

# Persistent Systems (PSYS)

## Overweight (V)

Target price (INR)	500.00
Share price (INR)	386.55
Potential return (%)	29.3

Mar	2010a	2011e	2012e
HSBC EPS	32.06	39.15	38.17
HSBC PE	12.1	9.9	10.1
Performance	1M	3M	12M
Absolute (%)	-5		
Relative <sup>A</sup> (%)	1		

Note: (V) = volatile (please see disclosure appendix)

19 May 2010

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## Disclaimer & Disclosures

This report must be read with the disclosures and the analyst certifications in the Disclosure appendix, and with the Disclaimer, which forms part of it

## Initiate OW(V): Superior growth momentum

- **Uniquely positioned to benefit from growth in next-generation technologies; we expect industry leading growth to continue**
- **Well established relationships with leading global technology companies offer increasing wallet share**
- **Initiate OW(V) and TP of INR500, based on 13x PE FY12e**

**Superior growth outlook.** Persistent, a recently listed company focused on offshore product development (OPD), is well positioned to benefit from the expected growth in next-generation technologies such as cloud computing, enterprise mobility and collaboration tools. The company has delivered industry-leading top line growth over the last five years (c42%) and we conservatively assume 23% annual sales growth over the next three years.

**Relationships with global technology companies.** Persistent's clients include 37 companies with revenues in excess of USD1bn (with average R&D spend of c18%). This marquee client base gives it an early mover advantage of working with companies in high growth technologies and significant scope for cross-selling. We expect Persistent's market share of the Indian OPD market to grow from c13% in 2009 to c15% by 2013 (from c8% in 2006). The outlook is also bright for its start-up clients (c25% of revenues), judging by the upbeat mood of the US venture capital market. Even if the macro-economic environment weakens, the smaller clients seem to be well capitalised as shown by resilient revenues from start-ups in FY10.

**Forecasts and valuations.** We forecast FY11-13 CAGR of 23% for revenue, 26% for EBIT and 18% for EPS (note that EPS growth will dip in FY12 when tax exemptions expire but bounce back thereafter). The stock is trading at 9.7x PE on our FY11e EPS. As earnings growth continues to surprise, we believe the stock should re-rate and trade at a premium to its peers. Initiate OW(V) with a target price of INR500, based on 13x PE FY12e EPS.

**Risks.** USD/INR currency, execution and macro-economic risk.

## Valuation/forecast summary

	Revenues (USDm)	y-o-y	Revenues (INRm)	EBITDA margin	Net margin	EPS (INR)	PE
FY11e	165	30%	7,364	20.6%	19.1%	39.2	9.9
FY12e	205	24%	9,108	23.0%	15.0%	38.2	10.1
FY13e	251	23%	11,189	25.1%	16.9%	52.8	7.3

Source: HSBC estimates

Index <sup>A</sup>	BOMBAY SE IDX	Enterprise value (INRm)	1,0370
Index level	16,836	Free float (%)	50
RIC	PERS.BO	Market cap (USDm)	334
Bloomberg	PSYS IN	Market cap (INRm)	15,462

Source: HSBC

Source: HSBC

## Financials & valuation

### Financial statements

Year to	03/2010a	03/2011e	03/2012e	03/2013e
<b>Profit &amp; loss summary (INRM)</b>				
Revenue	6,012	7,364	9,108	11,189
EBITDA	1,464	1,517	2,093	2,814
Depreciation & amortisation	-335	-368	-455	-559
Operating profit/EBIT	1,128	1,149	1,637	2,254
Net interest	0	0	0	0
PBT	1,241	1,557	1,778	2,414
HSBC PBT	1,241	1,557	1,778	2,414
Taxation	-91	-153	-409	-519
Net profit	1,150	1,405	1,369	1,895
HSBC net profit	1,150	1,405	1,369	1,895

### Cash flow summary (INRM)

Cash flow from operations	1,611	877	1,456	2,204
Capex	-476	-736	-911	-1,119
Cash flow from investment	-1,142	-736	-911	-1,119
Dividends	-22	-77	-75	-104
Change in net debt	-2,434	-50	-457	-964
FCF equity	2,518	1,505	2,229	2,633

### Balance sheet summary (INRM)

Intangible fixed assets	0	0	0	0
Tangible fixed assets	2,318	2,687	3,142	3,701
Current assets	4,258	4,616	5,468	6,904
Cash & others	1,918	1,968	2,425	3,389
Total assets	8,145	8,871	10,179	12,174
Current liabilities	1,394	1,121	1,148	1,370
Gross debt	0	0	0	0
Net debt	-3,479	-3,530	-3,987	-4,951
Shareholders funds	6,435	7,749	9,031	10,804
Invested capital	4,659	5,334	6,185	7,216

### Ratio, growth and per share analysis

Year to	03/2010a	03/2011e	03/2012e	03/2013e
<b>Y-o-y % change</b>				
Revenue	1.2	22.5	23.7	22.8
EBITDA	-18.1	3.6	37.9	34.5
Operating profit	-24.3	1.8	42.5	37.7
PBT	85.1	25.5	14.2	35.7
HSBC EPS	74.0	22.1	-2.5	38.4

### Ratios (%)

Revenue/IC (x)	1.4	1.5	1.6	1.7
ROIC	24.7	20.7	21.9	26.4
ROE	22.2	19.8	16.3	19.1
ROA	17.7	16.5	14.4	17.0
EBITDA margin	24.3	20.6	23.0	25.1
Operating profit margin	18.8	15.6	18.0	20.1
EBITDA/net interest (x)				
Net debt/equity	-54.1	-45.6	-44.2	-45.8
Net debt/EBITDA (x)	-2.4	-2.3	-1.9	-1.8
CF from operations/net debt				

### Per share data (INR)

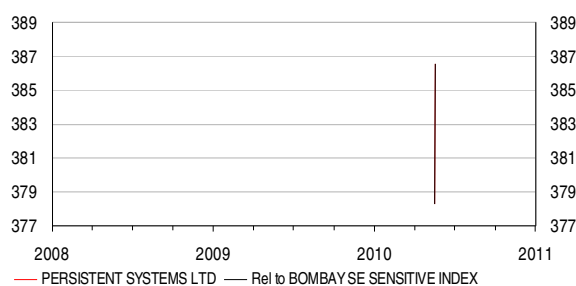
EPS reported (fully diluted)	32.06	39.15	38.17	52.83
HSBC EPS (fully diluted)	32.06	39.15	38.17	52.83
DPS	1.98	2.42	2.36	3.26
Book value	201.44	242.58	282.69	338.20

### Valuation data

Year to	03/2010a	03/2011e	03/2012e	03/2013e
EV/sales	1.7	1.4	1.1	0.8
EV/EBITDA	7.1	6.8	4.7	3.2
EV/IC	2.2	1.9	1.6	1.2
PE*	12.1	9.9	10.1	7.3
P/Book value	1.9	1.6	1.4	1.1
FCF yield (%)	18.1	10.8	16.0	18.9
Dividend yield (%)	0.5	0.6	0.6	0.8

Note: \* = Based on HSBC EPS (fully diluted)

### Price relative



Source: HSBC

Note: price at close of 18 May 2010

# Contents

<b>Investment Summary</b>	<b>4</b>	<b>Forecasts and valuation</b>	<b>19</b>
Summary	4	Revenue forecasts	19
		Margin forecasts	20
<b>Cloud computing</b>	<b>9</b>	Valuation	20
Platform as a Service (PaaS)	9	Risks	20
<b>Collaboration &amp; Web 2.0</b>	<b>12</b>	<b>Annexure</b>	<b>23</b>
Social networking and e-commerce	12	Company history	23
		Management profile	23
<b>Enterprise mobility</b>	<b>15</b>	<b>Disclosure appendix</b>	<b>25</b>
Proliferation of smartphones and multiple mobile platforms	15	<b>Disclaimer</b>	<b>27</b>
<b>Core business</b>	<b>17</b>		

# Investment Summary

- ▶ Persistent is likely to maintain industry leading growth, led by wallet share gains in its well established client base and...
- ▶ ...strong focus on high growth technologies
- ▶ We expect stock to trade at premium to its mid-cap peers. We initiate with an OW(V) and TP of INR500

## Summary

### Industry leading growth

Persistent, an offshore product development (OPD) player, has grown robustly in recent years. Its FY2005-09 revenue CAGR of 42% compares favourably with the 28% average of its mid-cap peers.

OPD involves providing software product development services to independent software companies (ISVs).

Persistent's market share in the Indian OPD market increased to c13% in 2009 from c8% in 2006 and we expect it to grow to c15% by 2013. Persistent should

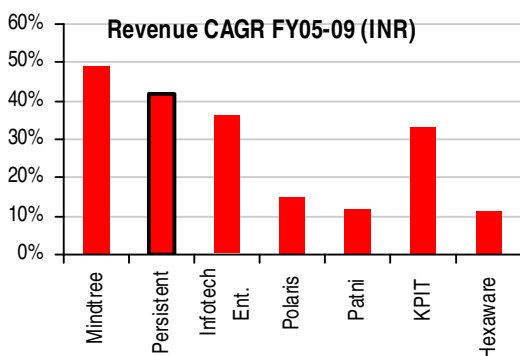
maintain its industry leading growth, driven by a) an established client base; b) early mover advantage in the high growth technologies; and c) significant scope to cross-sell more services to the existing client base.

Further, unlike most mid-cap peers, growth has been mostly organic and not M&A led, lowering integration risks. The company derives c85% of revenues from the US, providing protection from GBP/EUR weakness in the near term.

