

Annual Report 2010 - 2011

TRAVERSING THE VALUE CURVE

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 31.03.2011	Quarter ended on 31.03.2010	Quarter ended on 31.03.2011	Quarter ended on 31.03.2010	Year ended on 31.03.2011	Year ended on 31.03.2010	Year ended on 31.03.2011	Year ended on 31.03.2010
TOTAL INCOME	3,263.15	3,264.76	627.42	626.97	14,111.03	13,932.91	2,561.00	2,413.74
EXPORTS	2,014.07	2,066.38	607.14	587.74	7,943.84	8,768.39	2,503.63	2,360.94
EBIDT	390.02	399.12	179.79	168.76	1,578.34	1,710.86	738.70	694.80
PROFIT AFTER TAX	230.54	187.83	161.14	157.86	856.10	798.74	618.62	602.03
FIXED ASSETS	1,734.59	1,846.95	354.44	316.19	1,734.59	1,846.95	354.44	316.19
TOTAL DEBT	307.65	299.37	-	-	307.65	299.37	-	-
NET WORTH - CLOSING	4,072.31	3,638.88	3,139.06	2,921.69	4,072.31	3,638.88	3,139.06	2,921.69
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 31.03.2011	Quarter ended on 31.03.2010	Quarter ended on 31.03.2011	Quarter ended on 31.03.2010	Year ended on 31.03.2011	Year ended on 31.03.2010	Year ended on 31.03.2011	Year ended on 31.03.2010
EXPORTS INCOME / TOTAL INCOME	61.72%	63.29%	96.77%	93.74%	56.30%	62.93%	97.76%	97.81%
DOMESTIC INCOME / TOTAL INCOME	36.62%	34.45%	-	-	42.45%	36.15%	-	-
OTHER INCOME / TOTAL INCOME	1.66%	2.26%	3.23%	6.26%	1.26%	0.92%	2.24%	2.19%
OPERATING EXPENSES / TOTAL INCOME	53.99%	58.43%	71.35%	73.08%	50.68%	55.98%	71.16%	71.21%
EBIDT / TOTAL INCOME	11.95%	12.23%	28.65%	26.92%	11.19%	12.28%	28.84%	28.79%
PAT / TOTAL INCOME	7.06%	5.75%	25.68%	25.18%	6.07%	5.73%	24.16%	24.94%
DEBT: EQUITY ¹	0.08	0.08	-	-	0.08	0.08	-	-
DEBTORS NO. OF DAYS	58	55	91	87	54	51	88	87
RETURN ON AVG NETWORTH ²	22.78%	21.30%	20.47%	22.39%	22.20%	24.93%	20.41%	23.33%
RETURN ON AVG CAPITAL EMPLOYED ³	22.49%	22.17%	20.47%	22.39%	22.13%	25.69%	20.41%	23.33%
EPS (Annualised) (on Re.1/per share) ⁴	8.77	7.14	6.13	6.00	8.14	7.60	5.88	5.72
BOOK VALUE PER SHARE - (Rs) ⁵	38.49	33.54	29.95	26.81	36.66	30.46	28.82	24.53

EXPLANATORY NOTES :

¹ Debt divided by Closing Shareholders funds.

² Profits divided by Average Network.

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

⁴ Profits divided by weighted average no. of equity shares.

⁵ Average Network divided by No. of equity shares.

TRAVERSING THE VALUE CURVE

Every cloud, it is said, has a silver lining. The economic downturn over the last few years has had its ups and downs – but has been remarkable in that it has changed key business paradigms. Vendors are now partners, rates of services have now given way to Return on Investment, and customers now insist on short term benefits, as well as the conventional long term ones. A natural fallout of these changing perspectives has been the survival of the fittest. Companies that have been able to align quickly to the needs of the customer by re-modelling their engagement patterns, their solution offerings and more importantly, their mindsets, have been able to sail well even against tough headwinds, while others have fallen by the wayside.

TRAVERSING THE VALUE CURVE

At Sonata, it has been a year of continuous innovation and aligning with changing customer needs – across processes, solutions, and market strategies. Our customers, who range from global Fortune 100 industry leaders to medium and small businesses, have unique requirements and aspirations. At the core however, they all want to grow through deeper engagements with their customers and markets. This is where the last year saw Sonata play an important role. Building on a foundation of co-innovation and collaboration, Sonatians the world over showed remarkable grit and determination in building cutting edge technology solutions that have direct business impact. The focus was no longer on simply providing services, but on understanding key business milestones and concerns, and crafting technology accelerators that help plug the gaps. Little wonder, then, that our customers continued to engage us even in tough times.

Over the course of many years, Sonata has built a reputation for performance and financial stability in both good and challenging times. Year 2011 added another cap to that legend of performance – performance under pressure. This is the cumulative effect of strong business fundamentals, a diverse market and technology strategy, state-of-the-art solutions, sound corporate governance and a never-say-die attitude.

As we stand on the verge of what promises to be another exciting year, we promise to stand by our commitment to invest: in our infrastructure, our processes, and operational excellence, but more importantly in innovation, in our relationships with our customers and in our people. We firmly believe these will continue to strengthen our foundation of growth.

Sonata Software Limited (Consolidated)

Business Segment	International IT Services					Domestic Products & Services	TUI Infotec
Legal entity	Sonata Software Ltd India	Sonata Europe Ltd London	Sonata Software GmbH Germany	Sonata FZ LLC Dubai	Sonata Software North America	Sonata Information Technologies Ltd India	TUI InfoTec GmbH Germany
Ownership Structure	Listed Indian entity	100% subsidiary of Sonata Software Ltd	100% subsidiary of Sonata Software Ltd	100% subsidiary of Sonata Software Ltd	100% subsidiary of Sonata Software Ltd	100% subsidiary of Sonata Software Ltd	50.1% Joint venture of Sonata Software Ltd and TUI Group
Nature of Business	<ul style="list-style-type: none"> IT Consulting and Software Services RIM Offshore IT Software Development 	<ul style="list-style-type: none"> Software Services & Development 	<ul style="list-style-type: none"> Program Management for TUI Infrastructure Management 	<ul style="list-style-type: none"> Sales & Marketing Account Management Program Management 	<ul style="list-style-type: none"> Sales & Marketing Account Management Program Management Onsite IT Services 	<ul style="list-style-type: none"> Distribution of Packaged Software Products Domestic IT Services 	<ul style="list-style-type: none"> IT Operations and IT Services support for TUI Group of Companies and other customers in Germany

Financial Highlights

SONATA SOFTWARE LIMITED : CONSOLIDATED



Note : All figures depicted in the graphs have been rounded off.

Financial Highlights

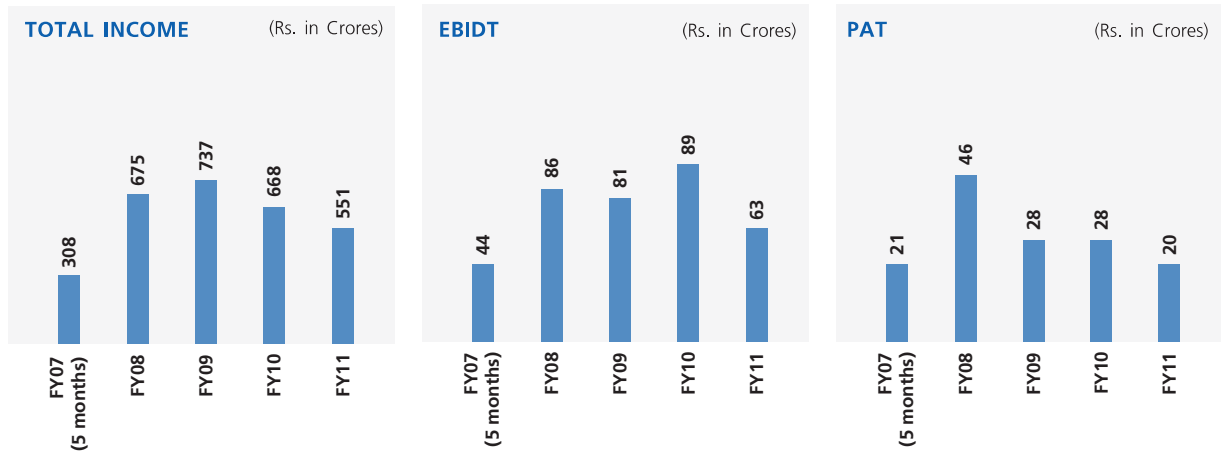
SONATA SOFTWARE LIMITED : STANDALONE



Note : All figures depicted in the graphs have been rounded off.

Financial Highlights

TUI InfoTec GmbH : CONSOLIDATED



Note : All figures depicted in the graphs have been rounded off.

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 Sixteenth Annual Report of your Company together with the Audited Statement of Accounts for the financial year ended 31st March, 2011.

FINANCIAL RESULTS

(Rs. in Crores)

	Description	Standalone		Consolidated	
		Year ended 31.03.2011	Year ended 31.03.2010	Year ended 31.03.2011	Year ended 31.03.2010
1.	Total Income	256.10	241.37	1,411.10	1,393.29
2.	Total Expenditure	191.81	179.66	1,298.39	1,278.08
3.	Profit before Tax	64.29	61.71	112.71	115.21
4.	Provision for Tax	10.70	10.50	25.00	28.77
5.	MAT credit	(8.28)	(8.99)	(8.28)	(8.99)
6.	Share of earnings in affiliates	-	-	0.40	(1.54)
	Minority Interest			(10.79)	(14.01)
7.	Net Profit	61.86	60.20	85.61	79.87
8.	Appropriations :				
	Proposed Dividend	10.52	8.41	10.52	8.41
	Interim Dividend	10.52	9.46	10.52	9.46
	Provision for Dividend Tax	3.45	3.01	3.45	3.01
	Transfer to General Reserve	7.00	7.00	7.00	7.00

BUSINESS PERFORMANCE

Your Company is primarily engaged in the business of providing IT services and solutions to its customers in the US, Europe, Middle East and India. The financial results of the Company both on standalone and consolidated basis have been encouraging despite headwinds faced in terms of weaker than expected economic recovery in the Company's primary markets of US and Europe and fluctuating currency trends. On the standalone front, the Company's revenue has grown by 6% on a year over year basis and profit before tax has shown a growth of 4%. The focus during the year had been to continuously invest in improving our delivery practices and enhance our relationships with our existing customers to deliver higher value.

The Consolidated financials show a revenue growth of 1% on a year over year basis with a corresponding growth in net profits of 7%. The Consolidated financials cover the three business lines of the Company – (a) the Software Services business, (b) Domestic Products and Services and (c) our Joint venture – TUI InfoTec, Germany. The three business lines of the Company have unique business rhythms, profitability and growth trends.

The Software services contribution to the profits of the Company is a massive 77% of the profits and 21% of the consolidated revenues. This business line continues to show high traction in terms of revenue and profit growth.

The Domestic business accounts for 43% of consolidated revenues and 10% of profits. In this business, focus is on improvement of margins, increase revenues from services vis-à-vis product re-sale revenues. TUI InfoTec-our German JV accounts for 36% of consolidated revenues and our share of profits in the JV (50.1%) contributes to 13% of consolidated profits. The JV's focus is to continue building its business within the TUI Group and also foray into the Central European markets to acquire third party customers outside of the TUI Group.

DIVIDEND

Your Directors are pleased to recommend payment of a final dividend of Re.1/- per equity share (@100% on par value of Re.1/- each), subject to the approval of shareholders at the forthcoming Annual General Meeting, which along with the interim dividend of Re.1/- per equity share adds up to a total dividend of Rs.2/- per equity share (Previous year - Rs.1.70/- 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 9th June, 2011 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.

QUALITY

During the year under review, your Company has crossed few important milestones related to Quality Management System. Foremost of them is the ISO 27001 certification which testifies your Company's commitment to delivering solutions with an eye on information security. This enhances customer confidence in your Company's delivery since standard encompasses "Confidentiality", "Integrity" and "Availability". Your Company has also stayed focused on improving the quantitative aspect of project management - a critical requirement for achieving high level of process maturity. There is great emphasis laid on leveraging innovations and broad basing them so as to achieve better performance. Alignment with SEI-CMMI best practices is complete and formal certification activity to confirm highest maturity level is underway.

Your Company also continued its efforts towards achieving excellence in project management through training and certification. Your Company is looking forward to achieving greater milestones in the quality journey in the current year.

LISTING / LISTING FEES

Pursuant to Regulation 7 of the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009, your Company's equity shares have been voluntarily delisted from Bangalore Stock Exchange Ltd ("BgSE") with effect from November 26, 2010 as there was no trading of Company's equity shares in the BgSE for past several years. However, your Company's equity shares will continue to be listed on Bombay Stock Exchange Ltd and National Stock Exchange of India Ltd, exchanges having nationwide terminals. There was no change in the capital structure of the Company post delisting from BgSE.

The Annual listing fee 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 except for Abisko Development Ltd, Cyprus which is being wound up voluntarily as there have been no transactions in that company for the last several years. The Consolidated Accounts of your Company and its subsidiaries viz., Sonata Information Technology Ltd, 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 TUI InfoTec GmbH, Germany are presented as part of this Report in accordance with Accounting Standard 21.

Your Company has been exempted by the Ministry of Corporate Affairs, vide letter No.47/98/2011-CL-III dated February 9, 2011 from attaching the audited accounts of overseas subsidiary companies for the financial year ended March 31, 2011. Accordingly, the audited accounts of the above mentioned overseas subsidiary companies are not attached. However, they are available on the Company's website www.sonata-software.com.

The audited accounts of overseas subsidiaries have been made available for inspection by any investor at the Company's Registered office. Copies can be made available, on request to the investors of the holding and subsidiary companies at any point of time.

RECOGNITION

As per the industry rankings released by NASSCOM for FY 2009-10, your Company was ranked among the Top 20 IT Software and Service Exporters in India for the third consecutive year. Your Company also featured in the list of Top Outsourced Product Development Vendors brought out by Global Services Media for FY 2009-10. Your Company was also listed among Global Services Top 100 Companies that define Global Outsourcing for FY 2009-10.

For FY 2009-10, your Company was ranked among Top 50 companies by Dataquest, based on a nationwide survey across more than 1000 IT companies in India.

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 adopted any of the voluntary guidelines of 'Corporate Governance Voluntary Guidelines 2009'.

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 2010-11, 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, 2011 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.

PERSONNEL

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 :

- New Year e-Greeting Cards made from paintings done by students at Rasoolpura Government High School and the Hope Foundation. This initiative served the dual objective of a green, pollution - free environment by saving paper, as well as supporting the cause of the NGOs
- Wall Calendars created with the paintings done by Hope and BHUMI children to increase awareness about the NGO partners
- Funds collection campaign organized to sponsor the salaries of English and Computer teachers at the Rasoolpura Government High School, Hyderabad

DIRECTORS

Mr.S.N.Talwar, Mr.Viren Raheja and Mr.P.Srikar Reddy, 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 N.M.Raiji & Co., Chartered Accountants, Mumbai, Statutory Auditors of the Company retire at the forthcoming AGM and have expressed their willingness to continue as Statutory Auditors for the financial year 2011-12 and accordingly, a resolution proposing their appointment is being submitted to the 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 investors 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 : 20th April, 2011

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 the 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 equipments with the latest technologies, which would help in conservation of energy. Other energy management measures include installing sensors at work space area, control measures at HVAC vertical to create advanced air cooling since HVAC contributes 70% of the energy utilization and installing control device at panel levels to manage and arrest power pilferage. During the year under review, your Company has also adopted Environmental responsibility as a base platform for the energy conservation measures. As the cost of energy consumed by the 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 domain competencies in Travel, Transportation and Logistics ("TTL") and newer 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) New Technology Competency

Your Company's focus during the year under review was on new technologies in the areas of Cloud computing, Enterprise Portals and Mobility. During the year, your Company has developed several frameworks and Intellectual Property (IP) rights around popular technology platforms namely Azure (Popular Cloud computing platform), SAP & Dynamics AX (ERP platforms) and SharePoint server (Collaboration platform).

