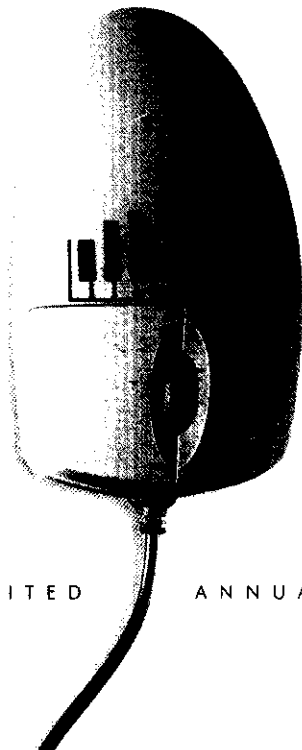


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SONATA SOFTWARE LIMITED

ANNUAL REPORT - 1999-2000



OUR MISSION

Provide Information Technology solutions globally,
enhancing competitive advantage of customers,

founded on
contemporary technologies and practices,
innovation,

empowered people and
enduring relationships.

SONATA SOFTWARE LIMITED

Regd. Office : 208, T V Industrial Estate, S K Ahire Marg, Worli, Mumbai - 400 025

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Fifth Annual General Meeting of the members of SONATA SOFTWARE LIMITED will be held on Monday, the 22nd May, 2000 at 4.00 P.M. at Patkar Hall, Sir Vithaldas Thackersey Marg, Mumbai - 400 020 to transact the following businesses :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2000 and the Profit and Loss Account for the year ended as on that date and the Reports of the Directors and the Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Mr.S.B.Ghia, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr.M.D.Dalal, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint auditors who shall hold office from the conclusion of this Annual General Meeting to the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

SPECIAL BUSINESS

6. To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution.

"RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309 read with Schedule XIII of the Companies Act, 1956 (including any modification or re-enactment thereof, for the time being in force) and subject to such approvals and sanctions as may be necessary, the Company hereby accords its consent and approval to the re-appointment of Mr.B.Ramaswamy, as President & Managing Director of the Company for a period of five years from 1st April, 2000 to 31st March, 2005, upon such terms and conditions as per agreement dated 12th April, 2000, which agreement is hereby specifically sanctioned with powers to the Board of Directors to alter and vary the terms and conditions of the said appointment and/or agreement so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956 or any amendments thereto that the Central Government may make from time to time.

"FURTHER RESOLVED THAT the Board of Directors be and is hereby authorised to take such steps as may be necessary and desirable to give effect to the foregoing Resolution."

7. To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution.

"RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309 read with Schedule XIII of the Companies Act, 1956 (including any modification or re-enactment thereof, for the time being in force) and subject to such approvals and sanctions as may be necessary, the Company hereby accords its consent and approval to the appointment of Mr.P.Srikanth Reddy, as Sr. Vice President & Director of the Company, for a period of five years from 20th October, 1999 to 19th October, 2004, upon such terms and conditions as set out in the agreement dated 20th October, 1999, between the Company and Mr.P.Srikanth Reddy, placed before this meeting and initialled by the Chairman for the purpose of identification, which agreement is hereby specifically sanctioned with powers to the Board of Directors to alter and vary the terms and conditions of the said appointment and/or agreement so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956 or any amendments thereto that the Central Government may make from time to time and that the Board of Directors of the Company be and is hereby authorised to enter into an agreement with Mr.P.Srikanth Reddy in terms of the said agreement with such modifications as may be agreed to and acceptable to the Board of Directors and Mr.P.Srikanth Reddy.

"FURTHER RESOLVED THAT the Board of Directors be and is hereby authorised to take such steps as may be necessary and desirable to give effect to the foregoing Resolution."

8. To consider and, if thought fit, to pass with or without modification, the following resolution as a Special Resolution.

