

SOLNATA

Profitability Ratios, Bonds, and Securities



SONATA SOFTWARE LIMITED**PERFORMANCE HIGHLIGHTS**

Rs. in millions

PARTICULARS	Quarter ended 31.03.02 CONSOLIDATED	Quarter ended 31.03.02	Quarter ended 31.03.01	Year ended 31.03.02 CONSOLIDATED	@ Year ended 31.03.02	Year ended 31.03.01
TOTAL INCOME	667.91	169.15	254.38	2,286.68	837.14	1,290.78
EXPORTS	238.68	167.00	248.32	1,012.36	813.72	1,092.02
EBIDT	41.27	29.19	93.78	262.69	214.38	378.40
PROFIT AFTER TAX	30.28	20.95	82.83	208.89	178.05	333.35
FIXED ASSETS	116.12	109.84	130.47	116.12	109.84	130.47
TOTAL DEBT	9.10	-	-	9.10	-	-
NET WORTH -CLOSING	1,289.51	1,369.48	911.59	1,289.51	1,369.48	911.59
EQUITY	105.16	105.16	100.01	105.16	105.16	100.01

RATIOS

PARTICULARS	Quarter ended 31.03.02 CONSOLIDATED	Quarter ended 31.03.02	Quarter ended 31.03.01	Year ended 31.03.02 CONSOLIDATED	@ Year ended 31.03.02	Year ended 31.03.01
EXPORTS INCOME/TOTAL INCOME	35.74%	98.73%	97.62%	44.27%	97.20%	84.60%
DOMESTIC INCOME/TOTAL INCOME	63.86%	-	-	54.49%	-	14.25%
OTHER INCOME/TOTAL INCOME	0.40%	1.27%	2.38%	1.24%	2.80%	1.15%
OPERATING EXPENSES/TOTAL INCOME	31.20%	86.90%	63.73%	38.80%	77.13%	58.02%
EBIDT/TOTAL INCOME	6.18%	17.26%	36.87%	11.49%	25.61%	29.32%
PAT/TOTAL INCOME	4.53%	12.39%	32.56%	9.13%	21.27%	25.83%
DEBT: EQUITY ¹	0.01	-	-	0.01	-	-
DEBTORS NO. OF DAYS	71	106	118	84	87	92
RETURN ON AVG NETWORTH ²	11.35%	7.35%	42.81%	19.58%	15.61%	43.07%
RETURN ON AVG CAPITAL EMPLOYED ³	10.64%	7.35%	43.20%	18.95%	15.61%	43.19%
EVA (Rs. in millions) ⁴	(86.50)	(135.75)	182.33	(5.13)	(41.50)	184.37
EPS (Annualised) (on Re.1/per share) ⁵	1.15	0.80	3.31	1.99	1.69	3.33
BOOK VALUE PER SHARE -(Rs.) ⁶	10.15	10.85	7.74	10.15	10.85	7.74

@Pursuant to the transfer of Indian business of Sonata Software Limited (SSL) to Sonata Information Technology Limited effective 1st July, 2000, the figures of SSL for the year ended 31st March, 2002, comprises of results of the international business only. Hence, the figures are not comparable.

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 10.50%, market risk-premium of 7% and beta of 1.25

⁵ Profits divided by weighted average No. of equity shares

⁶ Average Networth divided by No. of equity shares

CONTENTS

Customer Relationships	3
 Sonata Software Limited	
Directors' Report	7
Management Discussion & Analysis	11
Corporate Governance	14
Secretarial Compliance Report	16
Auditors' Report	17
Balance Sheet	19
Profit & Loss Account	20
Schedules 1 to 17	21
Cash Flow Statement	31
Section 212 Statement	33
 Consolidated Financial Statements	34
 Subsidiaries Financial Statements	
Sonata Information Technology Limited	47
Abisko Development Limited	64
Offshore Digital Services Inc.	70
 Shareholders' Information	79



***Behind every dream rages a burning desire.
To do today what others contemplate tomorrow.
To take the road less travelled.
To set unprecedented goals.
To maintain the highest standards... always.
For that winning edge for ourselves.
And our stakeholders.***



Customer Relationships

THE BUILDING BLOCK TO GROW BUSINESS



Customer relationship is the key to the successful growth of any business. A relationship that stands the test of time is built on trust.

