any of the abovementioned sixty-eight centers and whose refund amount exceeds Rs. 5 million, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the Bid-cum-Application Form. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied

by the Refund Bank(s) for the same would be borne by the Company. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.

4. NEFT (National Electronic Fund Transfer) – Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR), if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method. The process flow in respect of refunds by way of NEFT is at an evolving stage and hence use of NEFT is subject to operational feasibility, cost and process efficiency. The process flow in respect of refunds by way of NEFT is at an evolving stage hence use of NEFT is subject to operational feasibility, cost and process efficiency. In the event that NEFT is not operationally feasible, the payment of refunds would be made through any one of the other modes as discussed in the sections.

5. For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be dispatched under certificate of posting for value upto Rs. 1,500 and through Speed Post/ Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

Please note that applicants having a bank account at any of the 68 centers where the clearing houses for ECS are managed by the RBI are eligible to receive refunds through the modes detailed in I, II, III and IV above.

For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders shall be dispatched under certificate of posting for value up to Rs. 1,500 and through Speed Post/ Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

UNDERTAKINGS BY OUR COMPANY AND THE SELLING SHAREHOLDERS

Our Company undertakes the following:

1. That the complaints received in respect of this Issue shall be attended to by the Company expeditiously;

2. That all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of Allotment;

3. That funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by the Issuer.

4. That where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of the Bid/ Issue Closing Date, as the case may be, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.

5. That the certificates of the securities/ refund orders to the Non-resident Indians shall be despatched within specified time;
6. No further issue of Equity Shares shall be made till the Equity Shares offered through the Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.; and

The Company shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

The Selling Shareholders undertake that:

1. The Equity Shares being sold pursuant to the offer to the public, have been held by us for a period of more than one

year and the Equity Shares are free and clear of any liens or encumbrances, and shall be transferred to the eligible investors within the specified time;

2. That the complaints received in respect of this Issue shall be attended to by the Selling Shareholders expeditiously and satisfactorily and for the purpose the Selling Shareholders have authorised the Compliance Officer and the Registrar to the Issue to redress complaints, if any, of the investors;

3. That the refund orders or Allotment advice to the successful Bidders shall be dispatched within specified time; and

4. That the Selling Shareholders shall not have recourse to the proceed of the Issue until approval for trading of the Equity Shares from all Stock Exchanges where listing is sought has been received.

Utilisation of Issue proceeds

Our Board of Directors certifies that:

1. all monies received out of the Issue shall be credited/transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;

2. details of all monies utilised out of the Issue referred above shall be disclosed under an appropriate separate head in our balance sheet indicating the purpose for which such monies have been utilised;

3. details of all unutilised monies out of the Issue, if any shall be disclosed under the appropriate head in our balance sheet indicating the form in which such unutilised monies have been invested;

4. Our Company shall comply with the requirements of Clause 49 of the listing agreement in relation to the disclosure and monitoring of the utilisation of the proceeds of the Issue.

Our Company and the Selling Shareholders shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

The Company shall transfer to the Selling Shareholders, the net proceeds of the Offer for Sale, on the same being permitted to be released in accordance with applicable laws.

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the Industrial Policy and FEMA. While the Industrial Policy prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investments.

By a RBI circular dated October 4, 2004 issued by the RBI, the transfer of shares between an Indian resident and a non-resident does not require the prior approval of the FIPB or the RBI, provided that (i) the activities of the investee company are under the automatic route under the FDI Policy and transfer does not attract the provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended, (ii) the non-resident shareholding is within the sectoral limits under the FDI policy, and (iii) the pricing is in accordance with the guidelines prescribed by the SEBI/RBI.

Under the current foreign investment policy applicable to us foreign equity participation up to 100% is permissible under the automatic route.

Subscription by Eligible NRIs/FIIs/FVCIs

It is to be distinctly understood that there is no reservation for Non Residents including Eligible NRIs, FIIs and FVCIs and all Non Residents will be treated on the same basis as other categories for the purpose of allocation.

As per the RBI regulations, OCBs cannot participate in this Issue.

The Equity Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, “U.S. persons” (as defined in Regulation S under the U.S. Securities Act), except pursuant to an exemption from, or in a transaction not subject to the registration requirements under the U.S. Securities Act. Accordingly, the Equity Shares are only being offered or sold (i) in the United States to “qualified institutional buyers” as defined in Rule 144A under the U.S. Securities Act, and (ii) outside the United States to certain Persons in offshore transactions in compliance with Regulation S under the U.S. Securities Act and the applicable laws of the jurisdictions where those offers and sales occur.

As per the current regulations, the following restrictions are applicable for investments by FIIs:

No single FII can hold more than 10% of the post-Issue paid-up capital of our Company. In respect of an FII investing in the Issue on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of the total issued capital of our Company in case such sub-account is a foreign corporate or an individual. The total holdings of FII / sub-accounts of FII put together cannot exceed 24% of the total issued capital of our Company. With the approval of the board of directors and the shareholders by way of a special resolution, the aggregate FII holding limit may be increased to 100%.

Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals, including approvals in terms of Regulation 15A(1) of the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations 1995, as amended (“FII Regulations”), an FII or its sub account (as defined under the FII Regulations) may issue, deal or hold, instruments issued overseas by a FII against securities held by it that are listed or proposed to be listed on any stock exchange in India (“Offshore Derivative Instrument”), only to persons that are regulated by an appropriate foreign regulatory authority (as defined under the FII Regulations). Such issuance is only permitted after compliance with “know your client” norms. The FII or sub-account is also required to ensure that no further issue or transfer of any Offshore Derivative Instrument issued by it is made to any persons that are not regulated by an appropriate foreign regulatory authority.

SECTION VIII: MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

Capitalized terms used in this section have the meaning that has been given to such terms in the Articles of Association of the Company

Pursuant to Schedule II of the Companies Act and the SEBI Guidelines, the main provisions of the Articles of Association of the Company are detailed below:

The following clauses numbers corresponding the numbers of the cited article in our Articles of Association

SHARE CAPITAL

3. Authorised Share Capital

The Authorised Share Capital of the Company is as per Clause V of the Memorandum of Association.

4. Shares at the Disposal of the Directors

Subject to the provisions of Section 81 of the Act and these Articles, the shares in the capital of the Company for the time being shall be under the control of the directors who may issue, allot or otherwise dispose of the same or any of them to such person, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provision of section 79 of the Act) at a discount and at such time as they may from time to time think fit and with sanction of the Company in the General Meeting to give to any person or persons the option or right to call for any shares either at par or premium during such time and for such consideration as the directors think fit, and may issue and allot shares in the capital of the Company on payment in full or part of any property sold and transferred or for any services rendered to the Company in the conduct of its business and any shares which may be deemed to be fully paid shares. Provided the option or right to call of shares shall not be given to any person or persons without the sanction of the Company in the General Meeting.

5. Increase of Capital

The Company at its General Meeting may, from time to time, by an Ordinary Resolution increase the capital by the creation of new shares, such increase to be of such aggregate amount and to be divided into shares of such respective amounts as the resolution shall prescribe. The new shares shall be issued on such terms and conditions and with such rights and privileges annexed thereto as the resolution shall prescribe, and in particular, such shares may be issued with a preferential or qualified right to dividends, and in the distribution of assets of the Company and with a right of voting at General Meeting of the Company in conformity with Section 87 of the Companies Act, 1956. Whenever the capital of the Company has been increased under the provisions of the Articles, the Directors shall comply with the provisions of Section 97 of the Act.

6. Reduction of Capital

The Company may, subject to the provisions of Sections 78, 80, 100 to 105 (both inclusive) and other applicable provisions of the Act from time to time, by Special Resolution reduce its capital and any Capital Redemption Reserve Account or Securities Premium Account in any manner for the time being authorized by law, and in particular, the capital may be paid off on the footing that it may be called up again or otherwise.

7. Sub-division and Consolidation of Shares

Subject to the provisions of Section 94 of the Act, the Company in General Meeting, may by an Ordinary Resolution from time to time

a) divide, sub-divide or consolidate its shares, or any of them, and the resolution whereby any share is sub-divided, may determine that as between the holders of the shares resulting from such sub-division one or more of such shares have some preference of special advantage as regards dividend capital or otherwise as compared with the others

b) cancel shares which at the date of such general meeting have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

8. New capital part of the existing capital

Except so far as otherwise provided by the conditions of the issue or by these presents any capital raised by the creation of new shares, shall be considered as part of the existing capital and shall be subject to the provisions herein contained, with reference to the payment of calls and installments, forfeiture, lien, surrender, transfer and transmission, voting and otherwise.

9. Power to issue Shares with differential voting rights

The Company shall have the power to issue Shares with such differential rights as to dividend, voting or otherwise, subject to the compliance with requirements as provided for in the Companies (Issue of Share Capital with Differential Voting Rights) Rules, 2001, or any other law as may be applicable.

10. Power to issue preference shares

Subject to the provisions of Section 80 of the Act, the Company shall have the powers to issue preference shares which are liable to be redeemed and the resolution authorizing such issue shall prescribe the manner, terms and conditions of such redemption.

11. Further Issue of Shares

a) Where at any time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further shares, either out of unissued capital or out of increased share capital, then

(i) Such further shares shall be offered to the persons who at the date of the offer, are holders of the equity shares of the Company in proportion as near as circumstances admit, to the capital paid up on those shares at that date.

(ii) Such offer shall be made by a notice specifying the number of shares offered and limiting a time not being less that thirty days from the date of offer within which the offer, if not accepted will be deemed to have been declined.

(iii) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to him or any of them in favour of any other person and the notice referred to in sub clause (b) hereof shall contain a statement of this right.

(iv) After the expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board may dispose of them in such manner as they think most beneficial to the Company.

b) Notwithstanding anything contained in sub-clause (a), the further shares aforesaid may be offered to any persons (whether or not those persons include the persons referred to in clause (i) of sub- clause (a) hereof) in any manner whatsoever.

(i) If a Special Resolution to that effect is passed by the Company in General Meeting, or

(ii) Where no such Special Resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in the general meeting (including the casting vote, if any, of the Chairman) by the members who, being entitled to do so, vote in person, or where proxies are allowed by proxy, exceed the votes, if any, cast against the proposal by members so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf that the proposal is most beneficial to the Company.

c) Nothing in sub-clause (iii) of (a) shall be deemed

(i) to extend the time within which the offer should be accepted; or

(ii) to authorize any person to exercise the right of renunciation for a second time, on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.

d) Nothing in this Article shall apply to the increase of the subscribed capital of the Company caused by the exercise of an option attached to the debentures issued or loans raised by the Company

(i) to convert such debentures or loans into shares in the Company; or

(ii) to subscribe for shares in the Company (whether such option is conferred in these Articles or otherwise).

PROVIDED THAT the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term

(i) either has been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with Rules, if any, made by that Government in this behalf; and

(ii) in the case of debentures or loans or other than debentures issued to or loans obtained from Government or any institution specified by the Central Government in this behalf, has also been approved by a special resolution passed by the Company in General Meeting before the issue of the debentures or raising of the loans.

12. Buy Back of Shares

Notwithstanding anything contained in these articles, but subject to the provisions of the Act and all other applicable provisions of the Law, as may be in force at any time and from time to time, the Company may acquire or purchase any of its fully paid or redeemable shares and may make payment out of funds at its disposal for and in respect of such acquisition / purchase on such terms and conditions at such times as the Board may in its discretion and deem fit and such acquisition / purchase shall not be construed as reduction of share capital of the Company.