### Wallet share to improve

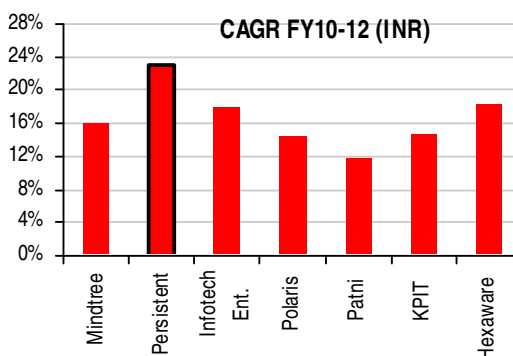
Persistent's current share of its clients' total R&D spending is rather insignificant. Some 37 of its clients have annual revenues of over USD1bn, each

1. Persistent has grown more rapidly than its peers



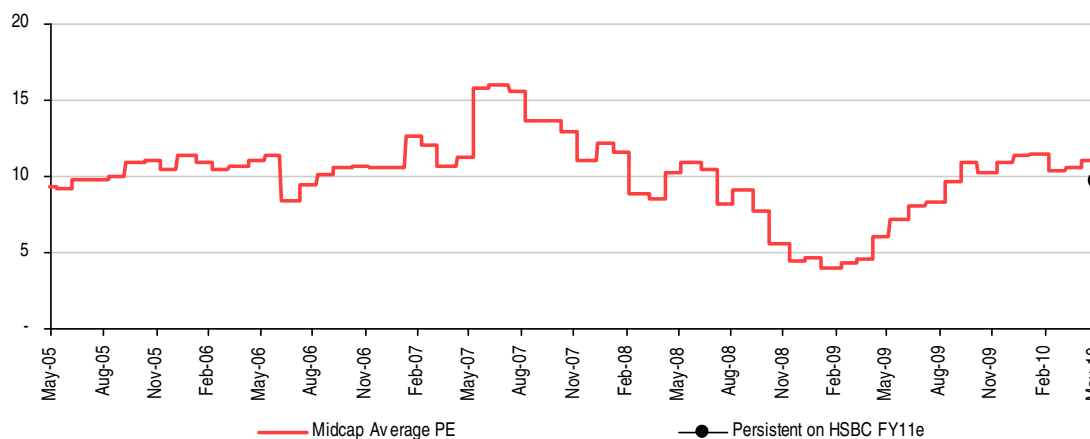
Source: Company data, HSBC (Mindtree's growth includes revenues from the acquisition of AztecSoft, on pro forma basis, the growth is c30% for Mindtree)

2. We expect growth outperformance to continue



Source: Company data, HSBC; BBG consensus for KPIT, Hexaware and Infotech Enterprise

### 3. Valuations are undemanding



Source: Datastream, HSBC estimates

with an average R&D spend of about 18%. We believe Persistent can improve on its wallet share and further increase cross-selling opportunities.

The company has an early mover advantage of working with its clients in next-generation technologies such as cloud computing, enterprise mobility and collaboration tools. Significant investment is being made in these technologies globally and we believe Persistent should continue to be a beneficiary. We discuss these emerging technology trends and how Persistent can benefit from them later in this report.

The outlook is also bright for Persistent's start-up clients (c25% of revenues) judging by the upbeat mood of the US venture capital market. Even if the macro-economic environment weakens, the smaller clients seem to be well capitalised as shown by resilient revenues from start-ups in FY10.

### Forecasts and valuations

We forecast FY11-13 CAGR of 23% for revenue, 26% for EBIT and 18% for EPS. EPS will be impacted by a tax increase in FY12 as Software Technology Parks of India (STPI) tax exemptions expire.

The stock is currently trading at 9.7x our FY11e EPS. We believe that as industry-leading earnings continue the stock should re-rate and trade at a premium to its peers. We value it at 13x PE on our FY12e EPS, which gives us a target price of INR500.

### Risks

- ▶ The company derives a significant proportion of its revenues from the US (c85% in FY10). While this is desirable in the current environment, where EUR and GBP are weakening, in the long term geographic concentration risk is high.
- ▶ Further, c83% of revenues is derived from offshore, leading to a high sensitivity to USD/INR fluctuations.
- ▶ Execution and macro-economic slowdown risks.

## 4. Sector valuation summary

Company	Ticker	Rating	Target price (INR)	Current price (INR)	Upside/ (Downside)	52 Week Range		Year End (Month)	Shares in issue(m)	Market Cap (USDm)	Net Debt (USDm)	EV (USDm)
						High	Low					
Tata Consultancy Services Ltd	TCS.BO	Overweight (V)	890	745	19%	844	303	3	1,957	32,217	(917)	31,300
Infosys Technologies Ltd	INFY.BO	Overweight	3,200	2,616	22%	2,875	1,485	3	574	33,170	(3,171)	30,000
Wipro Ltd	WIPR.BO	Neutral (V)	750	645	16%	753	359	3	1,469	20,941	(809)	20,131
HCL Technologies Ltd	HCLT.BO	Overweight (V)	455	394	16%	449	148	6	677	5,895	90	5,985
Mphasis Ltd	MBFL.BO	Overweight (V)	770	663	16%	796	250	10	210	3,073	(198)	2,875
Tech Mahindra Ltd	TEML.BO	Neutral (V)	1,145	719	59%	1,158	357	3	123	1,953	(77)	1,876
Patni Computer Systems Ltd	PTNI.BO	Neutral (V)	565	563	0%	624	173	12	129	1,611	(460)	1,151
Mindtree Ltd	MINT.BO	Neutral (V)	700	567	24%	730	366	3	40	494	(12)	483
Polaris Software Lab Ltd	POLS.BO	Overweight (V)	235	178	32%	204	78	3	99	390	(110)	279
Persistent Systems Ltd	PERS.BO	Overweight (V)	500	387	29%	448	310	3	36	334	(77)	257

Company	Absolute Share Price Performance (%)				Rel. Performance vs Sensex (%)				Rel. Performance vs BSE-IT (%)			
	1m	3m	12m	YTD	1m	3m	12m	YTD	1m	3m	12m	YTD
Tata Consultancy Services Ltd	-9	-2	131	-1	-4	-4	67	3	-2	-3	50	0
Infosys Technologies Ltd	-6	4	64	0	-2	1	19	4	0	3	-17	1
Wipro Ltd	-11	-4	71	-5	-7	-6	24	-1	-4	-5	-10	-4
HCL Technologies Ltd	12	9	168	6	17	7	93	10	18	8	87	7
Mphasis Ltd	0	-10	149	-8	4	-13	80	-5	6	-12	69	-8
Tech Mahindra Ltd	-15	-25	98	-27	-11	-27	43	-25	-8	-26	18	-27
Patni Computer Systems Ltd	0	20	184	16	5	17	105	21	6	19	103	17
Mindtree Ltd	-8	3	50	-19	-4	0	9	-15	-1	2	-31	-18
Polaris Software Lab Ltd	0	7	131	-3	4	5	67	0	6	6	51	-3
Persistent Systems Ltd	-5		25		-1			-1	1			26
Average	-4	0	116	-5	0	-2	56	-1	2	-1	36	-1
Valuation Multiples												

Company	P/E (x)				P/BV (x)				EV/EBITDA (x)			
	2009	2010	2011E	2012E	2009	2010	2011E	2012E	2009	2010	2011E	2012E
Tata Consultancy Services Ltd	27.4x	20.5x	19.1x	17.0x	9.1x	7.9x	6.8x	6.0x	19.5x	16.1x	14.2x	11.8x
Infosys Technologies Ltd	25.2x	24.0x	21.6x	18.1x	15.0x	12.5x	10.6x	10.4x	19.6x	17.3x	14.6x	11.6x
Wipro Ltd	24.7x	20.9x	19.3x	17.5x	6.9x	5.2x	4.0x	3.3x	19.0x	15.7x	13.6x	11.8x
HCL Technologies Ltd	20.7x	21.0x	14.6x	12.1x	4.6x	4.1x	3.5x	2.9x	11.9x	10.2x	8.7x	6.8x
Mphasis Ltd	15.1x	13.4x	13.2x	12.2x	5.9x	4.3x	3.4x	2.8x	11.4x	9.5x	8.0x	7.3x
Tech Mahindra Ltd	9.1x	14.7x	12.6x	10.7x	4.8x	5.0x	3.6x	2.7x	6.1x	7.3x	6.9x	5.5x
Patni Computer Systems Ltd	13.0x	14.4x	13.1x	12.5x	2.0x	2.0x	1.7x	1.5x	8.5x	8.8x	7.3x	6.2x
Mindtree Ltd	40.5x	10.8x	15.4x	10.6x	3.9x	3.3x	2.7x	2.2x	6.8x	8.5x	9.4x	5.4x
Polaris Software Lab Ltd	13.3x	11.5x	8.7x	8.9x	2.3x	2.0x	1.4x	1.3x	6.0x	3.8x	3.9x	2.9x
Persistent Systems Ltd	20.5x	12.1x	9.9x	10.1x	3.1x	1.9x	1.6x	1.4x	5.8x	7.1x	6.8x	4.7x
Average	21.0x	16.3x	14.7x	13.0x	5.8x	4.8x	3.9x	3.4x	11.5x	10.4x	9.3x	7.4x
Valuation Multiples												

