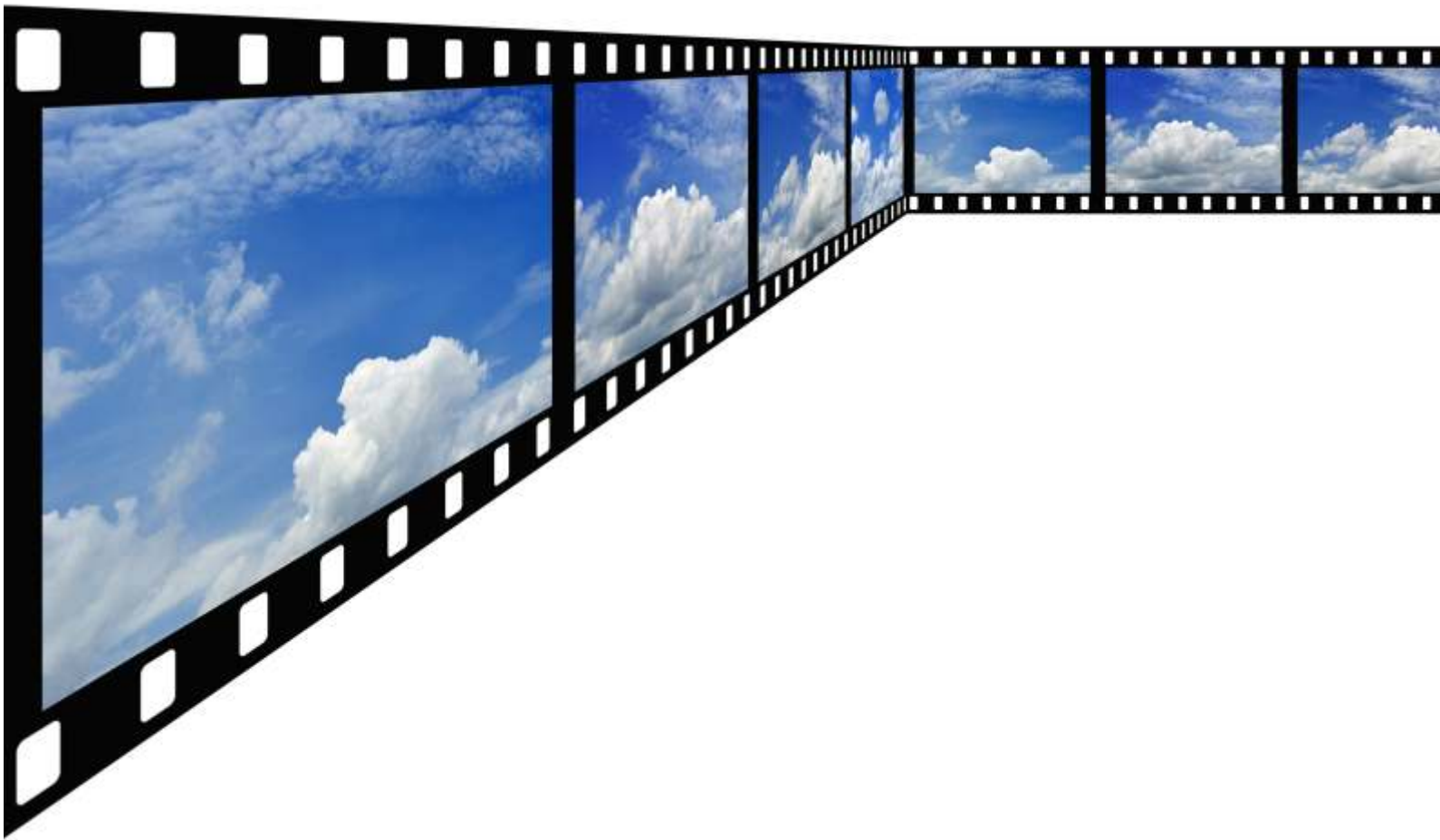


Focus and depth.

Technology. Domain. Relationships.



Annual Report 2012 - 2013

Sonata Software Limited

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Sonata Software Limited

DIRECTORS' REPORT

TO THE MEMBERS OF SONATA SOFTWARE LIMITED

Your Directors have pleasure in presenting the Eighteenth Annual Report of your Company together with the Audited Statement of Accounts for the financial year ended 31st March, 2013.