"RESOLVED THAT in supersession of the Resolution passed at the Annual General Meeting held on 7th September, 1998, subject to the approval, if any, of Reserve Bank of India (RBI) and / or Central Government under Foreign Exchange Regulation Act, 1973 and subject to such other approvals, permissions and sanctions as may be considered necessary, consent of the Company be and is hereby accorded under the Investment Portfolio Scheme or such other schemes of the RBI and / or in accordance with all applicable rules for purchase / acquisition of shares of the Company by Non-Resident Indians (NRIs) / Persons of Indian Origin (PIOs)/ Overseas Corporate Bodies (OCBs) and Foreign Institutional Investors (FIIs) provided that the shares so purchased / acquired by NRIs/PIOs/OCBs shall not exceed 24% of the paidup share capital of the Company (5% ceiling in respect of each individual NRIs/OCBs/PIOs) and shares so purchased/acquired by FIIs shall not exceed 40% of the paid- up capital of the Company (10% ceiling in respect of each FII) or such other percentage as may be prescribed by RBI from time to time."

"RESOLVED FURTHER THAT the said purchase / acquisition of Shares as aforesaid upto a limit as prescribed by RBI from time to time shall be subject to the conditions and restrictions as laid under the Investment Portfolio Scheme or such other Schemes of RBI and / or other applicable rules and guidelines for the time being in force and as amended from time to time".

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do all such acts, matters and things as may be necessary, proper and expedient for the purpose of giving effect to this Resolution and for matters connected therewith".

Registered Office :
208, T.V.Industrial Estate,
S.K.Ahire Marg, Worli
Mumbai - 400 025.
Dated 12th April, 2000.
Place : Bangalore

By Order of the Board

N.Ebenezer Devasahayam
Associate Vice President (Finance) &
Company Secretary

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF, AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. Proxies, in order to be effective, should be lodged at the Company's Registered Office atleast 48 hours before the commencement of the meeting.
3. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business is annexed hereto and forms part of this Notice.
4. The Dividend on Shares as recommended by the Board of Directors of the Company, if declared at the meeting, will be payable to those shareholders whose names appear in the Register of Members of the Company as on 22nd May, 2000. The dividend in respect of shares held in the electronic form will be payable to the beneficial owners of the shares as on 17th May, 2000 as per details furnished by the Depositories for this purpose.
5. The shareholders intending to get the amount of dividend credited to their bank account through **Electronic Clearing Service**, may kindly send the mandates (as per enclosed format) to M/s Karvy Consultants Limited, Bangalore on or before **15th May, 2000 positively**.
6. Members are requested to notify change in their address to the Company's Share Transfer agents M/s Karvy Consultants Ltd, Unit : Sonata Software Limited, TKN Complex, No.51/2, Vanivilas Road, Opp. National College, Basavanagudi, Bangalore - 560 004 immediately.
7. All documents referred to in the accompanying Notice and the Explanatory Statement are open for inspection at the Registered Office of the Company during the office hours on all working days except Sundays between 11.00 A.M. and 1.00 P.M. upto the date of the Annual General Meeting.
8. To avail the facility of nomination, Members are requested to submit the Nomination Form in Form 2B annexed to this notice, duly filled in.

ANNEXURE TO NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956.

ITEM NO.6

Mr.B.Ramaswamy's term of appointment as President & Managing Director was upto 31st March, 2000 and the Board of Directors at their Meeting held on 6th March, 2000 have reappointed him (subject to the approval of shareholders) as President & Managing Director of the Company for a further period of five years with effect from 1st April, 2000. The terms and remuneration as recommended by the Remuneration Committee and approved by the Board at its meeting held on 12th April, 2000 are as set out below :