(ii) Domain Competency

During the year, your Company has continued building domain competencies in TTL domain area and also focused its R&D efforts on new areas like Mobile Technologies, Social Media usage by travelers and Travel & Transportation companies. The TTL vertical of your Company has worked towards a high end Pricing Decision Support System, Collaboration Solution for Airlines and Travel, Web Analytics solution, Multi-GDS Connectivity Solution and Car Rental Management Solution. The TTL vertical also focused on increasing the domain competency of the teams in the Airlines and Travel value chain.

(iii) Vertical Solutions

Your Company continued its investment in building vertical solutions and has built the following four solutions during the year under review :

- Armor - the pricing decision support system for Airlines
- ARM - the crew performance management and crew portal solution built on modern collaborative technologies
- MilEdge - The car rental management solution for the newer generation car rental companies
- Travel e-commerce solution - the one stop solution for all e-commerce needs of Travel intermediaries

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

The launch of new vertical solutions as referred herein above has strengthened your Company's positioning as a key IT vendor in the TTL domain. Your Company has also gained considerable mind share in the industry by venturing into niche solutions.

By adding a new sub vertical - Car Rentals to your Company's service line, your Company could reach out to a newer customer base. These concerted efforts also helped your Company in acquiring new customers in the focus geographies. Your Company is presently marketing services in Portal, ERP Consulting 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 and Analytics for certain verticals and develop frameworks for key business processes. The plan is to further strengthen your Company's solution accelerators for the vertical in the emerging areas in mobile, social networking, web analytics integration components for distribution systems for the TTL Vertical. Your Company is also planning to build competency in SCM-CMRO (Complex Maintenance Repair and Overhaul) using Oracle eBusiness Suite.

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, 100% of the revenue came from exports of developed software and related services to clients in Australia, Denmark, Germany, Iceland, Japan, MEA, Singapore, Qatar, UK and USA.

Foreign Exchange outgo on account of Travelling, Professional Charges, Subsistence/Living cost, overseas salaries, capital goods, etc was Rs.38.15 Crores and foreign exchange inflow on account of export of software services (net) was Rs.250.36 Crores.

Financial Year 2010-11 has seen a slow recovery from the economic crisis that had engulfed some of your Company's key markets. Your Company is seeing an increase in its pipeline as its existing customers are reviving some of the projects / new initiatives that were put on the backburner in the last fiscal year. Your Company has been successful in growing the size of existing teams, as well as branch into newer divisions within these customers – leveraging our continued investments in new competencies during the recession.

Your Company's decision to invest in solution accelerators in areas within Travel, Tourism and Logistics (TTL) i.e., Airlines, Car rentals etc. – by leveraging existing IP from TUI InfoTec and using its own deep knowledge of the industry along with innovative deals with customers that involve joint IP ownership – has paid off handsomely and helped your Company open up new customer relationships during the year under review.

During the year under review, your Company has made a conscious decision to expand its presence into new geographies, which are seeing an uptick in off shoring. Your Company has opened a branch office in Netherlands during this period and further strengthened its sales presence in the Middle East region. Your Company has also been successful in building visibility among key influencers in the marketplace such as industry analysts and sourcing advisory firms. Your Company has also invested in online media and social networking to build Sonata's brand visibility.

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

For and on behalf of the Board

Place : Mumbai
Date : 20th April, 2011

Pradip P Shah
Chairman

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, 2011.

Sl. No.	Name	Age (Years)	Qualification	Designation & Nature of Duties	Remuneration (Rs.)	Experience (Years)	Date of Joining	Previous Employment
1	B Ramaswamy	57	M.Sc (Agri) PGDBM (IIM)	Managing Director & President	16,580,965	34	01.10.86	General Sales Manager Voltas Limited
2	P Srikar Reddy	53	BE (Electrical) PGDBM (IIM)	Executive Vice President & Chief Operating Officer	10,533,701	29	02.04.86	Manager - Systems & Projects Betamatics Pvt. Ltd. (1 Year)
3	Ramesh Shastri*	55	BE (Electrical & Electronics)	Chief Innovation Officer	4,991,940	30	11.10.10	Managing Director Spike Source India

* Employed for part of the year.

Notes :

1. Remuneration includes Basic Salary, Allowances, Incentives, Commission, Company's contribution to PF, Superannuation Fund and taxable value of perquisites.

2. All appointments are contractual.

3. None of the employees are related to any Director of the Company.

4. The Shareholding of Mr. B Ramaswamy (along with his spouse) in the Company is 29,79,000 shares (2.83%). None of the other employees own more than 2% of the outstanding shares of the company as on 31st March 2011.

Sonata Software Limited

MANAGEMENT DISCUSSION AND ANALYSIS REPORT (MDA)

a. Industry structure and developments

Financial Year 2010-11 has witnessed a slow recovery from the economic crisis that had engulfed some of our key markets. While customers are once again spending on new technology initiatives that were on the backburner, there is a clear shift in focus towards managed services model and new contracting models (output / outcome based) that align costs with activity levels.

According to estimates from the National Association of Software and Services Companies (NASSCOM), the software and services growth for FY12 is expected at 16-18 per cent and aggregate revenues of USD 68-70 billion. The domestic market is estimated to grow by 15-17 percent with revenues of INR 900 – 920 billion.

Customer perception of outsourcing has undergone a distinct and perceptible change. They are increasingly looking at outsourcing as a tool to excel in their highly dynamic business environment. There is a distinct focus to align the cost of IT services with activity levels – either through adoption of “Software-as-a-Service” models or newer, more flexible contracting models that link costs to output. Customers are also trying to derive enhanced value from existing software investments – through application modernization, consolidation and upgrade of packaged solutions.

b. Opportunities and threats

In every challenge lies an opportunity. As explained earlier, we see a distinct preference from customers to align their costs with activity levels using innovative contracting models like output / outcome based pricing or even risk reward models that involve sharing of IP. Sonata's proven track record in having worked on such models through various engagements of significant sizes puts us in good stead to capitalize on this opportunity.

Our deep alliances with technology leaders like Microsoft, Oracle and IBM; and involvement in several early adoption partnerships with them, provides us with an early mover advantage on newer technology platforms and new releases of packaged applications. As customers embark on initiatives that derive enhanced value from existing software investments – through application modernization, consolidation and upgrade of packaged solutions, Sonata is well poised to benefit from this trend.

The financial upheaval that hit the developed markets last year threw up a risk which the Industry was not really exposed to earlier i.e., 'Customer sustainability'. Constantly changing business priorities, mergers, acquisitions and consolidations of companies require IT service providers to be quick and deliver according to changing situations. Companies which are slow to react will get negatively impacted by risks on account of failed projects, unhappy customers and in extreme cases customer delinquencies. Further, with costs of delivery from near shore locations closing up with that offshore, emergence of these centers coupled with protectionist steps taken by developed economies faced with the recession could threaten the growth prospects of this sector.

c. Segment wise performance

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

d. Outlook

We at Sonata over the last year focused on our existing customer base as the foundation for its growth. This strategy has paid rich dividends. We have been successful in growing the size of our existing teams working for our existing customers, as well as branch into newer divisions within these accounts through ongoing investments in account management capabilities.

Our decision to invest in solution accelerators in areas within Travel, Tourism and Logistics (TTL) i.e., Airlines, Car rentals etc, by leveraging existing IP from TUI InfoTec and using our own deep knowledge of the industry along with innovative deals with customers that involve joint IP ownership – has paid off handsomely and will help us develop new customer relationships during current financial year. Sonata has also made a conscious decision to expand its presence into new geographies, which are seeing an uptick in off shoring. We have opened an office in Netherlands during the year under review and further strengthened our sales presence in the Middle East region. We have also been successful in building visibility among key influencers in the marketplace such as industry analysts and sourcing advisory firms. Sonata has also invested in online media and social networking to build Sonata's brand visibility. We expect the above activities to help us build business traction in the current financial year.

e. Risks and concerns

The risks that face the Company are the ones that face the industry today and these are monitored periodically. These risks include cut down in IT budgets, volatility in currencies etc. As like for all mid-tier IT services companies client concentration is a significant risk. Top 10 clients contribute 78% of revenues of our IT services business. This is a metric that is constantly monitored and mitigation efforts through diversification of our client base is continually worked on in a consistent basis. Geographical spread, competition and financial stability of our customers are other customer centric risks that the Company faces. Litigation with Income-tax authorities in India specifically relating to 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 consequently denying deductions for such payments on the basis that taxes have not been deducted at source etc., have given rise to large claims by the Income-Tax department. The Company has however agitated all of the above issues at various appellate levels and has received very favorable orders on all of them. Details of the open tax cases/litigation can be found in the notes to the accounts.

f. Internal control systems and their adequacy

Sonata has deployed adequate Internal Control Systems (ICS) in place to ensure a smooth functioning of its business. The Control Systems provide a reasonable assurance of recording the transactions of its operations in all material aspects and of providing protection against misuse or loss of Company's assets.

The ERP system which the Company had implemented during last year has helped in further strengthening the internal control systems that are in place.

The existing internal control systems and their adequacy are frequently reviewed and improved up on to meet the changing business environment.

g. Material developments in Human Resources

Sonata's biggest assets are its employees. We are continuously working on innovative initiatives to attract, train, retain and motivate our employees. Our endeavors are driven by a strong set of values imbibed in us and policies that we abide by. Our constant goal, and indeed our biggest strength, is a healthy, happy and prosperous work environment for all our employees.

During the year under review, the manpower strength of the Company increased from 2124 to 2167 as of 31st March, 2011.

h. Financial Highlights

1. Revenues

Revenue from US was 53.38% and Europe was 38.51% for the year ended 31st March, 2011 as compared to 46.21% from US and 48.21% from Europe for the same period last year. Your Company's strategy of building strong delivery capability with its multi-pronged emphasis on technology, people and processes has resulted not only in increased business from existing customers but also in new customer acquisition.

2. Operating Expenses

The ratio of operating expenditure to total income has decreased by 0.06% over the same period last year.

3. EBIDT

The EBIDT was at 28.84% for the year ended 31st March, 2011 as compared to 28.79% for the same period last year.

4. Profit after Tax

Profit after Tax was at 24.16% for the year ended 31st March, 2011 as compared to 24.94% for the same period last year.

5. Interest and Borrowings

The Company was debt free as on 31st March, 2011 and had a Net Cash balance of Rs.436.90 millions (includes investment in Mutual Funds). During the year the Company has not incurred any interest cost.

6. Capital Employed

The Return on Average Capital Employed (ROCE) for the year ended 31st March, 2011 was 20.41% as compared to 23.33% for the same period last year.

7. Net Worth

The Return on Average Net Worth (RONW) for the year ended 31st March, 2011 was 20.41% as compared to 23.33% for the same period last year.

8. Fixed Assets

The Company added fixed assets to the extent of Rs.104.75 millions. Additions were mainly incurred for new facilities at Bangalore (SEZ Unit at Global Village).

9. Receivables

Debtors as number of days' sales stood at 88 days for the year ended 31st March, 2011 as compared to 87 days for the same period last year.

10. Cash Generation

Cash generated from operations was Rs.453.94 million for the year ended 31st March, 2011.

11. Manpower

The total employee strength as on 31st March, 2011 was 2167 as against 2124 as on 31st March, 2010.

PERFORMANCE SUMMARY

1. Revenue

Revenue increased by 6.04% at Rs. 2503.63 million for the year ended 31st March, 2011 as compared to Rs.2360.94 million for the same period last year.

2. EBIDT

EBIDT was Rs.738.70 million for the year ended 31st March, 2011 as compared to Rs.694.80 million for the same period last year.

3. Profit After Tax (PAT)

PAT stood at Rs. 618.62 million for the year ended 31st March, 2011 as compared to Rs.602.39 million for the same period last year.

Sonata Software Limited

Auditor's Certificate

(Under Clause 49 of the Listing Agreement)

TO THE MEMBERS OF SONATA SOFTWARE LIMITED

We have examined the compliance of conditions of Corporate Governance by Sonata Software Limited (the Company) for the year ended on 31st March, 2011, as stipulated in clause 49 of the Listing Agreements of the Company with the stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statement of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **N M Raiji & Co.**
Chartered Accountants
Registration No: 108296W

Mumbai
20th April, 2011

CA. Y N Thakkar
Partner
Membership No.33329

DECLARATION

(As required under clause 49 of the Listing Agreement in relation to Code of Conduct)

I, B.Ramaswamy, President & Managing Director of Sonata Software Ltd, to the best of my knowledge and belief, hereby declare that all board members and senior management personnel have affirmed compliance with the code of conduct for the year ended 31st March, 2011.

Mumbai
20th April, 2011

B Ramaswamy
President & Managing Director

Sonata Software Limited

REPORT ON CORPORATE GOVERNANCE

Your Company is in compliance with the requirements of the guidelines on Corporate Governance stipulated under Clause 49 of the Listing Agreement and hereby presents the following Corporate Governance Report for the year 2010-11 based on the said requirements.

I. A BRIEF STATEMENT ON COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Sonata Software Limited is committed to good Corporate Governance. The fundamental objective of Sonata's Corporate Governance is "enhancement of the long-term shareholder value while at the same time protecting the interests of other stakeholders without compromising on compliance of any laws and regulations."

II. BOARD OF DIRECTORS

The Board of Directors of Sonata comprises of eight Directors of whom three are promoter directors, two are executive directors and three independent directors. None of the Directors are related to each other.

During the financial year 2010-11, four meetings of the Board were held with a time gap of not more than four months between any two meetings. These meetings were held on 19th April, 2010, 20th July, 2010, 10th November, 2010 and 14th February, 2011.

The names, designation, categories of the Directors and their shareholding in the Company are as given below :

Name	Designation	Category	Equity shareholding in the Company
Pradip P Shah	Chairman	Independent Director	Nil
S B Ghia	Director	Promoter Non-executive Director	14,600
M D Dalal	Executive Vice Chairman	Promoter Executive Director	12,94,600
Viren Raheja	Director	Promoter Non-executive Director	57,50,000
B Ramaswamy	President & Managing Director	Executive Director	27,85,000
P Srikar Reddy	Executive Vice President & COO	Executive Director	14,82,300
S N Talwar	Director	Independent Director	40,000
B K Syngal	Director	Independent Director	Nil

Details of Directors' attendance, directorships/committee memberships held by them are as given below :

Director	No. of Board Meetings held	No. of Board Meetings attended	Whether attended the last AGM on 15th June '10	No. of memberships in Boards of other Public Companies	No. of Committee memberships in all Public Companies@
Pradip P Shah	4	4	Yes	14	8
S B Ghia	4	4	Yes	5	6
M D Dalal	4	4	Yes	1	2
Viren Raheja	4	4	No	4	4
B Ramaswamy	4	3	Yes	1	1
P Srikar Reddy	4	4	No	1	1
S N Talwar	4	4	No	13	10
B K Syngal	4	4	Yes	3	4

@ The disclosure includes membership/chairmanship of Audit Committee and Shareholders'/Investors' Grievance Committee in Indian public companies (listed and unlisted). None of the above Directors is Chairman in more than five Committees.

III. AUDIT COMMITTEE**Terms of Reference**

The Audit Committee has inter alia the following mandate :

1. To oversee the Company's financial reporting process and disclosure of its financial information to ensure the financial statements are correct, sufficient and credible.
2. To recommend appointment/re-appointment and removal of the Statutory auditors, fixation of audit fees and also approve payment for other services rendered.
3. To review with the Management, performance of statutory and internal auditors, the adequacy of internal control systems, changes in accounting policies/procedures, major accounting entries based on the exercise of judgment by Management, significant adjustments in the financial statements arising out of audit findings, statutory compliance, qualifications in draft audit report, default in payments to shareholders/creditors, if any.
4. Discussion with statutory/internal auditors on nature and scope of audit, any significant findings / investigations and follow up there on.
5. To review, with the Management, the audited quarterly and annual financial statements before submission to the Board for approval.
6. To review the Company's financial and risk management policies.
7. To review statement of significant related party transactions, management letters / letters of internal control weaknesses and appointment, removal and terms of remuneration of the Internal Auditor.