FINANCIAL RESULTS

(₹ in Crores)

Description	Standalone		Consolidated		
	Year ended 31.03.2013	Year ended 31.03.2012	Year ended 31.03.2013*	Year ended 31.03.2012**	Year ended 31.03.2012#
Total Income	243.49	237.30	1317.29	1043.67	1580.87
Total Expenditure	210.02	206.24	1257.80	1008.88	1519.17
EBIDTA	33.47	31.06	59.49	34.79	61.70
Depreciation & Amortization Expense	9.73	10.77	10.08	10.98	45.91
Finance Cost	0.05	0.01	5.89	6.74	11.81
Profit / (Loss) Before Tax	23.69	20.28	43.52	17.07	3.98
Exceptional Item	-	-	-	-	11.89
Provision for Tax (Net)	7.93	5.37	13.56	6.48	9.42
Share of earnings in affiliates	-	-	-	-	2.32
Minority Interest	-	-	0.04	0.03	12.42
Net Profit / (Loss)	15.76	14.91	30.00	10.56	(2.59)
Appropriations:					
Proposed / Final Dividend	13.14	2.63	13.14	2.63	2.63
Interim Dividend	5.26	5.26	5.26	5.26	5.26
Provision for Dividend Tax	3.09	1.28	3.09	1.28	1.28
Transfer of Capital Redemption Reserve	-	-	-	-	18.67
Transfer to General Reserve	1.60	1.50	1.60	1.50	1.50

* These numbers are for the Continuing operations, and thus, are after the de-consolidation of the financials of TUI InfoTec GmbH the erstwhile step-down subsidiary of the Company. The 50.1% shareholding in the TUI InfoTec GmbH was divested on 30th September, 2012.

** Re-casted numbers of previous year excluding results of TUI InfoTec GmbH. Re-cast done for effective comparison between the continuing business in the current year to the previous.

Audited numbers for the year ended 31st March, 2012.

BUSINESS PERFORMANCE

Your Company is engaged in the business of providing IT Services and solutions to its customers in the US, Europe, Middle East and Asia Pacific and distribution of software products in India through its subsidiary Sonata Information Technology Limited ("SITL").

During the year of 2012, your Company's consolidated results covered its three lines of business : (a) Software Services (b) Domestic Products and Services and (c) the Joint Venture - TUI InfoTec GmbH, Germany. The financial position of the Company during the said year that ended on 31st March, 2012, had been adversely impacted by the results of its loss making German subsidiary, TUI InfoTec GmbH and losses in its Domestic products and Services business carried on through SITL, and a tough business environment in its Software Services business in the key markets of US and Europe. Your Company had reported a consolidated loss in the year.

Reporting on the results for the year that ended on 31st March, 2013, we are pleased to state that your Company in its consolidated financials of its continuing business consisting of two business lines of (a) Software Services and (b) Domestic Products and Services has reported an all-time high in revenues. Your Company has also returned to making profits.

Your Company achieved the above turnaround through:

- Divestment of its loss making Joint Venture - TUI InfoTec GmbH;
- Completely restructuring the Domestic products and services business by re-aligning and changing the product mix and controlled write offs; and
- Stabilising the Software services business and subsequently driving growth and profitability in the same.

Your Company while seeking to achieve the above had to face unfavourable and wild currency fluctuations and weak economic situation at home and in its overseas markets.

The theme for the year that ended was Stability and Growth. Your Company achieved these through investments in its existing customers and building on its existing vertical strengths. To drive value for customers, your Company invested in the new technology areas of Mobility, Analytics, Cloud and Social media. The sales team was energised and supported through investments in existing geographies. In addition to strengthening existing partnerships and alliance with large technology majors like Microsoft, HP, IBM, Oracle and SAP, your Company struck new alliances with new technology companies like TIBCO (for enterprise social media), Hybris (e-commerce), etc.

Your Company divested its shareholding in TUI InfoTec GmbH to TUI Travel Plc, a large customer of the Company. The sale was made for a total composite consideration of upto ₹ 12 million payable on a deferred basis on achieving certain milestones. Further transaction benefits were that your Company was released from certain payment obligations of ₹ 3.5 million, the buyer taking over losses of the TUI InfoTec GmbH till 30th September, 2012 and TUI Travel Plc according to your Company the status of "preferred partner and vendor" for IT Services for the Group.

