



**Challenging Times.  
Timeless Value.**

**SONATA**



Report Junction

SONATA

**abridged annual report 2007-2008**

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## Sonata Software Limited

### P e r f o r m a n c e   H i g h l i g h t s

(Rs. in million)

PARTICULARS	CONSOLIDATED		SONATA		CONSOLIDATED		SONATA	
	Quarter ended on 31.03.2008	Quarter ended on 31.03.2007	Quarter ended on 31.03.2008	Quarter ended on 31.03.2007	Year ended on 31.03.08	Year ended on 31.03.2007	Year ended on 31.03.2008	Year ended on 31.03.2007
TOTAL INCOME	3,890.76	3,606.38	552.58	498.98	14,594.27	9,175.85	2,011.03	1,882.34
EXPORTS	2,192.58	2,130.21	538.26	498.69	8,376.98	4,878.79	1,988.20	1,858.29
EBIDT	343.89	360.94	137.16	102.76	1,425.27	986.64	491.45	443.51
PROFIT AFTER TAX	168.98	128.24	105.67	72.54	585.19	480.28	366.89	351.29
FIXED ASSETS	1,837.30	1,897.15	293.10	313.67	1,837.30	1,897.15	293.10	313.67
TOTAL DEBT	283.44	581.22	-	-	283.44	581.22	-	-
NET WORTH -CLOSING	2,288.53	1,867.57	1,992.33	1,785.31	2,288.53	1,867.57	1,992.33	1,785.31
EQUITY	105.16	105.16	105.16	105.16	105.16	105.16	105.16	105.16

PARTICULARS	CONSOLIDATED		SONATA		CONSOLIDATED		SONATA	
	Quarter ended on 31.03.2008	Quarter ended on 31.03.2007	Quarter ended on 31.03.2008	Quarter ended on 31.03.2007	Year ended on 31.03.08	Year ended on 31.03.2007	Year ended on 31.03.2008	Year ended on 31.03.2007
EXPORTS INCOME/TOTAL INCOME	56.35%	59.07%	97.41%	99.94%	57.40%	53.17%	98.86%	98.72%
DOMESTIC INCOME/TOTAL INCOME	42.41%	38.78%	-	-	40.47%	44.67%	-	-
OTHER INCOME/TOTAL INCOME	1.24%	2.15%	2.59%	0.06%	2.13%	2.16%	1.14%	1.28%
OPERATING EXPENSES / TOTAL INCOME	53.70%	54.46%	74.47%	77.03%	52.97%	48.19%	74.78%	74.30%
EBIDT/TOTAL INCOME	8.84%	10.01%	24.82%	20.59%	9.77%	10.75%	24.44%	23.56%
PAT/TOTAL INCOME	4.34%	3.56%	19.12%	14.54%	4.01%	5.23%	18.24%	18.66%
DEBT: EQUITY <sup>1</sup>	0.12	0.31	-	-	0.12	0.31	-	-
DEBTORS NO. OF DAYS	57	50	65	66	61	79	70	71
RETURN ON AVG NETWORTH <sup>2</sup>	30.11%	27.87%	21.35%	16.25%	28.16%	28.34%	19.42%	20.95%
RETURN ON AVG CAPITAL EMPLOYED <sup>3</sup>	28.06%	23.70%	21.35%	16.52%	25.29%	25.59%	19.49%	21.25%
EPS (Annualised) (on Rs.1/per share) <sup>4</sup>	6.43	4.88	4.02	2.76	5.56	4.57	3.49	3.34
BOOK VALUE PER SHARE -(Rs) <sup>5</sup>	21.35	17.50	18.83	16.98	19.76	16.11	17.96	15.94

#### EXPLANATORY NOTES :

<sup>1</sup> Debt divided by Closing Shareholders funds.

<sup>2</sup> Profits divided by Average Network.

<sup>3</sup> Profit after tax + Interest on term loan divided by Average Capital employed (Capital employed = Capital + Reserves + Borrowed funds).

<sup>4</sup> Profits divided by weighted average no. of equity shares.

<sup>5</sup> Average Network divided by No. of equity shares.



## Challenging Times. Timeless Value.

Over the year just passed, the core values which we've long sustained have, in turn, sustained us through testing circumstances.

It was an eventful year marked by several reversals in the global economy. The Rupee appreciated; costs appreciated; the sub-prime crisis occurred; there was dire talk of an impending US recession, and markets have been extremely wary and cautious.