13. Issue of sweat equity shares or shares under employees stock option scheme

Subject to the terms and conditions prescribed in section 79A of the Act and the rules and regulations prescribed in this connection may offer, the Board of Directors, issue and allot shares in the Capital of the Company as sweat equity shares or shares under the employees stock option scheme / employees stock option plan / employee stock purchase scheme and such other plans by whatever name called.

14. Consideration for Allotment

The Board of Directors may allot and issue shares of the Company as payment or part payment for any property purchased by the Company or in respect of goods sold or transferred or machinery or appliances supplied or for services rendered to the Company in or about the formation of the Company or the acquisition and or in the conduct of its business; and any shares which may be so allotted may be issued as fully/partly paid up shares and if so issued shall be deemed as fully / partly paid up shares.

15. Rights to convert loans into capital

Notwithstanding anything contained in clauses(s) above, but subject to the provisions of section 81(3) of the Act, the Company may increase its subscribed capital on exercise of an option attached to the debentures or loans raised by the Company to convert such debentures or loans into shares or to subscribe for shares in the Company.

UNDERWRITING & BROKERAGE

16. Commission for placing shares, debentures, etc.

a. Subject to the provisions of the Act, the Company may at any time pay a commission to any person for subscribing or agreeing to subscribe (whether absolutely of conditionally) for any shares, debentures, or debenture-stock of the Company or underwriting or procuring or agreeing to procure subscriptions (whether absolute or conditional) for shares, debentures or debenture-stock of the Company

b. The Company may also, in any issue, pay such brokerage as may be lawful.

LIEN

17. Company's lien on shares / debentures

The Company shall have a first and paramount lien upon all the shares / debentures (other that fully paid up shares / debentures) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at fixed time in respect of such shares / debentures, and no equitable interest in any shares shall be created except upon the footing and condition that this Articles is to have full effect and such lien shall extend to all dividends, bonuses and interest from time to time declared in respect of such shares / debentures. Unless otherwise agreed, the registration of a transfer of shares / debentures shall operate as a waiver of the Company's lien if any, on such shares / debentures. The Directors may at any time declare any shares / debentures wholly or in part to be exempt from provisions of this clause.

18. Enforcing lien by sale

For the purpose of enforcing such lien, the Board may sell the shares subject thereto in such manner as they think fit, and for that purpose may cause to be issued a duplicate certificate in respect of such shares and may authorize one of their members to execute a transfer thereof on behalf of and in the name of such member. No sale shall be made until such period as aforesaid shall have arrived and until notice in writing of the intention to sell have served on such member or his representative and default shall have been made by him or them in payment, fulfillment or discharge of such debts, liabilities or engagements for fourteen days after such notice.

19. Application of sale proceeds

The net proceeds of any such sale shall be received by the Company and applied in or towards payment of such part of the amount in respect of which the lien exists as is presently payable and the residue, if any, shall (subject to a lien for sums not presently payable as existed upon the shares before the sale) be paid to the person entitled to the shares at the date of the sale.

CALLS ON SHARES

20. Board to have right to make calls on shares

The Board may, from time to time, subject to the terms on which any shares may have been issued and subject to the conditions of allotment, by a resolution passed at a meeting of the Board (and not by circular resolution), make such call as it thinks fit upon the members in respect of all moneys unpaid on the shares held by them respectively and each member shall pay the amount of every call so made on him to the person or persons and the member(s) and place(s) appointed by the Board. A call may be made payable by installments.

Provided that the Board shall not give the option or right to call on shares to any person except with the sanction of the Company in General Meeting.

21. Notice for call

Fourteen days notice in writing of any call shall be given by the Company specifying the date, time and places of payment and the person or persons to whom such call be paid.

22. Call when made

The Board of Directors may, when making a call by resolution, determine the date on which such call shall be deemed to have been made not being earlier than the date of resolution making such call, and thereupon the call shall deemed to have been made on the date so determined and if no such date is so determined a call shall be deemed to have been made at the date when the resolution authorizing such call was passed at the meeting of the Board.

23. Liability of joint holders for a call

The joint-holders of a share shall be jointly and severally liable to pay all calls in respect thereof.

24. Board to extend time to pay call

The Board may, from time to time, at its discretion extend the time fixed for the payment of any call and may extend such time to all or any of the members. The Board may be fairly entitled to grant such extension, but no member shall be entitled to such extension, save as a matter of grace and favour.

25. Calls to carry Interest

If a member fails to pay any call due from him on the day appointed for payment thereof, or any such extension thereof as aforesaid, he shall be liable to pay interest on the same from the day appointed for the payment thereof to the time of actual payment at 5% per annum or such lower rate as shall from time to time be fixed by the Board but nothing in this Article shall render it obligatory for the Board to demand or recover any interest from any such member.

26. Dues deemed to be calls

Any sum, which as per the terms of issue of a share becomes payable on allotment or at a fixed date whether on account of the nominal value of the share or by way of premium, shall for the purposes of the Articles be deemed to be a call duly made and payable on the date on which by the terms of issue the same may become payable and in case of non payment all the relevant provisions of these Articles as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.

27. Partial payment not to preclude forfeiture

Neither a judgment nor a decree in favour of the Company for calls or other moneys due in respect of any shares nor any part payment or satisfaction thereof nor the receipt by the Company of a portion of any money which shall from time to time be due from any member in respect of any shares either by way of principal or interest nor any indulgence granted by the Company in respect of payment of such money shall preclude the forfeiture of such shares as herein provided.

28. Proof of dues in respect of share

At the trial or hearing of any action or suit brought by the Company against any Member or his representatives for the recovery of any money claimed to be due to the Company in respect of his share, it shall be sufficient to prove that the name of the Member in respect of whose shares the money is sought to be recovered appears entered on the Register of Members as the holder at or subsequently to the date at which the money sought to be recovered is alleged to have become due on the shares in respect of which such money is sought to be recovered; that the resolution making the call is duly recorded in the Minute Book; and that notice of such call was duly given to the Member or his representatives so sued in pursuance of these Articles; and it shall not be necessary to prove the appointment of the Directors who made such call, nor that a quorum of Directors was present at the Board at which any call was made, nor that the meeting at which any call was made, nor that the meeting at which any call was made was duly convened or constituted or nor any other matters whatsoever, but the proof of the matters aforesaid shall be conclusive evidence of the debt.

29. Payment in anticipation of call may carry interest

The Directors may, if they think fit, subject to the provisions of Section 92 of the Act, agree to and receive from any member willing to advance the same whole or any part of the moneys due upon the shares held by him beyond the sums actually called for, and upon the amount so paid or satisfied in advance, or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been made, the Company may pay interest at such rate, as the member paying such sum in advance and the Directors agree upon provided that money paid in advance of calls shall not confer a right to participate in profits or dividend. The Directors may at any time repay the amount so advanced.

The members shall not be entitled to any voting rights in respect of the moneys so paid by him until the same would but for such payment, become presently payable.

30. The provisions of these Articles shall mutatis mutandis apply to the calls on debentures of the Company.

FORFEITURE OF SHARES

31. Board to have right to forfeit shares

If a member fails to pay any call or installment of a call or any other sum or sums on the shares due and payable by such member, on or before the last day appointed for the payment thereof, the Board may at any time thereafter during such time as the call or any part of such call or installment of sums remain unpaid, serve a notice on him or on the person (if any) entitled to shares by transmission requiring payment of so much of the amount as is unpaid together with any interest which may have accrued thereon. The Board may accept in the name of and for the benefit of the Company and upon such terms and conditions as may be agreed, the surrender of any shares liable to forfeiture and in so far as the law permits, of any other shares.

32. Notice of forfeiture of shares

The notice shall name the place or places on and at which, and a further day (not earlier than the expiration of fourteen days from the date of the notice) on or before which the payment required by the notice is to be made. The notice shall detail the amount which is due and payable on the shares and shall state that in the event of non-payment at or before the time appointed the shares will be liable to be forfeited.

33. Effect of forfeiture

If the requirements of any such notice as aforesaid are not complied with, any of the shares in respect of which such notice has been given may, at any time thereafter before payment of all calls or installment, interest and expenses or other money due in respect thereof, be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends and bonus declared in respect of the forfeited shares and not actually paid before the forfeiture.

34. Notice to member after forfeiture of shares

When any share shall have been so forfeited, notice of the forfeiture shall be given to the member on whose name it stood immediately prior to the forfeiture and any entry of the forfeiture with the date thereof, shall forthwith be made in the Register of Member, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make any such entry as aforesaid.

35. Forfeited share to be the property of the Company

A forfeited or surrendered share may be sold or otherwise disposed off on such terms and in such manner as the Board may think fit and any time before a sale or disposition, the forfeiture may be annulled on such terms as the Board may think fit.

36. Member to be liable even after forfeiture

Any member whose shares have been forfeited shall, notwithstanding the forfeiture, be liable to pay and shall forthwith pay to the Company, all calls, installments, interest, expenses and other moneys owing upon or in respect of such shares at the time of the forfeiture together with interest thereon from the time of forfeiture until payment, at such rate as the Board may determine, and the Board may enforce the payment of the whole or a portion thereof if they think fit but shall not be under any obligation, to do so.

37. Claims against the Company to extinguish on forfeiture

The forfeiture of a share involves extinction, at the time of the forfeiture of all interest in and all claims and demands against the Company, in respect of the shares and all other rights incidental to the share, except only such of those rights as by these Articles expressly saved.

38. Evidence of forfeiture

A duly verified declaration in writing that the declarant is a Director or Secretary of the Company, and that a share in the Company has been duly forfeited in accordance with these Articles on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the shares**.**

39. Effecting sale of shares

Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers hereinafter given, the Board may appoint some person to execute an instrument of transfer of the shares sold, cause the purchaser's name to be entered in the register in respect of the share sold, and the purchaser shall not be bound to see to the regularity of the proceedings or to the application of the purchase money, and after his name has been entered in the Register in respect of such shares, the validity of the sale shall not be impeached by any person.

40. Certificate of forfeited shares to be void

Upon any sale, re-allotment or other disposal under the provisions of the preceding Articles, the certificate or certificates originally issued in respect of the relevant shares shall (unless the same shall on demand by the Company have been previously surrendered to it by the defaulting member) stand cancelled and become null and void and have no effect and the Directors shall be entitled to issue a new certificate or certificates in respect of the said shares to the person or persons entitled thereto.

41. Board entitled to cancel forfeiture

The Board, may at any time before any share so forfeited have them sold, re-allotted or otherwise disposed of, cancel the forfeiture thereof upon such conditions at it thinks fit.

TRANSFER AND TRANSMISSION OF SHARES

42. Register of Transfers

The Company shall keep a "Register of Transfers" and therein shall be fairly and distinctly entered particulars of every transfer or transmission of any shares.

43. Directors may refuse to register transfer

Subject to the provisions of Section 111A of the Act, these Articles and any other applicable provisions of the Act or any other law for the time being in force, the Board may, refuse whether in pursuance of any power of the Company under these Articles or otherwise, to register the transfer of, or the transmission by operation of law of the right to, any shares or interest of a member in shares or debentures of the Company. The Company shall within one month from the date on which the instrument of transfer or intimation of such transmission as the case may be was delivered to the Company, send notice of the refusal to the transferee and transferor or to the person giving intimation of such transmission as the case may be, giving reasons for such refusals. Provided that the registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except when the Company has a lien on the shares.

Transfer of shares / debentures shall not be refused on the ground that the number of shares sought to be transferred are not in a particular number or lot.

