CHAPTER 5: PERSISTENT SYSTEMS LTD. CASE STUDY
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5.1 INTRODUCTION
Founder of Persistent Systems, Dr. Anand Deshpande was born in Akola, Maharashtra state in India. He grew up in Bhopal. His father S.P. Deshpande (fondly known as ‘Dada’) worked at Bharat Heavy Electricals Ltd. (BHEL) as an engineer. Dr. Anand did his schooling at Bhopal. Since young age he was inclined towards engineering. He started doing aeronautical engineering at Indian Institute of Technology (IIT), Kharagpur. After two years he changed to computer science stream, a new department started at IIT. He was active sports person through swimming and water polo. Individually he has always been persistent. Once he used to set his goal, he used to achieve it through his quality of being persistent. He further studied at Indiana University at Bloomington where he did his master’s and doctoral degree. Here Anand was exposed to research environment and also liked flexibility to choose subjects. He also learned a lot from international culture and learned mid-western American life. Here he wrote research paper together with his advisor at the University. This paper was published at a unique conference in Germany. This gave good visibility to Dr. Anand.

Dr. Anand started Persistent in 1990 focused on outsourced product development. His idea was to develop factory for building software products. Almost like a contract manufacturing done by companies like Flextronics. At the time Initial Public Offering (IPO), Persistent had done Outsourced Product Development (OPD) for more than 200 customers, had shipped more than 3000 product releases in last five years. The company had 4,500 employees. The company had 37 out of 200 customers were largest software companies, who had more than one billion dollar revenues. The company also served large number of Silicon Valley start-ups typically funded by Venture Capitalists (VCs), who come up with new technologies. At that time top ten percent of the customers contributed to 37 percent of its revenues and top five about 26 percent of its revenue. The company had earned around 24 to 25 percent margins.

The company’s clients do multiple releases of its products. Typically large companies do the releases almost every other year. Software product companies are different than software services companies. Every product company’s is very much focused on developing next version of the product. The company’s employees are used to considering the future product releases while working on current one.
The company continuously tracks technology disruptions. This is because changes in technologies affects products of its client and in turn the company’s services. These disruptions also come with new ideas, in turn new products and provide more business opportunities to the company.

The company got funding from technology giants like Intel and Hewllet Packard (HP). Intel invested in year 2000. Intel 64 fund invested in the company as a strategic partner. This fund was setup by Intel to promote itanium architecture. Itanium was a 64 bit chip of Intel. Intel wanted eco-system of the product companies to along with it. The fund ended in year 2006-07. The equity got distributed in Intel and HP.

The company had anticipated that once the Software Technology Parks of India (STPI) scheme expires, it will have to pay the taxes which will affect its margins. That time, only new business could go to Special Economic Zones (SEZ). The existing business has to stay in STP scheme which expired.

The company is predominantly offshore based company, 78% percent of the revenue came from offshore and 22% percent onsite. The company is one of its kinds OPD. It had a listed competitor Aztec Soft which was taken over by MindTree. Large IT companies has some percentage of their business from OPD. They call it product engineering services.

Contributing characteristics of the founder Dr. Anand Deshpande

<table>
<thead>
<tr>
<th>Excellence</th>
<th>Resourceful</th>
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</thead>
<tbody>
<tr>
<td>Leadership by example</td>
<td></td>
</tr>
<tr>
<td>Patience</td>
<td>Single minded commitment</td>
</tr>
</tbody>
</table>

FIGURE 2: FOUNDER’S LEADERSHIP CHARACTERISTICS
5.2 FOUNDING MILESTONES

June 1990, Dr. Anand's discussion with HP colleague Francois Bancilohn, founder of O2

Dr. Anand shared dream of starting company in India and hoped O2 will be its initial client

October 1990, Dr. Anand contacted Francois and got the project from O2

1991, Got the first office

1992, Got Microsoft as a client

2000, Funding by Intel

2005, Norwest and Gabriel Ventures

2008, Reached $100 million mark

FIGURE 3: FOUNDING MILESTONES CHRONOLOGY

The Department of Electronics (DoE) played important role in development of IT industry in India. In 1990, it set up Software Technology Parks (STP). City of Pune was chosen as the first city to locate STP. STP offered 100% tax exemptions and simplified import, export processes.

The founder – Dr. Anand’s persistence shows when he wrote a letter to secretary of DoE to expedite space allocation at STP. Due to this action, the events triggered and the company got its 300 square feet first office in STP.

