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FINANCIAL RESULTS FOR THE THIRD QUARTER  
AND NINE MONTHS ENDED 31 DECEMBER 1999



SONATA SOFTWARE LIMITED

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**BOARD OF DIRECTORS**

S B Ghia	<i>Chairman</i>
M D Dalal	<i>Executive Vice Chairman</i>
B Ramaswamy	<i>Managing Director &amp; President</i>
Rajan B Raheja	<i>Director</i>
Pradip P Shah	<i>Director</i>
P Srikar Reddy	<i>Sr. Vice President &amp; Director</i>

**SECRETARY**

N Ebenezer Devasahayam

**BANKERS**

Deutsche Bank AG  
Global Trust Bank Limited  
Union Bank of India  
Syndicate Bank

**AUDITORS**

Messrs. N M Raiji & Co.

**LEGAL ADVISOR**

Messrs. Crawford Bayley & Co.

**REGISTERED OFFICE**

208, T V Industrial Estate  
S K Ahire Marg, Worli  
Mumbai - 400 025

**CORPORATE OFFICE**

1/4, First Floor  
APS Trust Building  
Bull Temple Road  
N R Colony  
Bangalore - 560 019

## PERFORMANCE HIGHLIGHTS

Rs. In million

	Quarter 3 1999-2000	Quarter 3 1998-1999	9 Months 1999-2000	9 Months 1998-1999	1998-1999
TOTAL INCOME	426.40	289.96	1,233.72	831.39	1,258.25
EXPORTS	212.30	163.00	575.94	453.58	624.94
EBIDT <sup>1</sup>	76.28	46.47	200.06	115.51	195.06
PROFITS <sup>3</sup>	62.29	31.01	160.09	75.12	97.55
FIXED ASSETS	125.81	118.32	125.61	118.32	107.41
TOTAL DEBT	-	310.53	-	310.53	112.22
NET WORTH-CLOSING	590.11	362.41	590.11	362.41	445.19
EQUITY	100.01	89.34	100.01	89.34	100.01

## RATIOS

	Quarter 3 1999-2000	Quarter 3 1998-1999	9 Months 1999-2000	9 Months 1998-1999	1998-1999
EXPORTS INCOME/TOTAL INCOME	49.79%	56.21%	46.68%	54.56%	49.67%
DOMESTIC INCOME/TOTAL INCOME	49.77%	43.37%	52.58%	44.81%	49.77%
OTHER INCOME/TOTAL INCOME	0.45%	0.42%	0.74%	0.62%	0.56%
OPERATING EXPENSES <sup>2</sup> /TOTAL INCOME	42.65%	51.58%	41.38%	50.86%	45.69%
EBIDT/TOTAL INCOME	17.89%	16.03%	16.22%	13.89%	15.50%
PAT/TOTAL INCOME	14.61%	10.70%	12.98%	9.04%	7.75%
DEBT: EQUITY <sup>4</sup>	-	0.77	-	0.77	0.25
DEBTORS NO. OF DAYS	68	108	70	112	107
RETURN ON AVG NETWORTH <sup>5</sup>	45.40%	45.55%	39.21%	37.19%	32.71%
RETURN ON AVG CAPITAL EMPLOYED <sup>6</sup>	41.27%	37.38%	36.17%	30.38%	29.56%
EVA - (Rs. IN MILLIONS) <sup>7</sup>	179.23	77.92	145.16	49.59	58.10
EPS (Rs.) <sup>8</sup>	24.92	12.40	21.35	10.02	9.75
BOOK VALUE PER SHARE - (Rs.) <sup>9</sup>	54.88	27.23	54.43	26.94	29.82

### EXPLANATORY NOTES :

- <sup>1</sup> EBDIT is before Deferred Revenue Expenditure for all the years.
- <sup>2</sup> Operating expenses excludes Deferred Revenue Expenditure.
- <sup>3</sup> Includes in 1998-99 additional charge of Depreciation of Rs. 20.69 millions on account of change in the rate of depreciation for Computers from 16.21 % to 33.33 % with retrospective effect.
- <sup>4</sup> Debt divided by Closing Shareholders funds.
- <sup>5</sup> Profits divided by Average Network.
- <sup>6</sup> Profit after tax + Interest divided by Average Capital employed (Capital employed = Capital + Reserves + Borrowed funds - Miscellaneous Expenditure).
- <sup>7</sup> Cost of equity for the purpose of EVA is taken on the basis of a risk-free rate of 12 %, market risk-premium of 8% and beta of 1.25.
- <sup>8</sup> Profits divided by No. of equity shares. (Annualised basis)
- <sup>9</sup> Average Network divided by No. of equity shares.

**FROM THE CHAIRMAN**

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**Dear Shareholder**

I'm pleased to report your Company's results for the first nine months of the Financial Year 1999-2000. Once again your Company's performance has been better as compared to the same period, last year. In brief, the total income has grown by 48%, while Profit after Tax has attained a faster growth rate at 113%, as against the same period last year.