Coming to the results, on a standalone basis your Company has shown growth in Total income of 3%, a growth of 8% in Earnings before Interest, Taxes, Depreciation and Amortization, a growth of 16% in Profits before taxes and Net profit growth of 6%. The above results are despite foreign exchange losses of ₹ 18 crores during the year as against a gain of ₹ 3.6 crores in previous year. Your Company has been able to declare these results primarily aided by the sales growth, improved operations and billability.

Consolidated revenues in continuing operations have recorded highest ever revenues since inception at ₹ 1,318 crores, a growth of 26%. Breaking away from the previous year, your Company has returned to a situation of healthy profits at ₹ 30 crores which represents 184% growth over previous year.

The Software Services business contributed approximately ₹ 21 crores of the total profits of the Company which represents a flat growth. But for the wild foreign currency fluctuations and the resulting losses, this business has made substantial progress in terms of best billability and realization. In spite of a Foreign Exchange losses to the extent of 19 Crores, compared to a gain of ₹ 6 crores in the previous year which is a ₹ 25 crore swing, the Software Services business was able to maintain the momentum, due to improved sales, better utilization and innovation. Investments made in the business and the strategy charted out by the Company will definitely catapult the Company into higher growth trajectory in the coming days.

The Domestic Products and Services business had a highest ever revenue this year since inception, showed a revenue growth of 23% over previous year. Focus on quality of business, robust credit review and better margins has led the company

to swing back to profits of ₹ 9.5 crores representing a growth of 197%. The Company has made significant progress in addressing the major concerns, i.e. quality of business and profitability. Recent changes to Income Tax laws address the difficulties faced by us and the industry. The company hopes to settle the tax issues which have been a major concern for the business.

DIVIDEND / TRANSFER TO RESERVES

Considering the better liquidity position of the company, your Directors are pleased to recommend payment of a final dividend of ₹ 1.25/- per equity share (@125% on par value of ₹ 1/- each), subject to the approval of shareholders at the forthcoming Annual General Meeting, which along with the interim dividend of ₹ 0.50/- per equity share adds upto a total dividend of ₹ 1.75/- per equity share (Previous year - ₹ 0.75 /- per equity share of ₹ 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 29th July, 2013 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.

Your Company proposes to transfer ₹ 16,000,000/- (10% of the net profits for the year) to the general reserve.

QUALITY

Your Company continues to focus on improving the service delivery to its customers by enhancing the effectiveness of processes. During the year under review, your Company has aligned its ITIL processes with the requirements of the latest version of the standard ISO 20000-1: 2011 as well as successfully completed the re-certification audit. During the re-certification audit, the external auditors have expressed their satisfaction about the awareness and professionalism of employees in implementing the best practices of ITIL.

Focusing on the people dimension, your Company has charted a program for improving project management effectiveness by way of acquainting its project managers with the practical aspects of managing programs / projects, including soft skills. These training programs are being delivered by a renowned process expert.

In line with its focus on customers, your Company has formed Centers of Excellence (CoE) that would build customer-specific competencies to cater to its key customers. These CoEs seek to achieve progressively higher levels of maturity through a well defined process.

LISTING / LISTING FEES

Your Company's equity shares are listed on Bombay Stock Exchange Ltd and National Stock Exchange of India Ltd, exchanges having nation-wide terminals.

The Annual listing fees for the year under review has been paid to Bombay Stock Exchange Ltd and National Stock Exchange of India 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, Sonata Technology Solutions (India) Limited, Sonata Software North America Inc., USA (formerly known as Offshore Digital Services Inc), Sonata Software GmbH, Germany, Sonata Europe Ltd, UK, Sonata Software FZ LLC, Dubai and Sonata Software (Qatar) LLC duly audited by the Statutory Auditors are presented as part of this Report in accordance with Accounting Standard 21 and the Listing Agreement with the Stock Exchanges, wherever applicable.

The Ministry of Corporate Affairs vide General Circular No. 2/2011 dated 8th February, 2011 has provided an exemption to Companies subject to certain conditions from attaching the audited accounts of subsidiary companies. Accordingly, the audited accounts of the above mentioned overseas subsidiary companies are not attached and your Company has complied with all the conditions of aforesaid circular.

