SONATA

SONATA SOFTWARE LIMITED ANNUAL REPORT 2000 - 2001

Performance Highlights

Rs. in millions

PARTICULARS	SITL @ Quarter ended 31.03.2001	SONATA Quarter ended 31.03.2001	SONATA Quarter ended 31.03.2000	SITL @ Period ended 31.03.2001	SONATA Year ended 31.03.2001	SONATA Year ended 31.03.2000
TOTAL INCOME	361.69	254.06	529.36	1,006.43	1,289.18	1,761.74
EXPORTS	3.78	249.40	209.68	3.78	1,070.02	785.62
EBIDT	8.58	93.78	89.21	21.80	378.39	288.99
PROFITS	4.48	82.83	73.87	11.60	333.35	233.96
FIXED ASSETS	7.06	130.47	125.17	7.06	130.47	125.17
TOTAL DEBT	7.70	-	-	7.70	-	-
NET WORTH - CLOSING	71.60	911.59	636.25	71.60	911.59	636.25
EQUITY	60.01	100.01	100.01	60.01	100.01	100.01

Ratios

PARTICULARS	SITL @ Quarter ended 31.03.2001	SONATA Quarter ended 31.03.2001	SONATA Quarter ended 31.03.2000	SITL @ Period ended 31.03.2001	SONATA Year ended 31.03.2001	SONATA Year ended 31.03.2000
EXPORT INCOME/TOTAL INCOME	1.04 %	98.16 %	39.61 %	0.37 %	83.00 %	44.59 %
DOMESTIC INCOME/TOTAL INCOME	98.69 %	-	58.41 %	99.48 %	14.26 %	54.37 %
OTHER INCOME/TOTAL INCOME	0.27 %	1.84 %	1.98 %	0.15 %	2.74 %	1.04 %
OPERATING EXPENSES/TOTAL INCOME	14.35 %	63.68 %	35.08 %	14.82 %	57.97 %	39.46 %
EBIDT/TOTAL INCOME	2.37 %	36.91 %	16.85 %	2.17 %	29.35 %	16.40 %
PAT/TOTAL INCOME	1.24 %	32.60 %	13.95 %	1.15 %	25.86 %	13.28 %
DEBT: EQUITY[1]	0.11	-	-	0.11	-	-
DEBTORS NO. OF DAYS	47	118	63	50	94	75
RETURN ON AVG NETWORTH[2]	27.23 %	42.81 %	54.65 %	23.51 %	43.07 %	43.27 %
RETURN ON AVG CAPITAL EMPLOYED[3]	25.20 %	43.20 %	54.44 %	22.10 %	43.19 %	39.69 %
EVA (Rs. in Millions)[4]	8.65	234.06	227.49	5.27	233.97	165.75
EPS (Rs.) (Annualised) (on Re. 1/- per share)[5]		3.31	2.95		3.33	2.34
BOOK VALUE PER SHARE (Rs.)[6]		7.74	5.49		7.74	5.41

@ Sonata Information Technology Limited

EXPLANATORY NOTES:

[1] Debt divided by Closing shareholders funds.

[2] Profits divided by Average Networth.

[3] Profit after tax + Interest on term loan divided by Average Capital employed

(Capital employed = Capital + Reserves + Borrowed funds - Miscellaneous Expenditure)

[4] 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.

[5] Profits divided by No. of equity shares

[6] Average Networth divided by No. of equity shares.

Driven by people
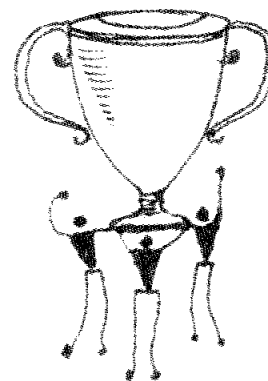
As you browse through this annual report, study our performance. Take a look at our profits. You'll discover that the reason for it all lies in another word that starts with 'P'. People. At Sonata, we believe that our people make the contribution that makes the difference. And all our policies are geared towards ensuring that our people power is harnessed to the fullest.

As we journeyed into the world of eBusiness, eCRM, Enterprise Application Integration and Business Intelligence in quest for the right tools, effective processes, viable methodologies, industry specialization and impeccable skills to give our clients innovative solutions, our people gave shape to this dream. They spent hundreds of man-hours to build tools, foster technology alliances, research iterative methodologies and design components to provide our clients not with mere software but solutions unique to their business. Solutions that will help them win.

At the end of the game there is always a winner. At Sonata, our people make sure it's you.