Company	EV/Sales (x)				Div Yield (%)				Revenue (USD)			
	2009	2010	2011E	2012E	2009	2010	2011E	2012E	2010	2011E	2012E	2-Yr CAGR
Tata Consultancy Services Ltd	5.0x	4.7x	4.1x	3.4x	1.70%	2.72%	2.86%	3.40%	5.8%	20.3%	17.9%	19.1%
Infosys Technologies Ltd	6.5x	6.0x	4.9x	4.0x	0.89%	0.84%	0.93%	1.11%	3.0%	25.1%	18.0%	21.5%
Wipro Ltd	3.7x	3.4x	2.8x	2.4x	0.00%	0.91%	0.00%	0.00%	1.6%	17.3%	13.0%	15.2%
HCL Technologies Ltd	2.5x	2.1x	1.8x	1.4x	1.77%	1.26%	2.02%	2.02%	21.3%	16.8%	17.9%	17.4%
Mphasis Ltd	3.0x	2.4x	2.0x	1.8x	0.61%	1.07%	0.91%	0.91%	26.5%	23.7%	17.6%	20.6%
Tech Mahindra Ltd	1.7x	1.7x	1.5x	1.2x	0.98%	0.00%	0.00%	0.00%	-0.8%	9.0%	11.2%	10.1%
Patni Computer Systems Ltd	1.7x	1.7x	1.4x	1.2x	0.62%	0.61%	0.71%	0.74%	8.8%	12.3%	11.3%	11.8%
Mindtree Ltd	1.8x	1.6x	1.4x	1.0x	0.00%	0.51%	0.00%	0.00%	0.6%	20.0%	20.2%	20.1%
Polaris Software Lab Ltd	1.0x	0.6x	0.6x	0.4x	1.57%	2.00%	2.32%	2.26%	-5.6%	21.6%	15.1%	18.3%
Persistent Systems Ltd	1.7x	1.7x	1.4x	1.1x	0.29%	0.51%	0.63%	0.61%	-0.5%	30.0%	23.7%	26.8%
Average	2.9x	2.6x	2.2x	1.8x	0.8%	1.0%	1.0%	1.0%	6.1%	19.6%	16.6%	18.1%

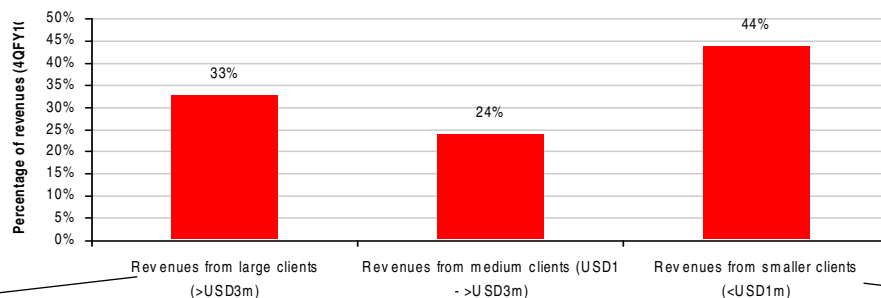
Source: HSBC, Reuters, Priced as on 18 May 2010

5. We expect revenue growth to remain robust – led by a...

...two-pronged growth engine – next-gen technologies and core business

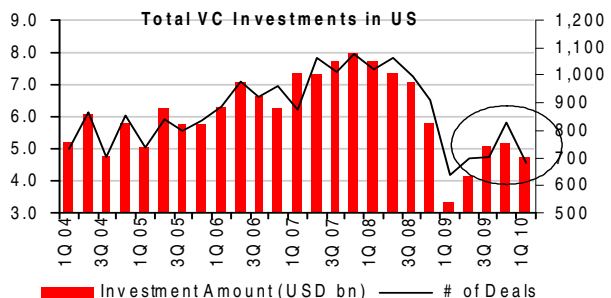
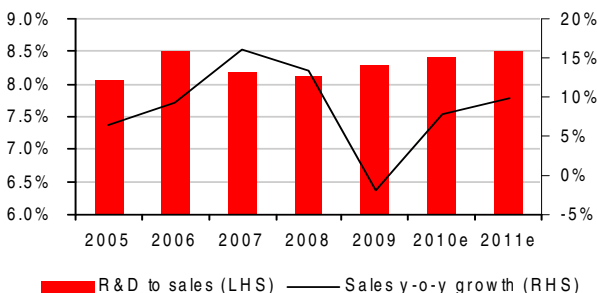
Telecom, ISVs*, life sciences	
Next-gen technologies	Services# offered across focus markets
Cloud computing	<ul style="list-style-type: none"> <li>•Predominantly focuses on PaaS (platform as a service)</li> <li>•Partners with ISVs to develop PaaS</li> <li>•Assists ISVs and enterprises to migrate applications to the platform</li> </ul>
Collaboration services	<ul style="list-style-type: none"> <li>•Designs search engines and optimisation</li> <li>•Manages content and facilitates social networking</li> <li>•Partners with/vendors to Google, eBay, Yahoo for above services</li> </ul>
Enterprise mobility/analytics	<ul style="list-style-type: none"> <li>•Undertakes OPD* for application ISVs for mobiles</li> <li>•Develops application stores for telecom OEMs and TSPs</li> <li>•Plans for OPD for mobile OEMs – on different platforms</li> </ul>
Core business	
Offshore product development (ex. Cloud)	<ul style="list-style-type: none"> <li>•Does OPD for telecom – OSS/BSS services, OPD for OEMs</li> <li>•Does OPD for BI vendors; partners with BI ISVs to develop connectors</li> <li>•Does OPD for life sciences and healthcare</li> </ul>
End-of-life product sustenance services	<ul style="list-style-type: none"> <li>•End-of-life sustenance services including OPD, implementation and maintenance</li> <li>•Acquires intellectual property rights of end-of-life or non-strategic products</li> </ul>

Client mining and improvement in VC funding – key to FY11 and FY12 growth



•Persistent has marquee clients such as Google, IBM and Salesforce.com. 37 clients have annual revenues of over USD1bn  
•We track R&D intensity (R&D spend to sales ratio) and sales growth of top clients to gauge the scope of wallet share gains by Persistent

•c25% of revenues are start-ups or VC-funded firms  
•Partnering with start-ups provides Persistent with exposure to latest technologies and an early mover advantage as technologies gain broader reach  
•We track VC funding trends, particularly in the US to assess the R&D spending intensity of smaller firms



Source: HSBC; \* ISV – Independent Software Vendors; # these are the dominant services offered by Persistent, but the list is not exhaustive; OPD – Offshore product development; TSP – Telecom Service Providers; OSS/BSS – Operations Support Systems; BSS - Business Support Systems

#### 6. Persistent: Profit and loss statement (abridged)

INRm	3Q10	4Q10	1Q11e	2Q11e	3Q11e	4Q11e	FY10	FY11e	FY12e	FY13e	CAGR FY10-13
Revenues (INRm)	1,584	1,717	1,722	1,787	1,870	1,986	6,012	7,364	9,108	11,189	23.0%
Direct Costs	950	1,002	1,032	1,074	1,117	1,172	3,372	4,395	5,306	6,354	
Direct costs as % of sales	60.0%	58.4%	60.0%	60.1%	59.7%	59.0%	56.1%	59.7%	58.3%	56.8%	
Gross Profit	634	715	689	714	753	813	2,639	2,969	3,802	4,835	22.4%
Gross Margins	40.0%	41.6%	40.0%	39.9%	40.3%	41.0%	43.9%	40.3%	41.7%	43.2%	
S&M Expenses	95	131	135	140	146	152	463	574	681	788	
S&M Expenses as a % of Sales	6.0%	7.6%	7.8%	7.9%	7.8%	7.7%	7.7%	7.8%	7.5%	7.0%	
Operating Income (EBIT)	281	295	261	269	290	329	1,128	1,149	1,637	2,254	25.9%
Operating Margin	17.7%	17.2%	15.2%	15.0%	15.5%	16.6%	18.8%	15.6%	18.0%	20.1%	
PBT	336	417	363	371	392	432	1,241	1,557	1,778	2,414	
PBT margin	21.2%	24.3%	21.1%	20.7%	21.0%	21.7%	20.6%	21.1%	19.5%	21.6%	
Net Profit	309	397	331	337	353	384	1,150	1,405	1,369	1,895	18.1%
Net Margin	19.5%	23.1%	19.2%	18.9%	18.9%	19.3%	19.1%	19.1%	15.0%	16.9%	

Source: HSBC estimates, company

#### Balance Sheet, Indian GAAP

INRm	FY10	FY11e	FY12e	FY13e
Equity	400	400	400	400
Reserves	6,003	7,317	8,598	10,372
<b>Total Equity</b>	<b>6,435</b>	<b>7,749</b>	<b>9,031</b>	<b>10,804</b>
Fixed Assets	2,318	2,687	3,142	3,701
Investments	1,562	1,562	1,562	1,562
Current assets	4,258	4,616	5,468	6,904
Sundry Debtors	1,363	1,670	2,065	2,537
Cash and bank balances	1,918	1,968	2,425	3,389
Other current assets	340	340	340	340
Loans and Advances	638	638	638	638
<b>Total Assets</b>	<b>8,145</b>	<b>8,871</b>	<b>10,179</b>	<b>12,174</b>
Current Liabilities	1,394	1,121	1,148	1,370
<b>Total Liabilities</b>	<b>1,710</b>	<b>1,121</b>	<b>1,148</b>	<b>1,370</b>

Source: HSBC estimates, company

#### Cash Flow, Indian GAAP

INRm	FY10	FY11e	FY12e	FY13e
<b>Net Profit before tax and exceptionals</b>	<b>1,241</b>	<b>1,557</b>	<b>1,778</b>	<b>2,414</b>
Depreciation	335	368	455	559
Operating profit before Working Capital changes	1,360	1,926	2,234	2,973
Change in Sundry Debtors	(397)	(307)	(395)	(472)
Change in current liabilities	807	(272)	27	222
Direct Taxes paid	(248)	(153)	(409)	(519)
<b>Cash generated by Operating Activities</b>	<b>1,611</b>	<b>877</b>	<b>1,456</b>	<b>2,204</b>
Purchase of fixed Assets	(476)	(736)	(911)	(1,119)
<b>Cash used in Investing activities</b>	<b>(1,142)</b>	<b>(736)</b>	<b>(911)</b>	<b>(1,119)</b>
Dividends paid	(22)	(77)	(75)	(104)
<b>Cash used in Financing Activities</b>	<b>1,264</b>	<b>(90)</b>	<b>(88)</b>	<b>(122)</b>
Operating Cash flow	1,611	877	1,456	2,204
Capex	476	736	911	1,119