The audited accounts of overseas subsidiaries will be made available for inspection by any shareholder at the Company's Registered office and at respective registered offices of overseas subsidiary companies. Copies can be made available, on request to the shareholders of the holding and subsidiary companies.

During the year, your Company has voluntarily wound up Abisko Development Limited, a wholly owned subsidiary Company incorporated in Cyprus as there were no transactions in the Company for several years.

The Company's subsidiary, Sonata GMBH Europe Limited had sold its 50.1% shareholding in TUI InfoTec back to TUI Travel PLC for a total composite consideration of upto € 12 million payable on a deferred basis on achieving certain milestones and additionally release from certain obligations of € 3.5 million.

RECOGNITION

During the year under review, your Company was recognised as the 'Most Innovative Partner of the Year' by Hybris Software; featured in leadership zone of Zinnov's GSPR 2012 Report for its niche R&D services in two key categories - Independent Software Vendors (ISVs) and Consumer Software Service Providers; and was also featured in Forrester's report "Navigating the Microsoft Services Landscape" as a leading provider of Microsoft AX and Azure Services.

CORPORATE GOVERNANCE

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

During the year under review, your Company has not specifically adopted the voluntary guidelines of 'Corporate Governance Voluntary Guidelines 2009' though the Company has been practicing some of them.

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 2012-13, 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 for 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 a manner to give a true and fair view of the state of affairs of the Company as at the end of 31st March, 2013 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 CONSERVATION, RESEARCH & DEVELOPMENT, FOREIGN EXCHANGE

The 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, with regard to conservation of energy, research & development and foreign exchange earnings & outgo are set out in the annexure attached to this Report.

Your Company has nothing to report on Technology absorption, adaptation and innovation.

PUBLIC DEPOSITS

Your Company has not accepted any deposits from the public during the year under review.

HUMAN RESOURCE MANAGEMENT

Particulars of employees as required under the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Amendment Rules, 2011, is attached to this Report.

COMMUNITY SERVICE

During the year under review your Company and its employees were part of following activities :

- Your Company is working with the Teach a Class Foundation to fund and provide educational "hotspot" devices which help bridge the gap in quality education by using technology. These education hotspot devices are wireless router cum storage devices that can be accessed online or offline by any device with browser capability, and are provided with a tablet and projector, along with training to the teachers, to the schools. Currently, your Company is also working with Bhumi and Hope, its long term NGO partners for educational ventures.
- Sonatians came together in October to participate in the Joy of Giving Week festival. Employee contributions and enthusiasm made this event a great success. Some of the contributions made are:
 - Across Sonata offices, special lunch, gift vouchers / solar LED lamps were given to internal support staff.
 - Blood Donation camp was organised in Sonata Bangalore locations in conjunction with Rotary Bangalore.
 - Employees donated time and money to a number of causes like development of underprivileged children, street children and orphans and to those individuals afflicted with leprosy. Donation of school uniforms, stationary, water purifiers, gifts, computer accessories etc were also made to a number of Government Schools and orphanages in different parts of Bangalore.
 - Employees donated solar LED lamps to Hyderabad Council for Human Welfare, which houses and educates 60 street children and 240 solar LED lamps to Rasoolpura Government School in Hyderabad.
 - Daily utilities were donated to Government Crisis Centre for Women, a temporary shelter home for women, in Bangalore.
 - Donations were made to Sumanahalli Society in Bangalore, housing leprosy patients, to build homes and finance the education of their children.
 - Providing a separate Early Intervention Program for children with Autism, Down's Syndrome, Cerebral Palsy, Mental Retardation, Attention Deficit Hyper Activity and Specific Learning Disability, to afford special care at Ankura Foundation, Bangalore.

GO GREEN INITIATIVES

Being a socially responsible corporate citizen, your Company has launched important initiatives within the organization to promote a Greener planet. It has aligned its IT agenda with mission-critical sustainability goals in order to increase energy efficiency and productivity while reducing carbon footprint. Through environmentally sustainable IT systems, efficient use of computing and other resources, minimized use of hazardous

materials, and enhanced recycling and biodegradation of defunct products, your Company has increased its IT eco-efficiency while cutting down costs.