Industry reactions are mixed. They range from a belief that the dot-com bust years could be upon us again; all the way to the optimistic conviction that this could, in fact, be a most opportune moment for Indian IT, as companies world-wide could leverage offshoring to improve their business.

For Sonata Software, this last year has been the best year yet. We've not only ridden out the storm unscathed, but continue undaunted on our progression towards long-term growth through aggressive expansion.

The bedrock principles which Sonata has pursued zealously over the years have proven their lasting worth. Our ability to prevail and prosper is grounded in our continuing efforts to meet and exceed the expectations of our four stakeholders: customers, partners, shareholders and employees.

These are the relationships which survive, and give us the power to endure.



## *Remaining first in value that lasts*

For our customers, our focus has been on providing enduring value. Sonata has been firm in its commitments, while remaining open and flexible in adopting new solutions.

True, it's a demanding business environment, whose circumstances and climate are in a state of perpetual change and flux; but our sights have been set primarily on the larger and longer view, and on sustainable value creation.

## *The key is not just surviving, but thriving*

Our stakeholders' expectations presume our own sustainability as a company. That's a concern which we continually address with a set of long-term strategic priorities.

Key among these are an on-going focus on emerging opportunities; a de-risked portfolio; differentiated offerings to a variety of segments; the targeting of repeat customers; the forging of unique long-term relationships; and the continued motivation of a zealous and committed team. They all add up to the robust strategies designed for the flexibility and agility necessary to ride out any passing turbulence, adjust for market imbalances, and protect investors' interests.

Not for us the short-term 'fix', or the reactive measure based on expediency; even our global alliances are carefully conceived and nurtured as bedrock extensions of Sonata. These include our lengthy partnering with Microsoft both at home and overseas; and our strategies for leveraging local entities to look after their respective geographies. SITL has been our India arm for over 21 years, ODSI has handled our US interests over the last 18 years and respective local entities have handled our Europe and Germany business for the last 16 and 5 years respectively.

Obviously, sharp and sensible judgment comes into play in the choice of business directions. For example, Sonata is not only a leader in Product Engineering Services (catering to independent software vendors), but also balances its offerings in providing software services to enterprises. Both segments receive the most unfailing benefit and value by virtue of the expertise we command. Similarly, we are equally focused on the US, Europe and India markets; helping create a de-risked business model which allows us to alter allocations and deployments to suit changing circumstances.





## *Getting extraordinary things done by our people*

At the core of Sonata is a team of passionately gung-ho Sonatians. They're diverse in their worldwide origins, and in the languages they speak; and yet share a common set of values. They're bound by the belief that anything is possible once they put their minds to it; that real-life too has reliable algorithms for every goal and mission. Every new challenge summons forth a new leader, enhancing a corps of employees who are not just our prime resources, but our most effective ambassadors.

It's very significant that Sonata has one of the most loyal and committed teams in the industry. What makes them stick is directly tied to the empowerment by which Sonata makes them tick.

For some, the prime attraction could be the chance to work on cutting-edge technologies. Others relish the confidence the company places on their leadership. Yet others flourish in the high-energy work environment which also permits a satisfying work-life balance. All of them appreciate Sonata's initiatives to be an employer of choice; its innovative ways to realize the aspirations of Sonatians.

It's a performance-oriented culture in which exceptionally good work is rewarded over and above the long-term benefits.

## *We've acted on our hopes, not reacted to our fears*

It's been a busy year filled with many positive steps. Our several growth engines have adjusted to the tenor of the times, and are humming nicely. Following our merger with TUI of Europe, we've completed our integration processes and achieved all the necessary synergies, resulting in a fully self-standing and self-sufficient JV.

Several of our customers have in fact scaled up their business with Sonata, and are looking at opportunities to ramp it up even further. We've even taken up considerably larger premises in anticipation of growth; that's part of the message to stakeholders – including prospective employees – that's cheerful, upbeat and optimistic.

## *From principled values, the promise of value*

Value that Endures is not only a way of life at Sonata, it is also a promise that we make to our stakeholders and ourselves. It's the creed that guides us in our day-to-day work life in Sonata, no matter what our role or function. When we make a promise to a customer, nothing stands in the way of making good on that commitment. It is this promise of stability that has earned us distinguished long-standing customers worldwide. Similarly, we stand committed to promises made to our partners and business associates.