1. Salary of Rs.93,750/- per month, with annual increment of upto 25% based on performance
2. Allowances of Rs.30,000/- per month
3. Commission of 1% of the net profits of the Company
4. Perquisites & allowances will be as follows :
 - i. **House Rent Allowance (HRA) / House Lease:** House Rent Allowance of Rs.30,000/- per month. In lieu of HRA, Company will provide leased accommodation. In respect of the leased accommodation, the deposit for the leased accommodation will be subject to a maximum amount of Rs.10 Lacs. However, if the deposit so paid by the Company is less than Rs.10 Lacs, then, compensation @ 18% p.a. will be paid on the difference between Rs.10 Lacs and the amount of deposit paid by the Company. Further, in respect of leased accommodation, if the rent is lower than Rs.30,000/- per month, then the difference between the rent paid and Rs.30,000/- will be paid as compensation. However, the total cost of leased accommodation or HRA comprising annual rent / allowance together with compensation on deposit at 18% p.a. shall not exceed Rs.5,40,000/-.
 - ii. **Personal Accident Insurance:** Premium on personal accident insurance upto a maximum of Rs.3,200/- per annum.
 - iii. **Medical Reimbursement/Allowance:** Reimbursement of medical expenses for the employee, spouse, dependant children, including allowance and insurance upto a maximum of Rs.30,000/- per annum. Additionally, medical investigations for Mr.B.Ramaswamy will be reimbursed on actuals.
 - iv. **Leave Travel Concession/Allowance:** Upto a maximum of one month's salary.
 - v. **Furniture & Fixtures:** Company will provide Furniture and Appliances upto a value of Rs.2 lakhs. The rules governing depreciation and repurchase will be as applicable to other employees of the Company.
 - vi. **Ex-gratia:** Rs.40,000/- per annum.
 - vii. **Annual Fees:** Company will pay Annual Fees of any two professional bodies.
 - viii. **Club Fees:** Reimbursement of fees (excluding admission and life membership) of any two Clubs.
 - ix. **Housing Loan:** An amount of Rs.20 lakhs as Housing Loan carrying an interest of 3% p.a. The rules governing the loan will be as applicable to other employees. A special allowance of Rs.20,000/- per month will be payable in case Housing Loan is not availed of. If Housing Loan is partly availed, proportionate special allowance will be paid.
 - x. **Householders Insurance:** Premium on Householders Insurance upto a maximum of Rs.3,000/- per annum.
 - xi. **Company's Telephone & Car:** Provision of Telephone at residence (including payment for local and long distance calls). Company car for official and personal use will be provided by the Company. The maintenance of the car and fuel expenditure will be borne by the Company. The Company will also reimburse the expenses of the driver.
5. **Earned/Privilege Leave:** As per the rules of the Company
6. **Provident Fund & Superannuation Fund:** The Company shall contribute to Provident Fund, Superannuation Fund or Annuity Fund such that the aggregate of contribution to all such funds does not exceed 27% or such other rate of the basic salary as laid down under the Income Tax Act, 1961.
7. **Gratuity:** One month's basic salary per year of service.

The perquisites mentioned above shall be valued as per the Income Tax Act and Rules wherever applicable.

In terms of the provisions of Section 309 of the Act, the terms of remuneration specified in above referred Abstract is being placed before the Members in General Meeting for their approval.

The terms and conditions as stated in this Notice, may be deemed to be an abstract of the terms of the Contract of re-appointment, as required to be disclosed under Section 302 of the Companies Act, 1956.

The agreement dated 12th April, 2000 between the Company and Mr.B.Ramaswamy is available for inspection by the Members of the Company at its Registered Office between 11.00 A.M. and 1.00 P.M. on any working day of the Company.

None of the Directors of the Company except Mr.B.Ramaswamy, is in any way, concerned or interested in the Resolution.

ITEM NO.7

Having regard to the growth and expansion of the Company's business, and the future business plans of the Company, the Board felt that it would be desirable to have one more working Director. Therefore, at their meeting held on 20th October, 1999, the Board appointed Mr.P.Srikar Reddy as whole-time Director, subject to shareholder's approval, for a term of 5 years with effect from 20th October, 1999 on the terms and remuneration set out in the Agreement dated 20th October, 1999.

The abstract of the terms and conditions entered with Mr.P.Srikar Reddy has already been circulated to all members as per the requirement of Section 302 of the Companies Act, 1956.

In terms of Section 257 of the Companies Act, 1956 the Company has received notice in writing from a member along with a deposit of Rs.500/- proposing the candidature of Mr.P.Srikar Reddy for the office of a Director.