44. Endorsement of Transfer

In respect of any transfer of shares registered in accordance with the provisions of these Articles, the Board may, at their discretion, direct an endorsement of the transfer and the name of the transferee and other particulars on the existing share certificate and authorize any Director or officer of the Company to authenticate such endorsement on behalf of the Company or direct the issue of a fresh share certificate, in lieu of and in cancellation of the existing certificate in the name of the transferee.

45. Instrument of Transfer

Subject to the provisions of Section 108 of the Act, the instrument of transfer of any share in the Company shall be in writing and all provisions of Section 108 of the Act and statutory modification thereof for the time being shall be duly complied with in all respect of all transfer of shares and registration thereof.

The said instrument shall be duly executed by the transferor and the transferee; and the transferor shall be deemed to remain holder of the shares until the name of the transferee is entered in the Register of Members in respect thereof. The instrument of transfer shall be presented in the manner prescribed under Section 108 of the Act or any statutory modification thereof. Company shall not charge any transfer fee for registering transfer of shares. The Company shall use a common form of transfer for all classes of shares.

46. Executing transfer instrument

Every such instrument of transfer shall be executed both by the transferor and the transferee and the transferor shall be deemed to remain holder of the shares until the name of the transferee is entered in the register of members in respect thereof. The instrument of transfer shall be in respect same class of shares and should be in the form prescribed under the Act.

47. Instrument of transfer to be stamped

Every instrument of transfer shall be presented to the Company duly stamped for registration, accompanied by such evidence as the Board may require to prove the title of the transferor his right to transfer the shares and every registered instrument of transfer shall remain in the custody of the Company until destroyed by order of the Board.

48. Closing Register of Transfers and of Members

The Board shall be empowered, on giving not less than seven days notice by advertisement in a newspaper circulating in the district in which our Registered Office is situated, to close the transfer books, the register of members, the register of debenture holders at such time or times, and for such period or periods, not exceeding thirty days at a time and not exceeding in the aggregate forty-five days in each year as it may seem expedient.

49. Transfer of partly paid shares

Where in the case of partly paid shares, an application for registration is to be made by the transferor, the Company shall give notice of the application to the transferee in accordance with the provisions of Section 110 of the Act.

50. Title to shares of deceased members

The executors or administrators or holders of a Succession Certificate or the legal representatives of a deceased member (not being one or two joint holders) shall be the only person recognized by the Company as having any title to the shares registered in the name of such member, and the Company shall be bound to recognize such executors or administrators or holders of a Succession Certificate or the legal representatives shall have first obtained Probate holders or Letter of Administration or Succession Certificate as the case may be, from a duly constituted Court in the Union of India. Provided that in any case where the Board in its absolute discretion, thinks fit, the Board may dispense with the production of Probate or Letter of Administration or Succession Certificate, upon such terms as to indemnity or otherwise as the Board in its absolute discretion may think necessary and register the name of any person who claims to be absolutely entitled to the shares standing in the name of a deceased member as a member

51. Transfers not permitted

No share shall in any circumstances be transferred to any infant, insolvent or person of unsound mind, except fully paid shares through a legal guardian.

52. Transmission of shares

Subject to the provisions of these presents, any person becoming entitled to shares in consequence of the death, lunacy, bankruptcy or insolvency of any members, or by any lawful means other than by a transfer in accordance with these Articles may, with the consent of the Board (which it shall not be under any obligation to give), upon producing such evidence as the Board thinks sufficient, that he sustains the character in respect of which he proposes to act under this Articles, or of his title, either be registering himself as the holder of the shares or elect to have some person nominated by him and approved by the Board, registered as such holder, provided, nevertheless, if such person shall elect to have his nominee registered, he shall testify that election by executing in favour of his nominee an instrument of transfer in accordance with the provision herein contained and until he does so he shall not be freed from any liability in respect of the shares.

53. Rights on Transmission

A person entitled to a share by transmission shall, subject to the Directors right to retain such dividends or money as hereinafter provided, be entitled to receive and may give discharge for any dividends or other moneys payable in respect of the share.

54. Share Certificates to be surrendered

Before the registration of a transfer, the certificate or certificates of the share or shares to be transferred must be delivered to the Company along with (save as provided in Section 108) properly stamped and executed instrument of transfer.

55. No fee on Transfer or Transmission:

No fee shall be charged for registration of transfer, transmission, probate, succession certificate and letters of administration, certificate of death or marriage, power of attorney or similar other document.

56. Company not liable to notice of equitable rights

The Company shall incur no liability or responsibility whatever in consequence of its registering or giving effect to any transfer of shares made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the register of members) to the prejudice of persons having or claiming any equitable rights, title or interest in the said shares, notwithstanding that the Company may have had notice of such equitable rights referred thereto in any books of the Company and the Company shall not be bound by or required to regard or attend to or give effect to any notice which may be given to it of any equitable rights, title or interest or be under any liability whatsoever for refusing or neglecting to do so, though it may have been entered or referred to in some book of the Company but the Company shall nevertheless be at liberty to regard and attend to any such notice and give effect thereto if the Board shall so think fit.

SHARE WARRANTS

57. Rights to issue share warrants

a. The Company may issue share warrants subject to, and in accordance with provisions of Section 114 and 115 of the Act.

b. The Board may, in its discretion, with respect to any share which is fully paid up on application in writing signed by the person registered as holder of the share, and authenticated by such evidence, if any as the Board may from time to time require as to the identity of the person signing the application, and the amount of the stamp duty on the warrant and such fee as the Board may from time to time require having been paid, issue a warrant.

58. Rights of warrant holders

a. The bearer of the share warrant may at any time deposit the warrant at the office of the Company, and so long as the warrant remains so deposited, the depositor shall have the same right to signing a requisition, for calling a meeting of the Company, and of attending, and voting and exercising other privileges of a member at any meeting held after the expiry of two clear days from time of the deposit, as if his name were inserted in the Register or Members as the holder of the shares included in the deposited warrant.

b. Not more than one person shall be recognized as the depositor of the share warrant.

c. The Company shall, on two days written notice, return the deposited share warrant to the depositor.

59.

a. Subject as herein otherwise expressly provided, no person shall, as bearer of a share warrant, sign a requisition for calling a meeting of the Company, or attend, or vote or exercise any other privileges of a member at a meeting of the Company, or be entitled to receive any notice from the Company.

b. The bearer of a share warrant shall be entitled in all other respects to the same privileges and advantages as if he were named in the Register of Members as the holder of the shares included in the warrant, and he shall be member of the Company.

60. Board to make rules

The Board may, from time to time, make rules as to the terms on which it shall think fit, a new share warrant or coupon may be issued by way of renewal in case of defacement, loss or destruction.

CONVERSION OF SHARES INTO STOCK

61. The Company may, by ordinary resolution

a. Convert any paid-up shares into stock; and

b. Reconvert any stock into paid-up shares of any denomination.

62. The holders of stock may transfer the same or any part thereof in the same manner as and subject to the same regulations under which, the shares from which the stock arose might before the conversion have been transferred, or as near thereto as circumstances admit.

Provided that the Board may, from time to time, fix the minimum amount of stock transferable, so however that such minimum shall not exceed the nominal amount of the shares from which the stock arose.

63. The holders of stock shall, according to the amount of stock held by them, have the same rights, privileges and advantages as regards dividends, voting at meetings of the Company, and other matters, as if they held the shares from which the stock arose; but no such privilege or advantage (except participation in the dividends and profits of the Company and in the assets on winding up) shall be conferred by an amount of stock which would not, if existing in shares, have conferred that privilege or advantage.

64. Such of the regulations of the Company (other than those relating to share warrants), as are applicable to paid-up shares shall apply to stock and the words "share" and "shareholder" in those regulations shall include "stock" and "stockholder" respectively.

SHARES AND SHARE CERTIFICATES

81. Issue of share certificate by the Company at any time shall be in accordance with the provisions of the Act and the Rules made there under.

82. Allotment on application to be acceptance of shares

Any application signed by or on behalf of an applicant for shares in the Company followed by an allotment of any share therein, shall be an acceptance of shares within the meaning of these Articles, and every person who thus or otherwise accepts any shares and whose name is on the register, shall, for the purpose of these articles, be a Member.

83. Returns on allotments to be made or Restrictions on Allotment

The Board shall observe the restrictions as regards allotment of shares to the public contained in Section 69 and 70 of the Act and as regards return on allotments, the Directors shall comply with Section 75 of the Act.

84. Money due on shares to be a debt to the Company

The money (if any) which the Board shall, on the allotment of any shares being made by them, require or direct to be paid by way of deposit, call or otherwise in respect of any shares allotted by them, shall immediately on the inscription of the name of allottee in the Register of Members as the name of the holder of such shares become a debt due to and recoverable by the Company from the allottee thereof, and shall be paid by him accordingly.

85. Members or heirs to pay unpaid amounts

Every Member or his heirs executors or administrators shall pay to the Company the portion of the capital represented by his share or shares which may, for the time being remain unpaid thereon, in such amounts, at such time or times and in such manner, as the Board shall from time to time, in accordance with the Company's regulations require or fix for the payment thereof.

86. The Company shall cause to be kept a Register and Index of Members in accordance with the provisions of Section 150 and 151 of the Act.

87. The Company shall be entitled to keep in any state or country outside India a branch Register of Members resident in that state or country.

88. The shares in the Capital shall be numbered progressively according to their several denominations. Every forfeited or surrendered share shall continue to bear the same number by which the same was originally distinguished.

89. Subject to the provisions of the Act and these Articles, shares may be registered in the name or names of any person or persons, Company or other body corporate.

90. Shares held jointly

a. Where two or more persons are registered as the holders of any share, they shall be deemed to hold the same as joint tenants with benefits of survivorship subject to the following and other provisions contained in these Articles.

b. The Company shall be entitled to decline to register more than three persons as the holders of any share.

c. The joint holders of any share shall be liable, severally as well as jointly, for and in respect of all calls and other payments which ought to be made in respect of such shares.

d. On the death of any such joint holder, the survivor or survivors shall be the only person or persons recognised by the Company as having any title to the share, but the Directors may require such evidence of deaths as they may deem fit and nothing herein contained shall be taken to release the estate on the deceased joint holder from any liability on shares held by him jointly with any other person.

e. Any such joint holders may give effectual receipts for any dividends or other moneys payable in respect of such shares.

f. Only the person whose name stands in the Register of Members as the first of the joint holders of any shares shall be entitled to delivery of the certificate relating to such share or to receive notices from the Company, and any notice given to such person shall be deemed proper notice to all joint holders.

g. Any one of two or more joint holders may vote at any meeting personally or by proxy in respect of such shares as if he were solely entitled thereto, and if more than one of such joint holders be present at any meeting personally or by proxy, the holder whose name stands first or higher (as the case may be) on the Register of Members in respect of such share shall alone be entitled to vote in respect thereof.

PROVIDED always that a person present at any meeting personally shall be entitled to vote in preference to a person present by proxy.

91. A certificate under the Common Seal of the Company, specifying any shares held by any member shall be prima facie evidence of title of the member to such shares.

92. Responsibilities to maintain records

The Managing Director of the Company for the time being or if the Company has no Managing Director, every Director of the Company shall be responsible for maintenance, preservation and safe custody of all books and documents relating to the issue of share certificates.