We dedicate our success to the contribution our people have made.

Presenting the Annual Report 2000-2001, a report that celebrates the victory of our people.

Contents

Where people are empowered for profit

Information technology is revolutionizing the world. And at Sonata, our people are revolutionizing Information Technology. It is their vision, commitment and their quest to learn and create using the very latest technology that helps keep Sonata at the forefront of the IT revolution.

At Sonata we believe in empowering our people. Our work culture spawns initiative, great ideas, social consciousness and strong ethics.

At Sonata we have also created a unique entrepreneurial culture that allows our people to ply their skills, to create and nurture organizational development.

Our work environment and practices empower our people to generate options before proposing solutions. We garner their expertise spread over a wide range of technologies and applications as our most valuable asset.

We believe in our people's dreams and ambitions and help foster their growth in the process of making our organization grow.
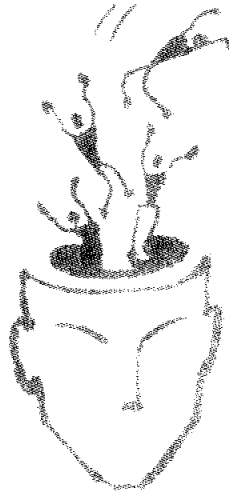
While we give every opportunity for our people to grow within our walls. Sonata also actively encourages its people to work at different locations around the world. Every onsite project is viewed by us as an opportunity for our people to develop their skills and contribute to the growth and profit of the company.

Our people, comprising over 800 professionals, have come together in close knit teams. The collective experience of our people from providing thousands of application solutions translates into high standards in software solutions. Or, in short, results. The very reason for our existence. No wonder we call our people, 'partners in progress'.

(1)

Where people are free to Innovate

Staying at the cutting edge of Information Technology is the only way Sonata Software can continue to grow and profit. Our people need to learn the very latest that's happening in the fields of software and technology. And we believe that providing the right solution is not simply a matter of plugging in the latest technological wonder.

Sonata's shining commitment to staying focussed on the future is its Core Research Group (CRG). With over 50 IT software and engineering pros working full time in pure research, people at Sonata are able to take new technology from the lab to the market better than most software companies.

CRG employs focused groups to develop proof-of-concept prototype, methodology kits and white papers & training kits to disseminate the technology within the organization.

Professionals at CRG critically evaluate and understand the nuances of constantly emerging new technology, in our area of competence; to become conversant with its applications; and then to deploy the technology judiciously.

Our people have been on strategic initiatives to built competencies in areas like B2B integration, mCommerce and reusable components. The inputs from these initiatives are used to deliver technology strengths that Sonata is capable of. This means our people get to learn the latest technology trends, long before most other IT professionals will.

All this means our people put us laps ahead in the race towards client satisfaction.

Because our clients deserve the best solutions that are relevant to their business.

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Knowledge grows our people

Sonata is a learning Organization. Our people abandon orthodox thought processes and are receptive to new ideas. Unlike most organizations that undergo periodic re-engineering, our people at Sonata are creating an organization through a process of planned learning, to continuously change and adapt. We have created a culture of learning and give our people the opportunity to grow and bloom so that they can contribute their best to the company. Respect, recognition and reward for individual abilities promote development of our people resources.

The concept of learning is based on systems thinking and people are on a perpetual learning mode, striving to work towards improvement and exceeding clients' expectations.

We pride in taking exciting young software talent and polishing them into rare gems that are in great demand in the software industry. In our frame of reference, this manifests in terms of closely monitoring actions undertaken on the self-improvement plans. These people-centric plans are individual focused and take into account the differential pace of individual learning. Our people are on a continuous journey of self-discovery and foster teamwork that negates any fear of failure and reprisal.

At the end of this process you get people who are more than just technical power. You get people who are adaptive, sensitive, and open-minded and have the zest to identify with your vision for the future entrusted to them.

