

# Persistent Systems Limited

## Analyst Conference Call

Q2 FY11

October 21, 2010



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# Forward-looking and Cautionary Statements



Certain statements in this Presentation concerning our future growth prospects are forward-looking statements, which involve a number of risks and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. The risks and uncertainties relating to these statements include, but are not limited to, risks and uncertainties regarding fluctuations in earnings, our ability to manage growth, intense competition in IT services including those factors which may affect our cost advantage, our revenues highly dependent on customers located in the United States, wage increases in India, our ability to attract and retain highly skilled professionals, time and cost overruns on fixed-price, fixed-time frame contracts, client concentration, restrictions on immigration, industry segment concentration, our ability to manage our international operations, reduced demand for technology in our key focus areas, disruptions in telecommunication networks or system failures, our ability to successfully complete and integrate potential acquisitions, liability for damages on our service contracts, concentration of major operations of the Company in one city, withdrawal of governmental fiscal incentives, political instability and regional conflicts, legal restrictions on raising capital or acquiring companies outside India, and unauthorized use of our intellectual property and general economic conditions affecting our industry. The Company may, from time to time, make additional written and oral forward-looking statements, including statements contained in the Company's filings with the Stock Exchanges and our reports to shareholders. The Company does not undertake to update any forward-looking statements that may be made from time to time by or on behalf of the Company.

# HIGHLIGHTS Q2 FY11



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# Highlights : Q2 FY11



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Appoints Mr. Prakash Telang and Mr. Kiran Umrootkar as independent directors on the Company's Board.

Persistent Systems crosses the 5,000 employee mark. Number of employees as on Sept. 30, 2010 was 5,281 as compared to 4,911 on June 30, 2010

325 new graduates from engineering background join across company locations

Wins the Bloomberg UTV's 'CXO Awards 2010 - The IT Chapter', in 'India's Emerging Software Company of the Year' category.

Persistent successfully completes 5 years in Goa

Launches Techstart-II campus initiative focused towards Computer Science students, to help them learn cutting-edge technology and make them industry ready.

# FINANCIAL PERFORMANCE Q2 FY11



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# Consolidated Income Statement



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₹ Mn

	Q2, FY 11	Q1, FY 11	QoQ, %	Q2, FY 10	YoY%
<b>Income from sale of software products and services</b>	<b>1,869.99</b>	<b>1,810.89</b>	<b>3.3%</b>	<b>1,390.15</b>	<b>34.5%</b>
Direct Cost	1,080.27	1,123.31	-3.8%	711.14	51.9%
<b>Gross Profit</b>	<b>789.72</b>	<b>687.58</b>	<b>14.9%</b>	<b>679.01</b>	<b>16.3%</b>
S&M	170.05	143.16	18.8%	121.54	39.9%
G&A	189.33	200.33	-5.5%	171.66	10.3%
Total S, G&A	359.38	343.49	4.6%	293.20	22.6%
<b>EBIDTA</b>	<b>430.34</b>	<b>344.09</b>	<b>25.1%</b>	<b>385.81</b>	<b>11.5%</b>
Depreciation	100.68	97.56	3.2%	80.67	24.8%
<b>EBIT</b>	<b>329.66</b>	<b>246.53</b>	<b>33.7%</b>	<b>305.14</b>	<b>8.0%</b>
Other Income	41.14	33.37	23.3%	10.82	280.2%
Foreign Exchange Gain / (Loss)	18.24	91.21	-80.0%	(14.57)	-225.2%
<b>Profit before Tax</b>	<b>389.04</b>	<b>371.11</b>	<b>4.8%</b>	<b>301.39</b>	<b>29.1%</b>
Tax	30.73	25.83	19.0%	32.10	-4.3%
<b>Profit after Tax before prior period</b>	<b>358.31</b>	<b>345.28</b>	<b>3.8%</b>	<b>269.29</b>	<b>33.1%</b>

# Key Financials Ratios: Q2 FY11



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Ratios, %	Q2, FY 11	Q1, FY 11	QoQ, %	Q2, FY 10	YoY%
Gross Margin	42.2%	38.0%	4.2%	48.8%	-6.6%
S&M to Revenue	9.1%	7.9%	1.2%	8.7%	0.4%
G&A to Revenue	10.1%	11.1%	-1.0%	12.3%	-2.2%
Total S, G&A to Revenue	19.2%	19.0%	0.2%	21.1%	-1.9%
EBIDTA Margin	23.0%	19.0%	4.0%	27.8%	-4.8%
EBIT Margin	17.6%	13.6%	4.0%	22.0%	-4.4%
Profit before Tax	20.8%	20.5%	0.3%	21.7%	-0.9%
Profit after Tax	19.2%	19.1%	0.1%	19.4%	-0.2%
EPS - Basic, Before Prior Period, INR	9.51	9.16		8.43	
EPS - Diluted, Before Prior Period, INR	8.96	8.59		7.51	