Composition

- B K Syngal - Chairman (Independent Director)
 S B Ghia - Member (Non-executive Director)
 Pradip P Shah - Member (Independent Director)

Secretary

- Praveen Kumar D - Company Secretary

By Invitation

- Venkatraman N - Head – Strategic Finance & Risk Management
 Sathyanarayana R - AVP – Finance & Accounts
 Y.N.Thakkar - Partner, N.M.Raiji & Co., (Statutory Auditors)
 V.Raghavendran - Partner, V.Raghavendran & Co., (Internal Auditors)

Meetings and attendance during the year

Members	Meetings held	Meetings attended
B K Syngal	4	4
S B Ghia	4	4
Pradip P Shah	4	4

IV. REMUNERATION COMMITTEE

The Remuneration Committee was reconstituted on 17th July, 2009.

Terms of Reference

The Remuneration Committee reviews the policy on remuneration packages for Executive Directors, their Service Contracts, Stock Option details etc. However, remuneration of non-executive Directors is reviewed and decided by the Board of Directors.

Composition

- SN Talwar - Chairman (Independent Director)
 S B Ghia - Non-Executive Director
 B K Syngal - Non-Executive Director

Secretary

- Praveen Kumar D - Company Secretary

Meetings and attendance during the year

One meeting was held on 14th February, 2011 and all members of the Committee were present.

Remuneration Policy

The Committee recommends the remuneration payable to Executive Directors based on their contribution to the growth and development of the Company.

Details of remuneration paid/payable to all the Directors for FY 2010-11

(Amount in Rs.)

Name	Salary & Perquisites	Commission	Shares issued under ESOP	Details of service contracts notice period & severance fees
Pradip P Shah	Nil	13,69,465	Nil	Nil
S B Ghia	Nil	13,69,465	Nil	Nil
M D Dalal	Nil	22,59,617	Nil	Agreement dated 29.10.2007 valid upto 31.10.2012 ; Three(3) months notice period and no severance fees
Viren Raheja	Nil	13,69,465	Nil	Nil
B Ramaswamy	97,33,641	68,47,324	Nil	Agreement dated 19.04.2010 valid upto 31.03.2015; Twelve(12) months notice period and severance fees equivalent to the salary and perquisites for the unexpired period of the Agreement
P Srikar Reddy	71,10,039	34,23,662	Nil	Agreement dated 16.10.2009 valid upto 19.10.2014; Twelve(12) months notice period and severance fees equivalent to the salary and perquisites for the unexpired period of the Agreement
S N Talwar	Nil	13,69,465	Nil	Nil
B K Syngal	Nil	13,69,465	Nil	Nil

The Criteria for making payments to non-executive directors viz., Mr.S B Ghia, Mr.Viren Raheja, Mr.Pradip P Shah, Mr.S N Talwar and Mr.B K Syngal is the special resolution passed by the shareholders at their meeting held on 10th June, 2008, which authorizes the Board to pay commission to non-executive directors in such amounts or proportions which cumulatively shall not exceed 1% of the net profits of the Company in any financial year.

V. INVESTORS' GRIEVANCE COMMITTEE:

Terms of Reference

The Investors' Grievance Committee facilitates prompt and effective redressal of shareholders' complaints and the reporting of the same to the Board periodically.

Composition

S B Ghia	- Chairman (Non-Executive Director)
MD Dalal	- Member
B Ramaswamy	- Member

Secretary

Praveen Kumar D - Company Secretary

Meetings and attendance during the year

Members	Meetings held	Meetings attended
S B Ghia	4	4
M D Dalal	4	4
B Ramaswamy	4	3

Name & Designation of Compliance Officer

Praveen Kumar D, Company Secretary.

Details of complaints received and resolved during the financial year ended 31st March, 2011 has been provided in the "Shareholders' Information" section of the Annual Report.

VI. SHAREHOLDERS' MEETINGS

Details of last three AGMs held :

Year	Date	Venue	Time
2007-08	10.06.08	M.C.Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikhushru Dubash Marg Mumbai - 400 001	4.00 p.m.
2008-09	05.06.09	M.C.Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikhushru Dubash Marg Mumbai - 400 001	4.00 p.m.
2009-10	15.06.10	M.C.Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikhushru Dubash Marg Mumbai - 400 001	4.00 p.m.

Special resolutions passed in the previous three AGMs

Year 2007-08	-Yes, one special resolution for payment of commission to non-wholetime Directors pursuant to Section 309 of the Companies Act was passed.
Year 2008-09	- Nil
Year 2009-10	- Nil

Whether any special resolution passed last year through postal ballot - details of voting pattern, person who conducted the postal ballot exercise?

No

Whether any special resolution proposed to be conducted through postal ballot and if so procedure for postal ballot?

No

VII. OTHER DISCLOSURES**Disclosure on materially significant related party transactions that may have potential conflict with the interests of the Company at large.**

Details are provided in Note 14 under Schedule 13 to the Notes forming part of the Accounts in accordance with the provisions of Accounting Standard 18.

Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

None

Whistle Blower Policy

The Company is in the process of establishing and putting in place a Whistle Blower Policy which has been approved by the Audit Committee at its meeting held on February 14, 2011. The policy covers the aspect of employees or other stakeholders in the Company to report questionable financial or accounting matter, fraudulent financial information, violation of company rules, policies and any other legal requirements. The said Policy is in the process of being communicated and rolled out within the Company. The Company affirms that no employee has been denied access to the Audit Committee during the financial year 2010-11.

Mandatory/Non-mandatory Requirements

During the financial year 2010-11, the Company

- (a) has duly complied with all mandatory requirements of Clause 49 of the Listing Agreement.
- (b) has not adopted any of the non-mandatory requirements of Clause 49 of the Listing Agreement except requirements pertaining to constitution of Remuneration Committee.

VIII. MEANS OF COMMUNICATION**Quarterly results / Other information**

- The quarterly results are generally published in Business Standard (all India edition) and in Navshakti (Mumbai edition).
- The quarterly financial statements, press releases, shareholding pattern and all other information disseminated to analysts/institutional investors are posted on Company's website (<http://www.sonata-software.com>) under Investor Relations Section.

IX. GENERAL SHAREHOLDER INFORMATION

It is provided in the section styled as "Shareholder Information" published elsewhere in this Annual Report.

- X. As per Clause 49 of the Listing Agreement with Stock Exchanges, Company is required to obtain a Certificate from the Auditors of the Company regarding compliance of the conditions of Corporate Governance. The Auditors' Certificate in respect of compliance thereof is enclosed in this Annual Report.

SECRETARIAL COMPLIANCE REPORT FOR THE YEAR ENDED 31st March, 2011

The Board of Directors,
Sonata Software Limited,
Bangalore.

We have examined the registers, records and papers of **SONATA SOFTWARE LIMITED** as required to be maintained under the Companies Act, 1956, (hereinafter referred to as "The Act"), the rules made thereunder and also the provisions contained in the Memorandum of Association and Articles of Association of the Company for the year ended March 31st, 2011.

On the basis of my examination as well as information and explanations furnished by the Company and the records made available to me, we report that:

1. Equity Shares of the Company are listed on Bombay Stock Exchange Ltd and the National Stock Exchange of India Ltd.
2. All the requisite registers and other records required under the Act and the Rules made thereunder have been maintained in accordance with the requirements of the Act.
3. All the requisite forms, returns and documents have been filed with the Registrar of Companies and other authorities as required under the Act and the Rules made there under .
4. All the requirements of the Act relating to the meetings of the Directors, Shareholders and Committees of the Board as well as relating to maintenance of the minutes of the proceedings thereat have been complied with.
5. The Board of directors of the company is duly constituted.
6. The directors have disclosed their interest in other firms/companies to the Board of directors pursuant to the provisions of Section 299 of the Companies Act, 1956.
7. There was no issue of shares or any other securities during the year under report.
8. Share certificates have been delivered to the transferee within the time prescribed under the Companies Act, 1956. Applications for transfer and transmission of shares have been registered within the prescribed time and necessary entries have been made in the register prescribed for this purpose.
9. The provisions of the Companies Act, 1956, relating to declaration and payment of interim and final dividend have been complied with.
10. There were no borrowings during the year under report.
11. The Company has complied with the provisions of the Companies Act, 1956 with respect satisfaction of charges. There were no instances of creation or modification of charges.
12. Necessary approvals of Directors, Shareholders, Central Government and other authorities, wherever applicable and required under the Companies Act, 1956, have been obtained.
13. The Company has not altered the provisions of the Memorandum of Association or the Articles of Association during the year under report.

For **V Sreedharan & Associates**

Date: 13th April, 2011
Place: Bangalore

Sd/-
V Sreedharan
Partner
FCS – 2347; CP No.833

Sonata Software Limited

AUDITOR'S REPORT

TO THE MEMBERS OF SONATA SOFTWARE LIMITED

We have audited the attached Balance Sheet of **SONATA SOFTWARE LIMITED**, as at 31st March 2011, and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 duly amended by DCA notification G.S.R. 766(E) dated 25th November 2004 (hereinafter to be referred to as "the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

Further to our comments in the Annexure referred to above, we report that:

1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
2. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of such books;
3. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
4. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 to the extent applicable;
5. On the basis of written representations received from the directors and taken on record by the Board of Directors, we report that none of the directors is disqualified from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a. in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011;
- b. in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
- c. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **N. M. Raiji & Co.**,
Chartered Accountants
Registration No: 108296W

CA.YN Thakkar

Partner

Place : Mumbai

Date : 20th April, 2011

Membership No: 33329

ANNEXURE TO THE AUDITOR'S REPORT OF EVEN DATE

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets.
 - (b) Physical verification of major assets was conducted by the management during the year, which in our opinion is reasonable having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such verification as compared with the book records.
 - (c) During the year, the Company has not disposed off substantial part of its fixed assets.
- (ii) The Company does not have any inventory during the year. Accordingly clause (a), (b) & (c) are not applicable to the Company for the year.
- (iii) (a) During the year Company has granted unsecured loan to company listed in the register maintained under section 301 of the Companies Act, 1956.

No of Parties	Amount outstanding as at 31.03.2011 (Rs)	Maximum amount outstanding during the year (Rs)
1	19.40 crores	49.00 crores

- (b) The rate of interest and other terms and conditions of the loans given by the Company are prima facie not prejudicial to the interest of the Company.
- (c) The receipt of the principal amount and interest are also regular.
- (d) As the loan is repayable on demand, there is no amount overdue for the principal and interest.
- (e) During the year the Company has not taken any loans, secured or unsecured loan from parties listed in the register maintained under section 301 of the Companies Act, 1956. Accordingly clause (f) and (g) are not applicable.
- (iv) In our opinion, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal controls.
- (v) There are no transactions that need to be entered into the register in pursuance of section 301 of the Companies Act 1956.
- (vi) The Company has not accepted any deposits from the public.
- (vii) The Company has an adequate internal audit system, which was conducted by an independent firm of Chartered Accountants, which in our opinion is commensurate with the size and nature of its business.
- (viii) Maintenance of cost records has not been prescribed by the Central Government under section 209(1)(d) of the Act.
- (ix) (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, custom duty, excise, cess and any other statutory dues applicable to it.
(b) The dues of income tax and service tax that have not been deposited on account of dispute, the amount involved and the forum where the dispute is pending is detailed in the statement attached.
- (x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
- (xi) The Company has no dues to any financial institution or bank or debenture holders.
- (xii) The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The Company is not a chit/nidhi/mutual benefit fund/society.
- (xiv) Proper records have been maintained of the transactions and contracts in relation to investments and timely entries have been made therein. We also report that the company has held the investments in its own name.
- (xv) The Company has given a guarantee for loan taken by the wholly owned subsidiary. The terms and conditions are not prejudicial to the company.

- (xvi) The Company has not obtained any term loans.
- (xvii) The Company has not raised any fund on short-term basis.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The Company has not issued any debentures during the year.
- (xx) The Company has not raised any money by public issues during the year.
- (xxi) Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For **N. M. Raiji & Co.,**
Chartered Accountants
Registration No: 108296W

CA.Y N Thakkar
Partner

Place : Mumbai
Date : 20th April 2011

Membership No: 33329

Statement forming part of Audit Report clause (ix) (b)

Name of the Statute	Nature of Dues and Period	Rs. in Crores	Forum where dispute is pending
Income Tax Act' 1961	<u>Income Tax and Interest thereon</u> Financial Year 2005-2006	10.42	Commissioner of Income Tax (Appeals)
	Financial Year 2006-2007	20.69	Commissioner of Income Tax (Appeals)
Finance Act 1994	<u>Service Tax, Penalty and Interest thereon</u> Financial Years 2005-2006 to 2008-2009	6.77	Customs , Excise and Service Tax Appellate Tribunal
		37.88	

For **N. M. Raiji & Co.,**
Chartered Accountants
Registration No: 108296W

CA.Y N Thakkar
Partner

Place : Mumbai
Date : 20th April 2011

Membership No: 33329

Sonata Software Limited

BALANCE SHEET AS AT 31ST MARCH, 2011

(Rs.)

	SCHEDULE	AS AT 31.03.2011	AS AT 31.03.2010
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	105,159,306	105,159,306
Reserves and Surplus	2	3,033,900,939	2,816,532,736
		3,139,060,245	2,921,692,042
TOTAL FUNDS EMPLOYED		3,139,060,245	2,921,692,042
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	3	959,420,662	861,970,163
Less : Depreciation		641,322,726	549,727,330
Net Block		318,097,936	312,242,833
Capital work-in-progress & advances		36,345,208	3,950,001
		354,443,144	316,192,834
INVESTMENTS	4	1,157,483,664	1,198,082,482
DEFERRED TAX ASSET		49,611,882	54,905,085
CURRENT ASSETS, LOANS & ADVANCES			
Sundry Debtors	5	603,553,673	561,056,772
Cash & Bank Balances	6	387,503,791	248,208,986
Other Current Assets	7	22,029,681	25,913,177
Loans and Advances	8	926,410,153	833,396,263
		1,939,497,298	1,668,575,198
Less :CURRENT LIABILITIES & PROVISIONS			
Current Liabilities	9	223,813,126	202,450,397
Provisions	10	138,162,617	113,613,160
		361,975,743	316,063,557
NET CURRENT ASSETS		1,577,521,555	1,352,511,641
TOTAL FUNDS APPLIED		3,139,060,245	2,921,692,042
NOTES FORMING PART OF ACCOUNTS	13		

As per our Report annexed

For and on behalf of the Board

For N M RAIJI & Co.

Chartered Accountants

CA.Y N THAKKAR

Partner

Membership No: 33329

PRADIP P SHAH

Chairman

S B GHIA

Director

M D DALAL

Executive Vice Chairman

B RAMASWAMY

Managing Director
& President

VIREN RAHEJA

Director

S N TALWAR

Director

BRIJENDRA K. SYNGAL

Director

P SRIKAR REDDY

Executive Vice President
& Chief Operating Officer

R SATHYANARAYANA

AVP - Finance & Accounts

PRAVEEN KUMAR D

Company Secretary

Mumbai, 20th April, 2011

Sonata Software Limited

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

(Rs.)

