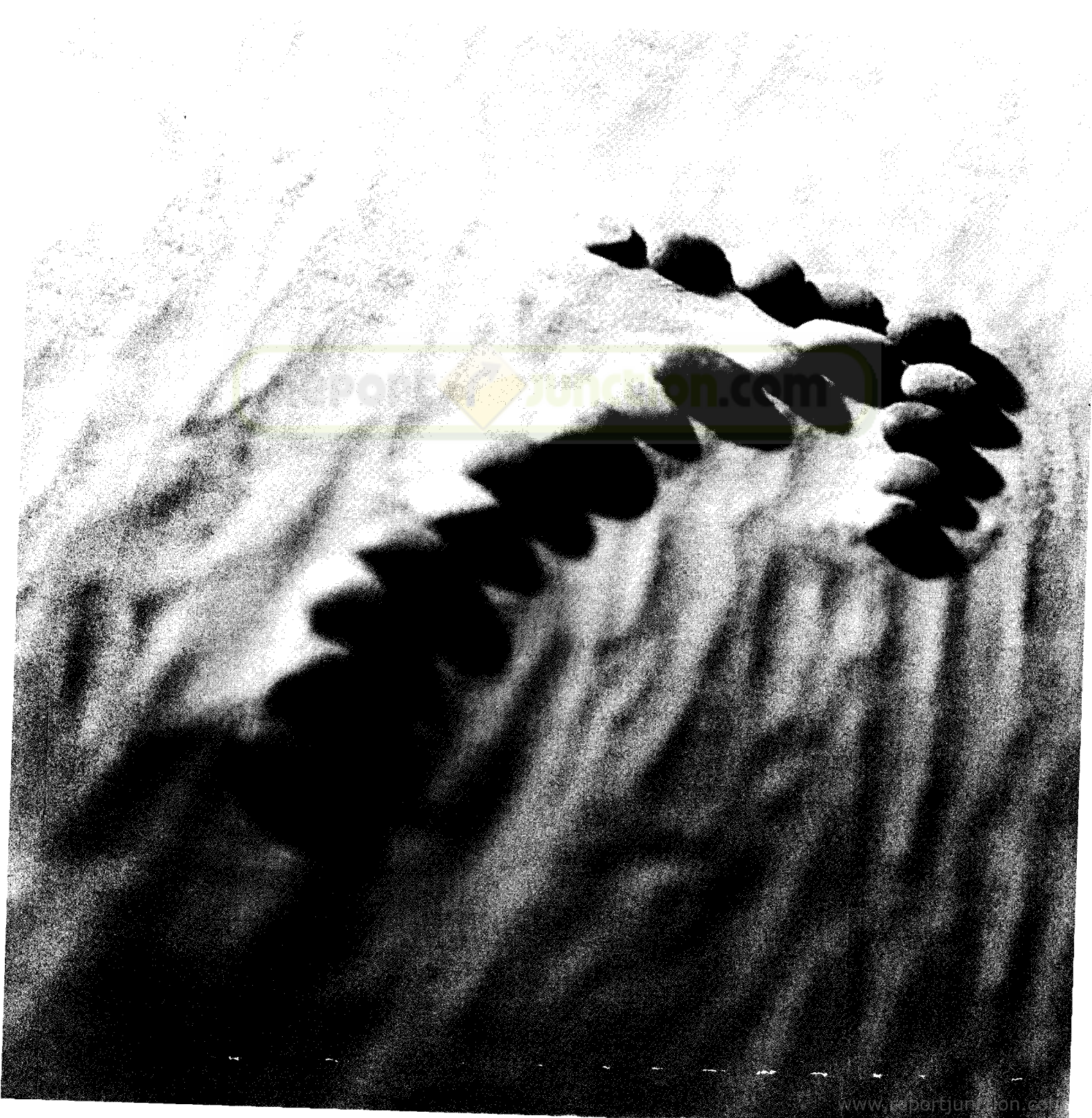




SONATA SOFTWARE

The power of partnership

annual report
2002 - 03



Performance Highlights

SONATA SOFTWARE LIMITED

Rs. in millions

PARTICULARS	Quarter ended 31.03.03	Quarter ended 31.03.02	Quarter ended 31.03.03	Quarter ended 31.03.02	Year ended 31.03.03	Year ended 31.03.02	Year ended 31.03.03	Year ended 31.03.02
	CONSOLIDATED				CONSOLIDATED			
TOTAL INCOME	645.78	667.76	213.46	169.15	2,578.34	2,275.34	845.52	837.14
EXPORTS	256.42	238.57	209.48	167.00	1,022.42	1,001.30	834.30	813.72
EBIDT	61.56	41.26	50.48	29.19	256.61	262.12	215.22	214.38
PROFIT AFTER TAX	39.53	30.28	41.22	20.95	152.54	208.90	155.78	178.05
FIXED ASSETS	234.47	276.54	102.67	109.84	234.47	276.54	102.67	109.84
TOTAL DEBT	4.60	9.10	-	-	4.60	9.10	-	-
NET WORTH -CLOSING	1,403.19	1,307.28	1,468.63	1,369.48	1,403.19	1,307.28	1,468.63	1,369.48
EQUITY	105.16	105.16	105.16	105.16	105.16	105.16	105.16	105.16

RATIOS

PARTICULARS	Quarter ended 31.03.03	Quarter ended 31.03.02	Quarter ended 31.03.03	Quarter ended 31.03.02	Year ended 31.03.03	Year ended 31.03.02	Year ended 31.03.03	Year ended 31.03.02
	CONSOLIDATED				CONSOLIDATED			
EXPORTS INCOME/TOTAL INCOME	39.71%	35.73%	98.14%	98.73%	39.65%	44.01%	98.67%	97.20%
DOMESTIC INCOME/ TOTAL INCOME	59.49%	63.87%	-	-	59.75%	54.77%	-	-
OTHER INCOME/TOTAL INCOME	0.80%	0.40%	1.86%	1.27%	0.60%	1.22%	1.33%	2.80%
OPERATING EXPENSES/TOTAL INCOME	36.51%	31.21%	75.52%	86.90%	34.15%	38.97%	73.36%	77.13%
EBIDT/TOTAL INCOME	9.53%	6.18%	23.65%	17.26%	9.95%	11.52%	25.45%	25.61%