Below are some of the initiatives that corroborate your Company's commitment to a Greener planet:

- 1. Virtualization:** Partnered with global leaders like Microsoft and VMWare to implement virtualization products that help in consolidation of multiple applications on one physical server, thus reducing the server footprint and trimming down carbon emissions.
- 2. Reduce power consumption:** In its operations uses energy saving / efficient equipment, optimal usage of air-conditioners, etc
- 3. Optimal usage of paper:** Encourages employees to minimize actual printing of documents, provides the facility of Document sharing machines, uses recycled papers for printing its annual reports, actively participates in MCA's green initiatives
- 4. Noise and e-waste management:** All Diesel Generator systems are insulated with acoustic fabric to maintain the noise levels at less than 75 db. Waste generated are disposed off scientifically in compliance with the hazardous waste management procedures.
- 5. Water:** Rainwater harvesting is being implemented at its development centers, preventive maintenance scheduled to check the plumbing lines for leakage and arrest, etc
- 6. Planting:** A sapling is planted every-time it greets its customers / associates.

DIRECTORS

Mr B K Syngal and Mr M D Dalal, Directors, retire by rotation and being eligible, offer themselves for re-appointment at the ensuing Annual General Meeting (AGM). Brief profiles of these Directors are given in the notes to the Notice of the ensuing AGM.

AUDITORS

M/s Deloitte Haskins & Sells, Chartered Accountants, Bangalore, Statutory Auditors of the Company retire at the forthcoming AGM and have expressed their willingness to continue as Statutory Auditors for the financial year 2013-14 and accordingly, a resolution proposing their appointment is being submitted to the shareholders at the ensuing AGM.

ACKNOWLEDGEMENTS

Your Directors would like to place on record their gratitude for all the guidance and co-operation received from all its clients, vendors, bankers, financial institutions, business associates, advisors, regulatory and government authorities.

Your Directors also take this opportunity to thank all its shareholders and stakeholders for their continued support and all the Sonatians for their valuable contribution and dedicated service.

For and on behalf of the Board

Place : Mumbai
Date : 30th May, 2013

Pradip P Shah
Chairman

Sonata Software Limited

ANNEXURE TO THE DIRECTORS' REPORT

Particulars pursuant to Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988.

1. CONSERVATION OF ENERGY

Though your Company does not have energy intensive operations, it continues to adopt energy conservation measures. Adequate measures have been taken to conserve energy by using energy-efficient computers and equipment with the latest technologies, which would help in conservation of energy. Other energy management measures include :

- Installation of sensors at work space area
- Control measures at HVAC vertical to create advanced air cooling since HVAC contributes 70% of the energy utilization
- Installation of control device at panel levels to manage and arrest power pilferage
- Installation of LCD monitors (energy efficient) in place of normal CRT monitors, thereby saving energy
- Usage of compact florescent lamps for lighting at workstation area.

During the year under review, some of the steps taken and practices followed by your Company and its employees, towards energy conservation include the following:

- Consolidation of facilities
- Turning off monitors during weekends
- Turning off lights in all floors when people are not working.
- Operating only one elevator in buildings having two elevators after 7:00 pm.
- Turning off the air conditioners during non-peak hours and on weekends.
- Replacement of high power consuming sodium vapour street lights & CFL lights in conference rooms with less power consuming LED lights.
- Installation of Variable Frequency Drive (VFD) for all the elevators in the development centres thus reducing power consumption.

As the cost of energy consumed by your Company forms a very small portion of the total costs, the financial impact of these measures is not material.

2. RESEARCH AND DEVELOPMENT (R&D)

During the year under review, your Company's competency groups focused on building technology in competencies in Mobility, Analytics and Cloud Technologies that will have a major impact on the global technology landscape with the objective of increasing the sales volumes and improving delivery capability.

a) Specific areas for R&D at Sonata :

(i) Mobility

During the year, your Company further increased focus on Mobility by investing in developing prototypes and proof of concepts on various platforms, entered into partnerships with world leading mobility platform providers and created frameworks for rapid prototyping.

(ii) Cloud

During the year, your Company continued its focus on building frameworks around Azure platform from Microsoft and executing a variety of proof of concepts to demonstrate the power of Microsoft Azure. Your Company also invested in building competency in Amazon Web Services and in leading cloud technologies such as cloud orchestration products.