93. Limitation of time for issue of Certificates

Every member shall be entitled, without payment to one or more certificates in marketable lots, for all the shares of each class or denomination registered in his name, or if the directors so approve (upon paying such fee as the Directors so time determine) to several certificates, each for one or more of such shares and the Company shall complete and have ready for delivery such certificates within three months from the date of allotment, unless the conditions of issue thereof otherwise provide, or within two months of the receipt of application of registration of transfer, transmission, sub-division, consolidation or renewal of any of its shares as the case may be. Every certificate of shares shall be under the seal of the Company and shall specify the number and distinctive numbers of shares in respect of which it is issued and amount paid-up thereon and shall be in such form as the directors may prescribe and approve, provided that in respect of a share or shares held jointly by several persons, the Company shall not be bound to issue more than one certificate and delivery of a certificate of shares to one or several joint holders shall be a sufficient delivery to all such holders.

94.

A. Issue of new certificate in place of one defaced, lost or destroyed or Renewal of Certificates

If any certificate be worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer, then upon production and surrender thereof to the Company, a new certificate may be issued in lieu thereof, and if any certificate lost or destroyed then upon proof thereof to the satisfaction of the Company and on execution of such indemnity as the Company deem adequate, being given, a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed Certificate. Every certificate under the article shall be issued without payment of fees if the Directors so decide or on payment of such fees (not exceeding Rs. 2 for each certificate) as the Directors shall prescribe. Provided that no fee shall be charged for issue of new certificates in replacement of those which are old, defaced or worn out or where there is no further space on the back thereof for endorsement of transfer.

Provided that notwithstanding what is stated above the Directors shall comply with such rules or regulations or requirements of any Stock Exchange or the rules made under the Act or rules made under Securities Contracts (Regulation) Act, 1956 or any other Act, or rules applicable thereof in this behalf.

The provision of this Article shall mutates mutandis apply to debentures of the Company.

B. Renewal of Share Certificate

When a new share certificate has been issued in pursuance of clause (A) of this Article, it shall state on the face of it and against the stub or counterfoil to the effect that it is issued in lieu of share certificate No…………. sub-divided / replaced on consolidation of shares.

C. When a new certificate has been issued in pursuance of clause (A) of this Article, it shall state on the face of it against the stub or counterfoil to the effect that it is duplicate issued in lieu of share certificate No……. The word 'Duplicate' shall be stamped or punched in bold letters across the face of the share certificate and when a new certificate has been issued in pursuance of clauses (A), (B) and (C) of this Article, particulars of every such share certificate shall be entered in a Register of Renewed and Duplicate Certificates indicating against it, the names of the persons to whom the certificate is issued, the number and the necessary changes indicated in the Register of Members by suitable cross references in the "remarks" column.

D. All blank forms, share certificates shall be printed only on the authority of a resolution duly passed by the Board.

95. Subject to Section 84 of the Act and the rules made there under and subject to all other applicable provisions, guidelines on the subject and the listing agreement that the Company may enter into with one or more stock exchange or stock exchanges, where any share / debenture under the powers of the Company in that behalf herein contained is sold by the Board and the certificate in respect thereof has not been delivered up to the Company by the former holder of such share / debenture, the Board may issue a new certificate for such share / debenture distinguishing it in such manner as it may think fit from the certificate not so delivered up.

INTEREST OUT OF CAPITAL

98. Where any shares are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings or the provisions of any plant which cannot be made profitable for a lengthy period, the Company may pay interest on so much of that share capital as is for the time being paid up, for the period and subject to the conditions and restrictions provided by Section 208 of the Act and may charge the same to capital as part of the cost of construction of the work or building or the provisions of the plant.

DEBENTURE

99. Term of Issue of Debenture

Any debentures, debenture stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination, and with any privileges and conditions as to redemption, surrender, drawing, allotment of share and attending (but not voting) at General Meeting, appointment of Directors and otherwise, Debentures with the right to Conversion into or allotment of shares shall be issued only with the consent of the Company in General Meeting accorded by a special resolution.

100. Assignment of debentures

Such debentures, debenture-stock, bonds or other securities may be assignable free from any equities between the Company and the person to whom the same may be issued.

101. Debenture Directors

Any Trust Deed for securing debentures or debenture stock may if so arranged provide for the appointment from time to time by the trustee thereof or by the holders of debentures or debenture stock of some person to be a Director of the Company and may empower such trustee or holders of debentures or debenture stock from time to time to remove any Directors so appointed. A Director appointed under this Article is herein referred to as a "Debenture Director" and the Debenture Director means a Director for the time being in office under this Article. A Debenture Director shall not be bound to hold any qualification shares, shall not be liable to retire by rotation or be removed by the Company. The Trust Deed may contain such ancillary provisions as may be arranged between the Company and the Trustees and all such provision shall have effect notwithstanding any of the other provisions herein contained.

102. The provisions herein contained relating to transfer and transmission shall also apply to debentures in the same manner as they apply to shares.

103. Register of Charges

The Directors shall cause a proper register to be kept, in accordance with the Act, of all mortgages and charges specifically affecting the property of the Company and shall duly comply with the requirements of the Act in regard to the registration of mortgages and charges therein specified.

104. Subsequent assigns of uncalled capital

Where any uncalled capital of the Company is charged, all persons taking any subsequent charge thereon shall take the same, subject to such prior charges and shall not be entitled to obtain priority over such prior charge.

GENERAL MEETINGS

105. Annual General Meetings

The Company shall, in addition to any other meetings hold a General Meeting which shall be called as its Annual General Meeting, at the intervals and in accordance with the provisions of the Act.

106. Extraordinary General Meetings

The Board may, whenever it thinks fit, convene an Extraordinary General Meeting at such date, time and at such place as it deems fit, subject to such directions if any, given by the Board.

107. Extraordinary Meetings on requisition

The Board shall on, the requisition of members convene an Extraordinary General Meeting of the Company in the circumstances and in the manner provided under Section 169 of the Act.

108. Notice for General Meetings

All General Meetings shall be convened by giving not less than twenty- one days notice excluding the day on which the notice is served or deemed to be served (i.e. on expiry of 48 hours after the letter containing the same is posted) and the date of the meeting, specifying the place and hour of the meeting and in case of any special business proposed to be transacted, the nature of that business shall be given in the manner mentioned in Section 173 of the Act. Notice shall be given to all the shareholders and to such persons as are under Act and / or these Articles entitled to receive such notice from the Company but any accidental omission to give notice to or non-receipt of the notice by any member shall not invalidate the proceedings of any General Meeting.

109. Shorter Notice admissible

With the consent of all the members entitled to vote, at an Annual General Meeting or with the consent of the members holding 95 percent of such part of the paid-up share capital of the Company as gives a right to vote thereat, any General Meeting may be convened by giving a shorter notice than twenty one days.

110. Special and Ordinary Business

(a) All business shall be deemed special that is transacted at an Extraordinary General Meeting and also that is transacted at an Annual General Meeting with the exception of sanctioning of dividend, the consideration of the accounts, balance sheet and the reports of the Directors and Auditors, the election of Directors in place of those retiring by rotation and the appointment of and the fixing up of the remuneration of the auditors.

(b) In case of special business as aforesaid, an explanatory statement as required under Section 173 of the Act shall be annexed to the notice of the meeting.

111. Quorum for General Meeting

Five members or such other number of members as the law for the time being in force prescribes, entitled to be personally present shall be quorum for a General Meeting and no business shall be transacted at any General Meeting unless the requisite quorum is present at the commencement of the meeting.

112. Time for quorum and adjournment

If within half an hour from the time appointed for a meeting a quorum is not present, the meeting, if called upon the requisition of members, shall be dissolved and in any other case, it shall stand adjourned to the same day in the next week at the same time and place and if at the adjourned meeting also a quorum is not present within half an hour from the time appointed for the meeting, the members present shall be quorum.

113. Chairman of General Meeting

The Chairman, if any, of the Board of Directors shall preside as Chairman at every General Meeting of the Company.

114. Election of Chairman

If there is no such Chairman or if at any meeting he is not present within fifteen minutes after the time appointed for holding the meeting or is unwilling to act as Chairman, the members present shall choose another Director as Chairman and if no Director is present or if all the Directors decline to take the chair then the members present shall choose from themselves to be the Chairman for that meeting.

115. Adjournment of Meeting

The Chairman may, with the consent given in the meeting at which a quorum is present (and shall if so directed by the meeting) adjourn that meeting from time to time and from place to place but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When the meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as nearly as may be in the case of an original meeting. Save as aforesaid it shall not be necessary to give any notice of adjournment of the business to be transacted at an adjourned meeting.

116. Voting at Meeting

At any General Meeting, a resolution put to the vote at the meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands) is demanded in accordance with the provisions of Section 179 of the Act. Unless a poll is so demanded, a declaration by the Chairman that the resolution had, on a show of hands been carried unanimously or by a particular majority or lost and an entry to that effect in the book of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against that resolution.

117. Decision by poll

If a poll is duly demanded, it shall be taken in such manner as the Chairman directs and the results of the poll shall be deemed to be the decision of the meeting on the resolution in respect of which the poll was demanded.

118. Casting vote of Chairman

In case of equal votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a second or a casting vote in addition to the vote or votes to which he may be entitled to as a member.

119. Poll to be immediate

a. A poll demanded on the election of Chairman or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at such time not later than forty eight hours from the time of demand as the Chairman of the meeting directs.

b. A demand for a poll shall not prevent the continuance of a Meeting of the transaction of any business other than that on which a poll has been demanded. The demand for a poll may be withdrawn.

120. Passing resolutions by Postal Ballot

(a) Notwithstanding any of the provisions of these Articles the Company may, and in the case of resolutions relating to such business as notified under the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001 to be passed by postal ballot, shall get any resolution passed by means of a postal ballot, instead of transacting the business in the general meeting of the Company.

(b) Where the Company decides to pass any resolution by resorting to postal ballot, it shall follow the procedures as prescribed under section 192A of the Act and the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001, as amended from time.

VOTE OF MEMBERS

121. Voting rights of Members

a. On a show of hands every member holding equity shares and present in person shall have one vote.

b. On a poll, every member holding equity shares therein shall have voting rights in proportion to his shares of the paid up equity share capital.

c. On a poll, a member having more than one vote, or his proxy or other persons entitled to vote for him need not use all his votes in the same way.

122. Voting by joint-holders

In the case of joint-holders the vote of the first named of such joint holders who tender a vote whether in person or by proxy shall be accepted to the exclusion of the votes of other joint holders.

123. No right to vote unless calls are paid

No member shall be entitled to vote at any General Meeting unless all calls or other sums presently payable by him have been paid, or in regard to which the Company has lien and has exercised any right of lien.

124. Proxy

On a poll, votes may be given either personally or by proxy.

125. Instrument of proxy

The instrument appointing a proxy shall be in writing under the hand of appointer or of his attorney duly authorized in writing or if appointed by a Corporation either under its common seal or under the hand of its attorney duly authorized in writing. Any person whether or not he is a member of the Company may be appointed as a proxy.

The instrument appointing a proxy and Power of Attorney or other authority (if any) under which it is signed must be deposited at the registered office of the Company not less than forty eight hours prior to the time fixed for holding the meeting at which the person named in the instrument proposed to vote and in default the instrument of proxy shall not be treated as valid.

126. The form of proxy shall be two way proxy as given in Schedule IX of the Act enabling the share holder to vote for/against any resolution.

127. Validity of proxy

A vote given in accordance with the terms of an instrument of proxy shall be valid, notwithstanding the previous death of or insanity of the principal or the revocation of the proxy or of the authority under which the proxy was executed or the shares in respect of revocation or transfer shall have been received by the Company at its office before the commencement of the meeting or adjourned meeting at which the proxy is used.