5.3 CHALLENGES FACED BY THE COMPANY INITIALLY

Communication was difficult and expensive

- Early 1990's, only one Internet node in India at Mumbai
- Expensive phone calls, Rs. 60 to check emails for one hour
- Till 1993, Dr. Anand used to go to Mumbai to process emails in bulk
- In 1993, Pune got its first Internet node
Importing computers was a nightmare

- US had stringent export control laws
- 486 Personal Computer (PC) required US export clearance
- India’s customs processes were complex
- It usually took three months to import a computer

Slow growth

- Focused only on technically challenging product development work
- Only trusted contact could get outsourced Intellectual Property (IP) work
- Sent an engineer to client site on H1-B visa first in year 2003

5.4 TRANSFORMATION

- Intel Technology Fund’s strategic investment, 2000
- Took advantage of slowdown due to dotcom burst in 2001 by helping clients reduce costs
- Offered help to existing clients around dotcom meltdown, 2003
- Changed composition to address entire product lifecycle, 2003
- Dr. Anand did all of the selling till 2003
- Started disclosing quarterly & annual financials in spite of being private company, 2005
- Norwest & Gabriel ventures invested, 2005
- Dr. Srikanth Sundararajan joined in 2006, he had international experience
- Launched leadership development program, 2008
- Dr. Anand met clients for relationship management around recession, 2009

FIGURE 4: INITIAL CHALLENGES FACED

FIGURE 5: TRANSFORMATION MILESTONES CHRONOLOGY
5.5 STRENGTHS, WEAKNESS, OPPORTUNITIES, AND THREATS (SWOT) ANALYSIS

STRENGTHS

1. Leader who is persistent, strong research background, resourceful, first generation entrepreneur, and has patience
2. Pioneering in the core area of Outsourced Product Development (OPD)
3. Serves clients of all sizes, that is from start-ups to largest software companies
4. Identifying opportunities like itanium fund investment by Intel and HP
5. Around 90% of company’s revenue is come from offshore and it may not get affected for toughing of visa policies by governments like US.
6. Leading Venture Capitalists on its board
7. Services address end to end software product life cycle
8. Transparent
9. Supports research
10. Moving up the value chain
11. Developing business models according to changes in the market
12. Studied other industries to learn from their outsourced product development experiences
13. Followed Honda strategy of evolution
14. Contributes to industry associations like NASSCOM, CSI, and founded SEAP
15. Its development team understands need to have clear product direction
16. Focus on selective technology areas’
17. Identified geographic concentration and competitive environment risks and took steps to tackle those
18. Identified economic situation of 2008 will have negative impact on growth
19. Believes in innovation in products, processes, and operational procedures
20. Develops strong sales team considering its unique nature of offerings
21. Used inorganic growth avenues like acquisitions to change direction of exports
22. Partnering with customers to develop IP
23. Visionary board members
WEAKNESSES
1. Core OPD expertise may prove an inherent weakness for scaling growth in comparison to the biggest Indian IT companies
2. Focus on selective technology areas
3. Over reliance on US market
4. Since the company was started by first generation entrepreneurs it took some time to grow and scale up

OPPORTUNITIES
1. Can take advantage of each technological disruption
2. Develop non linear growth models

THREATS
1. Negative economic conditions may affect product releases and in turn the company’s performance
2. Inherent threat to the company’s work is managing variable requirements within fixed time and money.
3. Large Indian IT companies offer OPD service referred as Product Engineering Services. Due to their scale and ability to provide complimentary service, the company may be facing difficulties in some deals.
4. Continuous technology disruptions
5. Product companies preference to start their captive R&D
6. Linear growth models

The company’s strength is focus and pioneer in OPD space. This strength has impact on composition and direction of its exports. This strength also becomes inherent weakness since the level to which company can scale is limited by the focus. The opportunity really lies realising the non linear growth now. Some of the treats are unique since the company is dependent on the software product business of its clients.

5.6 ABOUT PERSISTENT
‘Persistent systems’ is a technical term used for systems which are persistent on computer’s disk. Databases are ‘persistent systems’. As the company started by building databases, the name was appropriate with nature of work and also in spirit of the word ‘persistent’.

Persistent was established in 1990. Persistent is a global company specializing in software product and technology innovation. For more than two decades, Persistent has partnered
closely with pioneering start-ups, innovative enterprises and the world’s largest technology brands. Persistent has utilized their fine-tuned product engineering processes to develop best-in-class solutions for customers in technology, telecommunication, life science, healthcare, banking, and consumer products sectors across North America, Europe, and Asia.

Thanks to Persistent’s extensive technology product expertise, today, customers also turn to Persistent for technology strategy and consulting services. Persistent’s customers benefit from their deep knowledge of next-generation Cloud, Business Intelligence (BI) & Analytics, Collaboration as well as Mobility-based computing platforms. By leveraging our strategic technology partnerships, IP-based accelerators, and agile development processes companies can successfully navigate increasing time-to-market pressures and deliver the highest quality solutions, faster and more cost effectively.