	SCHEDULE	YEAR ENDED 31.03.2011	YEAR ENDED 31.03.2010
INCOME			
Services (Net)		2,503,632,733	2,360,942,195
Other Income	11	57,370,512	52,802,059
Total Income		2,561,003,245	2,413,744,254
EXPENDITURE			
Operating and Other Expenses	12	1,822,305,525	1,718,945,495
Depreciation		95,836,964	77,664,907
		1,918,142,489	1,796,610,402
Profit Before Tax		642,860,756	617,133,852
Provision for Tax		107,044,946	104,996,236
MAT credit		(82,804,684)	(89,892,126)
Profit After Tax		618,620,494	602,029,742
Add : Balance of Profit brought forward from previous year		1,630,332,952	1,307,131,399
Disposable Surplus		2,248,953,446	1,909,161,141
Appropriations:			
Proposed Dividend		105,159,306	84,127,445
Interim Dividend		105,159,306	94,643,375
Provision for Dividend Tax		34,525,377	30,057,369
Transfer to General Reserve		70,000,000	70,000,000
Surplus carried to Balance Sheet		1,934,109,457	1,630,332,952
		2,248,953,446	1,909,161,141
NOTES FORMING PART OF ACCOUNTS			
	13		
EPS - Basic (on Re.1/- per share)		5.88	5.72
EPS - Diluted (on Re.1/- per share)		5.88	5.72

As per our Report annexed

For and on behalf of the Board

For N M RAIJI & Co.

Chartered Accountants

CA.Y N THAKKAR

Partner

Membership No: 33329

PRADIP P SHAH

Chairman

B RAMASWAMY
Managing Director
& President

BRIJENDRA K. SYNGAL
Director

PRAVEEN KUMAR D
Company Secretary

S B GHIA

Director

VIREN RAHEJA
Director

P SRIKAR REDDY
Executive Vice President
& Chief Operating Officer

M D DALAL

Executive Vice Chairman

S N TALWAR
Director

R SATHYANARAYANA
AVP - Finance & Accounts

Mumbai, 20th April, 2011

Sonata Software Limited

SCHEDULES ATTACHED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2011

(Rs.)

	AS AT 31.03.2011	AS AT 31.03.2010
SCHEDULE 1 : SHARE CAPITAL		
Authorised :		
150,000,000 Equity Shares of Re.1/- each (Previous year 150,000,000 Equity Shares of Re.1/- each)	<u>150,000,000</u>	<u>150,000,000</u>
Issued :		
105,159,306 Equity Shares of Re.1/- each (Previous year 105,159,306 Equity Shares of Re.1/- each)	<u>105,159,306</u>	<u>105,159,306</u>
Subscribed and Paid-Up :		
105,159,306 Equity shares of Re.1/- each fully paid-up (Previous year 105,159,306 Equity Shares of Re.1/- each)	<u>105,159,306</u>	<u>105,159,306</u>
Of the above :		
(1) 17,500,000 shares have been allotted as fully paid pursuant to a contract without payment being received in cash.		
(2) 42,270,800 equity shares of Re. 1/- each, fully paid up, have been allotted as bonus shares by capitalization of balance in Profit & Loss Account.		
SCHEDULE 2 : RESERVES AND SURPLUS		
Securities Premium Account	450,924,411	450,924,411
General Reserve		
Balance brought forward	548,154,246	478,154,246
Add: Transferred from Profit and Loss account	<u>70,000,000</u>	<u>70,000,000</u>
	618,154,246	548,154,246
Profit and Loss Account	1,934,109,457	1,630,332,952
Hedging Reserve	<u>30,712,825</u>	<u>187,121,127</u>
	3,033,900,939	2,816,532,736

SCHEDULE 3: FIXED ASSETS

Assets	Gross Block				Depreciation				Net Block
	Cost as at 01.04.2010	Additions	Deductions/ Adjustments	Cost as at 31.03.2011	As at 01.04.2010	For the Year	Deductions/ Adjustments	As at 31.03.2011	As at 31.03.2011
Leasehold Land	35,200,000 (35,200,000)	- (-)	- (-)	35,200,000 (35,200,000)	1,256,195 (179,592)	1,076,316 (1,076,603)	- (-)	2,332,511 (1,256,195)	32,867,489 (33,943,805)
Buildings	15,493,000 (15,493,000)	- (-)	- (-)	15,493,000 (15,493,000)	2,462,167 (2,209,631)	252,536 (252,537)	- (-)	2,714,703 (2,462,168)	12,778,297 (13,030,833)
Leasehold Improvements	162,517,565 (98,026,180)	31,041,357 (64,491,385)	- (-)	193,558,922 (162,517,565)	71,640,368 (48,254,063)	29,459,875 (22,332,949)	- (-1,053,356)	101,100,243 (71,640,368)	92,458,679 (90,877,197)
Plant & Machinery	426,538,935 (381,900,076)	59,500,497 (64,426,338)	7,040,171 (19,787,479)	478,999,261 (426,538,935)	331,334,185 (311,053,904)	49,114,853 (38,112,855)	4,047,962 (17,832,574)	376,401,076 (331,334,185)	102,598,185 (95,204,750)
Furniture & Fixtures	108,557,468 (108,234,338)	5,720,658 (2,391,776)	139,998 (2,068,646)	114,138,128 (108,557,468)	87,032,660 (81,498,241)	6,232,342 (6,615,280)	98,489 (1,080,861)	93,166,513 (87,032,660)	20,971,615 (21,524,808)
Motor Car & Vehicles	14,307,649 (11,148,328)	2,323,227 (3,159,321)	- (-)	16,630,876 (14,307,649)	7,390,755 (5,659,177)	2,209,355 (1,731,578)	- (-)	9,600,110 (7,390,755)	7,030,766 (6,916,894)
Air Conditioners & Other Equipments	99,355,546 (82,220,112)	6,166,429 (17,135,434)	121,500 (-)	105,400,475 (99,355,546)	48,611,000 (41,067,894)	7,491,687 (7,543,106)	95,117 (-)	56,007,570 (48,611,000)	49,392,905 (50,744,546)
TOTAL	861,970,163 (732,222,034)	104,752,168 (151,604,254)	7,301,669 (21,856,125)	959,420,662 (861,970,163)	549,727,330 (489,922,502)	95,836,964 (77,664,907)	4,241,568 (17,860,079)	641,322,726 (549,727,330)	318,097,936 (312,242,833)
Capital work in progress & advances									36,345,208 (3,950,001)
GRAND TOTAL									354,443,144 (316,192,834)

Notes:

- Figures in brackets pertain to previous year
- Buildings include cost of shares Rs. 7,000 (Previous year Rs.7,000)
- Plant and Machinery includes Computer and Software.

		(Rs.)
	AS AT 31.03.2011	AS AT 31.03.2010
SCHEDULE 4 : INVESTMENTS		
LONG TERM (AT COST) TRADE, UNQUOTED IN SUBSIDIARY COMPANIES		
3,375,394 Equity shares of Rs.10/- each in Sonata Information Technology Limited (fully paid) <i>[Previous year 3,375,394 Equity Shares of Rs. 10/- each - fully paid]</i>	33,753,940	33,753,940
300,000 Equity Shares in Sonata Software North America Inc., USA (formerly Offshore Digital Services Inc. California) (fully paid) <i>[Previous year 300,000 Equity Shares - fully paid]</i>	12,232,184	12,232,184
2 shares of Euro 12,500 each in Sonata Software GmbH, Germany (fully paid) <i>[Previous year : 2 shares of Euro 12,500 each fully paid]</i>	3,166,234	3,166,234
671,700 Equity shares of 1 Pound each in Sonata Europe Ltd, UK (fully paid) <i>[Previous year : 671,700 Equity Shares of 1 pound each fully paid]</i>	57,281,788	57,281,788
120,49,100 2% non-cumulative convertible redeemable preference shares of 1 Pound each in Sonata Europe Ltd, UK-fully paid <i>[Previous year : 120,49,100 Shares of 1 fully paid]</i>	995,034,086	995,034,086
Sonata Software FZ LLC 500 Equity shares of 1000 AED each fully paid <i>[Previous year : 500 Equity shares of 1000 AED each fully paid]</i>	6,614,250	6,614,250
SHORT TERM UNITS (NONTRADE - UNQUOTED)		
Reliance Medium Term Fund <i>(Previous year - 2,924,677.847 units at Rs. 17.0959 per unit)</i>	-	50,000,000
Reliance Money Manager Fund <i>12794.803 units at Rs.1001.3715 per unit (Previous year - Nil)</i>	12,812,351	-
Birla Sun Life - Liquid Plus <i>3656396.723 units at Rs.10.0068 per unit (Previous year - 3,997,281.848 units at Rs. 10.0068 per unit)</i>	36,588,831	40,000,000
	1,157,483,664	1,198,082,482
Aggregate cost of unquoted Investments	1,157,483,664	1,198,082,482
Aggregate cost of quoted Investments	-	-
Market value of quoted investments	-	-
SCHEDULE 5 : SUNDRY DEBTORS		
Unsecured		
Debts outstanding for a period exceeding six months		
Considered Good	15,541,459	14,017,039
Considered Doubtful	23,392,959	37,357,807
	38,934,418	51,374,846
Other debts : Considered Good	588,012,214	547,039,733
	626,946,632	598,414,579
Less : Provision for Doubtful Debts	23,392,959	37,357,807
	603,553,673	561,056,772

	(Rs.)	
	AS AT 31.03.2011	AS AT 31.03.2010
SCHEDULE 6 : CASH AND BANK BALANCES		
Cash and Cheques on hand	214,768	236,886
Balances with Scheduled Banks		
In Current Accounts	315,918,437	117,592,447
In Deposit Accounts	-	63,274,250
In Unclaimed Dividend Account	7,720,010	6,242,148
Balances with other banks in current account		
Bank of America, New York, USA	33,512,221	30,037,465
(Maximum balance held during the year Rs. 75,746,206 Previous year Rs. 84,824,586)		
PNC Bank N A, New Jersey, USA	674,010	775,929
(Maximum balance held during the year Rs. 20,744,839 Previous year Rs. 11,278,717)		
Hong Kong and Shanghai Banking Corporation, Singapore	159,596	190,683
(Maximum balance held during the year Rs. 518,054 Previous year Rs. 415,691)		
Hong Kong and Shanghai Banking Corporation, London, UK	25,218,729	18,578,733
(Maximum balance held during the year Rs. 38,705,207 Previous year Rs. 60,057,452)		
Hong Kong and Shanghai Banking Corporation, London, UK-Imprest A/c	3,898,680	11,280,445
(Maximum balance held during the year Rs. 22,886,884 Previous year Rs. 20,341,781)		
ING Business Banking, Netherlands	187,340	-
(Maximum balance held during the year Rs. 6,33,000 Previous year Nil)		
	387,503,791	248,208,986
SCHEDULE 7 : OTHER CURRENT ASSETS		
Income Accrued but not due	22,029,681	25,913,177
SCHEDULE 8 : LOANS AND ADVANCES		
Unsecured		
(Considered good, unless otherwise stated)		
Inter Corporate Deposit in subsidiary	194,000,000	165,000,000
Advances recoverable in cash or in kind or for value to be received :		
From Subsidiary Companies	96,722,352	15,147,605
Others*	224,090,423	341,727,907
	514,812,775	521,875,512
Advance payment of tax (net of provisions)	411,597,378	311,520,751
	926,410,153	833,396,263
*Advances Include due from Directors & officer : Rs. 82,194 Previous year : Rs. 251,155 Maximum due during the year : Rs. 391,979 Previous year : Rs. 276,037		
SCHEDULE 9 : CURRENT LIABILITIES		
Sundry Creditors		
Micro and Small Enterprises	-	-
Others	73,841,600	58,706,472
	73,841,600	58,706,472
Other Liabilities	142,251,516	136,964,968
Investor Education and Protection Fund (Not Due)	7,720,010	6,778,957
	223,813,126	202,450,397
SCHEDULE 10 : PROVISIONS		
Compensated Absences	15,943,843	15,512,988
Dividend	105,159,306	84,127,445
Dividend Tax	17,059,468	13,972,727
	138,162,617	113,613,160

	(Rs.)	
	YEAR ENDED 31.03.2011	YEAR ENDED 31.03.2010
SCHEDULE 11 : OTHER INCOME		
Interest received - Gross	27,206,265	36,703,010
(Tax Deducted at Source Rs. 2,239,232 Previous period Rs. 386,698)		
Provisions no longer required (Net)	1,113,279	2,098,659
Dividend Received	8,252,940	2,424,940
Miscellaneous Income	20,798,028	11,575,450
	57,370,512	52,802,059
SCHEDULE 12 : OPERATING AND OTHER EXPENSES		
Salaries, Wages, Bonus and Allowances	1,409,260,135	1,198,997,442
(Including Directors' remuneration)		
Contribution to Provident Fund and other Funds	96,404,966	58,229,995
Staff Welfare Expenses	14,918,034	15,438,798
	1,520,583,135	1,272,666,235
Less : Deputation recovered from subsidiary	121,310,317	110,782,495
	1,399,272,818	1,161,883,740
Power and Fuel	44,348,143	36,012,268
Rent	89,444,591	71,241,856
Rates & Taxes	646,910	1,107,155
Insurance	27,428,952	25,480,147
Repairs to :		
Plant and Machinery	6,654,984	3,714,277
Buildings	1,436,955	1,104,116
Others	31,687,602	31,086,182
	39,779,541	35,904,575
Travelling and Conveyance Expenses	150,048,687	106,761,690
Subsistence/Living Cost	193,688,817	196,259,949
Legal, Professional and Technical Fees	91,846,805	53,125,369
Sales Commission	8,053,073	7,984,883
Communication Cost	29,719,474	32,191,516
Auditor's Remuneration :		
Audit Fees	500,000	500,000
Certification	323,000	445,000
Out of pocket expenses	-	28,631
	823,000	973,631
Bad debts	20,826,445	-
Provision for doubtful debts written back	20,826,445	-
	-	-
Provision for doubtful debts	5,649,944	21,073,432
Miscellaneous Expenses	70,705,992	49,204,230
Foreign Exchange Variation (Net)	(168,204,484)	48,996,552
Loss on Sales of Fixed Assets (Net)	2,551,957	1,408,766
Loss on Sale of Investments	7,196	-
	1,985,811,416	1,849,609,759
Less : Service charges recovered from subsidiary	163,505,891	130,664,264
	1,822,305,525	1,718,945,495

SCHEDULE 13 : NOTES FORMING PART OF THE ACCOUNTS**1 (i) BASIS FOR PREPARATION OF FINANCIAL STATEMENTS**

The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles ('GAAP') under the historical cost convention on accrual basis.

(ii) SIGNIFICANT ACCOUNTING POLICIES**a) FIXED ASSETS AND DEPRECIATION**

Fixed assets are stated at cost less depreciation. For this purpose cost comprises of cost of acquisition and all costs directly attributable to bringing the asset to the present condition for its intended use.

Depreciation has been provided on Building and Plant and Machinery, on straight line basis and on other assets on written down value at the rate specified in Schedule XIV of the Companies Act, 1956, (as amended), or at the rates as per company's depreciation policy for the following items:

Rates of Depreciation

	<u>Sch. XIV Rate</u>	<u>Rate Adopted</u>
Computers and Software	16.21%	33.33 %

Leasehold improvements and Leasehold Land are stated at cost and are amortized over the lease period.

b) INVESTMENTS

Long term investments are stated at cost. Provision for diminution in long term investments is made, if it is permanent.

Investments that are readily realizable and intended to be held for not more than a year are classified as short term investments. Short term investments are stated at cost or fair market value, whichever is lower. All other investments are classified as long-term investments.

c) INVENTORIES

Software products developed/under development are stated at cost. Software development cost incurred on products ready for marketing are amortized equally over a period of three years or earlier based on Management's evaluation of expected sales volumes and duration of the products life cycle.

d) REVENUE RECOGNITION

Revenue from technical Service Contracts/Software Development are recognized on the basis of achievement of prescribed milestones as relevant to each contract or proportionate completion method as applicable.

e) FOREIGN CURRENCY TRANSACTIONS

Purchases and Services revenues are accounted at daily rates. Exchange fluctuations arising on payment or realization are dealt with in the Profit and Loss Account. Monetary Assets and Monetary Liabilities are restated at the year-end closing rate and any differences arising thereof have been dealt within the Profit and Loss Account to the extent it pertains to the current year.

f) DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING

The Company has adopted Accounting Standard 30 (AS 30) "Financial Instruments: Recognition and Measurement" for the year. Based on the Recognition and Measurement principles set out in the AS 30, changes in the fair values of derivative financial instruments designated as effective cash

flow hedges are recognized as "Hedging Reserve" directly in the Balance Sheet under Reserves and Surplus and later reclassified into Profit and Loss account upon the occurrence of the hedged transaction. Changes in the fair value of ineffective cash flow hedges are recognized in the Profit and Loss account as they arise.

g) EMPLOYEE BENEFITS**(i) Defined Contribution Plan**

Company's contributions paid/payable during the year to Superannuation Fund, ESIC, Pension Fund and Labour Welfare Fund are recognized in the Profit and Loss Account. There are no other obligations other than the contribution payable to the respective trust. Company's contribution towards Superannuation and ESIC is based on a percentage of salary which is made to an approved fund.