128. Corporate Members

Any Corporation which is a member of the Company may, by resolution of its Board of Director or other governing body, authorize such person as it thinks fit to act as its representative at any meeting of the Company and the said person so authorized shall be entitled to exercise the same powers on behalf of the Corporation which he represents as that Corporation could have exercised if it were an individual member of the Company.

DIRECTORS

129. Until otherwise determined by a General Meeting, the number of Directors shall not be less than THREE and shall be not more than TWELVE, including all kinds of Directors.

130. A Director shall not be required to hold any qualification shares.

131. The Board of Directors shall have power at any time and from time to time to appoint one or more persons as Additional Directors provided that the number of Directors and Additional Directors together shall not exceed the maximum number fixed. An Additional Director so appointed shall hold office upto the date of the next Annual General Meeting of the Company and shall be eligible for re-election by the Company at that Meeting.

132. Subject to the provision of 262 and 264, the Board shall have power at any time and from time to time to appoint any other qualified person to be a director to fill a casual vacancy. Any person so appointed shall hold office only upto the date which the Director in whose place he is appointed would have held office if it had not been vacated by him.

133. In accordance with the provisions of the Act, the Board of Directors may appoint any individual to be an Alternate Director during the absence from the State in which the meetings of the Board are ordinarily held;

provided such appointee whilst he holds office as an Alternate Director shall be entitled to notice of all the meetings of the Board and to attend and vote thereat and on all resolutions proposed by circulation.

134. Equal power to all the Directors

Except as otherwise provided in these Articles, all the Directors of the Company shall have in all matters equal rights and privileges and be subject to equal obligations and duties in respect of the affairs of the Company.

ROTATION AND RETIREMENT OF DIRECTOR

135. One-third of Directors to retire every year

At the Annual General Meeting of the Company to be held in every year, one third of such of the Directors as are liable to retire by rotation for time being, or, if their number is not three or a multiple of three then the number nearest to one third shall retire from office, and they will be eligible for re-election. Provided nevertheless that the Managing Director, Executive or Whole time Director, appointed or the Directors appointed as a Debenture Director under Articles hereto shall not retire by rotation under this Article nor shall they be included in calculating the total number of Directors of whom one third shall retire from office under this Article.

136. Retiring Directors eligible for re-election

A retiring Director shall be eligible for re-election and the Company, at the Annual General Meeting at which a Director retires in the manner aforesaid may fill up the vacated office by electing a person thereto.

137. Which Director to retire

The Directors to retire in every year shall be those who have been longest in office since their last election, but as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lots.

138. Retiring Director to remain in office till successors appointed

Subject to the provisions of the Act, if at any meeting at which an election of Directors ought to take place, the place of the vacating Director(s) is not filled up and the meeting has not expressly resolved not to fill up the vacancy and not to appoint the retiring director, the meeting shall stand adjourned till the same day in the next week at the same time and place or if that day is a public holiday till the next succeeding day which is not a public holiday at the same time and place, and if at the adjourned meeting the place of the returning Director(s) is not filled up and the meeting has also not expressly resolved not to fill up the vacancy, then the retiring Director(s) or such of them as have not had their places filled up shall be deemed to have been reappointed at the adjourned Meeting

139. The Company may from time to time, in General Meeting increase or reduce the number of Directors subject to approval by the Central Government in case of an increase over the limit prescribed by Section 259 of the Act.

140. Power to remove Director by ordinary resolution

Subject to the provisions of the Act, the Company may by an ordinary resolution in General Meeting remove any Director before the expiration of his period of office and may, by an ordinary resolution, appoint another person instead; the person so appointed shall be subject to retirement at the same time as if he had become a Director on the day on which the Director in whose place he is appointed was last elected as Director.

141. Right of persons other than retiring Directors to stand for Directorship

A person not being a retiring Director shall be eligible for appointment to the office of a Director at any General Meeting if he or some other member intending to propose him as a Director not less than 14 days before the meeting has left at the office of the Company, a notice in writing under his hand signifying his candidature for the office of the Director or the intention of such member to propose him as a candidate for that office as the case may be, along with the prescribed deposit amount which shall be refunded to such person or as the case may be, to such member if the person succeeds in getting elected as Directors.

142. Subject to the provisions of Section 297, 299, 300, 302 and 314 of the Act, the Directors shall not be disqualified by reason of his or their office as such from contracting with the Company either as vendor, purchaser, lender, agent, broker, lessor or otherwise nor shall any such contract, or arrangement entered into by or on behalf of the Company with such Director or with any Company or partnership in which he shall be a member or otherwise interested be avoided nor shall any Director so contracting or being such member or so interested be liable to account to the Company for any profit realized by such contract or arrangement by reason only of such Director holding that office or of fiduciary relation thereby established but the nature of the interest must be disclosed by him or them at the meeting of Directors at which the contract or arrangement is determined if the interest then exists or in any other case at the first meeting of the Directors after the acquisition of the interest.

143. Directors not liable for retirement

The Company in General Meeting may, when appointing a person as a Director declare that his continued presence on the Board of Directors is of advantage to the Company and that his office as Director shall not be liable to be determined by retirement by rotation for such period until the happening of any event of contingency set out in the said resolution.

144. Director for subsidiary Company

Directors of this Company may be or become a Director of any Company promoted by this Company or in which it may be interested as Vendor, Shareholder or otherwise and no such Director shall be accountable for any benefits received as a Director or member of such Company.

145. The Board shall be entitled to appoint any one or more of them as Technical/ Financial/ Managing/ Special/ Executive/ Whole-Time Director/such other Designated Whole-Time Directors whose terms of appointment shall be as may be as decided by the Board, subject to the provisions of the Act.

146. Nominee Director

In case the Company enters into any agreement with the Central Government or State Government or Financial Institution or with any Institution for providing financial assistance by way of loan, subscription to debentures, providing any guarantee or underwriting or subscription to shares of the Company, subject to the provisions of Section 255 of the Act, such agreement may contain a clause that such Government or Financial Institution or Institutions shall have the right to appoint or nominate by notice in writing addressed to the Company one or more Directors on the Board of Directors of the Company till the period of satisfaction of debt and upon such conditions as may be mentioned in the agreement and such Director/s shall not be liable to retire by rotation nor be required to hold any qualification shares.

POWERS AND DUTIES OF BOARD OF DIRECTORS

147. The business of the Company shall be managed by the Board, who may exercise all such powers of the Company as are not, by the Act or any statutory modifications thereof for the time being in force or by these Articles, require to be exercised by the Company in General Meeting subject nevertheless to any regulation of these Articles or to the provision of the said Act and so such regulations being not inconsistent with the aforesaid regulations or provisions as may be prescribed by the Company in General Meeting; but no regulations made by the Company in General Meetings, shall invalidate any prior act of the Board which would have been valid if the regulation had not been made.

148. Any branch or kind of business which by the Memorandum of Association of the Company or by these presents is expressly or by implication authorised to be undertaken by the Company may be undertaken by the Board at such time or times as they shall think fit and further may be kept by them in abeyance whether such branch or kind of business may have been actually commenced or not so long as the Board may deem it expedient not to commence or proceed with such branch or kind of business.

149. Subject to Section 292 of the Act, the Board may delegate all or any of its powers to any Directors jointly or severally or to any one Director or a Committee of Directors or to any other person at their discretion. Every resolution delegating the power set out under Section 292 of the Act shall specify the total amount up to which moneys may be borrowed from or invested into or maximum amount of loans which may be made there under.

150. The Board may appoint at any time and from time to time by a power of attorney under the Company's seal, any person to be the attorney of the Company for such purposes and with such authorities and discretions not exceeding those vested in or exercisable by the Board in these Articles and for such period and subject to such conditions as the Board may from time to time think fit and any such Power of Attorney may contain such provisions for the protection and convenience of persons dealing with such Attorney as the Board may think fit.

PROCEEDINGS OF BOARD OF DIRECTORS

151. Meetings of the Board

a) The Board of Directors shall meet at least once in every three calendar months for the dispatch of business, adjourn and otherwise regulate its meetings and proceedings as it thinks fit provided that at least four such meetings shall be held in every year.

b) The Managing Director may, at any time summon a meeting of the Board and the Managing Director or a Secretary or a person authorised in this behalf on the requisition of Director shall at any time summon a meeting of the Board. Notice in writing of every meeting of the Board shall be given to every Director for the time being in India, and at his usual address in India to every other Director.

152. Quorum

The quorum for a meeting of the Board shall be one-third of its total strength (any fraction contained in that one-third being rounded off as one) or two Directors whichever is higher, provided that where at any time the number of interested Directors is equal to or exceeds two-thirds of total strength, the number of remaining Directors, that is to say the number of Directors who are not interested, present at the meeting being not less than two, shall be the quorum during such time. The total strength of the Board shall mean the number of Directors actually holding office as Directors on the date of the resolution or meeting, that is to say, the total strength of Board after deducting therefrom the number of Directors, if any, whose places are vacant at the time.

153. Questions how decided

a) Save as otherwise expressly provided in the Act, a meeting of the Board for the time being at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions by or under the Regulations of the Company for the time being vested in or exercisable by the Directors generally and all questions arising at any meeting of the Board shall be decided by a majority of the Board.

b) In case of an equality of votes, the Chairman shall have second or casting vote in addition to his vote as Director.

154. Right of continuing Directors when there is no quorum

The continuing Directors may act notwithstanding any vacancy in the Board but if and so long as their number is reduced below three, the continuing Directors or Director may act for the purpose of increasing the number of Directors to three or of summoning a General Meeting of the Company but for no other purpose.

155. Election of Chairman of Board

a) The Board may elect a Chairman of its meeting and determine the period for which he is to hold office.

b) If no such Chairman is elected or at any meeting the Chairman is not present within five minutes after the time appointed for holding the meeting the Directors present may choose one among themselves to b the Chairman of the Meeting.

156. Delegation of Powers

a) The Board may, subject to the provisions of the Act, delegate any of its powers to committees consisting of such members of its body as it thinks fit.

b) Any committee so formed shall, in the exercise of the power so delegated conform to any regulations that may be imposed on it by the Board.

157. Election of Chairman of Committee

a) If the Chairman of the Board is a member of the Committee, he shall preside over all meetings of the Committee, if the Chairman is not a member thereof, the committee may elect a Chairman of its meeting. If no such Chairman is elected or if at any meeting the Chairman is not present within five minutes after the time appointed for holding the meeting, the members present may choose one among themselves to be the Chairman of the Meeting.

b) The quorum of a committee may be fixed by the Board of Directors.

158. Questions how determined

a) A committee may meet and adjourn as it thinks proper.

b) Questions arising at any meeting of a committee shall be determined by the sole member of the committee or by a majority of votes as the members present as the case may be and in case of an equality of vote the Chairman shall have a second or casting vote, in addition to his vote as a member of the committee.

159. Validity of acts done by Board or a Committee

All acts done by any meeting of the Board, of a committee thereof, or by any person acting as a Director shall notwithstanding that it may be afterwards discovered that there was some defect in the appointment of any one or more of such Directors or of any person acting as aforesaid or that they or any of them were disqualified be as valid as if even such Director or such person has been duly appointed and was qualified to be a Director.

160. The Members of the Board or any Committee of the Board may participate in any Board Meeting or Committee Meeting by means of a tele-conference or video-conference facilities or any other modern communication equipment, by means of which all persons participating in the meeting can hear each other at the same time and participation by such means, subject to the provisions of the Act, shall constitute presence in person at such meeting and hence shall also count for the purpose of quorum.