Appointment of Whole-time Director and payment of remuneration, require the approval of shareholders, by an Ordinary Resolution. The Board recommends the Resolution for adoption.

The agreement dated 20th October, 1999 between the Company and Mr.P.Srikar Reddy is available for inspection by the Members of the Company at its Registered Office between 11.00 A.M. and 1.00 P.M. on any working day of the Company.

None of the Directors of the Company except Mr.P.Srikar Reddy, is in any way, concerned or interested in the Resolution.

ITEM NO.8

In view of the recent Budget Notifications enhancing the limit of investment by FIIs from 30% to 40% in Indian Corporates, it is necessary to enhance the limits fixed at the Annual General Meeting held on 7th September, 1998.

Accordingly, the Directors recommend the passing of this Resolution.

None of the Directors of the Company is, in any way, concerned or interested in the Resolution.

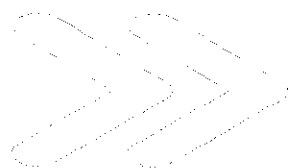
Registered Office :
208, T.V.Industrial Estate,
S.K.Ahire Marg, Worli
Mumbai - 400 025.
Dated 12th April, 2000.
Place : Bangalore

By Order of the Board

N.Ebenezer Devasahayam
Associate Vice President (Finance) &
Company Secretary



eSonata - in tune with your eBusiness needs



ON THE RUNWAY.

The writings are complete. And the effect has been in line with our strategies. Bringing in significant changes.

And business dons a new face. A face that is global, competitive and connected. Its scope transcending all boundaries.

The Web world has taken every imaginable facet of civilization into its grasp. And more and more companies the world over are resorting to business on this mammoth stage.

This is eCommerce. Where the strength and reliability of the traditional information technology, is integrated with the simplicity and connectivity afforded by the Internet. Where results are not just a matter of consequence, but of careful planning and fool-proof application.

And the dawn that will see every business, across the world, on the same playing field, has already broken.

Bringing in its wake, eSonata.

And this is not by chance or a desire to be part of the opportunity band-wagon, but by a carefully planned design crafted out of our long standing experience in handling Web related business across the world.

When others were contemplating as to how to

grab the opportunity, Sonata with its proven experience, technology capability, project track record and satisfied Web clients, smoothly set sail during the mid 1999 into the realm of eCommerce. A journey that would not only change our way of doing business but also the customers'. From the traditional to the contemporary.

Because what stays constant with every change is the indomitable desire to win. To stay empowered. And to lead.

Today, our expertise needs no evidence more than our list of clients, who have partnered and excelled in conducting business on the web.

And with them still rooting for us, Sonata is all set to move more winds in the year 2000. And after.

Sonata's eCommerce practice has therefore always aimed at integrating internet technologies, to build seamless information bridges. For effective and commercially viable eBusiness solutions. Inspiring commendable returns.

Solutions that keep our customers ahead. And our stakeholders prosperous.

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SONATA SOFTWARE LIMITED

BOARD OF DIRECTORS

S B Ghia
Chairman
M D Dalal
Executive Vice Chairman
Rajan B Raheja
Director
Pradip P Shah
Director
B Ramaswamy
Managing Director & President
P Srikar Reddy
Sr. Vice President & Director

CORPORATE EXECUTIVE COMMITTEE

B Ramaswamy
P Srikar Reddy
Thomas K Joseph
Atish Ratan Dasgupta
Umesh Singh Sikka
A K Hemchandra
N Ebenezer Devasahayam

COMMITTEES OF THE BOARD

AUDIT COMMITTEE

S B Ghia
Pradip P Shah
Rajan B Raheja

REMUNERATION COMMITTEE

S B Ghia
Pradip P Shah
Rajan B Raheja

INVESTORS GRIEVANCE COMMITTEE

S B Ghia
B Ramaswamy
M D Dalal

SOLICITORS

M/s. Crawford Bayley & Co.

AUDITORS

M/s. N M Rajji & Co.

