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SONATA



SONATA SOFTWARE

Sonata Software Limited

Performance Highlights

Rs. in millions

PARTICULARS	Quarter ended 31.03.04	Quarter ended 31.03.03	Quarter ended 31.03.04	Quarter ended 31.03.03	Year ended 31.03.04	Year ended 31.03.03	Year ended 31.03.04	Year ended 31.03.03
	CONSOLIDATED				CONSOLIDATED			
TOTAL INCOME	748.04	645.78	203.07	213.46	2,241.55	2,578.34	714.10	845.52
EXPORTS	227.96	256.42	194.41	209.48	830.10	1,022.42	696.84	834.30
EBIDT	48.11	61.56	39.29	50.48	181.83	256.61	143.45	215.22
PROFIT AFTER TAX	27.04	39.53	33.15	41.22	100.50	152.54	113.87	155.78
FIXED ASSETS	192.16	234.47	91.04	102.67	192.16	234.47	91.04	102.67
TOTAL DEBT	123.96	4.60	-	-	123.96	4.60	-	-
NET WORTH - CLOSING	1,444.37	1,403.19	1,523.18	1,468.63	1,444.37	1,403.19	1,523.18	1,468.63
EQUITY	105.16	105.16	105.16	105.16	105.16	105.16	105.16	105.16

RATIOS

PARTICULARS	Quarter ended 31.03.04	Quarter ended 31.03.03	Quarter ended 31.03.04	Quarter ended 31.03.03	Year ended 31.03.04	Year ended 31.03.03	Year ended 31.03.04	Year ended 31.03.03
	CONSOLIDATED				CONSOLIDATED			
EXPORTS INCOME/TOTAL INCOME	30.47%	39.71%	95.74%	98.14%	37.04%	39.65%	97.58%	98.67%
DOMESTIC INCOME/TOTAL INCOME	68.41%	59.49%	-	-	62.09%	59.75%	-	-
OTHER INCOME/TOTAL INCOME	1.12%	0.80%	4.26%	1.86%	0.87%	0.60%	2.42%	1.33%
OPERATING EXPENSES/TOTAL INCOME	36.38%	36.51%	84.80%	75.52%	42.33%	34.15%	82.75%	73.36%
EBIDT/TOTAL INCOME	6.43%	9.53%	19.35%	23.65%	8.11%	9.95%	20.09%	25.45%
PAT/TOTAL INCOME	3.62%	6.12%	16.32%	19.31%	4.48%	5.92%	15.95%	18.42%
DEBT: EQUITY ¹	0.086	0.003	-	-	0.086	0.003	-	-
DEBTORS NO. OF DAYS	79	81	113	103	105	81	126	104
RETURN ON AVG. NETWORTH ²	7.47%	11.28%	8.60%	11.25%	7.06%	11.26%	7.61%	10.98%
RETURN ON AVG. CAPITAL EMPLOYED ³	7.57%	11.37%	8.60%	11.25%	7.04%	11.29%	7.61%	10.98%
EPS (Annualised) (on Rs.1/per share) ⁴	1.03	1.50	1.26	1.57	0.96	1.45	1.08	1.48
BOOK VALUE PER SHARE - (Rs) ⁵	13.78	13.32	14.65	13.94	13.54	12.89	14.23	13.49

EXPLANATORY NOTES :

¹ Debt divided by Closing Shareholders funds² Profits divided by Average Network³ 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 shares⁵ Average Network divided by no. of equity shares



We at Sonata believe that a Company is known by the partnerships it keeps.

Deutsche Bank, Franklin Templeton, Churchill Insurance and Gupta Technologies rely on us. And principals such as Oracle and Microsoft have been able to leverage business value through our unique partnership model.

All these successes clearly underline our thinking, the value that we place on these relationships, and our ability to nurture and cultivate them.

We constantly push ourselves to seek new ways to build organisational capabilities, evolve new service offerings, strengthen solution sets and most importantly ensure positive bottom line impact for our clients.

Innovation, Trust, Commitment and Value are the four facets of our partnering philosophy. Emphasised in everything that we do.



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"Sonata has helped us deliver three straight years of consecutive product releases. Our relationship with Sonata has significantly contributed towards 12 consecutive quarters of profitability for Gupta. I think this demonstrates Sonata's commitment to our success in the marketplace..."

Charles W. Stevenson
COO/CTO
Gupta Technologies

Vachana Dradatha

Pataka and Mushti Hasta from the Indian dance form Bharata Natyam

commitment

"Sonata has worked proactively in building skills in technologies which Franklin was going to invest in. This was Sonata's initiative without any commitment from Franklin. This has helped us with a resource pool being available to deliver solutions faster..."

Richard Preece
Senior Director
Franklin Templeton

Report

Junction

Mulya

Arala Hasta from the Indian classical dance form Bharata Natyam

value

"Microsoft Asia ran the Productivity eXperience Solutions Challenge which was won by Sonata with its worXPace Portal, a productivity solution aimed at the CPG vertical, an excellent example of an innovative solution..."

Sanjiv Mathur
Group Marketing Head
Microsoft Corp India

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Navanika

Alo Padma from India
from Bharata Nara

innovation

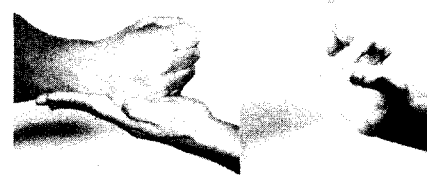
"Our confidence stems from Sonata's ability to aid us and provide us with the necessary skills, whether they be in analysis, architectural design or testing. We have found that Sonata's teams have built scalable and sound products within the timelines agreed upon..."