Persistent’s global team is made up of the industry’s best and brightest software engineers and technology consultants whose expertise spans from niche technologies, to the latest technologies and built-to-scale enterprise applications. Persistent’s team members share a passion for pushing the limits of the technology frontier and an unwavering commitment to quality, efficiency, and innovation. That is why Persistent customers continue to partner across companies, careers and technology changes, and why in Persistent’s third decade, Persistent is still innovating with the market leaders it once helped launch.

Latest awards and recognitions – 2011:

- Wins the Institute of Company Secretaries of India (ICSI) Excellence in Corporate Governance Award 2011: Ranked amongst Top 5 Companies in India
- Wins the Institute of Chartered Accountants of India (ICAI), Silver Shield Award for Excellence in Financial Reporting
- Wins the Asset – Gold Award for Social Responsibility and Investor Relations 2011. Ranked amongst the top eight international companies that follow ‘social responsibility and investor relations practices’
- Awarded the Indian IT Company of the Year by Bloomberg UTV
- Awarded SAFA Best Presented Accounts Award 2010
- Ranked amongst the Best Following Corporate Governance Practices in India by IR Global Rankings (IRGR)
• Recognized in the 2011 Global Services 100 List; also ranked amongst Top Product Engineering Companies
• Ranked among the Top 2 players in Cloud Computing and Top 3 in Software/ISV R&D Segments by Zinnov Management Consulting
• Rajesh Ghonasgi, CFO, Persistent Systems awarded the ‘CFO100 Roll of Honour’, category - Winning Edge’ in Raising Capital/Capital Restructuring
• Wins the Indira Excellence Award in the category ‘Employer of the Year’ for Creating Employment for the Youth
• Awarded Asia’s Best Employer Brand Award 2010-11 in the Western Region (India) in the Category Managing Health at Workplace
• Ranked fifth in PwC Global Software 100 Leaders 2011 List (India Region)

The company strengthened its management team in FY 2006-07 to help it scale. Dr. Anand Deshpande, Founder, Chairman, and Managing Director narrated that the growth is always discontinuous. To take the company to next level there is need to inject new energy into the company. The new energy can come from new business model, customer, senior executive, funding, acquisition, and so on. These changes will affect routine of the company and are important for growth of the company.

After 9/11 when market slowed down around 2002, the company went to its customers and assured them of good service. The company renegotiated contracts and payment terms. Many customers survived and those who did not kept on referring company’s services to prospective customers. At this time, company decided to follow Honda strategy of evolution.

The company keeps focusing on strengthening its management and sales team in addition to software development team. This emphasises company’s focused strategy to work in OPD.

The company actively collaborates with other institutions for development. For example, Mr. S.P. Deshpande founded Software Exporters Association of Pune (SEAP) in 1998 to get local companies together to solve common problems for software exporters. SEAP helped Pune to become a major hub for software development in India.
5.7 COMPOSITION AND DIRECTION OF EXPORTS

The company offers Product Lifecycle Services. The company provides services from product concept to product support. The company offers innovative models including virtual R&D, risk/gain sharing, revenue sharing, outcome-based pricing, outcome revenue sharing, global launch and product line extension. The company assists in accelerating the product development cycle. Hence, the product development happen faster and more frequent product releases at lower costs are possible.

Composition of exports

The company transformed itself as

![Diagram showing the transformation of the company from Offshore developer to Component developer to Product developer.]

For this transformation, the company followed evolution of Honda Motor Company which was as

![Diagram showing the evolution of Honda from Bicycle engine manufacturer to Car engine manufacturer to Leader in petrol engines.]

Now the company offers complete product development as

![Complete Product Development Steps Diagram]

Product development is different from Information Technology (IT) outsourcing. The path required for product development is different and the development team needs to have product development experience.

In product development requirements are not clearly defined. Shipping dates of the products are given to product developers. External factors impact decision of shipping dates. After shipping dates are identified, budget for product development is identified. In a typical IT
project, requirements are fixed and time & money are variables. In product development requirements are variable where as time & money are fixed. Within fixed time and budget constraints, the product development team has to come up with set of requirements achievable. All the requirements cannot be achieved in one version. Hence advance planning of multiple product versions is required. Understanding of product direction is important to development in addition to have a clear idea of the product for current release.

The company studied outsourcing in mature areas like automobile, electronics, and semiconductor manufacturing. The company identified phases through which outsourcing moved in these industries as

| Labour cost efficiency | Process efficiency | Design efficiency | Innovation efficiency |

FIGURE 9: OUTSOURCING PHASES

The product development moves to low cost geographies. The manufacturers in low cost geographies initially specialises in cost efficiency of labour. Then cost efficient labour with good skills develops and modifies product development processes and optimises those processes. Based on experience, the manufacturer in low cost geography starts designing the products. Based on experience, the manufacturer starts designing innovative products. The company thinks that IT industry was in first two phases around FY 2005-06. The company thought that the next phase will be software product development factories which can develop flawless products at low costs and risks.
The company developed “Goto Live” practice for start-up companies to provide product development specialised services such as