A year ago, at this time, you had responded to our IPO with great enthusiasm, and the shares were listed on the Bombay Stock Exchange on the 15<sup>th</sup> of January 1999. During this year, the continued support and interest shown by all the Investors, has resulted in significant growth in the market capitalisation of your Company. We are happy that your faith in your Company has been vindicated.

Your Company has contributed a sum of Rs 3.30 lacs towards the Kargil Relief Fund and Rs. 2.70 lacs towards Orissa Cyclone Relief Fund.

On behalf of all of us in the Board, I would like to record our sincere appreciation for the support and patronage of our Customers, Business Associates, Financial Institutions, Banks, the Government and in a special way to all the employees of Sonata for consistently high commitment to Corporate performance.

Bangalore, 11th January 2000

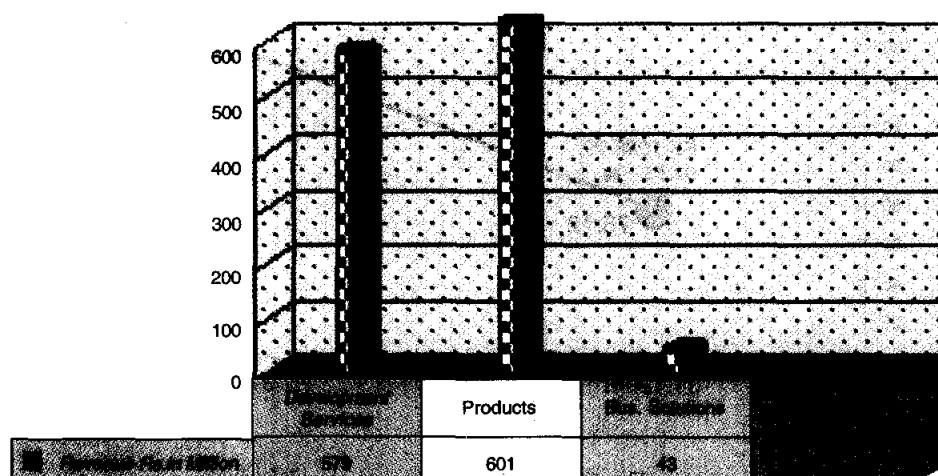
**S. B. GHIA**  
Chairman

## MANAGEMENT REVIEW

### 1. Revenues

With total revenue growing by 48% for the nine months of the year over the same period last year, the Company has once again had an encouraging results. The revenue from the Company's main business groups are given below

*TOTAL REVENUE for nine months ended Dec. '99*



#### a. Products Business:

The improvement in the Products business across the range is reflected in the increase in revenue for the nine months of the year over the same period of last year by 81%. With manpower restricted to 37, the Products business with its high ROCE continues to be strong.

#### b. Business Solutions:

Though the overall ERP solutions has slowed down considerably, your Company's offering of Scala, together with the locally developed Indianisation features, has performed better for the nine months over the same period last year by 10%

#### c. IT Consulting:

Continuous addition of large projects in the current period has been reflected in revenue growth of 65% for the nine months over the same period last year.

#### d. Development Services:

The growth in development services both offshore and onshore has benefited the profit margins of the Company. New customers added in the quarter were six in number, while repeat business was 96%. Offshore business accounted for 48% of total exports for the nine months compared to 36 % in the same period last year, while the overall business group grew by 28% over the same period last year.

### 2. Operating Expenses

The significant item in operating expenses relates to manpower cost. It includes salary revision, increase in numbers, and incentives/bonus. The increase for the nine months over the same period last year is 21%.

### 3. Operating Margin

The Operating margin at 16.22% for the nine months compared to 13.89% in the same period last year recorded an income of 73%.

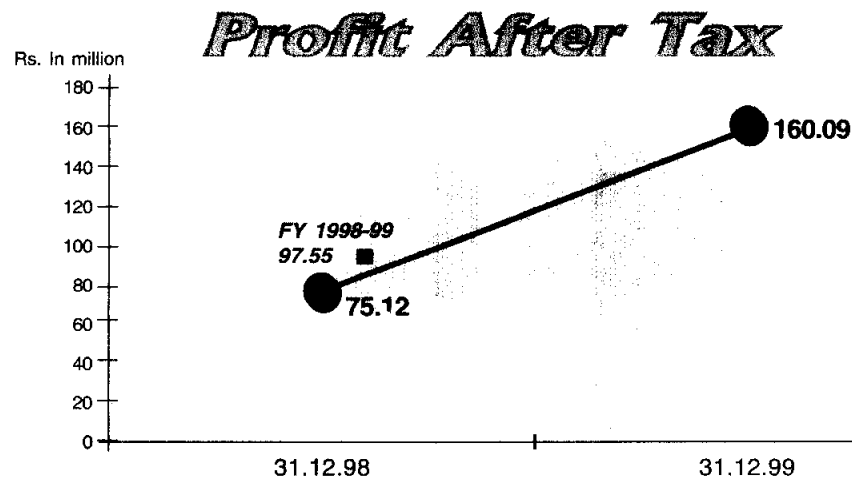
### 4. Cash Flow

Operations continue to generate positive cash flow, an increase of 261% for the nine months over the same period of the last year.