# Key Financials Ratios: H1 FY11



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Ratios, %	H1 FY 11	H1 FY 10	Change %
Gross Margin	40.1%	48.3%	-8.2%
S&M to Revenue	8.5%	9.4%	-0.9%
G&A to Revenue	10.6%	12.8%	-2.2%
Total S, G&A to Revenue	19.1%	22.2%	-3.1%
EBIDTA Margin	21.0%	26.1%	-5.1%
EBIT Margin	15.7%	20.3%	-4.6%
Profit before Tax	20.7%	18.0%	2.7%
Profit after Tax	19.1%	16.4%	2.7%
EPS - Basic, Before Prior Period, INR	18.67	13.91	
EPS - Diluted, Before Prior Period, INR	17.55	12.40	

# Consolidated Balance Sheet



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₹ Mn

	As at September 30, 2010	As at June 30, 2010	As at September 30, 2009
<b>Sources of Funds</b>			
Equity Share Capital	400.00	400.00	358.61
Stock option outstanding	36.81	35.71	27.88
Reserves	6,507.45	6,150.23	3,985.77
Hedge Reserve	58.50	9.43	6.31
Deferred Payment Liabilities	41.87	45.11	-
<b>Total sources of Funds</b>	<b>7,044.63</b>	<b>6,640.48</b>	<b>4,378.57</b>
<b>Application of Funds</b>			
Fixed Assets	2,384.05	2,388.38	2,234.29
Deferred Tax Assets	11.65	6.85	8.46
Investments	3,029.41	2,846.03	1,054.33
Net current assets	1,295.65	1,168.46	894.44
Cash and Cash Equivalents	323.87	230.76	187.05
<b>Total uses of Funds</b>	<b>7,044.63</b>	<b>6,640.48</b>	<b>4,378.57</b>

# FACT SHEET Q2 FY11



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# Fact Sheet



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		Q2 FY 11	Q1 FY 11	Q4 FY 10	Q3 FY 10	Q2 FY 10	FY 10	FY 09
Revenue	Total Revenue, US \$ Mn	40.51	39.49	37.33	33.96	28.73	127.30	127.92
	%, q-o-q/ y-o-y growth	2.6%	5.8%	9.9%	18.2%	5.3%	-0.5%	20.9%
	Revenue from Operations, INR Mn	1,869.99	1,810.89	1,717.44	1,583.52	1,390.17	6,011.56	5,938.31
	%, q-o-q	3.3%	5.4%	8.5%	13.9%	5.3%	1.2%	39.8%

	%	Q2 FY 11	Q1 FY 11	Q4 FY 10	Q3 FY 10	Q2 FY 10	FY 10	FY 09
Segments	Telecom	20.0%	18.6%	20.3%	23.0%	24.9%	22.9%	20.9%
	Infrastructure and Systems	69.4%	71.7%	69.7%	66.5%	63.9%	66.0%	66.7%
	Life Sciences	10.6%	9.7%	10.0%	10.5%	11.2%	11.1%	12.4%
	Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

# Fact Sheet (Contd...)



Geography	%	Q2 FY 11	Q1 FY 11	Q4 FY 10	Q3 FY 10	Q2 FY 10	FY 10	FY 09
	North Americas	85.5%	85.1%	87.0%	82.0%	85.1%	84.8%	87.3%
	Europe	6.0%	6.5%	6.4%	8.2%	8.5%	8.2%	8.6%
	Asia-Pacific	8.5%	8.4%	6.6%	9.8%	6.3%	7.0%	4.0%
	Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Onsite: Offshore Mix	%	Q2 FY 11	Q1 FY 11	Q4 FY 10	Q3 FY 10	Q2 FY 10	FY 10	FY 09
	Onsite	20.2%	19.3%	18.2%	11.6%	10.5%	12.7%	14.2%
	Offshore	79.8%	80.7%	81.8%	88.4%	89.5%	87.3%	85.8%
	Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