Composition of services

Persistent Services

**Product Lifecycle Services**
- Concept
- Design
- Engineering & Development
- Maintenance & Support

**By Technology**
- Cloud
- Collaboration
- Data Management
- BI & Analytics
- Mobility
- Security

**By Industry**
- Technology
- Telecommunications
- Life Sciences
- Consumer Packaged Goods
- Banking & Financial Services
- Healthcare
The current technology focus areas of the company are

Cloud Computing

Expertise

- Cloud Expertise
  - Rapid assessment, mapping to technology stack
  - Determining ROI based on key Cloud metrics
  - Over 300 people working across various projects

- Structured Architecture and Design
  - Expertise across broad spectrum of ISV applications-Financial, HCM, Security, Collaboration, PLM

- Skills Across Wide Range of Platforms
  - Proficiency to undertake platform agnostic implementation using SOA and SaaSPatterns
  - Force.com, Oracle, Azure, Amazon, Google

- Delivery Excellence
  - Integration with Billing and Management modules
  - Partnership with hosting providers

FIGURE 12: OFFERINGS
Enterprise Mobility

Expertise

- Application Development
- Workflows, Security, Location, Presence
- Data Management & Synchronization
- Provisioning & Device Management
- Application Development, Frameworks
- Security, Caching, Memory, Battery
- Data Management & Synchronization
- Usability, UI, Performance Optimization
- GSM, CDMA, Portability
- Bandwidth Management, Optimization
- Over the air provisioning
- Security, Encoding, Policy management

FIGURE 13: ENTERPRISE MOBILITY
Offerings

- Mobile product development
- Application porting
- Testing and certification
- Application accelerators for faster time to market
- Customization, Integration & Porting
- Unified Messaging
- System Design & Prototyping
BI/Analytics

Expertise

FIGURE 14: BI/ANALYTICS

Offerings

- Analytics for targeted marketing
- Risk Analysis
- Customer Profiling
- Cross-selling
- Data Mining
- Reports/Dashboards
- Tools/Data Migration
Enterprise Collaboration

Expertise

- Social Network Platform and UGC (Blog, Wiki, Forum etc)
- Expertise in various search technologies like Lucene
- Cross Platform Integration and UI
- Custom CMS Development, MOSS, and other open source CMS
- Amazon EC2, Google App Engine
- Data management, reporting and dashboards, predictive analytics
- Mobile application development, mobile enablement
- Security Competency Center, Query Optimization etc

FIGURE 15: ENTERPRISE COLLABORATION EXPERTISE

Offerings

- Enterprise Application Development
- Enterprise 2.0 and SOA
- Web Analytics
- Email and Messaging - email as a platform to collaborate on documents
- Rich Internet Applications
- Site Security Evaluation and Consulting
- User Enablement – Workflow Solutions
## 5.8 DIRECTION OF EXPORTS

Events in direction of exports in chronological order

<table>
<thead>
<tr>
<th>Year</th>
<th>Events</th>
</tr>
</thead>
</table>
| 2003-04 | - Majority, that is 87.69% of revenue from US  
- Was established leader in offshore Outsourced Product Development (OPD) market  
- Efforts to institutionalise business development processes produced rich dividends.  
- Offshore outsourcing became strategic initiative with US software vendors, this resulted in large long-term strategic deals  
- Expected European software companies to look at strategic offshore outsourcing |
| 2004-05 | - Strengthening of economic recovery in 2004 reflected in the increase in technology spending by companies globally. The Company made most out of the situation.  
- Opened office in Japan for developing opportunities in East Asian market  
- Continued getting substantial, that is 86.7% of revenue from US  
- Selling and marketing expenses increased due to increase in factors like advertising and international travel |
| 2005-06 | - Identified that it was time to revisit strategies, do introspection, make important changes, and build momentum  
- Challenges identified:  
  - Strategic sales and business development  
  - Business model challenges  
  - Additions to management team  
  - Scaling  
- Addition of top tier Venture Capitalists (VCs) to the board will help to improve credibility with larger companies and allow better access to board rooms and CXOs of prospective customers  
- Observed increase in first time product outsourcing companies  
- Identified geographic concentration and competitive environment as business model risks  
- Large portion of company's revenue came from US |
Continued getting majority, that is 92% of its revenue from US
Identified geographic concentration and competitive environment as business model risks, macro-economic and political risks are associated with geographies.
To reduce the risks, company started office in UK and established subsidiary in Singapore to develop business in Europe and Asia-Pacific region.
To reduce risk from competition, company tracked competitors regularly, client loyalty was promoted by delivering value for money, client satisfaction surveys were conducted, brand awareness activities conducted through additional marketing efforts