(ii) Defined Benefit Plan

Company's contribution towards Provident Fund is based on a percentage of salary which is made to an approved fund.

Company's contribution towards Gratuity is made to an approved fund as per actuarial valuation certificate obtained from an actuary which is determined using projected unit credit method.

(iii) Short term employee benefit

Short term employee benefits are recognized in the Profit and Loss account relating to the year in which the employee has rendered service.

(iv) Long term employee benefit

Long term compensated absences are provided as per actuarial valuation certificate obtained from an actuary which is determined using projected unit credit method.

(v) Actuarial gains/losses are immediately taken to Profit and Loss account and are not deferred.

(Rs.)

	<u>31.3.2011</u>	<u>31.3.2010</u>
2. Capital Commitments		
Estimated amount of contracts remaining to be executed and not provided (Net of advances)	93,591,779	68,778,332
3. Contingent Liabilities not provided for		
(I) Disputed Income Tax demands as explained below : (Inclusive of Interest Charged)	456,972,314	1,294,841,611
(a) The above amount represents demands raised by the Income Tax Officer at the initial assessment level for the Financial Years 2005-2006 and 2006-2007 with respect deductions sought under section 10A of the Income-Tax Act for new undertakings established by the Company. The Company has filed appeals to the Commissioner of Income Tax (Appeals) against the aforementioned demands.		
(b) The above does not include demands for earlier years relating to section 10A of the Income Tax, Act where the Company has received favorable orders from Income Tax Appellate Tribunal Mumbai. The Department has made an appeal for these years to the High Court of Mumbai which is yet to be admitted.		

The Supreme Court by its order of September 9, 2010 overruled the order of the High Court of Karnataka which had held that irrespective of the nature of payment, in the absence of a lower withholding order, income-tax had to be withheld on all payments made to overseas parties. Further the Supreme Court remanded the cases back to the High Court of Karnataka for a fresh review and to examine whether payments made to overseas parties for purchase of software was in the nature of 'Royalty' and if so whether tax had to be withheld on the same.

Based on the above Supreme Court order the following demands are not considered as contingent liability:

- i. Rs.15.79 crores as tax which had not been deducted by the Company on payments made to overseas parties for purchase of software for the Financial Years 1999-2000, 2000-2001 and 2001-2002. However, for these years one of the principal suppliers of software to the Company has paid Rs.8.79 crores out of the above demand.
- ii. Rs.77.38 crores of tax demand for the Financial Years 1996-97, 1997-98, 1998-1999 and 1999-2000 on account of disallowances of payments made for purchase of software on which tax had not been deducted at source. This demand is directly linked to outcome of the issue discussed in point (i) above

(Rs.)

	31.03.2011	31.03.2010
(II) KVAT from Commercial tax department	6,813,800	6,813,800
(III) Service Tax (Inclusive of Penalty and Interest Charged)	67,653,029	-

The Service Tax Department has raised a demand by classifying 'Information Technology Consulting Services' rendered by the Company to its domestic clients as 'Manpower Recruitment or Supply Agency Services'. The latter service classification brings service rendered by the Company to its domestic clients within the ambit of Service Tax. The Company has contested this re-classification of services and has filed an appeal before the Appellate Authorities. One of the clients has indemnified the Company for any demands that may arise on account of service tax liability up to an amount of Rs.2.37 Crores.

(IV) Claims against the Company not acknowledged as debts	6,970,461	6,970,461
(V) (a) The Company has given corporate guarantee to IBM Ltd on behalf of Sonata Information Technology Limited for a value of Rs.5 Crores.		

- (b) The Company has provided an indemnity of US\$ 0.5 million to Standard Chartered Bank, India to cover working capital limits provided by Standard Chartered Bank, Dubai to Sonata Software FZ LLC, Dubai.

4. Remuneration and perquisites to Directors		
Salaries	14,025,750	12,705,000
Contribution to Provident fund & Superannuation fund	2,168,775	1,927,800
Actual reimbursement of medical expenses and LTA	485,000	670,000
Other perquisites as calculated under Income Tax Act, 1961	164,155	197,986
Commission	19,377,925	19,038,734
Total	36,221,605	34,539,520

5. Computation of Net Profit in accordance with Section 309(5) of the Companies Act, 1956 :

(Rs.)

	31.03.2011	31.03.2010
Profit before taxes as per Profit and Loss Account	642,860,756	617,133,852
Add :		
1. Directors' Remuneration	36,221,605	34,539,520
2. Provision for Doubtful debts	5,649,944	21,073,432
3. Depreciation as per books of account	95,836,964	77,664,907
TOTAL (A)	780,569,269	750,411,711
Less :		
Depreciation as envisaged under 350 of the Companies Act*	95,836,964	77,664,907
TOTAL (B)	95,836,964	77,664,907
Net Profit as per Section 309(5)(A-B)	684,732,305	672,746,804
10% of eligible profit	68,473,230	67,274,680
Commission on Net Profit to:		
Managing Director@ 1.00%	6,847,323	6,727,468
Whole time Director@ 0.33%	2,259,617	2,220,064
Whole time Director@ 0.50%	3,423,662	3,363,734
Non Whole time Directors @1.00%	6,847,323	6,727,468
	19,377,925	19,038,734

*Depreciation on Computers and Software are based on estimated useful lives. The rates of depreciation used by the company for Computers and Software are higher than the minimum rates prescribed by schedule XIV.

6. Value of imports calculated on CIF basis		
Capital Goods	12,119,744	32,070,586
7. Expenditure incurred in foreign currency on account of		
Travelling	74,231,944	63,223,458
Subsistence / Living cost	193,688,817	196,259,949
Overseas Salaries	17,633,769	51,840,536
Professional charges	46,280,768	35,347,303
Others	37,625,883	35,671,278
	369,461,181	382,342,524
8. Earnings in foreign exchange		
Software services rendered (Net)	2,503,632,733	2,360,942,195
Other Income	7,782,745	1,480,297

9. Income from Services includes gain on account of exchange fluctuation of Rs.1,350,965 for the current year ended 31st March, 2011 (Previous year loss Rs. 40,692,853)

10. Provision for taxation for the year ended 31st March 2011 consists of the following :

Income Tax	Rs.
Domestic	104,567,502 (99,994,568)
Foreign	-616,178 (-)
Provision for Tax for earlier years written back (Net)	-4,284,338 (-14,409,351)
Deferred Tax	
Domestic	7,330,960 (19,368,799)
Wealth Tax	47,000 (42,220)
Total	107,044,946 (104,996,236)

11. Deferred tax Asset (net) charged to the Profit and Loss Account for the year ended 31st March, 2011 amounts to Rs. -5,293,203 (Rs.21,913,800) which includes foreign exchange gain Rs. 2,037,757 (Loss of Rs. 2,545,001). Significant Components of the Company's Deferred Tax Asset are as follows :

	DTA	DTL	Net DTA/DTL
Carry Forward Loss	40,836,058 (57,712,523)	- (-)	40,836,058 (57,712,523)
Others	8,775,824 (1,944,760)	- (4,752,198)	8,775,824 (-2,807,438)
Total	49,611,882 (59,657,283)	- (4,752,198)	49,611,882 (54,905,085)

12. The working capital facility of the company are secured by hypothecation of inventories, book debts, moveable assets and receivables both present and future.

13. NOTE ON AS 30 ADOPTION :

Accounting Standard 30, (AS 30) Financial Instruments: Recognition and Measurement was issued by the Institute of Chartered Accountants of India (ICAI) in December 2007. AS 30 becomes recommendatory in respect of accounting periods commencing on or after April 1 2009 and mandatory in respect of accounting periods commencing on or after April 1 2011. ICAI has announced that the earlier adoption of AS 30 is encouraged. From the accounting year 2008-09, the Company has early adopted Accounting Standard 30 (AS 30) "Financial Instruments: Recognition and Measurement".

From the year 2008-09 the Company applied the recognition and measurement principles as set out in AS 30 in accounting derivatives. Changes in fair values of derivative financial instruments designated as effective cash flow hedges were recognized directly into Hedging Reserve in the Balance Sheet under Reserves and Surplus and reclassified into Profit and Loss account upon the occurrence of the forecasted hedged transaction.

As at 31st March 2011, the Company recognized Rs. 307.13 Lacs (Previous year Rs.1871.21 Lacs) into "Hedging Reserve" due to changes in fair value of the effective cash flow hedges.

14. Related Party Transactions :

- a) The list of related parties and nature of their relationship is disclosed in the annexure
b) Transactions with related parties are as under :

Remuneration of Directors & Key managerial Persons

(Rs.)

Name	Salaries *	Commission provided during the year	Grand total
B Ramaswamy	9,733,641 (8,847,126)	6,847,324 (6,727,468)	16,580,965 (15,574,594)
P Srikar Reddy	7,110,039 (6,653,660)	3,423,662 (3,363,734)	10,533,701 (10,017,394)
M D Dalal		2,259,617 (2,220,063)	2,259,617 (2,220,063)
S B Ghia		1,369,465 (1,345,494)	1,369,465 (1,345,494)
Viren Raheja		1,369,465 (1,345,494)	1,369,465 (1,345,494)
Pradip P Shah		1,369,465 (1,345,494)	1,369,465 (1,345,494)
S N Talwar		1,369,465 (1,345,494)	1,369,465 (1,345,494)
B K Syngal		1,369,465 (1,345,494)	1,369,465 (1,345,494)

* Salaries include taxable value of perquisites

Other Related Parties :

Sonata Information Technology limited (SITL) is a company incorporated in India. SITL is a wholly owned subsidiary of SSL and both the Companies have three common directors. Amounts included in the financial statements of the Company are in relation to administrative services, normal business transactions with SITL, as given below :

Sonata Software Limited

Schedules (Contd.)

(Rs.)

Particulars	Opening Balance as on 01.04.10	Transaction during the year	Amount received/paid during the year	Closing Balance as on 31.03.11
Purchase	- (-)	13,564,970 (24,293,864)	13,564,970 (24,293,864)	- (-)
Deputation Cost	13,568,370 (1,679,556)	121,310,317 (110,782,495)	101,952,358 (98,893,681)	32,926,329 (13,568,370)
Salary				
Others	- (-)	9,537,813 (-)	9,537,813 (-)	- (-)
Service charges	- (-)	163,505,891 (130,664,264)	121,583,732 (130,664,264)	41,922,159 (-)
Inter Corporate Deposit given	165,000,000 (-)	1,489,000,000 (715,000,000)	1,460,000,000 (550,000,000)	194,000,000 (165,000,000)
Interest on Inter Corporate Deposit given	- (-)	21,925,636 (12,332,468)	21,925,636 (12,332,468)	- (-)
Others	1,579,235 (4,257,684)	293,708,442 (21,794,107)	278,993,352 (24,472,556)	16,294,325 (1,579,235)

The Company has given corporate guarantee to IBM Ltd on behalf of Sonata Information Technology Limited for a value of Rs.5 Crores.

Sonata Software North America Inc. a company incorporated in California, United States of America, is engaged in the development of computer software and marketing. Sonata holds 100% of the equity of Sonata Software North America Inc. Under an agreement with Sonata Software North America Inc. Sonata shall develop computer programs. Sonata has the necessary skills and capabilities to meet the Sonata Software North America Inc. software development requirements from its off-shore development center in India. Transactions with the Company included in the financial statements as on 31st March, 2011 are as follows :

(Rs.)

Particulars	Opening balance as at 01.04.10	Transaction during the year	Amount received /paid/ adjusted during the year	Closing balance as on 31.03.11
Receivable	239,155,150 (128,323,990)	902,860,838 (566,232,408)	854,666,345 (455,401,248)	287,349,643 (239,155,150)
Living/Subsistence allowance payable	4,814,735 (5,295,211)	70,334,592 (43,555,884)	70,066,795 (44,036,360)	5,082,532 (4,814,735)
Travelling Expenses	782,580 (956,841)	3,199,127 (6,542,614)	3,981,707 (6,716,875)	- (782,580)
Assets Purchased	55,570 (-)	- (120,728)	55,570 (65,158)	- (55,570)
Others	5,352,128 (5,753,069)	18,288,434 (49,197,669)	20,962,809 (49,598,610)	2,677,753 (5,352,128)

Sonata Software GmbH, a company incorporated in Germany, is engaged in development of computer programming services. Sonata holds 100% equity in Sonata GmbH. Transactions with the Company included in the financial statements as on 31st March, 2011 are as follows :

(Rs.)

Particulars	Opening balance as at 01.04.10	Transaction during the year	Amount received/ paid/adjusted during the year	Closing balance as at 31.03.11
Receivable	11,835,193 (-)	35,103,688 (53,346,999)	37,155,682 (41,511,806)	9,783,199 (11,835,193)
Reimbursement of Expenses	361,018 (1,250,277)	1,792,860 (2,828,332)	830,563 (3,717,591)	1,323,315 (361,018)

Sonata Europe Limited, a company incorporated under the Registrar of Companies, England and Wales, United Kingdom, is engaged in software development services. Sonata holds 100% equity in Sonata Europe Limited. Transactions with the Company included in the financial statements as on 31st March, 2011 are as follows :

(Rs.)

Particulars	Opening balance as at 01.04.10	Transaction during the year	Amount received/ paid during the year	Closing balance as at 31.03.11
Receivable	8,479,263 (478,764)	2,639,096 (14,659,668)	10,732,165 (66,59,169)	386,194 (8,479,263)
Reimbursement of Expenses	- (663,384)	270,280 (-)	270,280 (663,384)	- (-)

TUI InfoTec, a company incorporated in Germany, is engaged in software development and infrastructure management. Sonata holds 50.1% equity in TUI InfoTech. Transactions with the Company included in the financial statements as on 31st March, 2011 are as follows :

(Rs.)

Particulars	Opening balance as at 01.04.10	Transaction during the year	Amount received/ paid during the year	Closing balance as at 31.03.11
Receivable	14,423,614 (14,425,564)	247,045,878 (295,740,182)	248,293,392 (295,742,132)	13,176,100 (14,423,614)
Others	569,395 (719,963)	1,963,405 (2,486,142)	2,036,743 (2,636,710)	496,057 (569,395)

Sonata Software FZ LLC, a company incorporated under the Registrar of Companies, The Dubai Technology and Media Free Zone Authority, Dubai, is engaged in software development services. Sonata holds 100% equity in Sonata Software FZ LLC. Transactions with the Company included in the financial statements as 31st March, 2011 as follows :

(Rs.)

Particulars	Opening balance as at 01.04.10	Transaction during the year	Amount received (paid) /adjusted during the year	Closing balance as at 31.03.11
Receivable	50,759,841 (6,540,171)	105,502,208 (75,215,687)	89,343,430 (30,996,017)	66,918,619 (50,759,841)
Reimbursement of Expenses	2,301,596 (4,574,915)	9,141,773 (3,963,418)	3,851,739 (6,236,737)	7,591,630 (2,301,596)

15. Employee Benefits :**(a) Gratuity**

Defined benefit plan (Funded) - As per actuarial valuation as on March 31st, 2011

(Rs.)