A good measure of 'Customer relationship' is its endurance over numerous cycles of business transactions, each resulting in substantial or critical business value for the customer. And in Sonata this principle has been embedded in its corporate mission.

Today, Sonata has the world class capability to initiate relationships. A superior 'work culture' and the strong winning attitude nurtures these customer relationships.

Franklin Templeton, USA

The most powerful aspect of working with Sonata has been that it has been a true partnership in all meanings of the term. Sonata anticipates our needs and has always taken the extra steps to help ensure our success. As an example, in one recent instance a critical need for assistance was discussed on Friday, a Sonata team member flew from India that weekend to be on the ground with us in California on Monday!

Sonata has worked proactively in building skills in technologies in which Franklin was going to invest in. This was done completely by Sonata on their own initiative without any commitment from Franklin. This has helped Franklin with a resource pool being available to deliver solutions faster.

The senior management of Sonata is totally committed to the relationship and ensure they spend significant amount of time with Franklin to understand our business, culture, concerns and ensure that our needs are always met. We believe this aspect of Sonata is very unique in terms of senior management commitment to building long term relationships.

Every individual we have met from Sonata is so totally involved in the assignment and so obviously enjoy what they are doing which is almost infectious. This we believe is very significant for us as it reflects on a very high employee morale and low turnover.

Working with Sonata, apart from giving us the benefits of cost savings and faster time to market, has also enabled us to accelerate complex assignments by moving from business concept to prototype much faster by leveraging the technical team based in India.

Richard Preece, Senior Director

Customer Relationships

THE CAPABILITY TO ENHANCE A RELATIONSHIP FURTHER

The capability to provide world class services is the first and foremost expectation of a customer.

Sonata is of the firm belief that it can respond to clients' needs faster because it has an arsenal of the latest tools, technologies and skill sets. Successful project delivery translates to customer confidence leading to a profitable customer relationship. Customers always expect assurances that they are dealing with mature, highly prepared and professional solutions provider.

The capability and maturity that exist within Sonata are not part of a static framework but a dynamic organism that is flexible to meet challenges as they come up from time to time.



Reanstetic, UK

Sonata has significantly enhanced the solutions we can offer to our clients. Our experience over the past twelve months has instilled a high degree of confidence in both Sonata's commitment and in its ability to deliver complex technical solutions.

Coupled with the above we have always found Sonata to be a highly trustworthy and honest partner to deal with.

Based on our experience to date we anticipate Sonata becoming an increasingly critical partner who will help us deliver unprecedented value to our clients.

Wajid Shafiq, CEO

Hutchinson Essar, INDIA

Sonata has been engaged by us for developing a point-of-sales solution from ground-up. Sonata has already completed the SRS (System Requirements Specification) and are in the process of design and development.

Sonata was selected as our partner after a careful evaluation. The professional approach, adherence to quality standards and visit to their development center in Bangalore convinced us about its capability in meeting our requirements.

We are very happy with the proactive, process driven approach of Sonata and look forward to a long and mutually beneficial relationship in the long run.

Vivek Pandey,
Vice President- Information Systems

Customer Relationships

THE POWER OF POSITIVE WORK CULTURE

Sonata believes that it is an uphill task to build an ongoing relationship on the single pillar of capability. Customers are looking for key differentiating factors among equally competent IT service providers. In such a scenario, it is the 'work culture' of an organization that is the clincher.

Being customer focussed, team orientation and individual excellence are the highlights of this work culture. "Sonatians" are trained to go the extra mile to be customer friendly.

In Sonata 'work culture' is a way of life and an integral part of the Corporate value system.



CyberSafe, UK

We selected Sonata in September 2001, primarily for their global presence, capability and stability. We have been very pleased with the work Sonata have been doing with us so far, helping us with some technology research projects. We find that the Sonata team at the Bangalore office are very hard working and we are very pleased that we chose them. We could not have got to where we are today without them.

We find Sonata very friendly and willing to discuss/listen. If they are not sure of something they are not afraid to ask, which we find very encouraging.