**MANAGEMENT REVIEW (Contd.)****5. Profit After Tax:**

The growth in Profit After Tax of 113% for the nine months of the year over the same period last year, is reflected in the profit for the quarter being Rs.62 million and for the 9 months being 160 million.

**6. Interest & Borrowings**

Interest shown is incurred on bills discounting. The Company continues to be debt free.

**7. Capital Employed**

The capital employed in the business has gone up marginally over the half year.

**8. Fixed Assets**

During the nine months of the year, fixed assets increased by Rs.42 million. Depreciation on the accelerated basis is higher by Rs.9 million over the same period last year, partly on account of the accelerated rate and partly on account of additions.

**9. Receivables.**

Receivable continues to be aggressively managed at 70 days as against 112 days for the corresponding period last year.

**10. Inventories**

The increase in inventories is in preparation for the final quarter of the year, which traditionally sees a peak in product sales

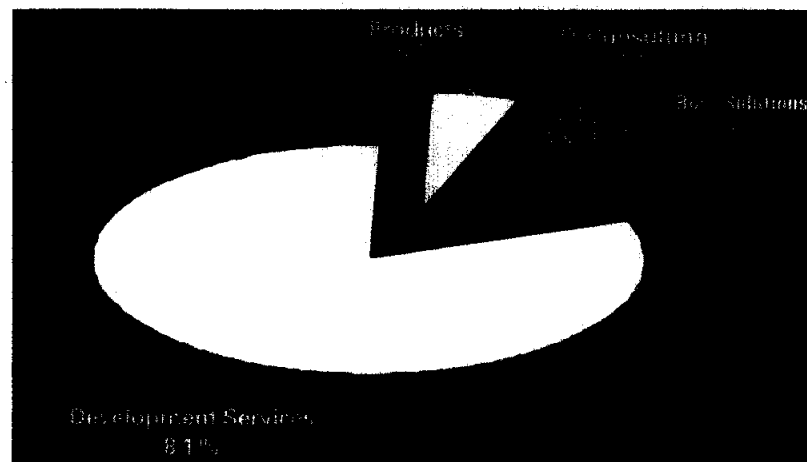
**11. Infrastructure**

A new communication center with videoconference facility is being created in the existing facility

**12. Manpower**

Manpower details are as follows :

*Manpower employed in each segment*



**MANAGEMENT REVIEW (Contd.)**

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**PERFORMANCE SUMMARY****1.0 Revenue****1.1 Quarter ended 31<sup>st</sup> December 1999**

- a. Total revenue increased by 47% over the same quarter last year.
- b. Development services revenue as percentage of total revenue was 49% at Rs. 210 million.
- c. Revenue from Products division was 196 million.
- d. Revenue from IT Consulting division was 5 million.
- e. Revenue from Business Solutions Group was 15 million.

**1.2 Nine months ended 31<sup>st</sup> December 1999**

- f. Development services revenue as percentage of total revenue was 47% at Rs.579 million.
- g. Revenue from Products division was 601 million.
- h. Revenue from IT Consulting division was 11 million.
- i. Revenue from Business Solutions Group was 43 million.

**2.0 Operating Margin (EBIDT)**

- A. Operating Margins for quarter ended 31<sup>st</sup> December 1999 increased by 64% over the same quarter last year.
- B. Operating Margins for nine months ended 31<sup>st</sup> December 1999 grew by 73% over the same period last year.

**3.0 PAT****3.1 Quarter ended 31<sup>st</sup> December 1999**

- a. Profit After Tax increased by 101% over the same quarter last year
- b. Profit margin at 15% as compared to 11% for the same quarter last year.

**3.2 Nine months ended 31<sup>st</sup> December 1999**

- a. Profit After Tax increased by 113% over the same period last year.
- b. Profit margin at 13% as compared to 9% for the same period last year.
- c. Cash generated by operations increased by 261% as compared to the same period last year.



**AUDITORS' REPORT**

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**THE BOARD OF DIRECTORS, SONATA SOFTWARE LIMITED**

We have audited the attached Balance Sheet of Sonata Software Limited as at 31<sup>st</sup> December 1999, and also the Profit and Loss Account for the period 1<sup>st</sup> April 1999 to 31<sup>st</sup> December 1999 annexed there to, and report that :

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.

- a) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of such books.
- b) The Balance Sheet and Profit and Loss Account referred to in this report are in agreement with the Books of Account.
- c) In our opinion the Balance Sheet and Profit and Loss Account are in compliance with the Accounting Standards referred to in subsection (3C) of Section 211 of the Companies Act, 1956 to the extent applicable.
- d) In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and Profit and Loss account read together with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :
  - 1) In the case of the Balance Sheet of the state of affairs of the Company as at 31<sup>st</sup> December 1999, and
  - 2) In the case of the Profit and Loss Account of the Profit for the period 1<sup>st</sup> April 1999 to 31<sup>st</sup> December 1999.

For N M Raiji & Co.  
Chartered Accountants

Bangalore 11th January, 2000

Y N Thakkar  
Partner