I Change in Obligation during the year ended March 31, 2011		31.03.2011	31.03.2010
1	Present value of Defined Benefit Obligation at beginning of the year	69,289,040	64,955,440
2	Current Service Cost	10,243,981	10,440,040
3	Interest Cost	5,716,346	5,497,350
4	Actuarial (Gains)/Losses	16,312,459	(7,408,828)
5	Benefits Paid	(9,990,201)	(4,194,962)
6	Present value of Defined Benefit Obligation at the end of the year	91,571,625	69,289,040
II Change in Assets during the year ended March 31, 2011			
1	Plan assets at the beginning of the year	83,409,111	66,508,077
2	Actual benefits paid	(9,990,201)	(4,194,962)
3	Expected return on plan assets	6,672,729	5,587,968
4	Contributions by Employer	13,743,153	5,439,005
5	Actuarial Gains/(Losses)	(1,680,031)	10,069,023
6	Plan Assets at the end of the year	92,154,761	83,409,111
III Net Asset/(Liability) recognised in the Balance Sheet as at March 31, 2011			
1	Present Value of Defined Benefit Obligation as at March 31, 2011	(91,571,625)	69,289,040
2	Fair value of plan assets as at March 31, 2011	92,154,761	83,409,111
3	Fund status Surplus/(Deficit)	583,136	14,120,071
4	Net Assets/(Liability) as at March 31, 2011	583,136	14,120,071
IV Expenses recognised in the statement of Profit & Loss for the year ended March 31, 2011			
1	Current Service Cost	10,243,981	10,440,040
2	Interest Cost	5,716,346	5,497,350
3	Expected return on plan assets	(6,672,729)	(5,587,968)
4	Net Actuarial (Gains)/Losses	17,992,490	(17,477,851)
5	Total Expense	27,280,088	(7,128,429)
V The major categories of plan assets as a percentage of total plan			
	Insurer Managed Funds	100%	100%
VI Actuarial Assumptions:			
1	Discount Rate	8.25%	8.25%
2	Expected rate of return on Plan assets	8%	8%
3	Mortality table	LIC (1994-96) Ultimate	LIC (1994-96) Ultimate
4	Retirement Age	60 Years	60 Years

Amount recognized as an expense and included in schedule 12 under "Contribution to Provident Fund and Other Funds"

(b) **Provident Fund** : The Guidance issued by the Accounting standard Board (ASB) on implementing AS-15, Employee benefits (revised 2005) states that provident funds set up by employers which requires interest short fall to be met by the employer, needs to be treated as defined benefit plan. Pending the issuance of the Guidance Note from the Actuarial Society of India, the Company's actuary has expressed his inability to reliably measure the future obligation arising due to interest shortfall (i.e. government interest to be paid on provident fund scheme exceeds rate of interest earned on investment) hence information not furnished.

(c) **Basis used to determine expected rate of return on assets**

The expected return on planned assets is based on market expectation at the beginning of the period for returns over the entire life of the related obligation. The Gratuity Scheme is invested in Group Gratuity Scheme with HDFC Standard Life Insurance Company Limited. The expected return on assets assumption is taken based on current market yield.

(d) The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority promotion and other relevant factors, such as supply and demand in the employment market.

(e) Amounts for the current annual period and previous three annual periods are as follows :

(Rs.)

	31.03.2011	31.03.2010	31.03.2009
Present value of Defined benefit obligation	91,571,625	69,289,040	64,955,440
Fair Value of Plan Assets	92,154,761	83,409,111	66,508,077
Surplus / (deficit)	583,136	14,120,071	1,552,637

(f) Estimated Contribution for the next year on account of gratuity is Rs. 11,145,118 (Nil).

(g) Contribution/Provisions to superannuation, Pension and other funds stated under defined contribution plan is Rs. 35,230,035 (Rs. 31,196,203)

16. There are no Micro, Small and Medium Enterprises, as defined in the Micro, Small, Medium Enterprises Development Act, 2006 to whom the company owes dues on account of principal amount together with interest and accordingly no additional disclosures have been made.

The above information regarding Micro, Small and Medium Enterprises has been determined to the extent; such parties have been identified on the basis of information available with the company. This has been relied upon by the auditors.

17. Details of movement of Investments during the Financial Year 2010 - 2011

(Rs.)

	Funds	Opening Value	Purchases during the Year	Sales during the Year	Closing Balance
1	Reliance Medium Term Fund	50,000,000	546,142,657	596,142,657	-
2	Birla Sunlife Liquid Plus Fund	40,000,000	572,783,701	576,194,870	36,588,831
3	Reliance Money Manager Fund		1,154,521,908	1,141,709,557	12,812,351
4	Reliance Liquidity Fund		205,052,917	205,052,917	-
5	Reliance Monthly Interval Fund		80,369,975	80,369,975	-
6	Birla Sunlife cash plus Fund		140,034,437	140,034,437	-
6	DWS Insta Cash plus Fund		20,120,362	20,120,362	-
	Total	90,000,000	2,719,025,957	2,759,624,775	49,401,182

18. Earnings Per Share

Particulars	2010-11	2009-10
Profit attributable to equity shareholders (Rs)	618,620,494	602,029,742
Weighted average number of Equity Shares of Re.1/- each (No.of Shares)	105,159,306	105,159,306
Earnings Per Share – basic and diluted (Rs)	5.88	5.72

19. Operating Leases

The Company has various operating leases for office facilities and residential premises for employees that are renewable on a yearly basis, and cancellable at its option. Rental expenses for operating leases included in the Income statements for the year is Rs. 88,731,842 (Rs. 70,428,748).

As of 31st March, 2011 future minimum lease payments under non-cancellable operating leases for the period up to which the lease is non- cancellable are provided below :

(Rs.)

Year	Amount
2011-2012	49,540,859
2012-2013	36,550,419
2013-2014	23,022,755

20. Previous year's figures are shown in brackets and have been regrouped, wherever necessary to conform to current year's classification.

As per our Report annexed

For and on behalf of the Board

For N M RAJJI & Co.

Chartered Accountants

Y N THAKKAR

Partner

Membership No: 33329

PRADIP P SHAH

Chairman

B RAMASWAMY

Managing Director
& President

BRIJENDRA K. SYNGAL

Director

PRAVEEN KUMAR D

Company Secretary

S B GHIA

Director

VIREN RAHEJA

Director

P SRIKAR REDDY

Executive Vice President
& Chief Operating Officer

M D DALAL

Executive Vice Chairman

S N TALWAR

Director

R SATHYANARAYANA

AVP - Finance & Accounts

LIST OF RELATED PARTIES AND NATURE OF RELATIONSHIP

I. KEY MANAGERIAL PERSONS AND OTHER DIRECTORS AS ON 31.03.2011

1. **B Ramaswamy**, Managing Director & President
2. **P Srikar Reddy**, Executive Vice President & Chief Operation Officer
3. **M D Dalal**, Executive Vice Chairman
4. **Pradip P Shah**, Chairman
5. **S B Ghia**, Director
6. **Viren Raheja**, Director
7. **S N Talwar**, Director
8. **B K Syngal**, Director

II. OTHERS AS ON 31.03.2011

	List of related parties	Nature of Relationship
S B Ghia Director	Bhupati Investments & Finance Pvt. Ltd.	Significant Influence (through VIPL), Spouse Mrs.R S Ghia as Chairperson and brother's wife Mrs.V D Ghia as Director
	Chika Pvt. Ltd.	Son Mr.N S Ghia as Chairman
	Viraj Investments Pvt. Ltd. (VIPL)	Son as Chairman and Spouse, Brother's wife are Directors
M D Dalal Executive Vice Chairman	Daltreya Investment & Finance Pvt. Ltd.	Spouse & sister are Directors
Viren Raheja Director	Rajan B Raheja	Father
	Suman R Raheja	Mother
	Akshay R Raheja	Brother
	Excelsior Construction Pvt. Ltd.	100% shareholding by Mr.Rajan B Raheja & his family
	Gstaad Investments & Finance Pvt. Ltd.	100% shareholding by Mr.Rajan B Raheja & his family
	Trophy Investments & Finance Pvt. Ltd.	100% shareholding by Mr.Rajan B Raheja & his family
B Ramaswamy Managing Director & President	Sonata Information Technology Ltd.	Director
	TUI InfoTec GmbH, Germany	Member of Supervisory Board
	Sonata Software FZ LLC, Dubai	Director
P Srikar Reddy Executive Vice President & COO	Sonata Information Technology Ltd.	Director
	TUI InfoTec GmbH, Germany	Managing Director
	Sonata Software FZ LLC, Dubai	Director
Subsidiaries	Sonata Information Technology Ltd.	Wholly owned subsidiary of Sonata
	Sonata Software FZ LLC, Dubai	Wholly owned subsidiary of Sonata
	Sonata Software North America Inc., USA	Wholly owned subsidiary of Sonata
	Sonata Software GmbH, Germany	Wholly owned subsidiary of Sonata
	Sonata Europe Ltd, UK	Wholly owned subsidiary of Sonata
	TUI InfoTec GmbH, Germany	Subsidiary of Sonata

Note : Above disclosures have been made by the Directors pursuant to the legal opinion from M/s Kanga & Co, Solicitors.

Sonata Software Limited

Additional information pursuant to provisions of Part IV of Schedule VI to the Companies Act, 1956.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I Registration Details

Registration No.	82110	State Code	11
Balance Sheet Date	31.03.2011		

II Capital Raised During the Year (Rs.)

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

III Position of Mobilisation and Deployment of Funds (Rs.)

Total Liabilities	3,139,060,245	Total Assets	3,139,060,245
Sources of Funds			
Paid Up Capital	105,159,306	Reserves & Surplus	3,033,900,939
Secured Loans	NIL	Unsecured Loans	NIL
Deferred Tax Liability	NIL		
Application of Funds			
Net Fixed Assets	354,443,144	Investments	1,157,483,664
Net Current Assets	1,577,521,555	Deferred Tax Asset	49,611,882
Accumulated Losses	NIL	Misc. Expenditure	NIL

IV Performance of Company (Rs.)

Turnover	2,561,003,245	Total Expenditure	1,918,142,489
Profit Before Tax	642,860,756	Profit After Tax	618,620,494
Earning Per Share	5.88	Dividend Rate (Incl. Interim 100%)	200%

V Generic Names of Principal Products of the Company

Item Code No. (ITC CODE)	85249009.1
Product Description	Computer Software

As per our Report annexed

For N M RAIJI & Co.

Chartered Accountants

CA.Y N THAKKAR

Partner
Membership No: 33329

For and on behalf of the Board

PRADIP P SHAH

Chairman

B RAMASWAMY
Managing Director
& President

BRIJENDRA K. SYNGAL
Director

PRAVEEN KUMAR D
Company Secretary

S B GHIA

Director

VIREN RAHEJA
Director

P SRIKAR REDDY
Executive Vice President
& Chief Operating Officer

M D DALAL

Executive Vice Chairman

S N TALWAR
Director

R SATHYANARAYANA
AVP - Finance & Accounts

Mumbai, 20th April, 2011

Sonata Software Limited

CASH FLOW STATEMENT

(Rs.)

		YEAR ENDED 31.03.2011	YEAR ENDED 31.03.2010
A. CASH FLOW FROM OPERATING ACTIVITIES			
Net Profit before Tax		642,860,756	617,133,852
Adjustments for :			
Depreciation		95,836,964	77,664,907
Interest Income		(21,925,636)	(12,332,468)
Provision for Doubtful Debts		5,649,944	21,073,432
Excess Provisions no longer required (net)		(1,113,279)	(2,098,659)
Advances Written Off		1,856,653	-
(Profit)/Loss on sale of Fixed Assets		2,551,957	1,408,766
Dividend received		(8,252,940)	(2,424,940)
Operating Profit before Working Capital Changes		717,464,419	700,424,890
Adjustments for :			
Decrease/(Increase) in Sundry Debtors		(48,146,845)	(153,628,036)
Decrease/(Increase) in Other Current Assets		3,883,496	11,248,233
Decrease/(Increase) in Loans and Advances		26,760,037	23,673,391
(Decrease)/Increase in Current Liabilities & Provisions		(134,442,492)	(31,870,575)
Decrease/(Increase) in Deferred Tax		5,293,203	21,913,802
Cash generated from operations		570,811,818	571,761,705
Direct taxes / Advance tax paid (Net)		(116,870,842)	(143,615,387)
Net Cash from Operating Activities	(A)	453,940,976	428,146,318
B. CASH FLOW FROM INVESTING ACTIVITIES			
Dividend received		8,252,940	2,424,940
Interest received		21,925,636	12,332,468
Purchase of Fixed Assets		(137,147,375)	(125,494,692)
Sale of Fixed Assets		508,144	2,587,281
Purchase / Sale of Investments (Net)		40,598,818	64,545,859
Inter Corporate Deposit to subsidiary (Net)		(29,000,000)	(165,000,000)
Net Cash used in Investing Activities	(B)	(94,861,837)	(208,604,144)
C. CASH FLOW FROM FINANCING ACTIVITIES			
Dividends / Dividend Taxes Paid		(219,784,334)	(110,961,040)
Net cash from Financing Activities	(C)	(219,784,334)	(110,961,040)
Net Increase /(Decrease) in Cash and Cash Equivalents	(A+B+C)	139,294,805	108,581,134
Opening Cash and Cash Equivalents		248,208,986	139,627,852
Closing Cash and Cash Equivalents		387,503,791	248,208,986

Notes :

1. Cash and Cash Equivalents :

Cash and Cash Equivalents consists of cash on hand and balances with banks. Cash and Cash Equivalents included in the Cash Flow Statement comprises the following balance sheet amounts :

(Rs.)

	YEAR ENDED 31.03.2011	YEAR ENDED 31.03.2010
Cash on hand and balance with banks	384,978,152	255,720,313
Cash and Cash Equivalents	384,978,152	255,720,313
Effect of exchange rate change	2,525,639	(7,511,327)
Cash and Cash Equivalents as restated	387,503,791	248,208,986

2. The Company has undrawn borrowing facilities of Rs. 625.20 lacs.

3. Direct taxes / Advance tax paid during the year ended 31.03.2011 amounted to Rs. 1168.71 lacs.

4. Previous year figures have been regrouped wherever necessary to confirm to current year classification

5. During the year ended, the Company has taken credit for tax amounting to Rs. 828.05 lacs which is available for credits in the future years in terms of section 115JAA of the Income Tax Act, 1961

As per our Report annexed**For and on behalf of the Board****For N M RAIJI & Co.**

Chartered Accountants

CA.Y N THAKKAR

Partner
Membership No: 33329

PRADIP P SHAH

Chairman

S B GHIA

Director

M D DALAL

Executive Vice Chairman

B RAMASWAMY

Managing Director
& President

VIREN RAHEJA

Director

S N TALWAR

Director

BRIJENDRA K. SYNGAL

Director

P SRIKAR REDDY

Executive Vice President
& Chief Operating Officer

R SATHYANARAYANA

AVP - Finance & Accounts

PRAVEEN KUMAR D

Company Secretary

Mumbai, 20th April, 2011

Sonata Software Limited

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

1. Name of the Subsidiary	Sonata Information Technology Limited	Sonata Software North America, Inc.*	Sonata Software FZ LLC	Sonata Software GmbH	Sonata Europe Limited	TUI InfoTec GmbH
2. Financial year ended	31 st March, 2011	31 st March, 2011	31 st March, 2011	31 st March, 2011	31 st March, 2011	31 st March, 2011
3. Holding Company's interest	100% in Equity Share Capital	100% in Equity Share Capital	100% in Equity Share Capital	100% in Equity Share Capital	100% in Equity Share Capital	50.10% in Equity Share Capital
4. Shares held by the Holding Company in the Subsidiary	3,375,394 shares of Rs.10/- each	300,000 shares	500 shares of 1000 AED each	2 shares of EURO 12,500 each	671,700 shares of 1 Pound each	1 share of EURO 501,000
5. The net aggregate of profits or losses for the above financial year of the subsidiary so far as it concerns the members of the holding company a. dealt with or provided for in the accounts of the holding Company not dealt with or provided for in the accounts of the holding Company b. not dealt with or provided for in the accounts of the holding Company	NIL Profit: Rs.84,817,764	NIL Profit: USD 464,945	NIL Profit: USD 178,759	NIL Profit: EURO 88,382	NIL Profit: GBP 4,100,536	NIL Profit: EURO 1,669,502
6. The net aggregate of profits or losses for the previous financial years of the subsidiary so far as it concerns the members of the holding company a. dealt with or provided for in the accounts of the holding Company b. not dealt with or provided for in the accounts of the holding Company	NIL Profit: Rs. 301,235,884	NIL Loss: USD 2,617,579	NIL Profit: USD 146,580	NIL Profit: EURO 132,312	NIL Profit: GBP 1,687,077	NIL Profit: EURO 5,039,352

* (Formerly Offshore Digital Services Inc.)