(iii) Big Data Analytics

With the consumerization of IT and the consequent rapid growth of data your Company believes that Big Data Analytics solutions will add significant value to its customers and during last year built significant competency in Hadoop and invested in proof of concepts that involved multi-terabyte data sets. Models created involved sentiment analysis, net promoter scores and meta data driven semantic search. Your Company will continue to invest in this emerging area in the coming years.

(iv) Enterprise Social Networking

During the year, your Company established a worldwide reseller and implementation with Tibco for tibbr, one of the world's leading enterprise social networking platform. Tibbr's core strength is its ease of use, its ability to easily integrate to with enterprise applications like SharePoint, SAP, Salesforce.com, etc. Tibbr is also mobile ready and works on all the popular mobile platforms. Your Company believes that enterprises will benefit tremendously from the power of collaboration and the power of tibbr to integrate enterprise applications within a social networking platform. Your Company intends to focus on enterprise social networking in the coming years.

b) Benefits derived as a result of the above R&D

Your Company has gained considerable mind share in the industry by venturing into niche solutions. These concerted efforts also helped your Company in acquiring new customers in the focus geographies. Your Company is presently marketing services in Mobility, Big Data Analytics, Enterprise Social Networking and ADM services in Cloud computing area.

c) Future Plan of action

Focus of competency groups in the current year is to continue to work on Cloud computing, Mobility, Big Data Analytics and Enterprise Social Networking for certain verticals and develop frameworks for key business processes.

d) Expenditure on R&D

R&D is carried on by the Company as a part of ongoing software development activity and the expenditure thereof is considered as part of operating expenditure. Hence, there is no amount that can be shown separately under the head of R&D expenses.

3. FOREIGN EXCHANGE EARNINGS AND OUTGO / INITIATIVES TO IMPROVE EXPORTS

During the year under review, 99.6% of the revenue came from exports of developed software and related services to clients in USA, UK, Australia, Germany, UAE, Singapore Denmark.

Foreign Exchange outgo on account of travelling, professional charges, subsistence / living costs, overseas salaries, capital goods, etc was ₹ 31.66 crores and foreign exchange inflow on account of export of software services (net) was ₹ 230.68 crores.

Financial Year 2012-13 saw changing market environment and regulatory environment. As per the data released by the National Association of Software and Services Companies (NASSCOM), Indian IT-BPO services exports expected to grow by 9-12 per cent during the year. Customers today seek more efficient and effective operations along with technology based innovation and business transformation before they make any technology investments. Your Company has been successful in growing the size of existing teams, as well as branch into newer divisions within these customers.

During the year under review, your Company's growth in exports has been primarily driven by initiatives within our top existing customers. Your Company has been able to achieve this through targeted investments in account management and focus on delivery excellence through "Customer-Specific Centres of Excellence". Your Company has also invested in strengthening new competencies and practice areas like mobility, analytics and cloud computing - where customers are likely to invest significantly in the coming year and beyond - to tap that demand.

During the year under review, your Company has made significant additions to its sales teams in the geographies your Company has its presence in and strengthened the offshore presales organization. Your Company has also made a conscious decision to expand its presence into new geographies like Singapore and Australia, where it is witnessing good momentum with its global relationships. Your Company's new business growth strategy is also linked to its collaboration & "go-to-market" initiatives with alliances like Microsoft, SAP, IBM, HP and Oracle - and that's another area where it has been focusing on.

4. A detailed Management Discussion and Analysis Report is attached.

For and on behalf of the Board

Place : Mumbai
Date : 30th May, 2013

Pradip P Shah
Chairman

Sonata Software Limited

Annexure to Directors' Report (Contd.)

Information u/s 217 (2A) of the Companies Act 1956 - read with Companies (Particulars of Employees) Rules 1975 as amended and forming part of the Directors' Report for the year ended 31st March, 2013.

Name	Age (Years)	Qualification	Designation & Nature of Duties	Remuneration (₹)	Experience (Years)	Date of Joining	Previous Employment
Mr. P Srikar Reddy	55	BE (Electrical) PGDBM (IIM)	Managing Director & CEO	11,221,440	31	02.04.86	Manager - Systems & projects Betamatics Pvt. Ltd

Notes:

1. Remuneration includes Basic Salary, Allowances, Incentives, Commission, Company's contribution to PF, Superannuation Fund and taxable value of perquisites.
2. Appointment is contractual.
3. Not related to any other Director of the Company.