PAT/TOTAL INCOME	6.12%	4.53%	19.31%	12.39%	5.92%	9.18%	18.42%	21.27%
DEBT: EQUITY ¹	0.003	0.01	-	-	0.003	0.01	-	-
DEBTORS NO. OF DAYS	81	71	103	106	81	84	104	87
RETURN ON AVG NETWORTH ²	11.28%	9.32%	11.25%	6.14%	11.26%	19.42%	10.98%	15.61%
RETURN ON AVG CAPITAL EMPLOYED ³	11.37%	9.18%	11.25%	6.14%	11.29%	18.80%	10.98%	15.61%
EPS (Annualised) (on Re.1/per share) ⁴	1.50	1.15	1.57	0.80	1.45	1.99	1.48	1.70
BOOK VALUE PER SHARE -(Rs) ⁵	13.32	12.35	13.94	12.99	12.89	10.23	13.49	10.85

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 Profits divided by weighted average no. of equity shares.⁵ Average Networth divided by no. of equity shares.

SONATA SOFTWARE LIMITED

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

Corporate Office : 1/4, APS Trust Building, Bull Temple Road, N.R.Colony, Bangalore – 560 019

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Eighth Annual General Meeting of the members of SONATA SOFTWARE LIMITED will be held on Tuesday, the 24th June, 2003 at 3.00 P.M. at M.C.Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikhushru Dubash Marg (Behind Prince of Wales Museum), Mumbai – 400 001 to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2003 and the Profit and Loss Account for the year ended on that date together with the Reports of the Directors and the Auditors thereon.
2. To declare a final 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.Pradip P Shah, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration. M/s.N.M.Raiji & Co., Chartered Accountants, the retiring Auditors are eligible for re-appointment.