Challenges and hazards come and go. Our preparedness lies in the deeply-rooted code by which we function, the standards that we live up to, the commitments and expectations that we honour. So long as they endure, Sonata endures.

# SONATA

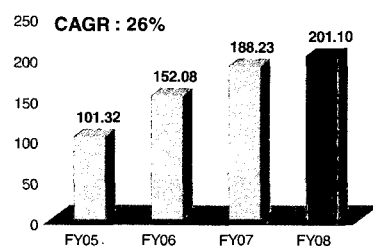




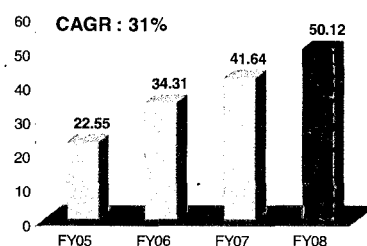
## Financial Highlights

### SONATA SOFTWARE LIMITED

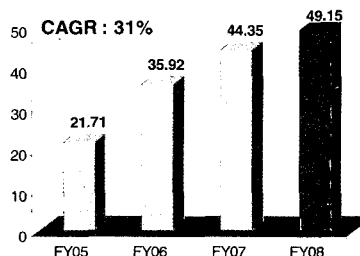
**TOTAL INCOME** (Rs. in Crores)



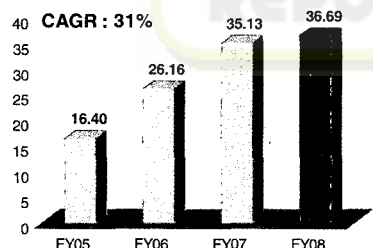
**TOTAL INCOME** (Values in US\$ m)



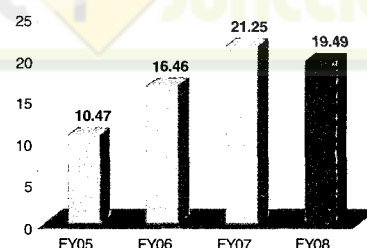
**EBIDT** (Rs. in Crores)



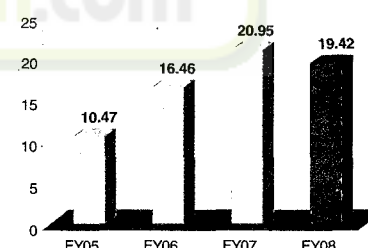
**PAT** (Rs. in Crores)



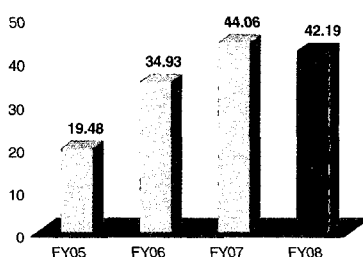
**ROCE** (in percentage)



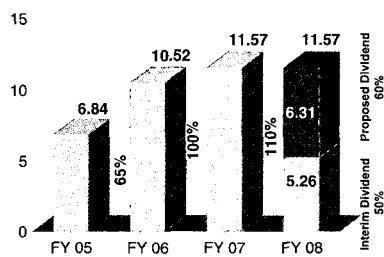
**RONW** (in percentage)



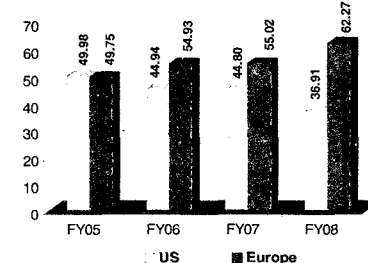
**CASH GENERATION** (Rs. in Crores)



**DIVIDEND PAYOUT** (Rs. in Crores)



**REVENUE SPREAD** (in percentage)



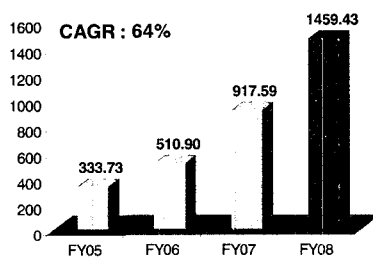


## Financial Highlights

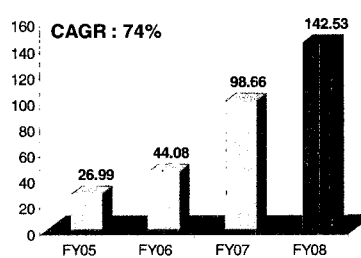
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### SONATA SOFTWARE LIMITED - CONSOLIDATED