Sonata Software Limited

MANAGEMENT DISCUSSION AND ANALYSIS REPORT (MDA)

a. Industry structure and developments

The IT Services industry today is facing intense competitive pressures and rapidly changing market dynamics, driven by changing economy, regulatory environment, new technology and innovation. Customers today seek more efficient and effective operations along with technology based innovation and business transformation.

As per reports from leading analyst firms and associations such as Forrester, Gartner and NASSCOM, global IT Services spending growth in US Dollars in 2013 is expected to be approximately between 3% to 6%.

Major growth drivers in 2013-14 will be:

- Ability to verticalize and replicate the solutions to drive efficiency and economy;
- Adaptability, agility and scalability in disruptive technologies like Mobility, Analytics, Cloud, Social media, and Big data; and
- Customers increasingly looking at specialized service providers with innovative business models and aligned to customers business goals.

b. Opportunities and threats

Our strategy of focusing on our key customers and aligning with strategic partners like Microsoft, SAP, IBM, Oracle has created stability and a platform for growth. New technology areas like Mobility, Analytics, Cloud and Social media were areas we invested during the year and had delivered value to our existing customers. We continue to see opportunities in these areas and will invest in further verticalising our operations. We see our focus on Providing Transformation Solutions by creating Client Specific Centres of excellence and delivering measurable business value is creating further opportunities.

Having said that, an unstable environment in the European region, tougher immigration laws in US, regulatory environment in India with specific reference to Domestic Products business, competition from the other specialized players in our focused verticals of operations, continue to remain a threat to our existing business and prospects. Business is subject to risks arising out of business combinations like mergers, acquisitions, take over etc.

c. Segment wise performance

Please see the discussion on segment wise performance elsewhere in this Report.

d. Outlook

Looking forward, the positive investments made during the past year in MACS, new geography expansion in Singapore, Qatar, a stronger sales team, establishing large bid pursuit team, focused alliances, strategic account management, and focus on a few verticals will yield us the results and more strongly establish us as a specialized services organization focussing deep customer relationships

and transformation. Our plan during the year is to stay on course as earlier and make further investments in area such as human capital, development of customer centres of excellence, alliances with firms which are in line with the IT strategy of our customers to ensure we grow deeper into them while building reference and replicable capabilities to help build our new customer base and prospects. As regards the Domestic products business, the strategy of creating more value to our customers and principals and looking for more opportunities to bring advanced technology products to the Indian market we expect the business to grow at a higher pace.

e. Risks and concerns

Risks that the Company faces are those which others in our Industry face. The Company monitors these risks consistently and periodically. Business risks faced by the Company include reduction in IT budgets of our customers, currency volatility, geo political risks as we operate across geographies, etc.

As like for all mid-tier IT services companies client concentration is a significant risk. Top 10 clients contribute more than 80% of our revenues in IT services. The Company monitors this risk and mitigation efforts through diversification of our client base are worked on continually. Geographical spread, competition and financial stability of our customers are other customer centric risks that the Company faces.

The Company has faced significant challenges in the areas of Income-tax related issues. A team of professionals within and outside the Company work on mitigating this on a continuous basis and during the year they have seen quite a bit of success. Issues of tax relate to - litigations with Income Tax authorities in India on deduction / exemption of profits derived from export of software under Section 10A of the Income-Tax Act, treatment of payments for purchase of software as 'royalty' and consequent denial of deductions for such payments on the basis that taxes have not been deducted at source, etc. Management has been taking an active role in highlighting these issues and those faced by the Industry with Government Authorities through active representation. These initiatives outside of pure litigation have also helped in resolving long standing disputes.

During the year, currency fluctuations played truant and was a challenge. The Company, despite a time tested hedging policy of taking simple forward covers incurred losses on account of wild currency fluctuations. Based on expert advice, the Company has moved to taking forward covers for only 4 quarters compared to the earlier 8 quarters. Our advisors play a very active role in reviewing our foreign exchange exposure and provide risk mitigation strategies.