COMPANY SECRETARY

N Ebenezer Devasahayam

WEBSITE

www.sonata-software.com

REGISTERED OFFICE

208, T V Industrial Estate
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Tel: 91-22-4923991. Fax: 91-22-4396973

CORPORATE OFFICE

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Tel: +91-80-6610330. Fax: +91-80-6610972
Contact: smit@sonata-software.com
(Saibal Mitra - AVP Corporate Marketing)

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E-mail: ramani.sonata@asanet.com

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Abisko Development Limited
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Nicosia, Cyprus

ASSOCIATE COMPANY

Offshore Digital Services Inc.,
14798, Wicks Boulevard, San Leandro
California 94577, USA
Tel: +1-510-6146220. Fax: +1-510-4835978
E-mail: mjohn@odsi.com

PERFORMANCE HIGHLIGHTS

Rs. in millions =

| PARTICULARS | Quarter ended 31.03.2000 | Quarter ended 31.03.1999 | Year ended 31.03.2000 | Year ended 31.03.1999 |
|----------------------|-----------------------------|-----------------------------|--------------------------|--------------------------|
| TOTAL INCOME | 529.36 | 426.88 | 1761.74 | 1258.25 |
| EXPORTS | 209.68 | 171.35 | 785.62 | 624.94 |
| EBIDT ¹ | 89.21 | 79.55 | 288.99 | 195.06 |
| PROFITS ¹ | 73.87 | 22.43 | 233.96 | 97.55 |
| FIXED ASSETS | 125.17 | 107.41 | 125.17 | 107.41 |
| TOTAL DEBT | - | 112.21 | - | 112.21 |
| NET WORTH - CLOSING | 636.25 | 445.19 | 636.25 | 445.19 |
| EQUITY | 100.01 | 100.01 | 100.01 | 100.01 |

RATIOS

| PARTICULARS | Quarter ended 31.03.2000 | Quarter ended 31.03.1999 | Year ended 31.03.2000 | Year ended 31.03.1999 |
|--|-----------------------------|-----------------------------|--------------------------|--------------------------|
| EXPORTS INCOME/TOTAL INCOME | 39.61% | 40.14% | 44.59% | 49.67% |
| DOMESTIC INCOME/TOTAL INCOME | 58.41% | 59.43% | 54.37% | 49.77% |
| OTHER INCOME/TOTAL INCOME | 1.98% | 0.43% | 1.04% | 0.56% |
| OPERATING EXPENSES ² / TOTAL INCOME | 35.08% | 35.63% | 39.46% | 45.69% |
| EBIDT/TOTAL INCOME | 16.85% | 18.64% | 16.40% | 15.50% |
| PAT/TOTAL INCOME | 13.95% | 5.25% | 13.28% | 7.75% |
| DEBT: EQUITY ⁴ | - | 0.25 | - | 0.25 |
| DEBTORS NO. OF DAYS | 63 | 79 | 75 | 107 |
| RETURN ON AVG NETWORTH ⁵ | 54.65% | 30.08% | 43.27% | 32.71% |
| RETURN ON AVG CAPITAL EMPLOYED ⁶ | 49.60% | 26.68% | 39.69% | 29.56% |
| EVA (Rs. IN MILLIONS) ⁷ | 225.50 | 57.58 | 165.75 | 58.10 |
| EPS (Rs.) ⁸ | 29.55 | 8.97 | 23.40 | 9.75 |
| BOOK VALUE PER SHARE (Rs.) ⁹ | 54.07 | 29.82 | 54.07 | 29.82 |

EXPLANATORY NOTES :

- ¹ EBIDT is before Deferred Revenue Expenditure
- ² Operating expenses excludes Deferred Revenue Expenditure.
- ³ 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.
- ⁴ Debt divided by Closing Shareholders funds.
- ⁵ Profits divided by Average Networkth.
- ⁶ Profit after tax + Interest on term loan divided by Average Capital employed
(Capital employed = Capital + Reserves + Borrowed funds - Miscellaneous Expenditure)
- ⁷ 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.
- ⁸ Profits divided by No. of equity shares (annualised basis).
- ⁹ Average Networkth divided by No. of equity shares.