SPECIAL BUSINESS :

6. To consider and, if thought fit, to pass with or without modifications, the following Resolutions as an **Ordinary Resolution** :

“RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309 read with Schedule XIII and other applicable provisions, if any, 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, approval of the members of the Company be and is hereby accorded to the re-appointment of Mr.M.D.Dalal, as Executive Vice Chairman of the Company for a period of five years from 1st November, 2002 to 31st October, 2007, upon such terms and conditions as set out in agreement dated 16th October, 2002, 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 within and in accordance with and subject to 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 and execute such documents 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 modifications, the following Resolution as an **Ordinary Resolution** :

“RESOLVED THAT pursuant to Section 257 and Article 139 of the Articles of Association of the Company and other applicable provisions, if any, of the Companies Act, 1956, Mr.Suresh N Talwar be and is hereby appointed as a Director of the Company, liable to retire by rotation.”

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

"RESOLVED THAT pursuant to Section 309 of the Companies Act, 1956 and Article 122 of the Articles of Association of the Company and within the limits stipulated in Section 309(4) of the Companies Act, 1956, the Company be and is hereby authorised to pay remuneration by way of commission to any one or more or all of the Non-Executive Directors (other than Executive Vice Chairman, President & Managing Director and Sr. Vice President & Director) in such amounts or proportions and in such manner as may be decided by the Board of Directors of the Company from time to time, for a period of five years commencing from 1st April, 2003, which cumulatively shall not exceed 1% of the net profits of the Company, as computed under Section 198 of the Companies Act, 1956 in any financial year."

Registered Office :
208, T.V.Industrial Estate,
S.K.Ahire Marg, Worli
Mumbai - 400 025.
Dated 17th April, 2003.
Place : Mumbai

By Order of the Board

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

NOTES :

1. **A member entitled to attend and vote at the Meeting may appoint a proxy to attend and vote on a poll on his behalf. Such proxy need not be a member of the Company.** Proxies, in order to be effective, should be lodged at the Company's Registered Office atleast 48 hours before the commencement of the Meeting.
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, relating to the Special Business to be transacted at the Meeting is annexed hereto.
3. The Register of Members and the Share Transfer Books will remain closed from 13th June, 2003 to 24th June, 2003 (both days inclusive) in terms of the provisions of the Section 154 of the Companies Act, 1956.
4. The dividend as recommended by the Board, if approved at the Meeting, will be payable to those members whose names appear in the Register of Members as on 24th June, 2003. The dividend in respect of shares held in the electronic form will be payable to the beneficial owners of the shares as on 12th June, 2003 as per details furnished by the Depositories for this purpose.
5. A brief resume of the directors proposed to be appointed/re-appointed vide Ordinary Business Nos.3 & 4 and vide Special Business 6 & 7 in the Notice are as follows :

Mr.S.B.Ghia, (55), is non-executive Chairman of Sonata. He holds Degree in Science (Chemistry) and MBA from Bowling Green University, USA. Currently he is also Chairman & Managing Director of Futura Polyesters Ltd. He is also Director in Alkyl Amines Ltd, A.V.Thomas Industrial Products Ltd, Bachi Investments & Finance Pvt Ltd, Chika Pvt Ltd, Chika Overseas Pvt Ltd, Innovasynt Technologies Ltd, H.K.Finechem Ltd, G.P.Electronics Ltd, Kika Investments & Finance Pvt Ltd, Standard Industries Ltd, Viraj Investments Pvt Ltd, Chantex Industries Ltd and Chinai Chemicals Ltd. He is a member of Investor Grievances Committee of Futura Polyesters Ltd, Alkyl Amines Ltd & Sonata Software Limited and a member of Audit Committee of Alkyl Amines Ltd, AVT Natural Products Ltd & Sonata Software Ltd and a member of Remuneration Committee

of Alkyl Amines Ltd and AVT Natural Products Ltd.