Source: HSBC estimates, company



# Cloud computing

- ▶ Persistent to benefit from the robust growth in the PaaS market...
- ▶ ...due to its first-mover advantage and ...
- ▶ ...early success with leading PaaS vendors

## Platform as a Service (PaaS)

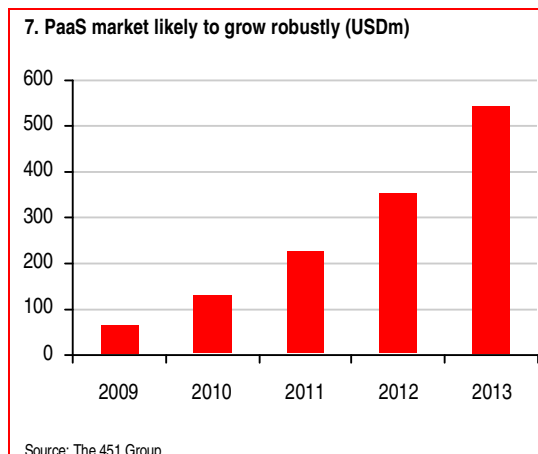
In our report, *Cloud opportunity distant, but offshoring still robust*, 25 March 2010, we discussed the markets for infrastructure as a service (IaaS) and software as a service (SaaS).<sup>1</sup> We now introduce the third aspect of cloud computing – platform as a service (PaaS), which falls between IaaS and SaaS, as illustrated in Figure 8 on Page 11.

### Benefits

PaaS means offering development and deployment platforms as a service. This allows independent developers to use a shared platform to develop applications, hosted in a vendor's environment. Salesforce.com's Force.com and MSFT's Azure are two examples of this service.

The benefits of PaaS include faster application development through standard languages and application building blocks, as well as the ability to scale and deliver strong application performance through application infrastructure elements.

The 451 Group forecasts the PaaS market will grow from USD66m in 2009 to USD543m by 2013.



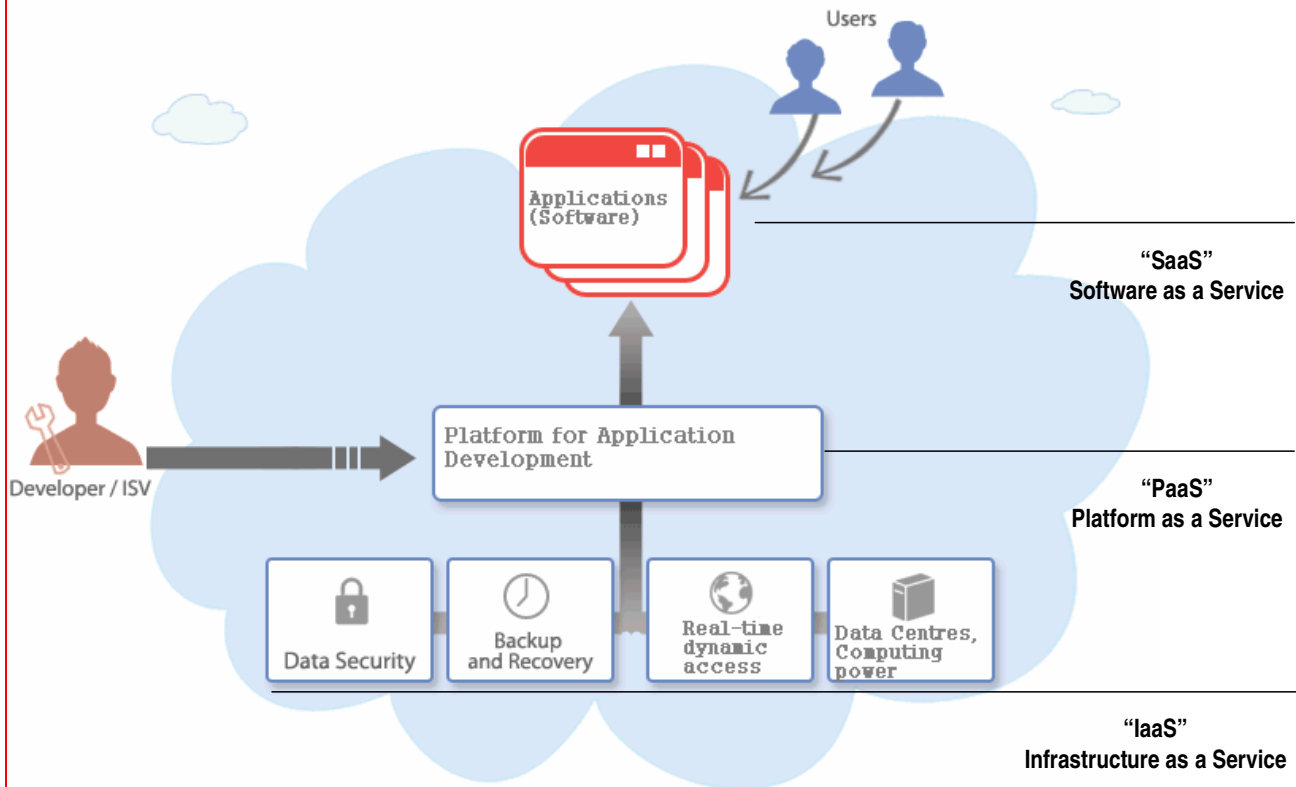
### How is Persistent positioned to benefit from the proliferation of PaaS

Persistent is involved in the evolution and expansion of the PaaS market in various ways:

- ▶ The company assists independent software vendors (ISV) in developing platforms as well as connectors of platforms and existing applications.
- ▶ It assists ISVs and enterprises in migrating/testing their existing on-premise applications on the cloud computing platform. The company signed a USD5m contract with a mega ISV in 4Q09 to migrate its service desk application on the Salesforce.com platform.

<sup>1</sup> We concluded that business process as a service (BPaaS), and not IaaS and SaaS, is the primary growth opportunity for large-cap Indian IT players. However, BPaaS can be categorised as a platform-based BPO and not a pure form of cloud computing.

## 8. Cloud computing - Persistent focused on PaaS



### What is platform as a service (PaaS)?

- PaaS adds a third dimension to pure\* cloud offerings. It is delivery of a computing platform and solution stack as a service.
- PaaS offerings facilitate deployment of applications without the cost and complexity of buying and managing the underlying hardware and software. It provisions hosting capabilities, providing all the facilities required to support the complete life cycle of building and delivering web applications and services entirely available from the Internet

### Who are the dominant players?

- Salesforce's Force.com, Microsoft's Azure, Salesforce's and VMware's VMForce.com (offering Java development capabilities on Force.com and Google's AppEngine)

### How Persistent is positioned in the market

- The above mentioned ISVs could leverage Persistent's OPD capabilities
- Persistent assists ISVs and companies to transition/develop applications on these platforms (signed a similar USD 5m deal with a major ISV in 4QFY10)

Source: Note: \* In our report Cloud opportunity distant, but offshoring still robust, 25 March 2010, we conclude that BPaaS is the primary growth opportunity for large-cap Indian IT, compared to IaaS and SaaS. However, BPaaS is also categorised as a platform-based BPO and not a pure form of cloud computing.

## 9. PaaS market

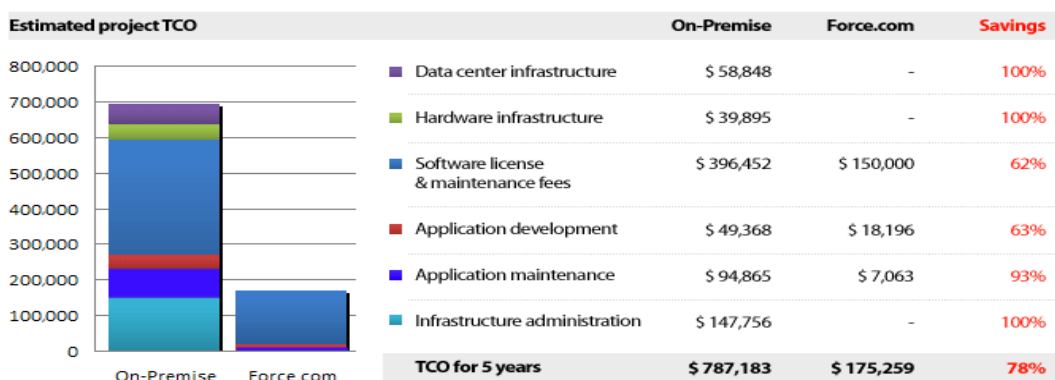
### Benefits of PaaS

Faster time to value, no capital expenditure, reduced operational expense, improved resource productivity and reduced integration costs are the key benefits from PaaS over on-premise development platforms

*"On average, developers found that they could develop applications c5x faster on Force.com, than on JAVA or .NET....customers experience more rapid time of value, lower cost, great ongoing flexibility."* – Nucleus Research