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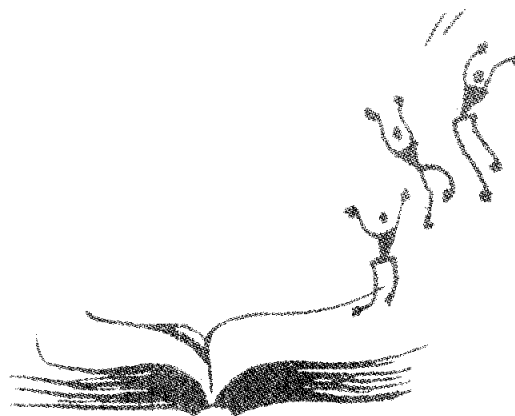
Our people empower quality
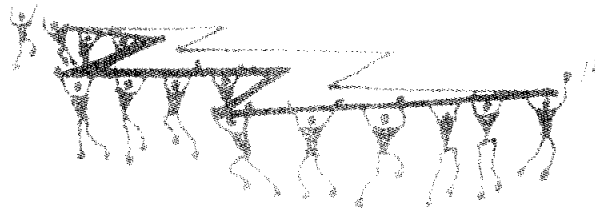
Sonata believes that to give the winning edge to our clients we must deliver quality solutions. That is why we have established an internationally acknowledged quality process in all areas of our operation. Quality consciousness permeates throughout our software development processes and is formalized through a set of quality procedures. These procedures cover all the activities in the software development life cycle from contract to delivery acceptance by the customer. Every stage of the software life cycle is covered by the quality procedures. Procedures are continuously fine-tuned for higher quality and comfort in use. So that our people can deliver the right solutions to our clients.

As you move around in Sonata you see teams of people absorbed in crafting your solutions with our winning processes. Processes that have been designed to build into our products and services, confidence that give you that winning edge.

Our people derive constant strength from our quality systems and processes. The quality culture of Sonata that is practiced by our people is built around the quality model of ISO 9001, soon to be supplemented with the SEI CMM model.

Our people have created a revolution in the world of quality for us. The dynamic and all encompassing process improvement movement, augmented by capability determination projects has blended naturally with our culture.

We believe in the essence of quality to make a winner.

People drive our world

At Sonata, our people continuously fine-tune and co-ordinate the synergy between man, method and machine. Throughout the life cycle of projects, our people maintain a vibrant interface synchronizing on project status, resource deployment, design quality, automation possibilities and matrics.
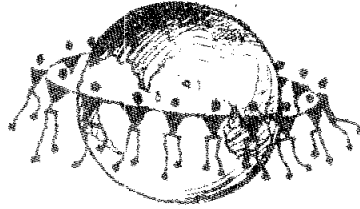
Project control is maintained through co-ordinated project planning and close people-to-people interaction between the client and Sonata teams.

Technical reviews are held with project team members to discuss critical aspects like design complexity, compliance to standards, architectural decisions, security,

reliability and performance implications. Our people sit through team meetings to freeze near perfect estimations to scope application size. This becomes the first point of synchronization with the customer on the effort, schedule and staffing projections for the work entrusted.

The research and quality teams support people who work on clients' solutions. The two aspects of this support are to address and uphold the technological innovation and relevance of the solution and the quality of the process that moulds this technology into the solution.

We have been finding innovative ways for augmenting project management and process improvement. Our people use frameworks to deliver software projects depending on the size and nature of requirements. These frameworks are fine tuned depending on the customer needs. For instance in projects related to web technologies our people work closely with the customer in an incremental fashion to develop the software. Software features are developed in incremental fashion, tested, released to the customer. Functionality is added up along with incorporating feedback of previous cycles. This gives tremendous advantage of quick feel of the product, in many cases early release is possible.

A simple manifestation of using people skills in harmony with the ever-changing information technology to provide the right solution. To every problem. Every time.

Our people grow customer relationships

Our people have always been working ceaselessly to build long term relationship with customers.

The primary route for this relationship building process has been a clearly defined plan stemming out of past experience and leveraging on the expertise gained. Our guiding force has been our focus on access to new domains and acquisition of new technologies that leads to customer solutions. The successes of our relationships are borne out of sharing risks and rewards and a deep commitment to the venture.

Our people have partnered with product development companies, where we have vast experience as a partner for software development. We understand the nuances and complexities involved in product development that impacts time-to-market. Which means every relationship is built on expertise and understanding.

Our teams have built considerable amount of experience working in industries such as manufacturing, financial services, insurance, healthcare and logistics. Sound functional & technical knowledge built on IS partnerships have been the foundation to extend the services worldwide.

A large US based financial-services company was looking for a software development partner with a balanced strength in technology, application knowledge and delivery proficiency. Our people proposed various options and finally designed the architecture to develop and deploy a web site for their portfolio management application. The web site interacts with two independent databases to enable the end-customer to get information that help them transact. Our people even looked at factors like data security and volume management. A translation of complex tools, technology and method to a solution that brings a smile to our customer and also his customers.

The relationships with our customers have grown from strength to strength.

What you sow, you reap. Our people have made our relationships yield rich harvest.

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