Mr. Pradip P Shah, (50), is non-executive Director of Sonata. He holds Degree in Commerce, ACA, AICWA and MBA from Harvard University, USA. He is also a Director of BASF India Ltd, Bharatiya Reserve Bank Note Mudran Ltd, Gujarat Positra Port Infrastructure Ltd, NDC Telecommunications India Pvt Ltd, Matsushita Lakhnapal Battery India Ltd, Pfizer Ltd, Prudential ICICI Asset Management Ltd, The Shipping Corporation of India Ltd, Tata Infomedia Ltd, Wartsila India Ltd and Chairman of IndAsia Fund Advisors Pvt Ltd and Shah Foods Ltd. He is also a member of Audit Committee of BASF India Ltd, Gujarat Positra Port Infrastructure Ltd, Matsushita Lakhnapal Battery India Ltd, Pfizer Ltd, Prudential ICICI Asset Management Ltd, Tata Infomedia Ltd, Wartsila India Ltd and Sonata Software Ltd.

Mr.M.D.Dalal, (46), is the Executive Vice Chairman of Sonata. He holds a Bachelor's Degree from Salford University, UK and Master of Science Degree from the Massachusetts Institute of Technology, USA. He was one of the first Directors of Sonata named in the Articles. He is responsible for promotion of the business of the Company using his extensive contacts with financial circles, NRIs and other organisations. Currently he is also Joint Managing Director of Futura Polyesters Ltd. He is also Director in Sitaldas Estate Pvt Ltd and Indus Biotech Pvt Ltd. He is a member of Investor Grievances Committee of Sonata Software Ltd and Futura Polyesters Ltd.

Mr.Suresh N Talwar, (64), is non-executive Director of Sonata. He holds a Bachelor's Degree in Commerce and Law from Bombay University. He is Chairman in following public limited Companies viz., Greaves Morganite Crucible Ltd, Jog Engineering Ltd and Merck Ltd. He is Director in following public limited Companies viz., Blue Star Ltd, Blue Star Infotech Ltd, Birla Sun Life Insurance Co Ltd, Burroughs Wellcome (India) Ltd, BPL Communications Ltd, Cadbury India Ltd, Carborundum Universal Ltd, Chowgule & Company Ltd, Sandvik Asia Ltd, Shrenuj & Co Ltd and Solvay Pharma India Ltd. He is a member of Audit Committee of Blue Star Ltd, Blue Star Infotech Ltd, BPL Communications Ltd, Burroughs Wellcome (India) Ltd, Cadbury India Ltd, FCI OEN Connectors Ltd, Merck Ltd, Sandvik Asia Ltd and Solvay Pharma India Ltd. He is also member of Remuneration Committee of Madura Coats Ltd.

6. Since SEBI has made it mandatory for distributing dividends through **Electronic Clearing Service (ECS)**, Company will use the bank account details furnished by the Depositories for distributing dividends to shareholders holding shares in electronic form. **Members are requested to notify any change in their Bank account details to their Depository Participant immediately by using ECS mandate form enclosed.**
7. **Members holding shares in physical form** are requested to immediately **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.
8. **Members holding shares in electronic form** are requested to **notify change in their address to their Depository Participant.**
9. Since the Company's shares are in compulsory demat trading, to ensure better service and elimination of risk of holding shares in physical form, we request shareholders holding shares in physical form to dematerialise their shares at the earliest.
10. Members wishing to claim dividends, which remain unclaimed, are requested to correspond with Company's Share Transfer agents for further particulars.
11. To avail the facility of nomination, Members may write to the Company for obtaining the Nomination Form (Form 2B).
12. Members/proxies are requested to bring their attendance slips duly filled in and their copy of the Annual Report for the Meeting.

13. Members intending to require information about the Accounts, to be explained at the Meeting are requested to inform the Company atleast a week in advance of their intention to do so, so that the papers relating thereto may be made available, if the Chairman permits such information to be furnished.

EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM NO.6

Mr.M.D.Dalal's term of appointment as Executive Vice Chairman was upto 31st October, 2002. The Board of Directors at their Meeting held on 16th October, 2002 have reappointed him (subject to the approval of shareholders) as Executive Vice Chairman of the Company for a further period of five years with effect from 1st November, 2002 on the terms and remuneration set out in the Agreement dated 16th October, 2002.

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

The agreement dated 16th October, 2002 between the Company and Mr.M.D.Dalal 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.M.D.Dalal, is in any way, concerned or interested in this Resolution.