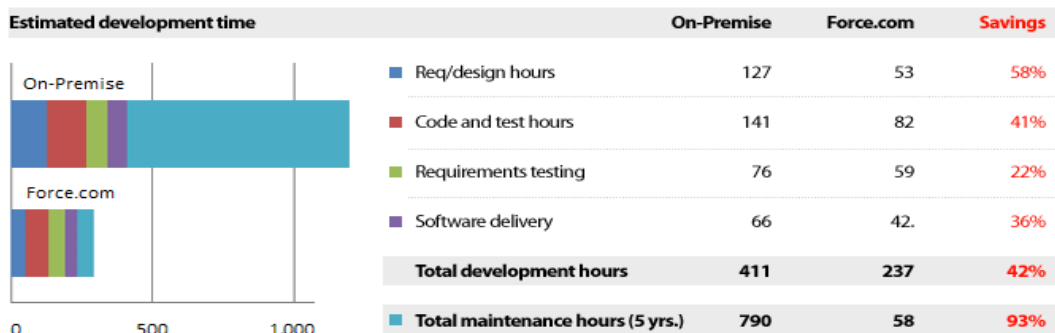
### COST

5-year cost savings... **78%**



### TIME

Development and maintenance time savings... **75%**



Source – Salesforce.com

### Early success indicators

Salesforce's Force.com already has over 18,000 applications developed on the platform

Persistent recently won a project to transition the service desk application of a large ISV on Force.com

### Broader proliferation of cloud platform likely, as evident by recent introduction of some new platforms

VMForce.com – integration of VMware's SpringSource platform and Salesforce's Force.com. Earlier, many CIOs were hesitant to create custom applications via Force.com's proprietary programming language, due to fear of "lock-in". However, this fear is addressed in VMForce, since developers would be able to develop applications on standard JAVA language

Of the current 6m Java developers globally, the 2m Spring Framework users are the most readily addressable audience for VMForce. Besides, existing Java applications can be moved to cloud without significant IT work, due to Java's universal portability and VMForce's infrastructure virtualisation.

Source: Salesforce.com, HSBC

# Collaboration & Web 2.0

- ▶ Social networking is growing at a robust pace...
- ▶ ...and is considered the next major collaboration and knowledge-sharing tool in organisations
- ▶ Persistent provides OPD services and is likely to benefit from the growth in social networking and e-commerce

## Social networking and e-commerce

Social networking websites such as Facebook and Orkut have been extraordinarily successful. The ISVs aim to take social networking to the next level by replicating their success in an organisational set-up.

Initiatives such as Salesforce Chatter are expected to replicate the success and ability of social networking websites for businesses, beating the inherent limitations of earlier collaboration platforms, such as email, Lotus Notes, SharePoint and enterprise information portals.

Further, e-commerce continues to gain popularity across the globe. It is expected that total online sales in the US (including online influenced sales) will represent more than 50% of total retail sales by 2011, up from 37% in 2008.

### How is Persistent positioned to benefit

Persistent is involved in the growth of social networking and e-commerce at various stages:

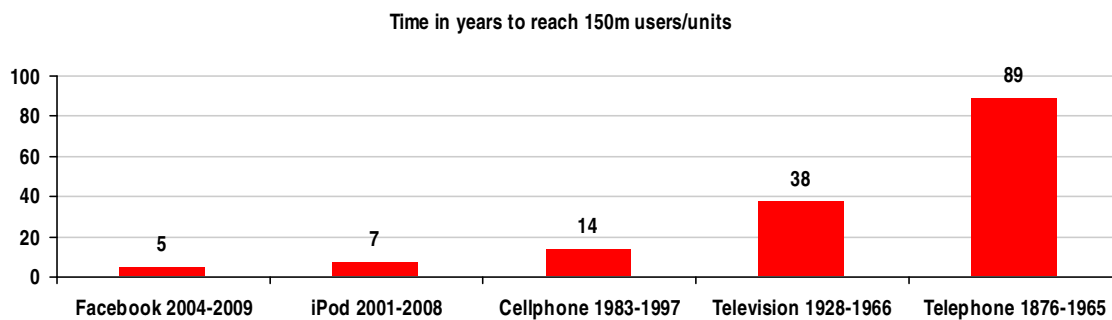
- ▶ It provides OPD services for the search technology used by the websites involved in e-commerce or social networking. Further,

the company develops connectors for standard search engines (for instance, Google Connectors to ensure that the Google search engine developed for enterprises works with various sources of data and content within an organisation).

- ▶ It offers analytic services/solutions to large internet companies to analyse the profiles of customers visiting their websites and customise advertisements accordingly.
- ▶ It provides usability engineering services to e-commerce companies. It offers OPD services for products used for online auctions/bidding, recommendations, deal gathering, setting-up online shops/carts.
- ▶ The company offers OPD and quality-check services, including internal checks, for social networking websites. For instance, Persistent provides OPD services, including quality checks, for the products of Neighbourhood America that introduced the concept of social networking in organisations. It offers products to ensure that the new applications integrate with other applications/sites using application programming interfaces (API), such as OpenSocial and Facebook APIs.

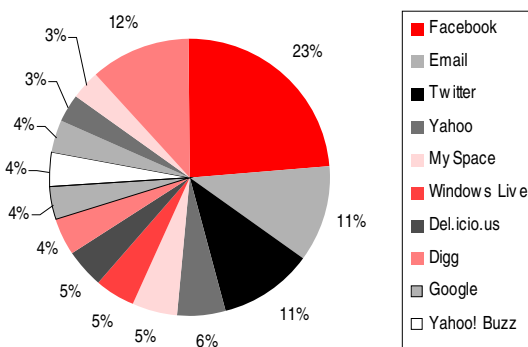
## 10. Collaboration market and opportunities for Persistent

### Growth in social media users



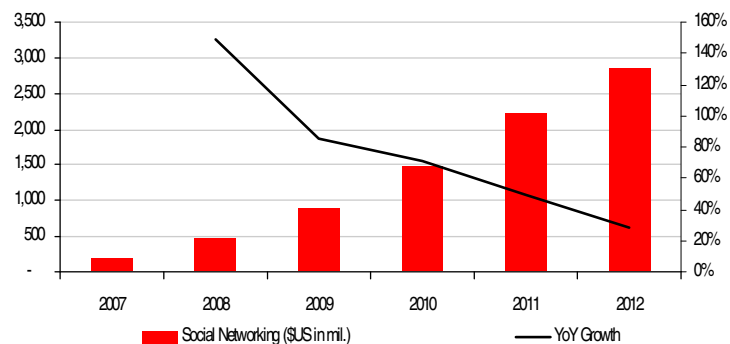
Source – CNN Money

### How people share content online



Source – AddToAny

### Projected user generated content revs – social n/ws



Source – comScore, Juniper Research

### Salesforce's Chatter takes information sharing to the next level

- Chatter intends to address a key business problem to find the right information within the organisation
- Traditional approaches to manage information such as enterprise information portals, SharePoint, Lotus and email have been successful, but only to a certain extent and remain bound by inherent limitations
- Chatter assists/provides employees with the means to not only interact real-time, but share business information such as project status and collaborate on documents
- With Chatter, various internal departments can follow trails from others. Sales team can follow dispatch orders, production can follow invoices, etc. – and importantly, all of this is real-time

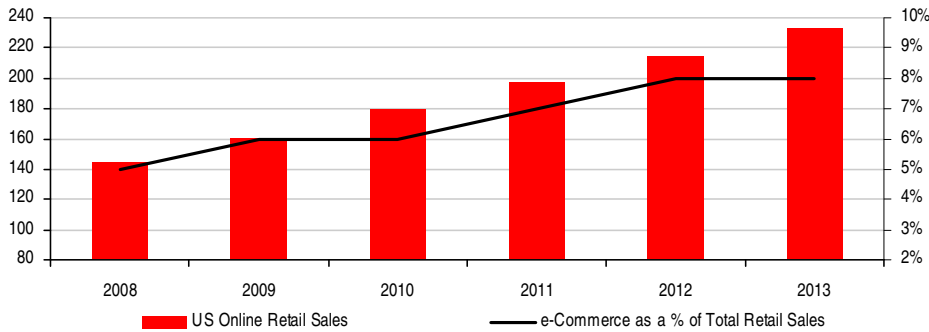
### How Persistent will benefit

- Enterprise search services for the ISVs offerings web services/solutions, such as Google
- Web 2.0 and OPD offerings to ISVs, such as eBay, Yahoo etc
- Analytics and Unstructured search capabilities

Source: AddToAny, comScore, Juniper Research, HSBC

## 11. The collaboration and Web 2.0 opportunity – E-commerce proliferation

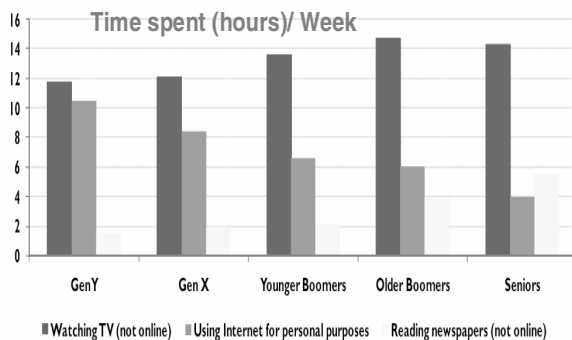
### e-Commerce in the US (USD bn)



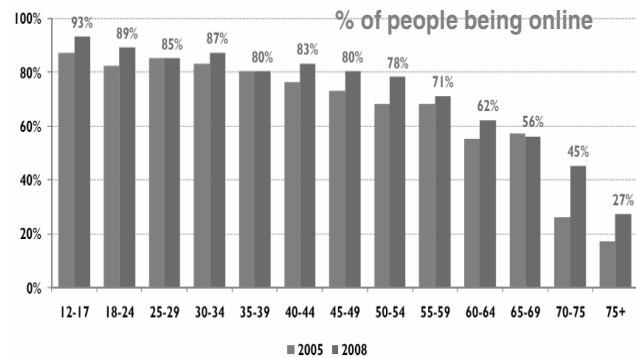
Total online sales in U.S, including online influenced retail sales to be higher than 50% of the total retail sales by 2011, from 37% in 2008