# Fact Sheet (Contd...)



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Revenue Mix	%	Q2 FY 11	Q1 FY 11	Q4 FY 10	Q3 FY 10	Q2 FY 10	FY 10	FY 09
	T&E	81.1%	81.3%	80.5%	74.2%	77.4%	77.3%	80.5%
	FPP	10.7%	9.8%	11.7%	16.9%	16.9%	15.5%	14.3%
	IP driven	8.1%	8.9%	7.8%	8.9%	5.7%	7.2%	5.2%
	Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Repeat Business	%	Q2 FY 11	Q1 FY 11	Q4 FY 10	Q3 FY 10	Q2 FY 10	FY 10	FY 09
		94.6%	98.8%	88.6%	87.8%	93.0%	91.3%	90.3%

Clients Billed	No	Q2 FY 11	Q1 FY 11	Q4 FY 10	Q3 FY 10	Q2 FY 10	FY 10	FY 09
		201	196	195	195	196	293	297

# Fact Sheet (Contd...)



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Client Engagement Size	Nos.	Q2 FY 11	Q1 FY 11	Q4 FY 10	Q3 FY 10	Q2 FY 10	FY 10	FY 09
	Large > \$ 3Mn	9	9	8	8	7	6	7
	Medium > \$ 1Mn, < \$ 3Mn	21	22	23	19	15	16	19
	Small Upto \$ 1 Mn	171	165	164	168	174	271	271
	Total	201	196	195	195	196	293	297

DSO	Days	Q2 FY 11	Q1 FY 11	Q4 FY 10	Q3 FY 10	Q2 FY 10	FY 10	FY 09
			60	61	67	64	59	67

Billing Rates	USD/p.p.m	Q2 FY 11	Q1 FY 11	Q4 FY 10	Q3 FY 10	Q2 FY 10	FY 10	FY 09
	Onsite	12,516	12,470	12,564	12,052	12,379	12,379	13,054
	Offshore	3,595	3,608	3,546	3,616	3,548	3,553	3,625

# Fact Sheet (Contd...)



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Yield	USD/p.p.m	Q2 FY 11	Q1 FY 11	Q4 FY 10	Q3 FY 10	Q2 FY 10	FY 10	FY 09
			3,108	3,263	3,190	3,080	2,801	2,937

Revenue Concentration	%	Q2 FY 11	Q1 FY 11	Q4 FY 10	Q3 FY 10	Q2 FY 10	FY 10	FY 09
	Top 1		16.3%	13.6%	14.7%	10.1%	10.5%	11.0%
Top 5		38.0%	38.2%	41.5%	33.7%	30.0%	33.3%	26.4%
Top 10		49.0%	49.2%	51.7%	46.0%	42.5%	43.8%	37.4%

People Numbers		Q2 FY 11	Q1 FY 11	Q4 FY 10	Q3 FY 10	Q2 FY 10	FY 10	FY 09
	Technical		4,907	4,554	4,321	4,190	3,977	4,321
Sales & Business Development		87	79	71	67	70	71	64
Rest		287	278	270	261	258	270	245
Grand Total		5,281	4,911	4,662	4,518	4,305	4,662	4,209

# Fact Sheet (Contd...)



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Investment in IP Led work	%	Q2 FY 11	Q1 FY 11	Q4 FY 10	Q3 FY 10	Q2 FY 10	FY 10	FY 09
	Technical time spent		4.4%	4.3%	4.3%	4.8%	4.8%	4.9%

Utilization	%	Q2 FY 11	Q1 FY 11	Q4 FY 10	Q3 FY 10	Q2 FY 10	FY 10	FY 09
			72.9%	76.8%	76.5%	72.6%	72.0%	72.6%

Attrition Rate	%	Q2 FY 11	Q1 FY 11	Q4 FY 10	Q3 FY 10	Q2 FY 10	FY 10	FY 09
			18.6%	16.3%	13.7%	10.8%	10.5%	13.7%

THANK YOU



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# Depth in focused areas and continuous investment in new technology areas



Existing focus areas

**Telecom and Wireless**

**Infrastructure and Systems**

**Life Sciences & Healthcare**

New technology focus areas

**Enterprise Mobility**

**Cloud Computing**

**Analytics**

**Enterprise Collaboration**

# Persistent owned facilities



**Bhageerath**



Senapati Bapat Road, Pune (operational)

**Aryabhata–Pingala**



Karve Road, Pune (operational)

**Panini**



Senapati Bapat Road, Pune (operational)

**Goa**



Verna, Goa (operational)

**Hinjewadi, Pune**



Under construction (artist impression)

**Nagpur**



Under construction (artist impression)