For and on behalf of the Board

PRADIP P SHAH

Chairman

S B GHIA

Director

M D DALAL

Executive Vice Chairman

B RAMASWAMY

Managing Director
& President

VIREN RAHEJA

Director

S N TALWAR

Director

BRIJENDRA K. SYNGAL

Director

P SRIKAR REDDY

Executive Vice President
& Chief Operating Officer

R SATHYANARAYANA

AVP - Finance & Accounts

PRAVEEN KUMAR D

Company Secretary

Mumbai, 20th April, 2011

Sonata Software Limited - Consolidated Financial Statement

Auditor's Report to the Board of Directors of Sonata Software Limited on the Consolidated Financial Statements of Sonata Software Limited and its Subsidiaries

We have examined the attached Consolidated Balance Sheet of Sonata Software Limited and its subsidiaries as on 31st March, 2011 and also the Consolidated Profit and Loss Account for the period 1st April, 2010 to 31st March, 2011 annexed there to and the Consolidated Cash Flow Statement for the period ended on that date.

These financial statements are the responsibility of Sonata Software Limited's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of USD 88,535,744 as on 31st March, 2011 and total revenues of USD 159,184,190 for the period 1st April, 2010 to 31st March, 2011. These financial statements have been audited by other auditors except for Sonata Software GmbH whose financial statements have been reviewed by their auditors, whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiaries, is based solely on the report of the other auditors.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standards (AS 21) Consolidated Financial Statements issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Sonata Software Limited and its subsidiaries included in the consolidated financial statements except for Sonata Software GmbH whose financial statements have been reviewed by their auditors.

On the basis of the information and explanation given to us and on the consideration of the separate audit reports on individual financial statements of Sonata Software Limited and its aforesaid subsidiaries we are of the opinion that the said Consolidated Balance Sheet along with Consolidated Profit and Loss Account and Consolidated Cash Flow Statement read together with the notes thereon gives a true and fair view;

- a. in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of Sonata Software Limited and its subsidiaries as at 31st March, 2011;
- b. in the case of Consolidated Profit and Loss Account, of the consolidated results of operations of Sonata Software Limited and its subsidiaries for the period from 1st April, 2010 to 31st March, 2011; and
- c. in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of Sonata Software Limited and its subsidiaries for the period 1st April, 2010 to 31st March, 2011.

For **N. M. Raiji & Co.**
Chartered Accountants
Registration No: 108296W

CA.YN Thakkar
Partner
Membership No: 33329

Place : Mumbai
Date : 20th April, 2011

Sonata Software Limited - Consolidated Financial Statement

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2011

(Rs.)

	SCHEDULE	AS AT 31.03.2011	AS AT 31.03.2010
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	105,159,306	105,159,306
Reserves and Surplus	2	3,967,154,497	3,533,719,003
		4,072,313,803	3,638,878,309
MINORITY INTEREST		182,603,296	396,692,427
LOAN FUNDS			
Secured Loans	3	307,646,720	299,372,401
DEFERRED TAX LIABILITY		-	95,517
TOTAL FUNDS EMPLOYED		4,562,563,819	4,335,038,654
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	4	7,697,078,672	7,921,593,982
Less : Depreciation		6,041,254,934	6,078,590,272
Net Block		1,655,823,738	1,843,003,710
Capital work-in-progress & advances		78,770,398	3,950,001
		1,734,594,136	1,846,953,711
INVESTMENTS	5	191,841,829	457,898,415
DEFERRED TAX ASSET		166,579,270	156,621,684
CURRENT ASSETS, LOANS & ADVANCES			
Inventories	6	101,845,657	147,277,577
Sundry Debtors	7	2,043,731,826	1,939,315,142
Cash and Bank Balances	8	1,491,663,166	731,078,341
Other Current Assets	9	106,128,454	90,801,925
Loans and Advances	10	1,881,597,983	1,866,788,825
		5,624,967,086	4,775,261,810
Less: CURRENT LIABILITIES & PROVISIONS			
Current Liabilities	11	2,266,717,295	2,193,886,387
Provisions	12	888,701,207	707,810,579
		3,155,418,502	2,901,696,966
NET CURRENT ASSETS		2,469,548,584	1,873,564,844
TOTAL FUNDS APPLIED		4,562,563,819	4,335,038,654
NOTES FORMING PART OF ACCOUNTS	19		

As per our Report annexed

For and on behalf of the Board

For N M RAIJI & Co.

Chartered Accountants

CA.Y N THAKKAR

Partner
Membership No: 33329

PRADIP P SHAH

Chairman

S B GHIA

Director

M D DALAL

Executive Vice Chairman

B RAMASWAMY

Managing Director
& President

VIREN RAHEJA

Director

S N TALWAR

Director

BRIJENDRA K. SYNGAL

Director

P SRIKAR REDDY

Executive Vice President
& Chief Operating Officer

R SATHYANARAYANA

AVP - Finance & Accounts

PRAVEEN KUMAR D

Company Secretary

Mumbai, 20th April, 2011

Sonata Software Limited - Consolidated Financial Statement

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

(Rs.)

	SCHEDULE	YEAR ENDED 31.03.2011	YEAR ENDED 31.03.2010
INCOME			
Sales and Services (Net)	13	13,933,506,182	13,804,446,445
Other Income	14	177,520,059	128,460,079
Total Income		14,111,026,241	13,932,906,524
EXPENDITURE			
Operating and Other Expenses	15	7,151,116,977	7,800,203,970
Purchase of traded items	16	5,336,140,008	4,514,368,636
Interest	17	64,274,836	67,030,217
Depreciation		386,908,953	491,724,586
		12,938,440,774	12,873,327,409
Add/(Less): (Increase) / Decrease in Stocks	18	45,431,920	(92,528,705)
		12,983,872,694	12,780,798,704
Profit Before Tax		1,127,153,547	1,152,107,820
Provision for Tax		249,962,485	287,748,476
MAT credit		(82,804,684)	(89,892,126)
Profit After Tax before minority interest/share of earning in affiliates		959,995,746	954,251,470
Share in earning of affiliates		4,039,786	(15,367,893)
Minority Interest		(107,939,173)	(140,140,104)
Profit After Tax after minority interest/share of earning in affiliates		856,096,359	798,743,473
Add : Balance of Profit brought forward from previous year		2,330,562,040	1,810,646,757
Disposable Surplus		3,186,658,399	2,609,390,230
Proposed Dividend		105,159,306	84,127,445
Interim Dividend		105,159,306	94,643,375
Provision for Dividend Tax		34,525,377	30,057,370
Transfer to General Reserve		70,000,000	70,000,000
Balance carried to Balance Sheet		2,871,814,410	2,330,562,040
		3,186,658,399	2,609,390,230
NOTES FORMING PART OF ACCOUNTS	19		
EPS - Basic (on Re.1/- per share)		8.14	7.60
EPS - Diluted (on Re.1/- per share)		8.14	7.60

As per our Report annexed For and on behalf of the Board

For N M RAIJI & Co.

Chartered Accountants

CA.Y N THAKKAR
Partner
Membership No: 33329

PRADIP P SHAH
Chairman

S B GHIA
Director

M D DALAL
Executive Vice Chairman

B RAMASWAMY
Managing Director
& President

VIREN RAHEJA
Director

S N TALWAR
Director

BRIJENDRA K. SYNGAL
Director

P SRIKAR REDDY
Executive Vice President
& Chief Operating Officer

R SATHYANARAYANA
AVP - Finance & Accounts

PRAVEEN KUMAR D
Company Secretary

Mumbai, 20th April, 2011

Sonata Software Limited - Consolidated Financial Statement

SCHEDULES ATTACHED TO AND FORMING PART OF THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2011

(Rs.)

	AS AT 31.03.2011	AS AT 31.03.2010
SCHEDULE 1 : SHARE CAPITAL		
Authorised :		
150,000,000 Equity Shares of Re.1/- each (Previous year 150,000,000 Equity Shares of Re.1/- each)	<u>150,000,000</u>	<u>150,000,000</u>
Issued :		
105,159,306 Equity Shares of Re.1/- each (Previous year 105,159,306 Equity Shares of Re.1/- each)	<u>105,159,306</u>	<u>105,159,306</u>
Subscribed and Paid-Up :		
105,159,306 Equity shares of Re.1/- each fully paid-up (Previous year 105,159,306 Equity Shares of Re.1/- each)	<u>105,159,306</u>	<u>105,159,306</u>
Of the above :		
(1) 17,500,000 shares of Re.1/- each, have been allotted as fully paid pursuant to a contract without payment being received in cash.		
(2) 42,270,800 equity shares of Re. 1/- each, fully paid up, have been allotted as bonus shares by capitalization of balance in Profit & Loss Account.		
SCHEDULE 2 : RESERVES AND SURPLUS		
Securities Premium Account	450,924,411	450,924,411
General Reserve		
Balance brought forward	548,154,246	478,154,246
Add : Transferred from Profit and Loss account	<u>70,000,000</u>	<u>70,000,000</u>
	618,154,246	548,154,246
Capital Redemption Reserve*	26,253,060	26,253,060
Profit and Loss Account		
	2,871,814,410	2,330,562,040
Less : Transitional Pension Provision of TUI Infotec	(30,629,156)	-
Adjustment in Reserves of TUI Infotec GmbH	<u>(75,299)</u>	<u>-</u>
	2,841,109,955	2,330,562,040
Hedging Reserve	<u>30,712,825</u>	<u>177,825,246</u>
	3,967,154,497	3,533,719,003
* (Capital Redemption Reserve is created on account of buyback of the shares of Sonata Information Technology Limited)		
SCHEDULE 3 : SECURED LOANS		
From banks	<u>307,646,720</u>	<u>299,372,401</u>

Sonata Software Limited - Consolidated Financial Statement

Schedules (Contd.)

SCHEDULE 4: FIXED ASSETS

Assets	Gross Block				Depreciation				Net Block
	Cost as at 01.04.2010	Additions	Deductions/ Adjustments	Cost as at 31.03.2011	As at 01.04.2010	For the Year	Deductions/ Adjustments	As at 31.03.2011	as at 31.03.2011
Goodwill	1,197,681,322 (1,197,681,322)	- (-)	75,818,649 (-)	1,121,862,673 (1,197,681,322)	168,404,357 (166,252,754)	2,033,698 (2,160,534)	- (8,930)	170,438,055 (168,404,358)	951,424,618 (1,029,276,964)
Leasehold Land	35,200,000 (35,200,000)	- (-)	- (-)	35,200,000 (35,200,000)	1,256,195 (179,592)	1,076,316 (1,076,603)	- (-)	2,332,511 (1,256,195)	32,867,489 (33,943,805)
Buildings	15,493,000 (15,493,000)	- (-)	- (-)	15,493,000 (15,493,000)	2,462,167 (2,209,631)	252,536 (252,536)	- (-)	2,714,703 (2,462,167)	12,778,297 (13,030,833)
Leasehold Improvements	166,592,174 (101,991,301)	31,041,358 (64,491,385)	- (-109,488)	197,633,532 (166,592,174)	74,662,898 (50,776,776)	29,763,642 (22,750,156)	- (-1,135,967)	104,426,540 (74,662,898)	93,206,992 (91,929,276)
Plant & Machinery	6,082,159,436 (5,751,253,599)	206,673,502 (366,547,561)	419,633,228 (35,641,724)	5,869,199,710 (6,082,159,436)	5,581,330,589 (5,180,712,322)	328,284,532 (441,424,703)	422,065,125 (40,806,436)	5,487,549,996 (5,581,330,589)	381,649,714 (500,828,847)
Furniture & Fixtures	112,964,049 (112,750,407)	6,212,764 (2,391,776)	145,168 (2,178,134)	119,031,645 (112,964,049)	90,294,163 (84,579,841)	6,436,264 (6,844,364)	98,490 (1,130,042)	96,631,937 (90,294,163)	22,399,708 (22,669,886)
Motor Car & Vehicles	14,307,649 (11,148,330)	2,323,227 (3,159,321)	- (2)	16,630,876 (14,307,649)	7,390,755 (5,659,177)	2,209,355 (1,731,579)	- (1)	9,600,110 (7,390,754)	7,030,766 (6,916,895)
Air Conditioners & Other Equipments	297,196,352 (249,397,595)	32,792,238 (47,943,322)	7,961,354 (144,565)	322,027,236 (297,196,352)	152,789,148 (130,956,642)	16,852,610 (15,484,112)	2,080,676 (-6,348,394)	167,561,082 (152,789,148)	154,466,154 (144,407,204)
TOTAL	7,921,593,982 (7,474,915,554)	279,043,089 (484,533,365)	503,558,399 (37,854,937)	7,697,078,672 (7,921,593,982)	6,078,590,272 (5,621,326,735)	386,908,953 (491,724,586)	424,244,291 (34,461,049)	6,041,254,934 (6,078,590,272)	1,655,823,738 (1,843,003,710)
Capital work in progress & advances									78,770,398 (3,950,001)
GRAND TOTAL									1,734,594,136 (1,846,953,711)

Note:

- Figures in brackets pertain to previous year.
- Buildings include cost of shares Rs.7,000 (Previous year Rs.7,000).
- Plant and Machinery includes Computer and Software.

	AS AT 31.03.2011	AS AT 31.03.2010
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SCHEDULE 5 : INVESTMENTS

LONG TERM (AT COST)

IN FOREIGN HOLDINGS

UNQUOTED

In TUI Infotec Group Undertaking	1,184,572	1,184,572
In TUI Infotec associate companies (net of provisions)	14,823,638	25,865,251
Commerz Bank Money Market Fund	-	86,515,252

QUOTED

138 shares of Principal Financial Group Inc., (Previous period : 138 Shares of US \$ 30.13 per share)	30,718	30,718
	16,038,928	113,595,793

SHORT TERM, (AT COST, UNLESS OTHERWISE SPECIFIED)

MUTUAL FUNDS (QUOTED)

Birla Sun Life Liquid Plus 3,656,396.723 units at Rs.10.0068 per unit (Previous year : 3,997,281.848 units at Rs. 10.0068 per unit)	36,588,831	40,000,000
Reliance Money Manager Fund 12,794.803 units at Rs.1,001.3715 per unit (Previous year - Nil)	12,812,351	-
Reliance Medium Term Fund (Previous year : 2,924,677.847 units at Rs. 17.0959 per unit)	-	50,000,000
Other short term securities held by TUI InfoTec 19,600 units at Euro 101.8810 per unit (Previous year : 41,228 units at Euro 101.99 per unit)	126,401,719	254,302,622
	175,802,901	344,302,622
	191,841,829	457,898,415

Sonata Software Limited - Consolidated Financial Statement

Schedules (Contd.)

(Rs.)