161. Resolution by Circulation

Save as otherwise expressly provided in the Act, a resolution in writing circulated in draft together with the necessary papers, if any, to all the Directors or to all the members of the committee then in India, not being less in number than the quorum fixed of the meeting of the Board or the Committee, as the case may be and to all other Directors or members at their usual address in India and approved by such of the Directors as are then in India or by a majority of such of them as are entitled to vote at the resolution shall be valid and effectual as it had been a resolution duly passed at a meeting of he Board or committee duly convened and held.

MANAGING / WHOLE TIME DIRECTOR

162. Subject to the approval of the Central Government under Section 269 of the Act, or as per Schedule XIII of the Act the Company by ordinary resolution or special resolution and / or the Board may from time to time appoint one or more of the Directors to be Managing Directors, Executive Directors or whole-time Directors of the Company for a term not exceeding five years at a time and may from time to time and subject to provisions of any contract between him or them and the Company, remove or dismiss him or them from office and appoint another or others in his or their place of places.

163. Managing Directors, Executive Director or Whole-time Director shall not be liable to retirement by rotation as long as he holds office of Managing Director, Executive Director or whole time director of the Company.

164. If Managing, Executive Director or Whole-time Director ceases to hold office of Director, he shall, ipso fact and immediately, cease be a Managing Director, Executor Director or Whole-time Director as the case may be.

165. The Managing Directors / whole-time shall have subject to the supervision, control and discretion of the

Board, the management of the whole of the business of the Company and of all its affairs. Subject to the provisions of the Act and in particular to the prohibitions and restrictions in Section 292 of the Act, the Board may, from time to time, entrust to and confer upon a Managing Director, Executive Director or Whole-time Director for the time being such of the powers exercisable under these presents by the Board as it may think fit, and may confer such powers for such time, and to be exercised for such objects and purposes, and upon such terms and conditions, and with such restrictions (if any) as it thinks expedient, and if may confer such powers, either collaterally with or to the exclusion of and in substitution for all or any of the powers of the Board, in that behalf and may from time to time delegate, revoke, withdraw, alter or vary all or any of such powers.

REMUNERATION TO DIRECTORS

166. Subject to the provisions of Section 198, 309, 269 and Schedule XIII of the Act, the Board of Directors may, on the recommendations of the Remuneration (Compensation) Committee constituted by the Board, determine the remuneration payable to the Managing Director, the Executive Directors or the Whole Time Directors as the case may be, in any manner they may deem fit. The remuneration may be in the form of a monthly salary or a commission based on profits or partly in one way and partly in another as the Board may deem fit.

167. The Directors may, in addition to the remuneration referred to in the preceding clause, provide the Managing Director, the Executive Directors or Whole Time Director as the case may be, such allowances, amenities, benefits and facilities as they may deem fit from time to time with such sanction as may be necessary.

168. The Managing Director, the Executive Directors or Whole Time Director as the case may be, shall be entitled to the reimbursed all his or their out-of-pocket expenses incurred by him or them in connection with the business of the Company.

169. Subject to the provisions of Section 309 of the Act, the Directors of the Company may be paid remuneration by way of commission at such percentage as they deem fit of the net profits of the Company computed in the manner referred to in Section 198, sub-section (1) of the Act, to be shared and distributed amongst the Directors inter-se in such proportions or proportions as they deem fit.

170. The Directors for the time being of the Company may be paid a sitting fee as may be decided by the Board from time to time subject to the ceiling provided by the Companies Act, 1956 for every meeting of the Board or of a Committee of the Board attended by them in addition to all travelling expenses by rail, road or air as the case may be and such other allowances as the Board may decide from time to time in respect of halting and other expenses incurred by them in attending and returning from such meeting of the Board or of any Committee of the Board and also for other visits made by Director for the Company's business subject to the provisions of the Companies Act, 1956.

171. If any Director shall be appointed to advise the Board as an expert or be called upon to perform extra services to make special exertion for any of the purposes of the Company, the Board may subject to and in accordance with the provisions of the Act and in particular Section 309, 310 and 314 of the Act, pay to such Director/s such special remuneration as they may think fit which remuneration may be in the form of salary and / or commission and / or percentage of profits and may either be in addition to or in substitution of the remuneration specified in the last preceding Article.

CAPITALISATION OF PROFITS

179. The Company in general meeting may, upon the recommendation of the Board, resolve–

a. that it is desirable to capitalise any part of the amount for the time being standing to the credit of any of the Company's reserve accounts, or to the credit of the profit and loss account, or otherwise available for distribution; and

b. that such sum be accordingly set free for distribution in the manner specified in Article 180 amongst the members who would have been entitled thereto, if distributed by way of dividend and in the same proportions

180. The sum aforesaid shall not be paid in cash but shall be applied, subject to the provision contained in Article 181, either in or towards –

a. paying up any amounts for the time being unpaid on any shares held by such members respectively;

b. paying up in full, unissued shares of the Company to be allotted and distributed, credited as fully paid up, to and amongst such members in the proportions aforesaid; or

c. partly in the way specified in sub-clause (a) and partly in that specified in sub-clause (b).

181. A Securities Premium Account and a Capital redemption reserve account may, for the purposes of this regulation, only be applied in the paying up of unissued shares to be issued to members of the Company as fully paid bonus shares.

182. The Board shall give effect to the resolution passed by the Company in pursuance of this regulation.

a. Whenever such a resolution as aforesaid shall have been passed, the Board shall –

i. make all appropriations and applications of the undivided profits resolved to be capitalised thereby, and all allotments and issues of fully paid shares, if any; and

ii. generally do all acts and things required to give effect thereto

183. Any agreement made under such authority shall be effective and binding on all such members.

DIVIDEND

184. Dividend

Subject to the provisions of the Act, the dividend (Interim dividend) should be paid out of profits at the rate declared at the General meeting but not exceeding as recommended by the Board in proportion to the capital paid up on shares after providing for depreciation.

185. Reserve

Before recommending any dividend, the Board may set aside certain amount of profits as Reserves, which shall be applied in the manner as may be from time to time decided by the Board. The Board may carry forward the profits without declaring dividend.

186. Deduction of arrears

The Board may deduct from any dividend payable to any members all sums of money, if any, presently payable by him to the Company on account of the calls or otherwise in relation to the shares of the Company.

187. Adjustment of dividends against calls

Any General Meeting declaring a dividend may make a call on the members as such amount as the meeting fixed, but so that the call on each member shall not exceed the dividend payable to him and so that the call be made payable at the same time as the dividend and the dividend may, if so arranged between the Company and the members be set off against the call.

188. Notice of dividends

Notice of any dividend that may have been declared shall be given to the persons entitled to share thereto in the manner mentioned in the Act.

189. Dividends not be bear interest

No dividends shall bear interest against the Company.

190. Transfer of shares not to pass right to dividends

Subject to the provisions of Section 206A of the Act, any transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer.

191. Mode of payment of dividend

Dividend shall be paid by cheque or warrant payable or ECS to the members whose name appears on the register of the members on a particular day as may be decided by the Board.

192. Unpaid or Unclaimed Dividend

a. Where the Company has declared a dividend but which has not been paid or claimed or the dividend warrant in respect thereof has not been posted within 30 days from the date of declaration to any shareholder entitled to the payment of the dividend, the Company shall within 7 days from the date of expiry of the said period of 30 days, open a special account in that behalf in any scheduled bank called "Unpaid Dividend of Persistent Systems Limited" and transfer to the said account the total amount of dividend which remains unpaid or in relation to which no dividend warrant has been posted.

b. Any money transferred to the unpaid dividend account of the Company which remains unpaid or unclaimed for a period of seven years from the date of such transfer, shall be transferred by the Company to Investors Education and Protection Fund.

c. No unclaimed or unpaid dividend shall be forfeited by the Board and the Directors shall comply with provisions of Sections 205A and 205B of the Act, as regards unclaimed dividends.

ACCOUNTS

193. The books of accounts shall be kept at the Registered Office of the Company or subject to the provisions of Section 209 of the Act such other place or places as the Directors think fit and shall be open to inspection by the Directors during business hours.

194. The accounts of the Company shall be audited by the auditors appointed as per the provisions of the Act. The accounts when audited and approved at the Annual General Meeting shall be conclusive.

195. The Directors shall, subject to the provisions of Section 209, from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company of any of them shall be open to the inspection of members not being Directors and no member (not being a Director) shall have any right of inspecting any account or books or documents of the Company except as conferred by law or authorised by the Directors or by the Company in General Meeting.

196. As per the provisions of the Act, Board shall cause to be prepared and placed before the Company in the Annual General meeting audited Balance Sheet and profit and loss account, copy of which should be sent to all members entitled thereto.

SERVICE OF DOCUMENTS AND NOTICE

198. Manner of serving notice or document on the Company

A document may be served on the Company or an officer by sending it to the Company or officer at Registered Office of the Company by post under a certificate of posting or by Registered Post, or by leaving it at the Registered Office.

199. Manner of serving notice on members

a) A document (which expression for this purpose shall be deemed to have included and include any summons, notice requisition, process order, judgment or any other document in relation to or in winding up of the Company) may be served or sent to the Company on or to any member either personally or by sending it by post to his registered address or (if he has no registered address in India) to the address, if any, within India supplied by him to the Company for the service of notice to him.

b) All notices shall, with respect to any registered share to which persons are entitled jointly, be given to whichever of such persons is named first in the Register and the notice so given shall be sufficient notice to all the holders of such share.

c) Where a document is sent by post

(i) Service thereof shall be deemed to be effected by properly addressing, paying and posting a letter containing the notice provided that where a member has intimated to the Company in advance that documents should be sent to him under a certificate of posting or by registered post without acknowledgement due and has deposited with the Company a sum sufficient to defray expenses of doing so, service of the documents shall not be deemed to be effected unless it is sent in the manner intimated by the member, and

(ii) Unless the contrary is provided, such service shall be deemed to have been effected

a. In the case of a notice of a meeting, at the expiration of forty-eight hours the letter containing the notice is posted; and

b. In any other case, at the time at which the letter would be delivered in ordinary course of post.

200. Members to notify address in India

Each registered holder of shares from time to time notify in writing to the Company such place in India to be registered as his address and such registered place of address shall for all purposes be deemed to be his place or residence.

201. Service on members having no registered address

If a member has no registered address in India, and has not supplied to the Company and address within India, for the giving of the notices to him, a document advertised in a newspaper circulating in the neighborhood of Registered Office of the Company shall be deemed to be duly served to him on the day of which the advertisement appears.

202. Service on persons acquiring shares on death or insolvency of members

A document may be served by the Company on the persons entitled to a share in consequence of the death or insolvency of a member by sending it through the post in a prepaid letter addressed to them by name or by the title or representatives of the deceased, assignees of the insolvent by any like description at the address (if any) in India supplied for the purpose by the persons claiming to be so entitled, or (until such an address has been so supplied) by serving the document in any manner in which the same might have been served as if the death or insolvency had not occurred.

203. Persons entitled to notice of General Meetings

Subject to the provisions of the Act and these Articles, notice of General Meeting shall be given

(i) to the members of the Company as provided by these presents~~:;~~

(ii) to the persons entitled to a share in consequence of the death or insolvency of a member; and

(iii) to the Auditors for the time being of the Company; in the manner authorized by as in the case of any member or members of the Company.

204. Notice by advertisement

Subject to the provisions of the Act any document required to be served or sent by the Company on or to the members, or any of them and not expressly provided for by these presents, shall be deemed to be duly served or sent if advertised in a newspaper circulating in the District in which the Registered Office is situated.

205. Members bound by document given to previous holders

Every person, who by the operation of law, transfer or other means whatsoever, shall become entitled to any shares shall be bound by every document in respect of such share which, previously to his name and address being entered in the register, shall have been duly served on or sent to the person from whom he derived his title to such share.