Source – NeXt Up Research, Forrester Research

### Demographics favor online-media growth...

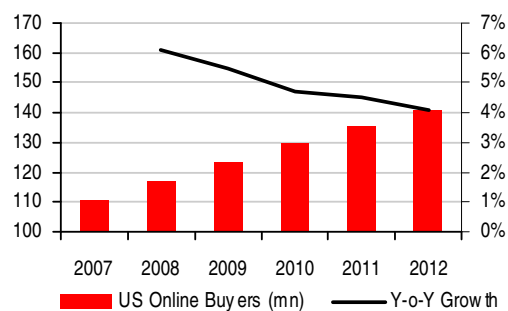
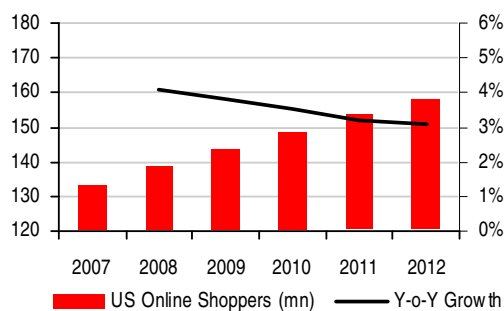


Source – North American Technographics® Benchmark Survey, 2007, Forrester Research



Source – Pew Research Center

### ...resulting in consistent growth in the number of buyers and shoppers online



Source – eMarketers, May 2008; Note: Age 14+

### How Persistent will benefit

- Enterprise search services for e-commerce companies such as eBay and Amazon
- Content management services
- Analytics and business intelligence services

Source: HSBC

# Enterprise mobility

- ▶ Growth of smartphones and new mobile platforms offer significant growth opportunity to Persistent
- ▶ The company offers OPD services across the value chain...
- ▶ ...from platforms to applications

## Proliferation of smartphones<sup>2</sup> and multiple mobile platforms

With the resounding success of the iPhone, the smartphone industry has witnessed robust growth. Global smartphone sales reached 171m units (12% of total handset sales) in 2009 and we expect the number to more than double to 416m units in 2013 (20% of total) – a CAGR of 25% (vs 10% for the industry). Our estimate is based on International Data Corporation (IDC) forecasts that are adjusted for white-box sales.

We believe two key factors will make smartphones more affordable in the future: 1) the absence of or reduction in the operating system (OS) licensing fee (10-15% of total cost), as open source platforms, such as Android, continue to gain market share at a rapid pace; 2) innovation by chip vendors (30-40% of total cost).

### Android is the fastest-growing smartphone OS

Currently, 60% of smartphone unit sales run on old operating systems, such as Symbian, Windows

<sup>2</sup> Smartphones lack an industry-wide standard definition. Most consumers consider a smartphone as a phone with advanced features, such as e-mail and Internet access. A smartphone runs on complete OS software that provides a standardised interface for application developers. Any mobile phone that is not a smartphone is called a feature phone.

Mobile and Linux. This leaves significant room for growth in the Android platform (figure 12).

### Profits lie in application stores and owning the end-to-end value chain

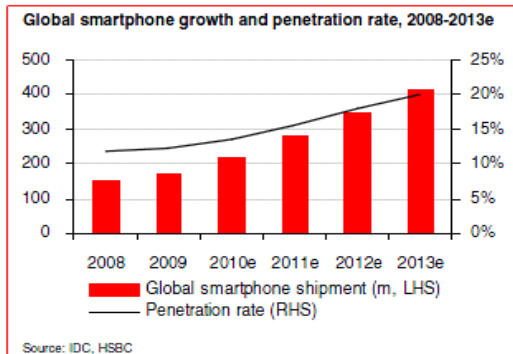
Since its launch in 2H08, Android has gained traction in the non-Apple camp (both handset brands and operators). HTC, Huawei, LG Electronics, Motorola, Samsung Electronics, Sony Ericsson and ZTE have or plan to have smartphones based on Android. The main reason is that Apple (c15% of smartphone unit volume and c80% of profit in 2009) is vertically integrated – it owns a proprietary OS and runs its own application store and supply chain.

### Persistent gains?

- ▶ The company provides OPD services to OEMs to develop their proprietary platforms and application stores (Samsung is a client).
- ▶ It offers OPD services for application development to independent mobile application vendors, such as SEVEN.
- ▶ The company is developing solution accelerators to assist OEMs/ISVs to minimise time-to-market in developing mobile applications and software.

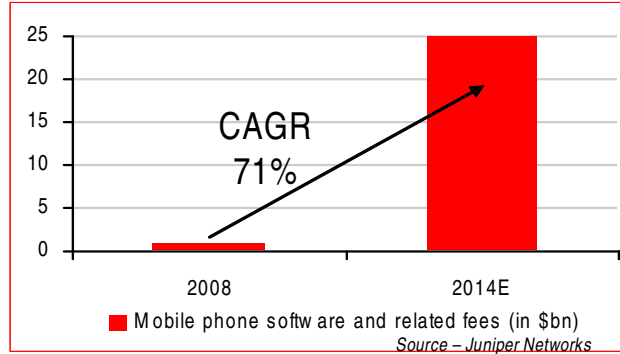
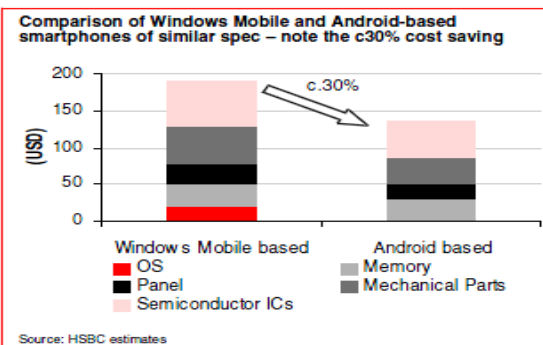
## 12. Enterprise mobility market

### Growth/proliferation of smartphones



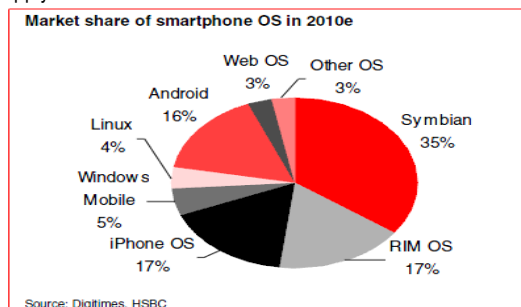
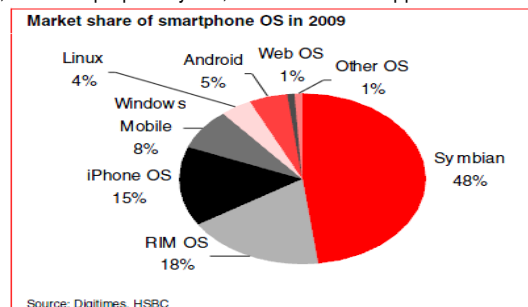
- We expect smartphone sales to outpace the overall handset industry growth rate as they replace feature phones
- Global smartphone sales reached 171m (12% of total handsets) in 2009 and should more than double to 416mn in 2013 (20% of total)

This growth will be supported by (1) absence or reduction of the operating system (OS) licensing fee (normally 10-15% of total costs), and (2) innovation by chip vendors (chips are 30-40% of costs).



**Focus on application stores should increase as end-to-end value chain players make stronger profits and availability of open-source platforms facilitates third-party application development**

- Since its launch in 2H08, Android has gained significant traction in the non-Apple camp (both handset brands and TSPs)
- HTC, Motorola, Samsung, LG Electronics, Sony Ericsson, Huawei and ZTE all offer or plan to offer Android smartphones
- The major reason is that Apple, accounting for c15% of smartphone unit volume and c80% of profit in 2009, is vertically integrated. That is, it owns a proprietary OS, and runs its own application store and supply chain



### How Persistent will benefit

- Application stores – the company is collaborating with OEMs such as Samsung to develop their application stores
- OPD for independent ISVs – assisting independent ISVs that focus on application development on the new mobile platforms
- Mobile software for OEMs – Persistent is making inroads in assisting OEMs to develop mobile software

Source: IDC, Juniper Networks, DigitimesHSBC



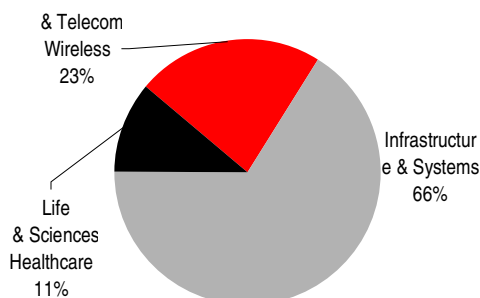
# Core business

- ▶ Core business should continue to do well on the back of...
- ▶ ...strong R&D spend cycle, wallet share gains and...
- ▶ ...improving venture capital funding for start-up clients

## Steady growth in the core business

Persistent is focused on offshore product development for independent software vendors. Apart from offering services in the latest technologies, as discussed earlier, the company offers core OPD services in the areas of OSS/BSS<sup>3</sup> for telecom, analytics and database for ISVs and OPD in the drug lifecycle for life sciences.