Michael V. Vaccarello
Vice President (R&D)
IDP

Viswasa

Arala Hasta from the Indian dance form Bharata Natyam

trust



Sonata Software Limited

DIRECTORS' REPORT

TO THE MEMBERS OF SONATA SOFTWARE LIMITED

Your Directors are pleased to present the Ninth Annual Report together with the audited financial Statements for the year ended 31st March, 2004.

FINANCIAL HIGHLIGHTS

(Rs. in millions)

Particulars	Year ended 31.03.2004	Year ended 31.03.2003
1. Total Income	714.10	845.52
2. Total Expenditure	570.65	630.29
3. Profit before Interest, Depreciation & Tax	143.45	215.23
4. Interest	-	-
5. Depreciation	18.56	23.27
6. Profit Before Tax	124.89	191.96
7. Provision for Taxation	11.02	36.18
8. Profit After Taxation	113.87	155.78
9. Appropriations:		
Proposed Dividend	31.55	31.55
Interim Dividend	21.03	21.03
Provision for Dividend Tax	6.74	4.04
Transfer to General Reserve	12.00	16.00

The Consolidated financial results of the Company and its subsidiaries for the year ended 31st March, 2004, are presented as part of this Annual Report.

DIVIDEND

Keeping in mind the overall performance of the Company and the positive outlook for your Company's future, your Directors are pleased to recommend payment of a final dividend of Re.0.30/- per equity share (@30% 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.0.50/- 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 14th July, 2004 (in case of electronic shares) and as on 29th July, 2004 (in case of physical shares).

QUALITY

Your Company has been upgrading the quality system in line with emerging standards. Taskforces have been formed periodically to enhance the quality processes. During the year, your Company successfully underwent Re-Certification Audit and received ISO 9001:2000 certificate.

Your Company has been achieving higher levels of customer satisfaction over the years, by leveraging on its strong and mature processes and skilled human resources. During the year, your Company received customer feedbacks appreciating the timeliness and quality of services.

Your Company strives for continuous improvement by benchmarking the performance. Your Company is proud to inform that its performance is above the industry average in many key performance indicators.

As part of its commitment towards improvement initiatives, your Company is adopting best practices from quality models such as P-CMM, CMMI and Six Sigma to enhance the organization's delivery capability.

SEBI REGULATION & LISTING FEES

Since SEBI has stipulated electronic filing of Annual Report, Corporate Governance Report, Shareholding Pattern, etc on website www.sebidifar.nic.in, statements of your Company can also be accessed at this website.

The Annual listing fees for the year under review has been paid to The Stock Exchange, Mumbai, National Stock Exchange of India Ltd and Bangalore Stock Exchange Ltd, where your Company's shares are listed.

SUBSIDIARY COMPANIES

The statement pursuant to Section 212(1)(e) of the Companies Act, 1956 in respect of subsidiaries is attached. While the Consolidated Accounts of your Company and its subsidiaries are presented as part of this Report in accordance with Accounting Standard 21, the audited Accounts of overseas subsidiary companies viz., M/s Abisko Development Limited, Cyprus and Offshore Digital Services Inc., USA (ODSI) for the year ended 31st March, 2004 are not attached. However, they are available on the Company's website www.sonata-software.com.

The audited accounts of overseas subsidiaries are also kept for inspection by any investor at Company's registered office and copies will be made available on request to the investors of holding and subsidiary companies at any point of time.

CORPORATE GOVERNANCE

As required under Clause 49 of the Listing Agreement, a Report on Corporate Governance is provided elsewhere in this Annual Report along with Auditors' Certificate on the compliance thereof.

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 2003-04, as part of this Directors' Report.

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 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, 2004 and of the profit of the Company for the year to that date.



Sonata Software Limited

DIRECTORS' REPORT (Contd.)

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 has not accepted 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.

COMMUNITY DEVELOPMENT

Madhyam, Sonata's employee group for social initiatives was actively involved in a number and variety of community development activities during the year under review.

During the year under review, Fund-raising activities for various non-profit organizations like New Horizon Charitable Trust, Global Cancer Concern, Help Age India, Dream-a-Dream, Amar Seva Sangam, etc. were held. Blood donations camps in association with Rotary TTK Blood Bank were also organized. Events like Sports day for underprivileged children, music shows for elderly people, etc. were also organized.

As part of being a social responsible organization, Madhyam funded the total costs for a Free Computer Education project at

Chennai. The Sonata Club sponsored the "Software Technicians Course" for economically disadvantaged children.

DIRECTORS

Mr. Brijendra K. Syngal was inducted as Additional Director from 15th January, 2004, holding office upto ensuing Annual General Meeting (AGM). Your approval is sought for appointing him as Director whose office shall be liable to retire by rotation.

Mr. M. D. Dalal and Mr. Rajan B. Raheja, Directors, retire by rotation and being eligible, offer themselves for re-appointment at the ensuing AGM. Brief profile of these Directors are given in the notes of the Notice to the ensuing AGM.

AUDITORS

M/s N.M. Raiji & Co., Chartered Accountants, Mumbai, have expressed their willingness to continue as Statutory Auditors for FY 2004-05 and accordingly, a resolution proposing their appointment is being submitted to the Annual General Meeting.

ACKNOWLEDGEMENTS

Your Directors acknowledge with gratitude the continued support extended by its clients, vendors, investors, bankers, financial institutions, business associates and advisors. Your Directors also take this opportunity to thank the regulatory and government authorities for their support during the year and look forward to their continued support.

Your Directors also place on record their sincere appreciation for the valuable contribution, efforts and the spirit of dedication shown by all Sonatians.

For and on behalf of the Board

Place: Mumbai
Date: 19th April, 2004

S.B. GHIA
CHAIRMAN