<table>
<thead>
<tr>
<th>2006-07</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Continued getting majority, that is 92% of its revenue from US</td>
</tr>
<tr>
<td>• Identified geographic concentration and competitive environment as business model risks, macro-economic and political risks are associated with geographies.</td>
</tr>
<tr>
<td>• To reduce the risks, company started office in UK and established subsidiary in Singapore to develop business in Europe and Asia-Pacific region.</td>
</tr>
<tr>
<td>• To reduce risk from competition, company tracked competitors regularly, client loyalty was promoted by delivering value for money, client satisfaction surveys were conducted, brand awareness activities conducted through additional marketing efforts</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2007-08</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Identified that the FY 2008-09 will be challenging due to financial markets in US having hard time which had effect on global economy</td>
</tr>
<tr>
<td>• Observed India is becoming strategic hub for Research and Development (R&amp;D) accounting for growing portion of Global Product Development resources.</td>
</tr>
<tr>
<td>• Share of revenue from US declined to 87.62% from 92.30 in FY 2006-07, share of Europe and Asia-Pacific region increased significantly to 8.70% and 3.68% respectively from 6.35% and 1.35% respectively</td>
</tr>
<tr>
<td>• Identified geographic concentration and competitive environment as business model risks</td>
</tr>
<tr>
<td>• To reduce geographic concentration risk, the company started office in Canada and The Netherlands to increase revenue from Canada and Europe</td>
</tr>
</tbody>
</table>

**TABLE 1: DIRECTION OF EXPORTS CHRONOLOGY**
5.9 ANALYSIS AND FINDINGS

"In 2008, when the market slowed down, we decided to invest in two specific areas which would help us to achieve growth, once the market improves. One, we decided to meet senior executives of our customers to understand how we could play a strategic role in their success. Two, we decided to invest in specific technology areas that we believed would be growth drivers, once the market returns. I am pleased to state that both these initiatives have started to deliver results during this year." This is what Dr. Anand Deshpande, Founder, Chairman and Managing Director at Persistent narrated in the Annual Report of Financial Year (FY) 2010-11. It is not the only company in Information Technology industry that faced challenging situation around year 2008 due to American recession.

For the long term success of the organisation, the company believes in

![Figure 16: Beliefs](image)

Value creation is fundamental to the company’s offerings related to products, technologies, and services. Market need is primary objective for the company’s innovations.

In Information Technology (IT) industry, the company addresses needs specifically of IT product companies. In FY 2009-10, economic downturn affected product companies’ investment appetite. Because of this the demand for Outsourced Product Development (OPD) reduced marginally. After some improvement in economic conditions, product companies again got into full action and there was a rise in demand for OPD services. Some product companies started their captive Research and Development (R&D) operations in different geographic locations. Then a lot of changes in R&D efforts happened. In OPD space there were lot of renegotiations and rebidding activities undertook by some clients. The OPD services still made appeal to start ups because of their inherent need to go-to-market pretty
fast. All these changes triggered need for new business models like revenue sharing and risk rewards models.

Across the industries it can be commonly observed that the Product Life Cycles (PLCs) are reducing. Consider electronic and automobile industry. Consumers are changing their mobile phone handsets more often; same is the case with computers. Consider frequent changes in bike and car models. Across the board, the life span has reduced drastically. Now same is the case with IT products. This provides tremendous opportunities to OPD players like Persistent. The company’s expertise help product companies to manage reduced PLCs.

Here is an example of business models the company offered in FY 2009-10.

<table>
<thead>
<tr>
<th>Business model</th>
<th>Execution specifics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time &amp; Expense (T&amp;E) (Offshore Development</td>
<td>Dedicated team extends customer engineering Onsite team (where necessary) with primary offshore execution</td>
</tr>
<tr>
<td>Center model)</td>
<td>Flexible – ramp up and ramp down Suitable for on-going co-development and QA</td>
</tr>
<tr>
<td>Fixed Price (FPP) (TurnKey Projects)</td>
<td>Clear requirements and change management process, initial onsite presence for requirements phase</td>
</tr>
<tr>
<td></td>
<td>Flexible – on tap experts available on short term assignment Suitable for Performance/Usability Engineering, POCs, QA automation, Migration/Porting, fixed requirements projects</td>
</tr>
<tr>
<td>SLA Driven Services</td>
<td>Sustained loads, agreed service levels, Shared resources across projects Monthly or per incident rates Suitable for sustenance projects</td>
</tr>
<tr>
<td>Revenue Sharing / Risk Reward (IP Driven)</td>
<td>Complete product ownership for maintenance, roadmap ownership, and upgrades Teams – onsite/offshore as appropriate at Persistent Systems discretion, Possible customer contracts assignment including SLAs Suitable for New as well as Mature / End of Life products Launching new products together in new markets, roadmap extensions</td>
</tr>
</tbody>
</table>

**TABLE 2: BUSINESS MODELS**

Share of above mentioned billing models in the company’s revenue has changed over the years. Here is an example.