In the near future we plan to expand the size of the team we are using and also envisage using Sonata to support some of our North American customers as well as those in UK/Asia. We will also soon be initiating a number of challenging development projects and fully expect Sonata to deliver the goods on time when engaged in these projects.

Tim Alsop, CTO

QRS Corporation, USA

The success of the QRS-Sonata relationship has been enabled by Sonata's keen focus on client interests. QRS's choice of Sonata as its IT services partner is based on Sonata's culture of working collaboratively with clients. Sonata's ability to create business value by adapting to a wide-range of project requirements has helped QRS optimize the benefits of long-term outsourcing.

Sean Salehi

Senior Vice President & CTO

Customer Relationships

THE WINNING ATTITUDE THAT DELIGHTS CUSTOMERS

Capability wins the deal. Positive work culture assures the success of a project. While other IT service providers have the capabilities, very few can boast of the winning attitude that does wonders to a client's business.

Sonata delights its customers by consistently completing projects within budget and schedule. Our customers are our brand ambassadors. This mutually beneficial relationship helps us grow with our customers.



GlaxoSmithKline, Belgium

GSK Biologicals is working with Sonata for more than 6 years and we have always been pleased to collaborate with them. At the beginning, Sonata developed a clinical Data management application which is still used by our Indian Data Management Center (CDMCI) located at Bangalore.

As we were pleased by their services, the quality of the work and the budget of our first collaboration, we decided to collaborate with them for a second application. This was a RDE application which is helping the clinical investigators to enter the data directly from their hospitals. Again, we were very pleased by the expertise and experience of Sonata. This is still one of the most efficient applications in the pharmaceutical world. It is also important to mention that we received positive feedback from the two audits performed by our company. The two systems prepared by Sonata are still used and have been key in the success of our clinical development business.

Benedicte, CIO

SONATA SOFTWARE LIMITED**DIRECTORS' REPORT****TO THE MEMBERS OF SONATA SOFTWARE LIMITED**

The Directors present their Seventh Annual Report and the audited financial Statements for the year ended 31st March, 2002.

FINANCIAL HIGHLIGHTS

(Rs. in millions)

Particulars	Year ended 31.03.2002	@Year ended 31.03.2001
1. Total Income	837.14	1289.19
2. Total Expenditure	622.76	910.79
3. Profit before Interest, Depreciation & Tax	214.38	378.40
4. Interest	-	0.90
5. Depreciation	28.46	35.08
6. Profit Before Tax	185.92	342.42
7. Provision for Taxation	7.87	9.07
8. Profit After Taxation	178.05	333.35
9. Appropriations :		
Proposed Dividend	15.77	30.00
Interim Dividend	21.03	20.00
Transfer to General Reserve	18.00	34.00

@ Pursuant to the transfer of Indian business of Sonata to Sonata Information Technology Limited effective from 1st July, 2000, the figures for the year ended 31st March, 2001 comprises of operations of Indian business only upto 30th June, 2000. Hence, the figures are not comparable. However, the company's operations and the financial highlights of the international operations are discussed in the detailed Management Discussion and Analysis Report attached.

DIVIDEND

The Directors are pleased to recommend payment of a final dividend of Re.0.15 per equity share (@15% on par value of Re.1/- each), subject to the approval of shareholders, which along with the interim dividend of Re.0.20 per equity share adds upto a total dividend of Re.0.35 per equity share (Previous year Re.0.50 per equity share of Re.1/- each). If approved, the final dividend will be paid to eligible shareholders as on 21st May, 2002 (in case of electronic shares) and as on 10th June, 2002 (in case of physical shares).

QUALITY

Your directors are happy to inform that during the year under review your Company has been awarded the Certificate of Achievement for performing at the "Optimizing" Level 5 of software process maturity by Carnegie Mellon University's Software Engineering Institute, USA (SEI). The achievement reflects

Sonata's commitment to provide high quality software solutions through robust software development processes. Sonata is the first Company globally to be assessed under the new rules of CBA-IPI involving over 2000 Sub-Practices apart from the usual assessment of the Key Process Areas, Goals and Key Practices.

