

March 02, 2010
Mumbai

CRISIL IPO grade 4/5 assigned to the IPO of Persistent Systems Ltd.

CRISIL has assigned a CRISIL IPO Grade '4/5' (pronounced 'four on five') to the proposed initial public offer (IPO) of Persistent Systems Ltd (Persistent Systems). This grade indicates that the fundamentals of the issue are above average, in relation to other listed equity securities in India. However, this grade is not an opinion on whether the issue price is appropriate in relation to issue fundamentals. The grade is not a recommendation to buy/sell or hold the graded instrument, or a comment on the graded instrument's future market price or its suitability for a particular investor.

The grading reflects the company's presence across the value chain of product development – product conceptualization, design, development, testing and support – its diversified client base, growing cash accruals coupled with the management's proven execution capabilities. Apart from catering to leading independent software vendors (ISVs), Persistent Systems offers end-to-end solutions to smaller software product companies. The company is focusing on augmenting its business through emerging technologies and new initiatives such as Cloud Computing/SaaS, Analytics, Enterprise Mobility and Enterprise Collaboration Services. Moreover, its R&D efforts have enabled Persistent Systems to further strengthen its domain capabilities, thereby executing projects across all stages of product development. The company also has a strong financial position given its zero gearing and generation of robust cash.

The grading also factors in the sound technical background of promoters and the experienced second line of management. Corporate governance in the company is strong given the presence of eminent independent directors on its board over the last few years coupled with the adoption of high disclosure standards. However, the grading is tempered by the company's dependence on outsourced projects from developed markets, vulnerability of its revenues to currency fluctuations and wage inflation. The possible withdrawal of tax concessions post March 31, 2011 could adversely impact post tax profitability.

About the company and the issue

PSL, promoted by first generation entrepreneurs - Dr. Anand Deshpande and Mr. S. P. Deshpande ((father of Dr. Anand Deshpande), was incorporated in 1990. The company provides offshore software product development services to its customers, a majority of whom are ISVs. It provides services across the value chain of product development - product conceptualisation, design, development, testing and support. The company has around 297 customers, of whom the top 10 customers account for around 37 per cent of its revenues. As of November 30, 2009, PSL had around 4,400 people on its employment rolls.

The company's offshore development centres are located in Pune, Nagpur, Goa and Hyderabad. The company owns most of its development centres. PSL plans to use a part of its IPO proceeds to fund the construction of its two new development centres - one in Hinjewadi, Pune and the other in Nagpur, with a capacity to seat 3,000 and 1,200 employees, respectively at an estimated cost of Rs 1,749 million. Around one-fifth of the IPO proceeds are estimated to be used for procuring hardware.

About CRISIL IPO Grading

CRISIL IPO (Initial Public Offering) Grading is an opinion on the fundamentals of the graded issue that reflects CRISIL's independence and expertise. This opinion is expressed as a relative assessment in relation to other listed equity securities in India. The assessment is based on a grading exercise carried out by industry specialists from CRISIL Research. A CRISIL IPO Grade 5/5 indicates strong fundamentals and a CRISIL IPO Grade 1/5 indicates poor fundamentals. CRISIL IPO Grading reflects its assessment of the graded company's equity fundamentals as distinct from an assessment of debt fundamentals. A CRISIL IPO Grade should not be construed to mean a comment on the price of the graded security nor is it a recommendation to invest or not to invest in the graded security.

Media Contact	Analytical Contacts
Mitu Samar Head, Market Development & Communications CRISIL Limited Tel: +91-22- 3342 1838 Mobile: +91- 98200 61934 Fax: +91-22- 3342 3001 E-mail: msamar@crisil.com	Chetan Majithia Head, CRISIL Equities Tel: +91-22- 3342 4148 E-mail: chetanmajithia@crisil.com

About CRISIL Limited

CRISIL is India's leading Ratings, Research, Risk and Policy Advisory Company.

About CRISIL Research

CRISIL Research is India's largest independent, integrated research house. We leverage our unique, integrated research platform and capabilities spanning the entire economy-industry-company spectrum to deliver superior perspectives and insights to over 600 domestic and global clients, through a range of subscription products and customised solutions.

CRISIL PRIVACY NOTICE

Contacting us via e-mail or registering with CRISIL reveals your e-mail address and any other information you include such as phone number and/or mailing address. We will use this information to help us process your registration, fulfill your request or respond to your inquiry. All of your personal information will be stored in a secure database in India. Access to this database is limited to authorized persons.

Occasionally, we use data collected about customers and prospects to inform them about products or services from CRISIL, and our parent company Standard & Poor's (a subsidiary of The McGraw-Hill Companies), and reputable outside companies that may be of interest to them. Many of our customers find these e-mail promotions valuable, whether they are shopping for merchandise, taking advantage of a special offer, or purchasing unique services. On rare occasions, and subject to applicable laws, CRISIL may also share your information with outside "3rd Party" vendors who will be authorized to use this information solely to perform services (such as a "mailing" house) on our behalf.

If at any time you would like your name removed from lists that are shared for promotional reasons within CRISIL, Standard & Poor's, and with other units of The McGraw-Hill Companies, or with third parties simply send a written request to privacy@crisil.com or Privacy Official, CRISIL House, Central Avenue, Hiranandani Business Park, Powai, Mumbai - 400 076, India.

You can also send an email request to privacy@crisil.com if you would like to confirm the accuracy of the information we have collected from you, or if you have questions about the uses of this information.

For more information about The McGraw-Hill Companies Privacy Policy, please visit www.mcgrawhill.com/privacy.html

Last updated: 01 January, 2010

Disclaimer

A CRISIL IPO Grading is a one-time assessment and reflects CRISIL's current opinion on the fundamentals of the graded equity issue in relation to other listed equity securities in India. A CRISIL IPO Grading is neither an audit of the issuer by CRISIL nor is it a credit rating. Every CRISIL IPO Grading is based on the information provided by the issuer or obtained by CRISIL from sources it considers reliable. CRISIL does not guarantee the completeness or accuracy of the information on which the grading is based. A CRISIL IPO Grading is not a recommendation to buy / sell or hold the graded instrument; it does not comment on the issue price, future market price or suitability for a particular investor.

CRISIL is not responsible for any errors and especially states that it has no financial liability whatsoever to the subscribers / users / transmitters / distributors of CRISIL IPO Gradings. For information on any IPO grading assigned by CRISIL, please contact 'Client Servicing' at +91-22-33423561, or via e-mail: clientservicing@crisil.com.

For more information on CRISIL IPO Gradings, please visit <http://www.crisil.com/ipo-gradings>

This Press Release is transmitted to you for the sole purpose of dissemination through your newspaper / magazine / agency. The Press release may be used by you in full or in part without changing the meaning or context thereof but with due credit to CRISIL. However, CRISIL alone has the sole right of distribution of its Press Releases for consideration or otherwise through any media including websites, portals etc.