<table>
<thead>
<tr>
<th>Billing models</th>
<th>Financial year 2009-10</th>
<th>Financial year 2008-09</th>
</tr>
</thead>
<tbody>
<tr>
<td>T&amp;E</td>
<td>77.3%</td>
<td>80.5%</td>
</tr>
<tr>
<td>FPP</td>
<td>15.5%</td>
<td>14.3%</td>
</tr>
<tr>
<td>IP Driven</td>
<td>7.2%</td>
<td>5.2%</td>
</tr>
</tbody>
</table>

**TABLE 3: BILLING MODEL & REVENUE**

There is a gradual increase in demand for IP driven and fixed price models and reduction in typical time and expense model. This change will provide tremendous opportunities to the company to generate revenue from non-linear model.
Being an OPD pioneer, the company invests in developing sales team for growth. In its Annual Report, Directors' categorically mentioned increase in sales team size from 71 to 108 that is more than 50% increase! Also in the same section it is mentioned that the company has set up a subsidiary in France. This shows the geographic segment diversification. Another hint at diversification is through acquisition of OPD business of Infospectrum India Private Limited. Through this acquisition, the company is trying to increase its reach in European market. Sales and marketing resources were added in US and Europe which shows clear importance on these markets.

One of the major risks the company identifies is “geographic concentration”. The company’s revenue majorly comes from USA which is 85.6%. To mitigate the risk, the company is trying to explore how it can increase revenue from other geographic regions. To tackle the risk of competition, one of the steps the company is following is to open new regions. In FY 2009-10, the company was concentrating on geographies like Canada, Europe, and Japan for business opportunities. In FY 2009-10, addressing new regions was one of the risk mitigation strategies for competition risk. In FY 2009-08, 

Business strategy of the company revolves around sells. Currently the company has 297 customers. With the nature of company's offerings, the contracts signed with customers are long-term. For example, in the FY 2009-10, 42.4% revenue of the company came from customers with more than five years relationship. There seems to be direct relationship between growth of its customers and its own growth. Now the company is focusing on developing account management practice to gain business volume growth. The company is also rightly having focus on prospecting. There is also focus on growing top accounts.
5.10 REVENUE
Here is the revenue trend of the company.

<table>
<thead>
<tr>
<th></th>
<th>Million Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2002-03</td>
<td>507.7</td>
</tr>
<tr>
<td>FY 2003-04</td>
<td>816.6</td>
</tr>
<tr>
<td>FY 2004-05</td>
<td>1468.67</td>
</tr>
<tr>
<td>FY 2005-06</td>
<td>2164.89</td>
</tr>
<tr>
<td>FY 2006-07</td>
<td>3156.28</td>
</tr>
<tr>
<td>FY 2007-08</td>
<td>4248.50</td>
</tr>
<tr>
<td>FY 2008-09</td>
<td>5938.31</td>
</tr>
<tr>
<td>FY 2009-10</td>
<td>6011.56</td>
</tr>
<tr>
<td>FY 2010-11</td>
<td>7758.41</td>
</tr>
</tbody>
</table>

TABLE 4: REVENUE

From the chart, accelerated revenue growth is visible till the FY 2008-09. After that there is less growth in 2009-10. This dip in growth can be attributed to American recession around year 2008.
GRAPH 2: REVENUE FROM FY 2003-04 TO FY 2007-08

From the above chart, steady growth is continuously visible.

GRAPH 3: REVENUE FROM FY 2008-09 TO FY 2010-11

From the chart it can be observed that there was marginal revenue increase in 2009-10 probably because of recession and due to recovery there was considerable revenue growth in FY 2010-11.
FY 2010-11: 170.24 million USD, Rs. 7,758.41 million Rupees, 29.1% growth in revenue in rupee terms
FY 2009-10: 127.31 million USD, Rs. 6,011.56 million Rupees
FY 2008-09: 127.84 million USD, 21% year on year growth, Rs. 5,938.31 million Rupees, 40% year on year growth
FY 2007-08: 105.81 million USD, 51.23%, year on year growth, Rs.4248.50 million Rupees, 34.60% year on year growth
Table 5: Domestic & Export Revenue for FY 2009-10 & 2010-11

As you can see from the above table, there was tremendous increase in domestic revenue in terms of percentage than the exports. This is probably because the company offers services to primarily Independent Software Vendors (ISVs). Many multinational ISVs have now set up their operations in India. Revenue from these ISVs is also considered in domestic business.

Table 6: Domestic & Export Revenue for FY 2008-09 & 2009-10

There was marginal increase in export revenue and tremendous increase in domestic revenue.
The following table shows the distribution of the Group's consolidated sales by geographical market regardless of where the goods were produced.