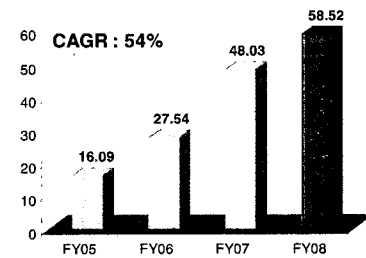
**TOTAL INCOME** (Rs. in Crores)



**EBIDT** (Rs. in Crores)

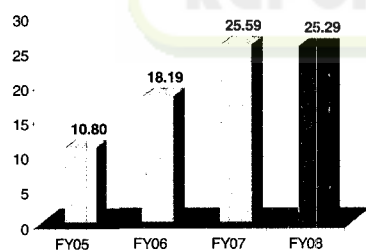


**PAT** (Rs. in Crores)



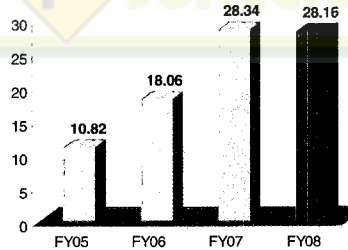
**ROCE**

(in percentage)



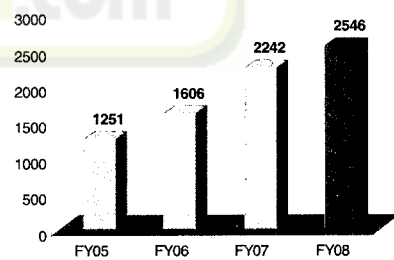
**RONW**

(in percentage)



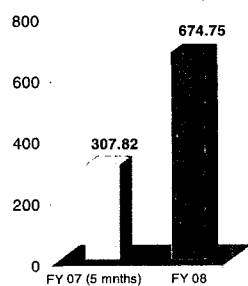
**MAN POWER**

(in numbers)

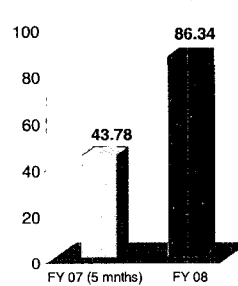


### TUI InfoTec GmbH

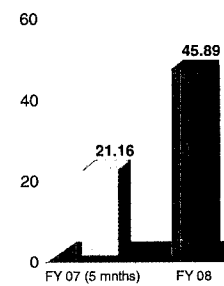
**TOTAL INCOME** (Rs. in Crores)



**EBIDT** (Rs. in Crores)



**PAT** (Rs. in Crores)





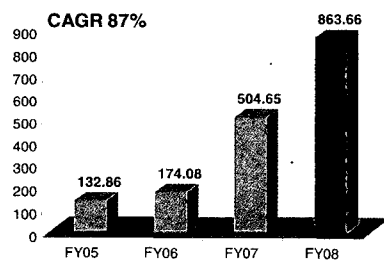
## Financial Highlights

(Contd.)

### INTERNATIONAL

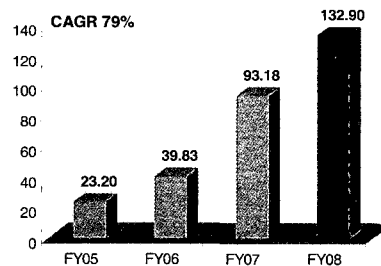
#### TOTAL INCOME

(Rs. in Crores)



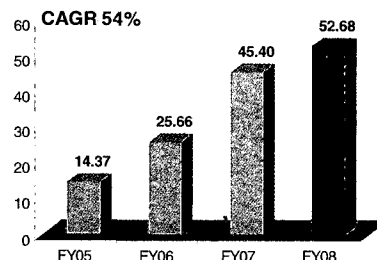
#### EBIDT

(Rs. in Crores)



#### PAT

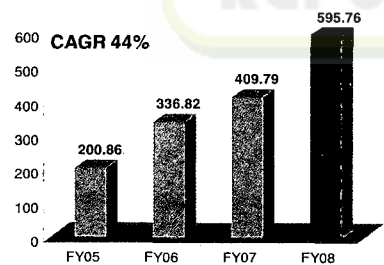
(Rs. in Crores)