13. Proportion of revenues (2010)



Source: Company

We expect core revenues to continue to grow, albeit lagging the revenue growth from the new generation technology services. Core revenue growth would be led by

- ▶ Strong demand for OSS/BSS services as telecom service providers in the US face significant capacity crunch and invest in new

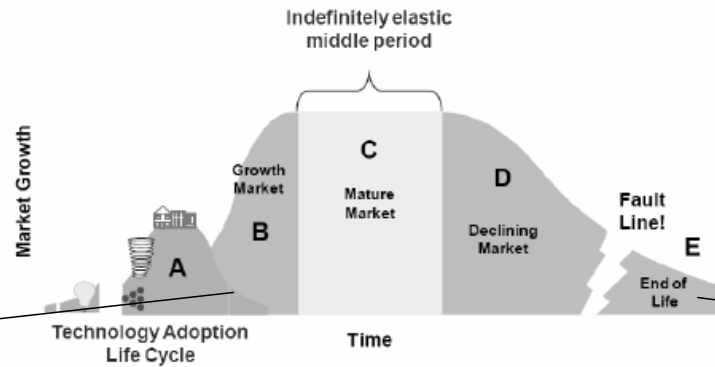
technologies such as 4G (LTE). With significant growth in data and TSP's lack of scope to monetise it, these service providers would look for solutions to increase revenue maximisation and cost optimisation.

Persistent, through its OPD services and relationship with the marquee software providers and OEMs in the telecom space, is likely to benefit from the increased spending.

- ▶ Life sciences and healthcare: Persistent is involved in the OPD of the systems required through the entire drug life cycle, offering services such as product development, connectors to ERP (inventory, billing), visual presentation of data and analytic tools. The company has increased its focus on healthcare and is likely to see increased growth.
- ▶ The company has a diversified customer profile with 37 clients with revenues higher than USD1bn. In addition, over 50% of clients are start-ups, funded through venture capital, contributing c25% of revenues. We have tracked venture capital funding and the R&D spend of its top clients – Persistent is likely to benefit on both fronts.

<sup>3</sup> OSS - Operations Support Systems; BSS - Business Support Systems

#### 14. End-of-life product sustenance services



- In the early market phase, Persistent provides research and product development services. The services are designed to help customers reduce costs and create a fully integrated product
- Further, it provides customers in the growth phase with product engineering services in addition to other service offerings

- Customers in a mature market phase generally need customer-specific enhancements, professional services and deployment services, while ISVs are not looking to invest in an end-of-life product
- Persistent takes responsibility of products and is responsible for extending, supporting and maintaining end customers. For such activities, a flexible business model, which is typically shared-risk and shared-reward, is adopted

#### Two case studies

*Most acquisitions Persistent has made are end-of-life or non-strategic products from ISVs; it shares risk-rewards with the ISV, as it monetises intellectual property rights*

##### LIMS from Agilent Technologies

- Persistent acquired LIMS from Agilent, focused on life-cycle management of a compound
- The product was non-strategic to Agilent and Persistent currently owns the IP for the product
- Persistent is to take care of the entire development and enhancement of the product

##### PaxPro from Paxonix Inc.

- Persistent acquired Paxpro Solutions from Paxonix, with payments linked to earn-out
- Paxpro is an asset life cycle management solution for consumer products companies
- The solution is delivered on SaaS currently and Persistent owns the IP and is responsible for the development and end-to-end customer relationship

Source: Persistent Red-herring prospectus (SEBI), HSBC

# Forecasts and valuation

- ▶ Revenue CAGR of 23% over FY10-13e
- ▶ Margin dilution, due to wage inflation and currency exposure, to be cushioned by growth in IP revenue
- ▶ Initiate OW(V) with target price of INR500 based on a 13x PE on FY12e EPS

## Revenue forecasts

Over FY05-09, the last five years' pre-recession, revenues increased at a CAGR of c42% in USD terms and c41% in INR terms. We expect the company to post an FY10-13 CAGR of around 25% in USD terms and around 23% in INR terms.

### 15. Persistent: Key financials (CAGR)

	FY05-10	FY10-13	FY11
Revenues (USD)	31%	25%	30%
Revenues (INRm)	33%	23%	22.5%
EBITDA (INRm)	27%	24%	3.6%
EPS (INR)	24%	15%	22.1%

Source: HSBC, company

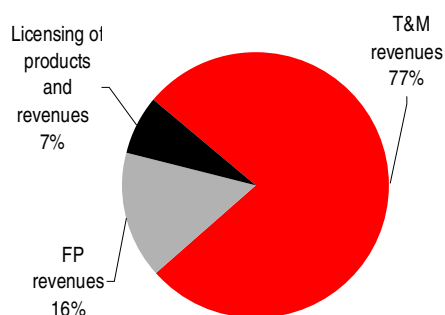
We expect revenue growth in FY11 to be primarily driven by growth in offshore volumes. We forecast offshore volume growth of c20% in FY11 on growing business opportunities. We expect offshore pricing to remain mostly flat in FY11 and improve marginally by the year-end. We do not expect any material change in the onshore/offshore mix.

### 16. Persistent: Volumes and pricing forecasts

Billing rates (USD/ppm)	1Q10	2Q10	3Q10	4Q10	1Q11e	2Q11e	3Q11e	4Q11e	FY10	FY11e
Offshore	3,497	3,548	3,616	3,546	3,581	3,581	3,607	3,662	3,553	3,608
Onsite	12,408	12,379	12,052	12,564	12,686	12,686	12,782	12,973	12,379	12,782
<b>Blended</b>	<b>3,730</b>	<b>3,835</b>	<b>3,936</b>	<b>4,079</b>	<b>4,109</b>	<b>4,104</b>	<b>4,130</b>	<b>4,182</b>	<b>3,907</b>	<b>4,131</b>
q-o-q										
Offshore		1.5%	1.9%	-1.9%	1.0%	0.0%	0.8%	1.5%	-2.0%	1.5%
Onsite		-0.2%	-2.6%	4.2%	1.0%	0.0%	0.8%	1.5%	-5.2%	3.3%
<b>Blended</b>		<b>2.8%</b>	<b>2.6%</b>	<b>3.6%</b>	<b>0.7%</b>	<b>-0.1%</b>	<b>0.6%</b>	<b>1.3%</b>	<b>-3.3%</b>	<b>5.8%</b>
Volumes (man-months)										
Offshore	7,122	7,247	8,302	8,611	8,870	9,225	9,593	10,073	31,283	37,761
Onsite	191	244	327	541	546	563	579	597	1,303	2,285
<b>Total Volume</b>	<b>7,314</b>	<b>7,491</b>	<b>8,629</b>	<b>9,152</b>	<b>9,416</b>	<b>9,787</b>	<b>10,173</b>	<b>10,670</b>	<b>32,586</b>	<b>40,046</b>
q-o-q										
Offshore		1.8%	14.6%	3.7%	3.0%	4.0%	4.0%	5.0%	3.3%	20.7%
Onsite		27.4%	34.1%	65.4%	1.0%	3.0%	3.0%	3.0%	-6.5%	75.4%
<b>Total Volume</b>		<b>2.4%</b>	<b>15.2%</b>	<b>6.1%</b>	<b>2.9%</b>	<b>3.9%</b>	<b>3.9%</b>	<b>4.9%</b>	<b>2.9%</b>	<b>22.9%</b>
Revenues (INRm)	1,320	1,390	1,584	1,717	1,722	1,787	1,870	1,986	6,012	7,364
q-o-q		5.3%	13.9%	8.5%	0.2%	3.8%	4.6%	6.2%	1.2%	22.5%

Source: HSBC, Company report

#### 17. Persistent: Revenue mix (2010)



Source: Company

## Margin forecasts

For FY11, we expect EBITDA margins of 20.6%, down 380bp y-o-y, due to wage inflation and INR appreciation. However, we expect the share of IP revenues in total revenues to rise from 7% in FY10 to 12% in 4Q FY11, providing a partial cushion for margin decline.

## Valuation

We believe Persistent should trade at a premium to its mid-cap peers, particularly at this point of the business cycle, as it is highly exposed to new technologies and investments. We value Persistent at 13x our FY12e EPS, which values the stock at INR500. This target multiple is at a modest c10% premium to the average target multiple of similar

mid-cap stocks, including Mindtree, Infotech Enterprise, Polaris and Patni.

Under our research model, for India stocks with a volatility indicator, the Neutral rating band is 10 percentage points above and below the hurdle rate of 10.5%. This translates into a Neutral band of 0.5-20.5% around the current share price. Our target price implies a potential total return of c49% (including dividend yield of c2.5%); thus, we initiate coverage with an Overweight (V) rating on the stock.

#### 18. Persistent: Peer multiples

	FY11	FY12	FY05-10 Average	Average	Max	Min
Infotech Ent.	12.4	10.6	11.3	16.3	3.6	
KPIT Cummins	8.6	7.5	10.2	15.4	2.5	
Patni Computers	12.8	12.0	11.4	16.4	3.9	
Mindtree	12.9	10.5	12.3	24.3	5.0	
Polaris	8.5	8.1	10.2	18.9	3.6	

Source: Bloomberg

## Risks

- **Currency risk** – Persistent derives c87% of its revenues from offshore; c96% of man months billed are in offshore locations. This means Persistent has high sensitivity to fluctuations in the INR/USD exchange rate. Appreciation from current INR/USD levels could be a risk to earnings.