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Year ended 31-Mar-11</th>
<th>North America</th>
<th>Europe</th>
<th>Asia Pacific</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>6,641.86</td>
<td>457.10</td>
<td>659.45*</td>
<td>7,758.41</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5,098.68</td>
<td>493.70</td>
<td>419.18</td>
<td>6,011.56</td>
<td></td>
</tr>
</tbody>
</table>

(*) Note: Revenue under the segment Asia Pacific for the year ended March 31, 2011 includes revenue of ₹11.01 Million generated in South Africa.

The company currently serves North American market and then followed by Asia Pacific and Europe. As can be seen from the figures in above table, there is clear increase in terms of percentage in Asia Pacific region. The company’s team met more than 200 customer CEOs to discuss possible growth areas. The company learned that its customers want the company to share more responsibilities and become a true partner.

From the above chart, it seems the recessionary effect of 2008 had impact on 2010 revenues. This may be because of the nature of the company’s services and long-term contracts with customers. It should be noted that revenue in USD terms was at USD 127.31 million in 2009-
10 compared with USD 127.84 million in previous year. In Rupee terms revenue went up from Rs. 5938.31 million in 2008-09 to Rs. 6,011.56 million in FY 2009-10. The flat revenue growth was due to adverse conditions in global financial markets.

One of the interesting steps the company took around 2009-10 is to partner with customers for Intellectual Property (IP) development through products and sharing the revenues, risks, and profits from sales of those products. The company also became integrator by introducing start ups to its customers for their niche competency.

In FY 2009-10 the company continued expanding its sales team and expanded its activities in Europe and Canada. In FY 2008-09, the company continued its investments in sales and marketing. For geographic diversification in Europe, company appointed Sales Vice President for European region.

<table>
<thead>
<tr>
<th>Region</th>
<th>Financial year 2008-09 %</th>
<th>Financial year 2007-08 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>North-America</td>
<td>87.33</td>
<td>87.62</td>
</tr>
<tr>
<td>Europe</td>
<td>8.63</td>
<td>8.70</td>
</tr>
<tr>
<td>Asia-Pacific</td>
<td>3.98</td>
<td>3.68</td>
</tr>
<tr>
<td>Australia</td>
<td>0.06</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

TABLE 9: REVENUE ACCORDING TO GEOGRAPHICAL SEGMENTS FOR FY 2007-08 & FY 2008-09

In FY 2008-09, revenue share from North America declined while revenue from Europe and Asia-Pacific increased as can be seen from the above table. The company had identified risk due to over dependence on North America and had started concentrating on new regions like Canada, Netherlands, and Singapore. The company also started exploring Europe, Middle East, and Africa (EMEA) regions by building regional sales teams. This was evident since company had set up subsidiary office in Singapore and branch offices in Netherlands and Canada. The company also had added numerous sales offices in North America.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>87.27%</td>
<td>87.62%</td>
<td>92.30%</td>
</tr>
<tr>
<td>Europe</td>
<td>8.64%</td>
<td>8.70%</td>
<td>6.35%</td>
</tr>
<tr>
<td>Asia-Pacific</td>
<td>4.09%</td>
<td>3.68%</td>
<td>1.35%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

TABLE 10: REVENUE ACCORDING TO GEOGRAPHICAL SEGMENTS FOR FY 2006-07 TO FY 2008-09
Here is analysis of the direction of exports in terms of percentage.

<table>
<thead>
<tr>
<th>USA</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>12.34</td>
<td>12.19</td>
<td>10.20</td>
<td>6.86</td>
<td>6.35</td>
<td>8.7</td>
<td>8.6</td>
<td>8.2</td>
<td>5.89</td>
</tr>
<tr>
<td>Rest of the world</td>
<td>0.1</td>
<td>0.12</td>
<td>3.10</td>
<td>4.52</td>
<td>1.35</td>
<td>3.68</td>
<td>4.1</td>
<td>7</td>
<td>8.5</td>
</tr>
</tbody>
</table>