### DOMESTIC

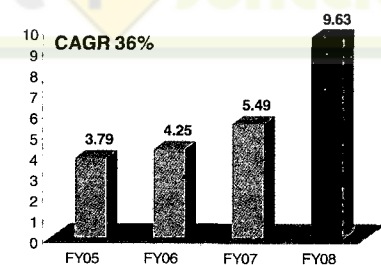
#### TOTAL INCOME

(Rs. in Crores)



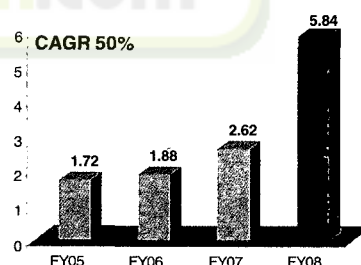
#### EBIDT

(Rs. in Crores)



#### PAT

(Rs. in Crores)







## **Sonata Software Limited**

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Directors' Report -----	8
Auditor's Report -----	12
Abridged Balance Sheet -----	15
Abridged Profit & Loss Account -----	16
Cash Flow Statement -----	18
Section 212 Statement -----	20
Consolidated Auditor's Report -----	21
Abridged Consolidated Balance Sheet -----	22
Abridged Consolidated Profit & Loss Account -----	23
Consolidated Cash Flow Statement -----	25
Notice of Annual General Meeting	



## Sonata Software Limited

### DIRECTORS' REPORT

#### TO THE MEMBERS OF SONATA SOFTWARE LIMITED

Your Directors have pleasure in presenting the Thirteenth Annual Report of your Company together with the Audited Statement of Accounts for the financial year ended 31st March, 2008.

#### FINANCIAL HIGHLIGHTS

(Rs. in million)

Particulars	Year ended 31.03.2008	Year ended 31.03.2007
1. Total Income	2011.03	1882.34
2. Total Expenditure	1519.58	1438.83
3. Profit before Interest, Depreciation & Tax	491.45	443.51
4. Interest	1.15	5.01
5. Depreciation	94.53	91.06
6. Profit Before Tax	395.77	347.44
7. Provision for Tax	75.14	(3.85)
8. MAT Credit	(46.26)	-
9. Profit after Tax	366.89	351.29
10. Appropriations :		
Proposed Dividend	63.10	63.10
Interim Dividend	52.58	52.58
Provision for Dividend Tax	19.66	18.10
Transfer to General Reserve	40.00	40.00

#### DIVIDEND

Your Directors are pleased to recommend payment of a final dividend of Re.0.60/- per equity share (@60% on par value of Re.1/- each), subject to the approval of shareholders, which along with the interim dividend of Re.0.50 per equity share adds upto a total dividend of Rs.1.10/- per equity share (Previous year - Rs.1.10/- per equity share of Re.1/- each).

If approved, the final dividend will be paid to all those equity shareholders whose names appear on the Register of Members of the Company on 1<sup>st</sup> June, 2008 and to those whose names appear as beneficial owners in the records of National Securities

Depository Ltd and Central Depository Services (India) Ltd as on the said date.

#### INVESTMENTS

During the year under review, your Company invested Euro 4.5 mn in Sonata Europe Ltd, wholly owned subsidiary of the Company to acquire 33,76,300 2% non-cumulative convertible redeemable preference shares of 1 Pound each (fully paid).

#### QUALITY

Quality continues to be a way of life in your Company. During the year under review, the Quality Management System has gone through significant changes to keep pace with the demands of changing times. The fact that these changes have spanned various functions reflects on the importance given to each of them. New initiatives have been taken up in line with industry best practices.

Use of quantitative techniques for operational control has been the key to consolidation of metrics gaining momentum. Employees are being looked at as "internal customers" and hence their level of satisfaction with internal service functions is being measured. Your Company's external auditors have commended the "Well structured QMS" and the good commitment on the process team activities.

#### SEBI REGULATION & LISTING FEES

Your Company's Annual Report, Corporate Governance Report, Shareholding Pattern, etc can also be accessed at SEBI's website [www.sebidifar.nic.in](http://www.sebidifar.nic.in).

The Annual listing fees for the year under review has been paid to Bombay Stock Exchange Ltd, 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. The Consolidated Accounts of your Company and its subsidiaries viz., Sonata Information Technology Ltd, Offshore Digital Services Inc., USA, Sonata Software GmbH, Germany, Sonata Europe Ltd, UK and TUI InfoTec GmbH, Germany are presented as part of this Report in accordance with Accounting Standard 21.