#### 19. Persistent: Profit and loss statement (abridged)

INRm	3Q10	4Q10	1Q11e	2Q11e	3Q11e	4Q11e	FY10	FY11e	FY12e	FY13e	CAGR FY10-13
Revenues (INRm)	1,584	1,717	1,722	1,787	1,870	1,986	6,012	7,364	9,108	11,189	23.0%
Direct Costs	950	1,002	1,032	1,074	1,117	1,172	3,372	4,395	5,306	6,354	
Direct costs as % of sales	60.0%	58.4%	60.0%	60.1%	59.7%	59.0%	56.1%	59.7%	58.3%	56.8%	
Gross Profit	634	715	689	714	753	813	2,639	2,969	3,802	4,835	22.4%
Gross Margins	40.0%	41.6%	40.0%	39.9%	40.3%	41.0%	43.9%	40.3%	41.7%	43.2%	
S&M Expenses	95	131	135	140	146	152	463	574	681	788	
S&M Expenses as a % of Sales	6.0%	7.6%	7.8%	7.9%	7.8%	7.7%	7.7%	7.8%	7.5%	7.0%	
Operating Income (EBIT)	281	295	261	269	290	329	1,128	1,149	1,637	2,254	25.9%
Operating Margin	17.7%	17.2%	15.2%	15.0%	15.5%	16.6%	18.8%	15.6%	18.0%	20.1%	
PBT	336	417	363	371	392	432	1,241	1,557	1,778	2,414	
PBT margin	21.2%	24.3%	21.1%	20.7%	21.0%	21.7%	20.6%	21.1%	19.5%	21.6%	
Net Profit	309	397	331	337	353	384	1,150	1,405	1,369	1,895	18.1%
Net Margin	19.5%	23.1%	19.2%	18.9%	18.9%	19.3%	19.1%	19.1%	15.0%	16.9%	

Source: HSBC estimates, company

- ▶ **High exposure to start-ups** – US technology start-ups form c50% of Persistent's client base. This exposes it to the inherent risks carried by new and early-stage ventures and makes it vulnerable to the volatility and challenges faced by start-ups.
- ▶ **Competition from large vendors offering end-to-end services** – Persistent has been a player in the niche OPD segment, and has not seen any material competition from the other large IT services players. However, this could change as companies are exploring new non-linear models for growth. We believe large companies are better-positioned to offer end-to-end services and have excellent client references too.
- ▶ **Execution risk** – Though Persistent has been growing rapidly over the last five years, we believe it could face severe scalability issues in the future if it aims to maintain a similar growth rate. Management bandwidth remains a key concern that would need to be addressed in order to maintain similar momentum and achieve scale.
- ▶ **Attrition** – The company clocked an attrition rate of c14% in FY10. It also remains susceptible to poaching by captives of global players operating in India.

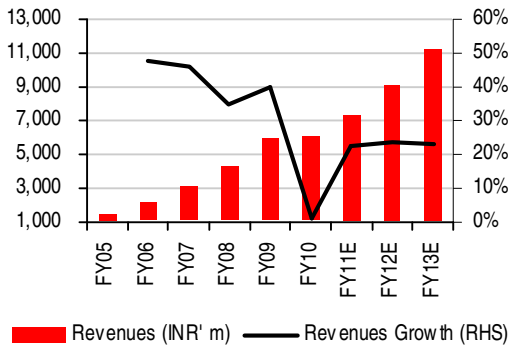
## 20. Persistent: Relative to peers

Company	Share price performance (%)				1-year forward PE
	1 month	3 months	12 months	y-t-d	
Persistent Systems	-5			-7	13x
KPIT Cummins Infosystems	-15	-6	147	-17	8.3x
Infotech Enterprises	8	16	138	26	12.7x
Patni Computer Systems	2	24	247	18	13.2x
Mindtree	-4	2	64	-17	12.5x
Polaris Software Lab	3	14	133	-1	8.8x

Note: Persistent PE based on HSBC FY12 estimates  
Source: Reuters

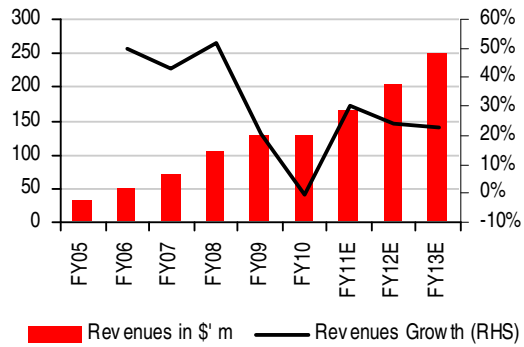
## Persistent at a glance

21. Persistent: Revenues (INRm)



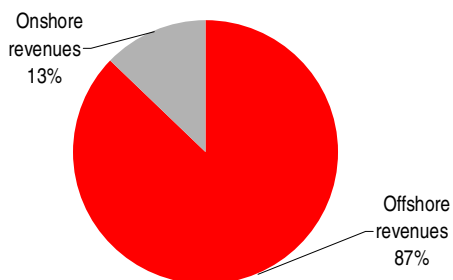
Source: Company

22. Persistent: Revenue forecast (USDm)



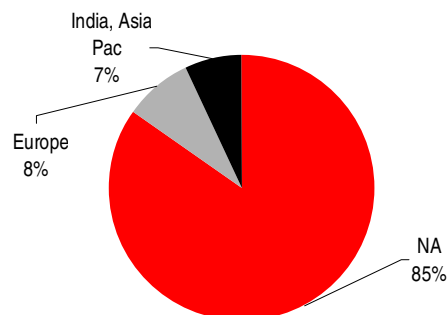
Source: HSBC estimates

23. Persistent: Revenue mix (2010)



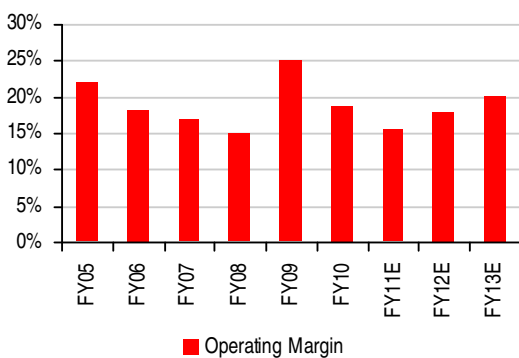
Source: Company

24. Persistent: Geographic revenue mix (2010)



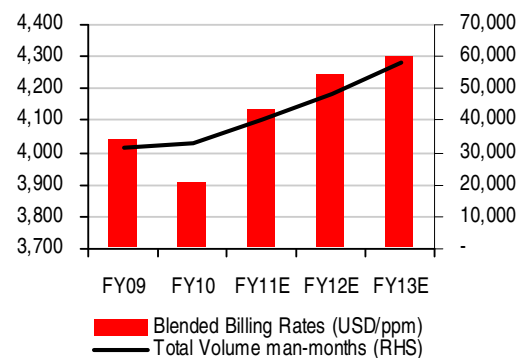
Source: Company

25. Persistent: Operating margins forecast



Source: HSBC estimates

26. Persistent: Volume and pricing forecast



Source: HSBC estimates

# Annexure

## Company history

Persistent is a mid-tier IT company in India, focused on the niche OPD and product engineering services category. It offers the benefits of offshore delivery to global product companies and start-ups. The company was incorporated in 1990 and has seen impressive growth in the last few years – it recorded revenue CAGR of c42% over FY05-09.

Persistent is active in the areas of telecommunications, life sciences, and infrastructure and systems. The company plans to invest in new technologies and frameworks in the areas of cloud computing, analytics, enterprise collaboration and enterprise mobility. It currently derives c7% of its revenues from IP-related activities, and expects this to grow to 20% in the next three years.

The company has a high-quality and experienced management team, and is backed by industry veterans like Dr Pramod Haque. It has a client list consisting of global technology majors as well as small start-ups working on new cutting-edge technologies.

Persistent's OPD services allow its customers to release management bandwidth, reduce time-to-market, and improve the quality of their products, thereby lowering their overall product engineering costs.

## Management profile

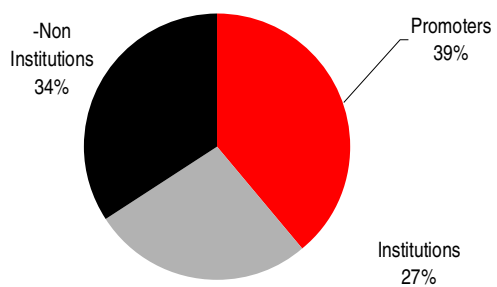
Persistent has an experienced management team as described in the table below.

### 27. Persistent: Management profile

Name	Designation	Experience
Dr. Anand Deshpande	Chairman & Managing Director	Dr. Deshpande earned a B Tech in Computer Science from IIT Kharagpur in 1984 and a Doctorate in Computer Science from the Indiana University in 1989. He is a member of the IEEE and CSI and serves on the executive committee of NASSCOM. He has been a member of Board since he founded the company in 1990.
Dr. Srikanth Sundararajan	Chief Operating Officer	Has more than 20 years of experience with Hewlett-Packard, Informix that was his own start-up, HCL Technologies and Cognizant Tech Solutions.
Rajesh Ghonasgi	Chief Financial Officer	He was the CTO for HCL and the worldwide CTO for CTS.
T M Vijayaraman	Chief Technical Officer	He has over 20 years of experience in leading technology companies, handling finance and legal functions, as well as other cross-functional activities across companies such as Wipro, Deutsche Software and ICICI Venture Funds Management and Hexaware Technologies.
Hari Haran	President	He has 30 years of professional experience in architecting, designing and building systems. He has specialisation in databases, and wide exposure to different technologies, languages and systems.
Vivek Sadhale	Company Secretary & Legal Head	He was the SVP of Worldwide Field Operations at Openwave Systems; he served as the President and CEO of Longboard, SVP of Global Sales and Marketing for Littlefeet, and CEO of Penbase. He worked with Lucent Technologies, where he was the Vice President and Manager of the EMEA region.
		He worked with Siemens Limited, Bombay Dyeing and Manufacturing, and Kirloskar Pneumatic

Source: Company

28. Persistent: Shareholding pattern



Source: Company



# Disclosure appendix

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