206. Any notice to be given by the Company shall be signed by the Managing Director or by such Director or Officer as the Directors may appoint. The signature to any notice to be given by the Company may be written or printed or lithographed.

WINDING UP

208. Distribution in specie on winding up

a) The liquidator on any winding up (Voluntary or Compulsory) may with the sanction of special resolution but subject to the rights attached to any preference share capital, divide among the contributories in specie any part of the assets of the Company and may with the like sanction vest any part of the assets of the Company in trustees upon such trusts for benefit of the contributories as the liquidator with the like sanctions, may think fit.

b) For the purpose aforesaid, the liquidator may set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members.

INDEMNITY OF RESPONSIBILITY

209. Subject to the provisions of the Act, the Directors, secretary, auditors or every other officer for the time being of the Company and any trustee for the time being acting in relation any of the affairs of the Company and their heirs, executors and administrators respectively shall be indemnified out of the assets of the Company from and against all suits, proceedings, costs, charges, losses, damages, and expenses which they or any of them shall or may incur or sustain by reason of any act done or omitted in or about the execution of their duty in their respective office of trust, except such (if any) as they shall incur or sustain by or through their own willful neglects or defaults respectively and no such officer or trustee shall be answerable for the Acts, repairs, neglects or defaults of any other officer or trustee or for joining in any receipt for the sake of conformity or for the solvency or honesty of any bankers or other persons with whom any monies of effects belonging to the Company may be lodged or deposited for safe custody or for any insufficiency, deficiency of any security upon which any monies of the Company shall be invested for any other loss or damage due to any such causes as aforesaid or which may happen in or about the execution of his office or trust unless the same shall happen through the willful neglect or default of such officer or trustee.

RECONSTRUCTION

212. The Board on any sale or transfer of the whole or any portion of an undertaking of the Company or the liquidator on a winding up may, if authorised by a special resolution, accept fully paid or partly paid up shares, debentures or securities of any other Company, whether incorporated in India or not, either then existing or to be formed, for the purchase in while or in part of the property of the Company, and the Board, (if the profits of the Company permit)or the liquidator (on a winding up), may distribute such shares or securities or any other property of the Company among the members without realization or vest the same in trustees for them, and any special resolution may provide for the distribution or appropriation of the cash, shares or other securities, benefit or property otherwise than in accordance with the strict legal rights of the members or contributories of the Company and for the valuation of any such securities or property at such price and in such manner as the meeting may approve and all holders of shares shall, subject to the provisions of Section 395 of the Act, be bound to accept and shall be bound by any valuation or distribution so authorised, and waive all rights in relation thereto, save only such statutory rights, if any, under Section 494 of the Act as are incapable of being varied or excluded by these Articles in case the Company is proposed to be or is in course of being wound up.

213**. OVERRIDING EFFECT AND INTERPRETATION**

(i) Subject to the requirements of applicable law, the provisions of Articles 213 to 217 shall apply subject to Investors shareholding remaining above 10% of the Fully Diluted Share Capital of the Company.

(ii) Subject to the requirements of applicable law, in the event of any conflict between the provisions of any of the Articles 1 to 212 (both inclusive) on the one hand and the provisions of any of the Articles

213 to 217 (both inclusive) on the other hand, the provisions of Articles 213 to 217 (both inclusive) shall apply.

(iii) Unless the context otherwise requires, words or expressions contained in Articles 213 to 217 (both inclusive) shall have the meanings as provided below. Provided that any terms and expressions used but not defined specifically in Articles 213 to 217 (both inclusive) shall have the same meaning as ascribed to them in Articles 1 to 212 (both inclusive) or in the Act or any statutory modification thereof. Other terms may be defined elsewhere in the text of these Articles and, unless otherwise indicated, shall have such meaning throughout these Articles.

"**Affiliate**" shall mean with respect to any Person, any company, corporation, association or other entity, which, directly or indirectly, Controls, is Controlled by or is under common Control with, such Person. If such Person is an individual, the term "Affiliate" shall include a Relative of such individual; "Affiliate" with respect to the Investors shall include the Persons as mutually agreed to by the Company, the Promoter Group and the Investors;

"**Commission"** shall have the meaning as set out in Article 214(iii);

"**Control**" (including with correlative meaning, the terms "**Controlled by**" and "**under common Control**" with) shall mean the power and ability to direct the management and policies of the controlled enterprise through ownership of voting shares of the controlled enterprise or by contract or otherwise;

"**Demand Registration Right**" shall have the meaning as set out in Article 214(i);

"**Fully Diluted**" shall mean deemed conversion of all outstanding Preference Shares of the Company, the exercise of all convertible notes, options, warrants, Shares reserved for any employee option pool and any other convertible instruments;

"**Investors' Prohibited Transfer"** shall have the meaning as set out under Article 217(vi);

"**Investors"** shall refer collectively to Norwest Venture Partners – FVCI, Mauritius and Gabriel Venture Partners (Mauritius), and individually to each of them;

"**Law**" shall mean any statute, law, regulation, ordinance, rule, judgment, notification, rule of common law, order, decree, bye-law, government approval, directive, guideline, requirement or other governmental restriction, or any similar form of decision of, or determination by, or any interpretation, policy or administration, having the force of law of any of the foregoing, by any governmental authority having jurisdiction over the matter in question, whether in effect as of November 18, 2005 or thereafter;

"**Lien**" shall mean any mortgage, pledge, security interest, charge, lien, option, pre-emptive right, adverse claim, title retention agreement or other encumbrance of any kind, or a contract to give or refrain from giving any of the foregoing, including any restriction imposed under applicable Law or contract on the Transferability of the Shares;

"**Person**" shall mean any natural person, limited or unlimited liability company, corporation, partnership (whether limited or unlimited), proprietorship, Hindu undivided family, trust, union, association, government or any agency or political subdivision thereof or any other entity that may be treated as a person under applicable Law;

"**Promoter Group**" shall mean Mr. S. P. Deshpande, Mrs. Sulabha Deshpande, Dr. Anand Deshpande and Mrs. Sonali Deshpande and shall refer to them collectively as well as individually;

"**Promoter Transferor Notice**" shall have the meaning as set out under Article 217(i);

"**Promoter Transferor**" shall have the meaning as set out under Article 217(i);

"**Promoter Transferor Shares**" shall have the meaning as set out under Article 217(i);

"**Registrable Securities**" shall have the meaning as set out in Article 214(i) hereof;

"**Relative**" shall mean with respect to any Person, any one who is related to such Person in any of the following ways: father, mother, son, son's wife, daughter, daughter's husband, brother, brother's wife, sister, sister's husband, provided however that the following individuals shall be excluded for the purposes of the definition of "Relatives"

(i) Mr. Suresh Deshpande's son and Mr. Anand Deshpande's Brother (Dr. Mukund Deshpande).
(ii) Wife of Dr. Mukund Deshpande (Ms. Nidhi Deshpande).
(iii) Mr. Suresh Deshpande's son in law (Mr. Hemadri Buzruk).
(iv) Mr. Suresh Deshpande's daughter, Mr. Anand Deshpande's sister (Ms. Chitra Buzruk)
(v) Mrs. Sonali Deshpande's sister (Mrs. Kasturi Joglekar).
(vi) Mrs. Sonali Deshpande's sister's husband (Mr. Parag Joglekar).
(vii) Mrs. Sonali Deshpande's sister (Mrs. Anjali Dabholkar)
(viii) Mrs. Sonali Deshpande's sister's husband (Mr. Praveen Dabholkar)

"**Share(s)**" shall mean any share(s) of the Company;

"**Share Capital**" shall mean the issued, subscribed and paid up Share capital of the Company at the relevant time;

"**Shareholders**" shall mean and refer collectively to the shareholders of the Company and "**Shareholder**" shall refer to any one of them, as the context may require;

"**Tag Along Notice"** shall have the meaning as set out under Article 217(ii);

"**Tag Along Shares**" shall have the meaning as set out under Article 217(ii);

"**Transfer**" (including with correlative meaning, the terms "**Transferred By**" and "**Transferability**") shall mean to transfer, sell, assign, pledge, hypothecate, create a security interest in or Lien on, place in trust (voting or otherwise), exchange, gift or transfer by operation of Law or in any other way subject to any encumbrance or dispose of, whether or not voluntarily;

214. **DEMAND REGISTRATION RIGHTS**

(i) At any time after the earlier of four years from November 18, 2005 or six months after the effective date of the Company's initial registration statement (or equivalent document, by whatever name called) in respect of the Company's securities in any jurisdiction, the Investors shall have the right (hereinafter, the **"Demand Registration Right"**) to require the Company to use its best efforts to cause registration of the Company's Shares or securities in any jurisdiction with any competent authority, as may be required under applicable Law in such jurisdiction, including filing of a suitable registration statement (or equivalent document, by whatever name called) in respect of the Company's securities and covering Transfers of the Shares and other securities held by the Investors and any permitted transferees, including if requested by the Investors or their permitted transferees, such securities in the form of depository shares (collectively, the "**Registrable Securities**").

(ii) This Demand Registration Right shall be available to the Investors in connection with any registration of the Company's Shares or securities in any jurisdiction with any competent authority, for the purposes of Transferability of such Shares or securities, and the Demand Registration Right may be adapted or revised, in such manner as the Investors may reasonably require, solely to meet the requirements of applicable Law in such jurisdiction, such that the Demand Registration Right of the Investors as contemplated under this Article 214 is not diminished in any material manner. This right of the Investors under Article 214 shall be available for two registrations.

(iii) By way of example only and without limiting the generality of the foregoing, if the Investors choose to exercise their Demand Registration Right in respect of the United States of America, the Company shall file with the United States Securities and Exchange Commission ("**Commission**") a registration statement for the Company's securities and covering Transfers of all Registrable Securities.

215**. PIGGYBACK REGISTRATION RIGHTS**

The Company shall notify all holders of Registrable Securities in writing at least twenty (20) days prior to the filing of any registration statement (or equivalent document, by whatever name called) in any jurisdiction for purposes of a public offering of securities of the Company (including, but not limited to, registration statements relating to secondary offerings of securities of the Company, but excluding Special Registration Statements) and will afford each such holder an opportunity to include in such registration statement all or part of the Registrable Securities held by such holder.

216. **FORM S-3 REGISTRATION**

Upon the request of any holder of Registrable Securities, the Company shall notify the other holders of Registrable Securities, invite such holders to participate and then use its best efforts to effect a registration on Form S-3 or F-3 (or any successor to Form S-3 or F-3) under the United States securities laws or any similar short-form registration statement and any related qualification or compliance with respect to all or a part of the Registrable Securities and keep such registration statement effective until the holders of such securities have completed the distribution related thereto. Registrations effected pursuant to this Article 216 shall not be counted as demands for registration or registrations effected pursuant to Article 214. The Company shall not be obligated to effect any such registration, qualification or compliance pursuant to this Article 216 if Form S-3 or F-3 is not available for such offering, or if the Company has, within the twelve (12) month period preceding the date of such request, already effected two (2) registrations on Form S-3 or F-3 pursuant to this Article 216.

216A **MISCELLANEOUS**

(i) Upon filing any registration statement pursuant to Article 214 to Article 216A, the Company will use its best efforts to cause the registration statement to be declared effective by the Commission (or equivalent authority) and to keep the registration statement effective with the Commission (or equivalent authority) so long as necessary under applicable Law to permit the Transfer of securities by the holders thereof. At the request of the Investors, the Company will procure, at the Company's sole expense, the listing of such securities on NASDAQ, or such other acceptable exchange within the jurisdiction as may be mutually agreed to between the Company and the Investors.