INVESTMENT

During the year under review, your Company has invested Rs.106.80 Lacs for purchase of 1,45,000 equity shares in the Capital of Offshore Digital Services Inc., USA (ODSI), whereby ODSI became a subsidiary of Sonata with effect from 9th April, 2001. With Sonata taking over ODSI, ODSI has turned around in terms of cashflows and profitability in operations. In line with this and to improve the financials of ODSI, your Company has also invested USD 6.5 Mn in 65,00,000 shares of Series A Redeemable Preferred Stock of ODSI.

SHARE CAPITAL & LISTING

Subsequent to the shareholders approval for issue of shares on Preferential basis, the Board has allotted 51,52,506 equity shares of Re.1/- each to Franklin Templeton Holding Limited, Mauritius at Rs.53.40 per share, which constitutes 4.9% of the total share capital of the Company.

SEBI has included your Company's scrip under the Compulsory Rolling Settlement with effect from 2nd July, 2001.

SUBSIDIARY COMPANY

The audited Statements of Accounts of Subsidiary Companies viz., M/s Abisko Development Limited, Cyprus, Offshore Digital Services Inc., USA (ODSI) and Sonata Information Technology Limited for the year ended 31st March, 2002 along with the Report of the Board of Directors and Auditors thereon are attached as per the provisions of Section 212 of the Companies Act, 1956. The Department of Company Affairs has granted permission under Section 212(8) of the Companies Act, 1956 exempting the annexing of accounts of Abisko Development Limited and ODSI for the year ended 31st March, 2002 in Schedule VI format.

CORPORATE GOVERNANCE

As required under Clause 49 of the Listing Agreement, a report on Corporate Governance is provided elsewhere in this Annual Report.

SECRETARIAL COMPLIANCE REPORT

As a reflection of your Company's commitment to transparency, the Board is pleased to enclose the Secretarial Compliance Report for the financial year 2001-02, as part of this Directors' Report.

SONATA SOFTWARE LIMITED**DIRECTORS' REPORT (Contd.)****DIRECTORS' RESPONSIBILITY STATEMENT**

Your Directors, to the best of their knowledge and belief, state that the Company maintains proper accounting records which disclose with reasonable accuracy, the financial position of the Company.

Further, your Directors state that these accounting records have formed the basis in the preparation of financial statements of the Company in compliance with the provisions of the Companies Act, 1956, including any amendments thereto.

Your Directors also confirm compliance that the financial statements of the Company are prepared in such manner to give a true and fair view of the state of affairs of the Company as at the end of 31st March, 2002 and of the profit of the Company for the year to that date.

Your Directors state that in preparing the aforesaid financial statements of the Company, appropriate accounting policies have been consistently applied and supported by reasonable and prudent judgements and estimates, whilst applicable accounting standards have been followed and that these financial statements have been prepared on going-concern basis.

Further, your Directors to the best of their knowledge and belief, state that appropriate internal control systems are in place which are reasonably expected to safeguard the assets of the Company and to prevent and detect fraud and irregularities.

ENERGY, TECHNOLOGY, FOREIGN EXCHANGE

Particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is annexed to this Report.

PUBLIC DEPOSITS

Your Company did not accept any deposits from the public during the year under review.

PERSONNEL

Information required to be furnished under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended is annexed to this Report.

RECOGNITION/ACHIEVEMENTS

Your Company stood first in India in Microsoft Portal Competition organised during the year under review. Thereafter, we were nominated for Asia Pacific level and in which we were shortlisted in first eight Companies.

DIRECTORS

Mr.M.D.Dalal and Mr.P Srikar Reddy, Directors, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

AUDITORS

M/s N.M.Raiji & Co., Chartered Accountants, Mumbai, have expressed their willingness to continue in office as Statutory Auditors for the financial year 2002-03 and accordingly, a resolution proposing their appointment is being submitted to the Annual General Meeting.

ACKNOWLEDGEMENTS

Your Directors take this opportunity to thank its customers in India and abroad, Investors, Business Partners, Company's bankers, Financial institutions, Business associates and Advisors for their consistent support to the Company. Your Directors also sincerely acknowledge the dedication, commitment and significant contribution of all Sonatians during the year.

For and on behalf of the Board

Place : Bangalore
Date : 12th April, 2002

S.B.GHIA
CHAIRMAN