TABLE 11: DIRECTION OF EXPORTS

It can be observed from the above chart that the revenue from USA and Europe is gradually reducing. While revenue from rest of the world, that prominently represents Asia-Pacific is increasing gradually. It should be noted that this increase and decrease is in terms of percentages. Revenue volume is still dominated by USA.
For the period 2003 to 2008, the USA and rest of the world revenue gradually increased while Europe revenue was declining as a trend. The dip in 2008 US revenue growth can again be attributed to American recession.
For 2009 to 2011 period, there was gradual decrease in USA and Europe revenue. This can be attributed to effects of 2008 recession. Rest of the world region which primarily includes Asia-Pacific region continued gradual growth.
### 5.11 CHANGE IN COMPOSITION OF BOARD OF DIRECTORS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr. Anand</td>
<td>Dr. Anand</td>
<td>Dr. Anand</td>
<td>Dr. Anand</td>
<td>Dr. Anand</td>
<td>Dr. Anand</td>
</tr>
<tr>
<td>Deshpande</td>
<td>Deshpande</td>
<td>Deshpande</td>
<td>Deshpande</td>
<td>Deshpande</td>
<td>Deshpande</td>
</tr>
<tr>
<td>Sandeep Johri</td>
<td>Sandeep Johri</td>
<td>Sandeep Johri</td>
<td>Navin Chaddha</td>
<td>S.P. Deshpande</td>
<td>S.P. Deshpande,</td>
</tr>
<tr>
<td>Dr. Krithi Ramamritham</td>
<td>Prof. Krithivasan</td>
<td>Ramamritham</td>
<td>Executive Director</td>
<td>Frederick W. W. Bolander</td>
<td>Executive Director</td>
</tr>
<tr>
<td>Dr. Sridhar Shukla</td>
<td>Ramamritham</td>
<td>Dr. Sridhar Shukla</td>
<td>Haque</td>
<td>Dr. Pramod</td>
<td>Ram Gupta</td>
</tr>
<tr>
<td>S.P. Deshpande</td>
<td>S.P. Deshpande</td>
<td>S.P. Deshpande</td>
<td>P.B. Kulkarni</td>
<td>Haque</td>
<td>Haque</td>
</tr>
<tr>
<td>Ashutosh Joshi</td>
<td>Ashutosh Joshi</td>
<td>Ajit Tamhankar</td>
<td>Ranamritham</td>
<td>Sandeep Johri</td>
<td>P.B. Kulkarni</td>
</tr>
<tr>
<td>Ajit Tamhankar</td>
<td>Ajit Tamhankar</td>
<td>S.P. Deshpande</td>
<td>Prof. Krithivasan</td>
<td>Ramamritham</td>
<td>Prof. Krithivasan</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>FY 2008-09</th>
<th>FY 2009-10</th>
<th>FY 2010-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr. Anand</td>
<td>Prof. Krithivasan</td>
<td>Ramamritham</td>
<td>Independent Director</td>
</tr>
<tr>
<td>Deshpande</td>
<td>S.P. Deshpande</td>
<td>Mr. S. P. Deshpande</td>
<td>Non-Executive Director</td>
</tr>
<tr>
<td>S.P. Deshpande, Executive Director</td>
<td>S.P. Deshpande, Executive Director</td>
<td>Dr. Anand Deshpande</td>
<td>Founder, Chairman and Managing Director</td>
</tr>
<tr>
<td>Ram Gupta</td>
<td>Ram Guptta</td>
<td>Mr. P. B. Kulkarni</td>
<td>Independent Director</td>
</tr>
<tr>
<td>Dr. Pramod Haque</td>
<td>Dr. Pramod Haque</td>
<td>Mr. Prakash Telang</td>
<td>Independent Director</td>
</tr>
<tr>
<td>P.B. Kulkarni</td>
<td>P.B. Kulkarni</td>
<td>Mr. Kiran Umroottkar</td>
<td>Independent Director</td>
</tr>
<tr>
<td>Prof. Krithivasan Ramamritham</td>
<td>Prof. Krithivasan Ramamritham</td>
<td>Mr. S. K. Bhattacharyya</td>
<td>Independent Director</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Dr. Dinesh Keskar</td>
<td>Independent Director</td>
</tr>
</tbody>
</table>

**TABLE 12: CHANGE ON COMPOSITION OF BOARD OF DIRECTORS**

80
Mr. S. K. Bhattacharyya is an Independent Director Persistent’s board since May 2011. He has extensive experience in banking and finance. Since Persistent is on growth path, there is a possibility that his expertise will be useful for mergers and acquisitions. Dr. Dinesh Keskar is Director on the board since October 2010. He has expertise in aviation sector and must be contributing the expertise. Prakash Telang is on board since board of directors since August 2010. He may be contributing ideas based on automobile industry experience in terms of product development and cost reduction. Kiran Umrootkar is director since August 2010. He may be giving contributions in banking and finance matters to the company.

In November 2011 the company announced appointment of Dr. Anant Jhingran as an independent director on the company’s Board. He is tremendous technology background through research and business expertise. Since the company’s business is directly affected by technology trends, his involvement in giving future directions will be of great help to the company.
5.12 CONCLUSION AND IMPLICATIONS OF FINDINGS
Persistent was in the process of changing direction of its exports. It can be seen from the data and as repeatedly mentioned in its annual reports. Although this change in export direction is less in magnitude because of nature of Persistent’s offering, that is OPD. For this offering, it is inevitable for the company to get its maximum revenue from US.

Composition of the company’s exports changed gradually to over entire software product lifecycle. It can also be seen that the 2008 American recession had effect on the company’s business. The company took right strategies as explained above to overcome the situation.
5.13 REFERENCES

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