The Board recommends passing of the proposed Resolution.

ITEM NO.7

Mr.Suresh N Talwar was co-opted as Additional Director from 30th October, 2002 and holds office upto the ensuing Annual General Meeting.

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.Suresh N Talwar for the office of a Director.

In terms of Clause 49 of the Listing Agreement on Corporate Governance, Mr.Suresh N Talwar is an independent Director.

None of the Directors of the Company except Mr.Suresh N Talwar, is in any way, concerned or interested in this Resolution.

The Board recommends passing of the proposed Resolution.

ITEM NO.8

At the Annual General Meeting held on 7th September, 1998, the members had approved payment of commission to non-executive directors at 1% of the net profits of the Company for a period of five years commencing from 1st April, 1998. Since the above approval is upto 31st March, 2003, it is proposed to renew the same for a further period of 5 years.

Mr.S.B.Ghia, Mr.Rajan B Raheja, Mr.Pradip P Shah and Mr.S.Suresh N Talwar, who are non-executive Directors of the Company may be deemed to be concerned or interested in the passing of this Resolution.

The Board recommends passing of the proposed Resolution.

MANDATE FORM - ELECTRONIC CLEARING SERVICE (ECS)

(This is to facilitate crediting of dividend, if any directly to the shareholder's Bank account without the requirement of issuing dividend warrants)

1	Shareholder's Name	
2	Folio No.(s)/ Client ID & DP ID	
3	Particulars of Bank Account :	
	(a) Bank Name	
	(b) Branch Name & Address	
	(c) Tel.No.	
4	9-Digit code Number of the Bank appearing on the MICR Cheque issued by the Bank (Please attach photocopy of a blank cheque or front page of Pass Book of your Bank for our verification)	
5	Bank Account Number	
6	Account Type (SB/CA/CC)	
7	Ledger No./Leger Folio No. (if appearing on the cheque book / Pass Book)	

I/We hereby declare that the particulars given above are correct and complete. If the transaction is delayed or not effected at all for reasons of incomplete or incorrect information, I/We shall not hold the Company/Bank responsible.

.....
(Signature of the Shareholder(s))

Note : In case the shareholder(s) is/are not in a position to enclose a photocopy of a blank cheque or front page of Pass Book, a certificate as under may be furnished.

Certified that the particulars furnished above are correct as per our records.

.....
(Signature of the Authorised Official of the Bank)

Bank's Stamp & Date

Note :

1. Shareholders holding shares in physical form and opting to receive dividend through credit clearing mechanism, may please furnish the above details to our Registrars and Share Transfer Agents M/s Karvy Consultants Limited, Unit : Sonata Software Ltd, No.51/2, TKN Complex, Vanivilas Road, Opp.National College, Basavanagudi, Bangalore – 560 004.
2. For shareholders holding shares in electronic form, Company will use the bank account details furnished by the Depositories. Shareholders are requested to notify any change in their Bank account details to their Depository Participant immediately in the above format.
3. In case of more than one folio or demat account, please complete the details on separate sheets.





Adversity brings out the best in us

At a time when enterprises across the world are trying to make their IT budgets work harder; the demands on partners are severe. Emphasis is on maximizing return on every dollar spent on engineering. This has posed very stiff challenges and Sonata has dealt with these challenges by making the right shifts in strategy, offerings and specific focus on domains and technology. We emerged a much stronger company with deeper customer relationships, the vital springboard for growth.

Sonata Software Limited

Directors' Report	6
Management Discussion & Analysis	10
Corporate Governance	13
Secretarial Compliance Report	15
Auditors' Report	16
Balance Sheet	18
Profit & Loss Account	19
Schedules 1 - 15	20
Cash Flow Statement	31
Section 212 Statement	33
Consolidated Financial Statements	34
Sonata Information Technology Limited	53
Shareholders' Information	71

Meeting

challenges proactively

As change enveloped us from all sides, we sharpened our focus on offering solutions that meet the short time to benefit cycles of our customers. We worked on upgrading technology, retraining people and reorienting our processes and methodologies. Emphasis has been on solving problems that have maximum impact on customers' business.