(ii) The expenses of preparation and filing of all registration statements shall be borne by the Company and the fees/commission payable to the underwriters appointed for the purposes of Articles 214 to Article 216A shall be borne by the Company. The Company shall not, however, be required to pay for expenses of any registration proceeding begun pursuant to Article 214 or Article 216, the request of which has been subsequently withdrawn by the Investors unless (a) the withdrawal is based upon material adverse information concerning the Company of which the Investors were not aware at the time of such request or (b) the holders of a majority of Registrable Securities agree to deem such registration to have been effected as of the date of such withdrawal for purposes of determining whether the Company shall be obligated pursuant to Article 214 or Article 216, as applicable, to undertake any subsequent registration, in which event such right shall be forfeited by all Investors). If the Investors are required to pay the registration expenses, such expenses shall be borne by the holders of securities requesting such registration in proportion to the number of Shares for which registration was requested. If the Company is required to pay the registration expenses of a withdrawn offering pursuant to clause (a) above, then such registration shall not be deemed to have been effected for purposes of determining whether the Company shall be obligated pursuant to Article 214 or Article 216, as applicable, to undertake any subsequent registration.

(iii) In the event of a piggyback registration~~,~~ or an S-3 or F-3 registration initiated by the Company and not the Investors, if the underwriters require or recommend that the number of Shares in the offering be reduced, then the Shares in the offering shall first be allocated to the Company and then to the holders of Registrable Securities on a pro rata basis (based on their relative holdings of Registrable Securities).

(iv) In the event any Registrable Securities are included in a registration statement under Article 214 to Article 216A, then to the extent permitted by applicable Law, the Company will indemnify and hold harmless each Investor and such Investor's Affiliates against any violation of applicable Laws by the Company not directly resulting from information furnished by such Investor or such Investor's Affiliates to be used in connection with such registration.

(v) The Company will use its reasonable efforts to making available to the holders of Registrable Securities the benefits of certain rules and regulations of the Commission which may permit the sale of the Registrable Securities to the public without registration at all times after the effective date of the first registration filed by the Company for an offering of its securities to the general public in the United States.

217. **INVESTORS' TAG ALONG RIGHTS / CO-SALE RIGHTS**

(i) Notwithstanding anything to the contrary, if any of the constituent of the Promoter Group ("**Promoter Transferor**") proposes to Transfer any of the Shares held by any of them ("**Promoter Transferor Shares**") to any Person on off market transactions/block deals as defined under the applicable securities laws, then such Promoter Transferor shall give notice of such Transfer to the Investors (the "**Promoter Transferor Notice**") in writing, specifying the number of Promoter Transferor Shares, the price at which the Promoter Transferor intends to Transfer such Promoter Transferor Shares, the identity of the proposed transferee and any other material or relevant terms and conditions of the proposed Transfer.

(ii) In the event that the Investors receive the Promoter Transferor Notice, the Investors may send a tag along notice (the **"Tag Along Notice"**), within thirty (30) days of receipt of the Promoter Transferor Notice, to the Promoter Transferor requiring the Promoter Transferor to ensure that the proposed transferee also purchases upto such proportion of Shares (in the ratio of relative shareholding of Intel and Investors, on Fully Diluted Basis) then held by the Investors in the Company as the Promoter Transferor Shares bears to the Promoter Group's shareholding in the Fully Diluted Share Capital of the Company (the **"Tag Along Shares"**) at the same price and on the same terms as mentioned in the Promoter Transferor Notice.

(iii) In the event that the Investors deliver a Tag Along Notice to the Promoter Transferor, the Promoter Transferor shall ensure that along with the Shares mentioned in the Promoter Transferor Notice, the proposed transferee also acquires the Tag Along Shares for the same consideration and upon the same terms and conditions as mentioned in the Promoter Transferor Notice.

(iv) In the event that the proposed transferee is unwilling or unable to acquire all of the Shares mentioned in the Promoter Transferor Notice and the Tag Along Shares upon such terms, then the Promoter Transferor may elect either to cancel such proposed Transfer or, with the consent of the Investors, allocate the maximum number of Shares of the Company which such proposed transferee is willing to purchase among the Promoter Transferor Shares and the Tag Along Shares pro-rata as calculated above and to complete such Transfer in accordance with the revised terms.

(v) Notwithstanding anything to the contrary in this Article 217, the Promoter Transferor shall not be entitled to Transfer any of the Shares to any proposed transferee, unless the proposed transferee simultaneously purchases and pays for all the Tag Along Shares or a proportionate number of the Tag Along Shares, as the case may be.

(vi) In the event the Promoter Transferor, Transfers any Shares held by it in violation of the provisions of Articles 217 with respect to Investors ("**Investors' Prohibited Transfer**"), then, the Investors, in addition to such other remedies which may be available under Law or equity, shall have the put option as described in this Article 217, and the Promoter Transferor shall be bound by the applicable provisions of such option. In the event of Investor Prohibited Transfer, the Investors shall have the right to sell to the Promoter Transferor, the Tag Along Shares at the same price at which the Promoter Transferor Transfers such Promoter Transferor Shares to the third party. The Promoter Transferor shall also reimburse the Investors for any and all fees and expenses, including legal fees and expenses, incurred pursuant to the exercise or the attempted exercise of the Investors' rights under this Article 217(vi). The Investors shall be entitled to provide the Promoter Transferor a notice, requiring the Promoter Transferor to ensure that the proposed transferee also purchases the Tag Along Shares at the same price and on the same terms at which the Promoter Transferor Transfers such Promoter Group Shares to the third party. The Promoter Transferor shall purchase the Tag Along Shares within ninety (90) days from the date of notice provided by the Investors.

SECTION IX: OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following Contracts (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of this Draft Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by our Company. These Contracts, copies of which have been attached to the copy of this Draft Red Herring Prospectus, delivered to the Registrar of Companies, Maharashtra, Pune for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered office of our Company from 10.00 am to 4.00 pm on working days from the date of the Draft Red Herring Prospectus until the Bid/Issue Closing Date.

Material contracts to the Issue

1. Engagement Letter to the BRLMs from our Company and the Selling Shareholders appointing them as the BRLMs.
2. Memorandum of Understanding among our Company, the Selling Shareholders and the BRLMs.
3. Memorandum of Understanding among our Company, the Selling Shareholders and Registrar to the Issue.
4. Escrow Agreement dated [•], 2008 among the Company, the Selling Shareholders, the BRLMs, the Escrow Banks, and the Registrar to the Issue.
5. Syndicate Agreement dated [•], 2008 among the Company, the Selling Shareholders, the BRLMs and Syndicate Member.
6. Underwriting Agreement dated [•], 2008 among the Company, the Selling Shareholders, the BRLMs and Syndicate Member.

Material documents

1. Our Memorandum and Articles of Association, as amended from time to time.
2. Our Certification of Incorporation.
3. Fresh certification of incorporation consequent on change of name on conversion of Company from private to public limited company.
4. Board resolution approving the Issue dated July 6, 2008.
5. Board resolution appointing IPO Committee dated April 30, 2007.
6. Shareholders' resolutions in relation to the Issue dated September 17, 2007.
7. Joint Auditors' report dated June 12, 2008 on the Unconsolidated Summary Statements of Assets And Liabilities, Profit and Loss and Cash Flows, as restated, for the five financial years ended March 31, 2008 as per the SEBI Guidelines.
8. Joint Auditors' report dated June 12, 2008 on the Consolidated Summary Statements of Assets And Liabilities, Profit and Loss and Cash Flows, as restated, (including subsidiaries) for the 5 (five) financial years ended March 31, 2008 as per the SEBI Guidelines.
9. Statement of Tax Benefits dated June 16, 2008.
10. Subscription Agreement and Investor Rights Agreement dated April 10, 2000 entered into with Intel 64 LLC quarters and their respective amendments.
11. Subscription Agreement and Shareholders Agreement dated November 10, 2005 entered into with Norwest Venture Partners and Gabriel Venture Partners including their respective amendments.
12. Copies of annual reports of our Company for Fiscal 2008, 2007, 2006, 2005 and 2004.
13. Authorisation by the Selling Shareholders authorising the Offer for Sale.
14. Consent of S. R. Batliboi & Co., Chartered Accountants, and Joshi Apte & Co., Chartered Accountants, our Joint Auditors for inclusion of their reports on restated financial information as at and for the Fiscal 2008, 2007, 2006, 2005 and 2004 in the form and context in which they appear in the Draft Red Herring Prospectus.
15. Powers of attorney executed by our Directors in favour of person(s) for signing and making necessary changes to this Draft Red Herring Prospectus and other related documents.
16. Powers of attorney executed by the Selling Shareholders in favour of Dr. Anand Deshpande and S. P. Deshpande for signing and making necessary changes to this Draft Red Herring Prospectus and other related documents.
17. Consents of Bankers to the Company, BRLMs, IPO Grading Agency, Syndicate Member, Registrar to the Issue, Escrow Collection Bank(s), Bankers to the Issue, Domestic Legal Counsel to the Company, Domestic Legal Counsel to the BRLMs, International Legal Counsel to the BRLMs, Directors of the Company, Company Secretary and Compliance Officer, as referred to, in their respective capacities.

18. In-principle listing approval dated [●] and [●] from NSE and BSE respectively.
19. Tripartite Agreement among NSDL, our Company and the Registrar to the Issue dated November 26, 2007.
20. Tripartite Agreement among CDSL, our Company and the Registrar to the Issue dated October 30, 2007.
21. Due diligence certificate dated July 15, 2008 to SEBI from the BRLMs.
22. SEBI observation letter No. [●] dated [●].
23. IPO Grading report dated [●] by Crisil Limited.
24. Architect's certificate dated June 6, 2008 and June 12, 2008.
25. Applications dated [●] made for Listing at Stock Exchanges.
26. Certificate by M/s Joshi Apte and Company, certifying the utilization of funds by our Company.

Any of the contracts or documents mentioned in this Draft Red Herring Prospectus may be amended or modified at any time if so required in the interest of the Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

DECLARATION

We, the Directors of the Company, certify that all relevant provisions of the Companies Act, 1956, and the guidelines issued by Securities and Exchange Board of India, applicable as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or the rules made thereunder or guidelines issued, as the case may be, and that all approvals and permissions required to carry on our business have been obtained, are currently valid and have been complied with. We further certify that all the statements in this Draft Red Herring Prospectus are true and correct.

Signed by the Directors of our Company

Dr. Anand Deshpande	Sd/-
S. P. Deshpande	Sd/-
Dr. Promod Haque	Sd/-
Prabhakar B. Kulkarni	Sd/-
Prof. Krithivasan Ramamritham	Sd/-
Ram Gupta	Sd/-

Signed by the Chairman and Managing Director

Sd/-
Dr. Anand Deshpande

Signed by the Chief Financial Officer

Sd/-
Rajesh Ghonasgi

Date: July 15, 2008
Place: Pune

We, the Selling Shareholders, certify that all relevant provisions of the Companies Act, 1956, and the guidelines issued by Securities and Exchange Board of India, applicable as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or the rules made thereunder or guidelines issued, as the case may be, and that all approvals and permissions required to carry on our business have been obtained, are currently valid and have been complied with. We further certify that all the statements in this Draft Red Herring Prospectus are true and correct.

Signed by the Selling Shareholders

Dr. Shridhar Bhalchandra Shukla

Ashutosh Vinayak Joshi

Date: July 15, 2008
Place: Pune