	AS AT 31.03.2011	AS AT 31.03.2010
SCHEDULE 6 : INVENTORIES		
In process	79,791,418	64,758,883
Finished Products	22,054,239	82,518,694
	101,845,657	147,277,577
SCHEDULE 7 : SUNDRY DEBTORS		
Unsecured		
Debts outstanding for a period exceeding six months		
Considered Good	60,651,184	140,585,723
Considered Doubtful	31,319,583	45,510,966
	91,970,767	186,096,689
Other Debts Considered Good	1,983,080,642	1,798,729,419
	2,075,051,409	1,984,826,108
Less : Provision for Doubtful Debts	31,319,583	45,510,966
	2,043,731,826	1,939,315,142
SCHEDULE 8 : CASH AND BANK BALANCES		
Cash and Cheques on hand	248,811	283,843
Balances with Scheduled Banks :		
In Current Accounts	388,258,932	198,485,579
In Deposit Accounts	511,373,362	183,496,110
In Unclaimed Dividend Account	7,720,010	6,242,148
Balances with other banks in current account :		
Bank of America, New York, USA (Maximum balance held during the year Rs.75,746,206 Previous year Rs.84,824,586)	33,512,222	30,037,465
PNC Bank N A, New Jersey, USA (Maximum balance held during the year Rs.20,744,839 Previous year Rs.11,278,717)	674,010	775,929
Hong Kong and Shanghai Banking Corporation, Singapore (Maximum balance held during the year Rs.518,054 Previous year Rs.415,691)	159,596	190,683
Hong Kong and Shanghai Banking Corporation, London, UK (Maximum balance held during the year Rs.38,705,207 Previous year Rs.60,057,452)	25,218,729	18,578,733
Hong Kong and Shanghai Banking Corporation, London, UK-Imprest A/c (Maximum balance held during the year Rs.22,886,884 Previous year Rs.20,341,781)	3,898,680	11,280,445
ING Business Banking, Netherlands (Maximum balance held during the year Rs.6,33,000 Previous year Nil)	187,340	-
Bank of America, San Leandro, USA (Maximum balance held during the year Rs.117,687,760 Previous year Rs.152,526,156)	11,360,652	14,572,947
Hypovereinsbank, Germany (Maximum balance held during the year Rs.32,224,582 Previous year Rs.25,167,944)	23,147,276	6,782,049
Deutsche Bank-GmbH, Germany (Maximum balance held during the year Rs.16,984,003 Previous year Rs.22,892,935)	11,383,223	16,244,327
Commerz Bank-TUI InfoTec GmbH, Germany (Maximum balance held during the year Rs.784,761,577 Previous year Rs.846,978,621)	465,810,110	219,998,481
Dresdner Bank-TUI InfoTec GmbH, Germany (Maximum balance held during the year Rs.5,652,042 Previous year Rs.23,247,192)	-	17,098,107
Emirates Bank, UAE (Maximum balance held during the year Rs.16,626,688 Previous year Rs.14,743,801)	3,018,326	847,412
Emirates Bank, UAE (Maximum balance held during the year Rs.481,070 Previous year Rs.2,730,022)	34,172	484,522
Standard Chartered Bank, UAE (Maximum balance held during the year Rs.23,643,098 Previous year Rs.12,346,703)	2,334,908	4,726,485
Standard Chartered Bank, UAE (Maximum balance held during the year Rs.14,077,456 Previous year Rs.896,734)	2,459,843	84,826
Balances with other banks in Deposit Account:		
Bank of America, San Leandro, USA	862,964	868,250
	1,491,663,166	731,078,341

Sonata Software Limited - Consolidated Financial Statement

Schedules (Contd.)

(Rs.)

	AS AT 31.03.2011	AS AT 31.03.2010
SCHEDULE 9 : OTHER CURRENT ASSETS		
Income Accrued but not due	106,128,454	90,801,925
SCHEDULE 10 : LOANS AND ADVANCES		
Unsecured		
(Considered good, unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received	759,682,680	1,025,248,591
Advance payment of tax (net of provisions)	1,121,915,303	841,540,234
	1,881,597,983	1,866,788,825
SCHEDULE 11 : CURRENT LIABILITIES		
Sundry Creditors		
Micro and Small Enterprises	-	-
Others	959,182,563	1,018,950,142
	959,182,563	1,018,950,142
Other Liabilities	1,299,814,722	1,168,157,288
Investor Education and Protection Fund (Not Due)	7,720,010	6,778,957
	2,266,717,295	2,193,886,387
SCHEDULE 12 : PROVISIONS		
Pension	749,043,969	592,965,164
Compensated Absences	17,438,464	16,745,243
Dividend	105,159,306	84,127,445
Dividend Tax	17,059,468	13,972,727
	888,701,207	707,810,579
	Year Ended 31.03.2011	Year Ended 31.03.2010
SCHEDULE 13 : SALES AND SERVICES (Net)		
Sales	9,841,704,913	9,772,942,333
Services	4,091,801,269	4,031,504,112
	13,933,506,182	13,804,446,445
SCHEDULE 14 : OTHER INCOME		
Interest received - Gross	48,685,940	32,621,527
(TDS is Rs.2,983,261, Previous year Rs.407,939)		
Provisions no longer required (net)	2,654,010	2,423,733
Dividend Received	10,163,206	4,135,162
Miscellaneous Income	116,016,903	89,279,657
	177,520,059	128,460,079

Sonata Software Limited - Consolidated Financial Statement

Schedules (Contd.)

(Rs.)

	Year Ended 31.03.2011	Year Ended 31.03.2010
SCHEDULE 15 : OPERATING AND OTHER EXPENSES		
Salaries, Wages, Bonus and Allowances (Including Directors' remuneration)	4,033,141,758	4,065,481,952
Contribution to Provident Fund and other Funds	102,865,392	62,167,310
Staff Welfare Expenses	54,016,997	59,776,991
	4,190,024,147	4,187,426,253
Power and Fuel	88,144,751	36,829,924
Rent	1,021,839,842	1,162,094,369
Rates & Taxes	3,411,295	2,173,701
Insurance	32,676,399	32,814,431
Repairs to :		
Plant and Machinery	156,483,931	175,377,542
Others	51,375,302	160,424,445
	207,859,233	335,801,987
Travelling and Conveyance Expenses	221,574,026	166,354,202
Subsistence/Living Cost	193,688,817	209,989,705
Legal, Prof & Technical Fees	929,547,927	1,015,816,911
Communication Cost	289,375,254	453,892,081
Auditor's Remuneration :		
Audit Fees	4,598,024	5,425,785
Taxation Matters	-	76,650
Certification	423,000	545,000
Out of pocket expenses	-	28,631
	5,021,024	6,076,066
Commission on Sales	19,015,671	4,887,083
Bad debts	38,995,874	3,764,490
Less : Provision for doubtful debts written back	25,116,053	-
	13,879,821	3,764,490
Provision for Doubtful Debts	11,801,354	29,415,731
Miscellaneous Expenses	113,743,219	80,323,761
Foreign exchange variation	(193,131,225)	67,299,023
Loss on sale of Fixed Assets (net)	2,638,226	5,244,252
Loss on Sale of Investments	7,196	-
	7,151,116,977	7,800,203,970
SCHEDULE 16 : PURCHASE OF TRADED ITEMS		
Purchase of traded items	5,336,140,008	4,514,368,636
SCHEDULE 17 : INTEREST		
Interest on loans	23,696,163	12,248,406
Interest others	40,578,673	54,781,811
	64,274,836	67,030,217
SCHEDULE 18 : (INCREASE)/DECREASE IN STOCKS		
Opening Stock :		
In process	64,758,883	20,029,058
Finished Products	82,518,694	34,719,814
	147,277,577	54,748,872
Closing Stock :		
In process	79,791,418	64,758,883
Finished Products	22,054,239	82,518,694
	101,845,657	147,277,577
(Increase) / Decrease in Stocks	45,431,920	(92,528,705)

Schedule 19 : Notes to Consolidated Financial Statements Overview

Sonata Software limited (SSL), together with its subsidiaries Sonata Information Technology limited (SITL), Sonata Software North America Inc, Sonata Software GmbH, Sonata Europe Limited (SEL), TUI InfoTec GmbH and Sonata Software FZ LLC, (collectively, the Company) is a provider of IT services globally. Further, the Company has an established product line business in India, which mainly deals with computer software products of world leaders like Microsoft, SCO, IBM, Oracle and SAP. The Company is headquartered in Bangalore.

Description of business :

SSL is founded to provide Information Technology (IT) solutions, IT consulting and development services globally, enhancing competitive advantage of its customers. The Company also provides both on-site as well as offshore services in the area of, ERP customization conversion and migration projects, data warehousing, Business Intelligence, Web Development, Infrastructure Management amongst others.

SITL is a company registered in India and a wholly owned subsidiary of SSL which distributes and implements packaged software from world leaders like Microsoft, SCO, IBM, Oracle and SAP. SITL has consistently built alliances and partnerships with leaders in packaged software products. The IT Consulting Group focuses consulting in the area of GroupWare, Data warehousing and e-commerce applications and expects to leverage its existing alliances and use its Core Research Group to assimilate new technologies. SITL has a tie up with ERP vendors for implementation and customization of ERP Products.

Sonata Software North America Inc is a wholly owned subsidiary of SSL incorporated in USA, based in Fremont, California. Sonata Software North America Inc provides computer-programming services to companies throughout the United States.

Sonata Software GmbH, a wholly owned subsidiary of SSL, incorporated in Germany provides computer- programming services through out Germany.

Sonata Europe Limited, a wholly owned subsidiary of SSL, incorporated in United Kingdom provides computer programming services throughout Europe.

TUI InfoTec GmbH, a subsidiary company of SEL, incorporated in Germany provides software services and IT infrastructure management, throughout Europe. SEL holds 50.1% stake in TUI InfoTech GmbH, Germany.

Sonata Software FZ LLC, a wholly owned subsidiary company incorporated under the Registrar of Companies, The Dubai Technology and Media Free Zone Authority, Dubai, is engaged in software development services. Sonata holds 100% equity in Sonata Software FZ LLC.

Basis of preparing the financial statements :

The accompanying financial statements for the fiscal period beginning 1st April 2010 and ending 31st March, 2011 have been prepared incorporating Accounting Policies of the parent company under the historical cost convention, in compliance with Indian Generally Accepted Accounting Practices ("GAAP") comprising of accounting standards notified by Companies Accounting Standards Rules 2006 and the relevant provisions of the Companies Act, 1956.

Use of Estimates :

The consolidated financial statements include the accounts of the company and its subsidiary companies. The preparation of consolidated financial statements requires management to make estimate and assumptions that affect the reported amounts of assets and liabilities, revenues and expenditures and disclosure of contingent liabilities. Although these estimates are based on the management's best knowledge of current events and the actions the company may undertake in future, the actual result may ultimately differ from the estimates.

Reinstatement of Financial Statements :

Transactions arising in foreign currency are reported at rates closely approximating those ruling during the relevant transaction dates. All monetary assets and liabilities in foreign currency as on the date of the financial statements are restated at the exchange rate prevalent on the Balance Sheet date.

The reporting currency of the company and its Indian subsidiary is the Indian rupee. The reporting currencies of the Company's foreign subsidiaries are US Dollars, Euro and GB Pounds. The Revenue items of the foreign subsidiaries are translated to Indian rupees using the simple average of the monthly closing rates. Non-monetary items in the Balance Sheet of foreign subsidiaries are translated at the rates closely approximating those ruling during the relevant transaction dates.

Revenue from Sales & Services

Income from Sales & Services includes gain on account of exchange fluctuation of Rs. 1,540,791 for the current year ended 31st March 2011 and a loss of Rs. 43,589,355 for the previous year ended 31st March 2010.

Good will :

Goodwill resulting from acquiring the control of its subsidiary, Sonata Software North America Inc., is amortized over a period of five years effective 1st April, 2002.

Goodwill resulting from acquisition of Sonata Software GmbH, Germany, is amortized over a period of five years effective 1st April, 2005.

Goodwill resulting from acquisition of TUI InfoTec GmbH, Germany is not amortized.

Minority interest

Minority interest shown in the Balance Sheet represents the share of equity and share profits attributable to the minority share holders of TUI InfoTec GmbH, Germany.

Investments in TUI InfoTec Associate Companies

Investments in Associate Companies represents investments of TUI InfoTec in its associates and the same has been accounted under the equity method. The financial statements of the associate companies used in the consolidation are based on the latest available financial statements (31/12/10). The Associates of TUI InfoTec and the ownership interest are as follows :

Sonata Software Limited - Consolidated Financial Statement

Schedules (Contd.)

(Rs.)

Name of the Company	% Share held	Original Cost of Investment	Accumulated Profit/(Loss)/ adjustment	Carrying amount of Investments as at 31.03.11
Accon-RVS Accounting GmbH*	50%	37,939,268 (37,939,268)	-25,405,868 (-18,295,947)	12,533,400 (19,643,321)
BOSYS Software GmbH**	25.2%	6,631,984 (6,631,984)	11,808,066 (-410,054)	18,440,050 (6,221,930)
Total		44,571,252 (44,571,252)	-13,597,802 (-18,706,001)	30,973,450 (25,865,251)

* Investment held by TUI InfoTec GmbH

** Investment held by subsidiary of TUI Infotec GmbH namely Travel BA Sys

Investment in TUI InfoTec Group Undertaking

On the balance sheet date TUI InfoTec holds 79% share in Travel BA . Sys Beteiligungs GmbH, Mulheim an der Ruhr. The financials of Travel BA sys has not been considered for consolidation by TUI InfoTec group in view of the fact that the financials of travel BA sys GmbH is of minor importance for the factual presentation of net assets, financial and earnings position of TUI InfoTec group.

2. Deferred Income Tax :

Deferred tax Asset (net) recognized/utilised during the financial year to the profit and loss Account amounts to Rs. 9,957,586 (Rs.41,334,783) which includes foreign exchange gain Rs. 5,352,014 (loss of Rs. 19,617,450).

Significant Components of the company's deferred tax asset (Net) are as follows :

(Rs.)

	DTA	DTL	Net DTA/DTL
Carry Forward Loss	67,633,715 (158,176,927)	- (-)	67,633,715 (158,176,927)
Others	98,945,555 (3,519,556)	(-) (5,074,799)	98,945,555 (- 1,555,243)
Total	166,579,270 (161,696,483)	(-) (5,074,799)	166,579,270 (156,621,684)

Significant Components of the company's deferred tax Liability (Net) are as follows :

(Rs.)

	DTA	DTL	Net DTA/DTL
Others	- (-)	- (95,517)	- (95,517)
Total	- (-)	- (95,517)	- (95,517)

	31.03.2011	31.03.2010
3. Estimated amount of contracts remaining to be executed and not provided (net of advances)	161,908,619	79,826,519

Sonata Software Limited - Consolidated Financial Statement

Schedules (Contd.)

	31.03.2011	(Rs.) 31.03.2010
4. Contingent Liabilities not provided for	800,827,768	2,259,866,767
I. Disputed Income Tax demands as explained below: (Inclusive of Interest Charged)		
Sonata Software Limited	456,972,314	1,294,841,611
a) The above amount represents demands raised by the Income Tax Officer at the initial assessment level for the Financial Years 2005-2006 and 2006-2007 with respect deductions sought under section 10A of the Income-Tax Act for new undertakings established by the Company. The Company has filed appeals to the Commissioner of Income Tax (Appeals) against the aforementioned demands.		
b) The above does not include demands for earlier years relating to section 10A of the Income Tax, Act where the Company has received favorable orders from Income Tax Appellate Tribunal Mumbai. The Department has made an appeal for these years to the High Court of Mumbai which is yet to be admitted.		
The Supreme Court by its order of September 9, 2010 overruled the order of the High Court of Karnataka which had held that irrespective of the nature of payment, in the absence of a lower withholding order, income-tax had to be withheld on all payments made to overseas parties. Further the Supreme Court remanded the cases back to the High Court of Karnataka for a fresh review and to examine whether payments made to overseas parties for purchase of software was in the nature of 'Royalty' and if so whether tax had to be withheld on the same. Based on the above Supreme Court order the following demands are not considered as contingent liability :		
i. Rs.15.79 crores as tax which had not been deducted by the Company on payments made to overseas parties for purchase of software for the Financial Years 1999-2000, 2000-2001 and 2001-2002. However, for these years one of the principal suppliers of software to the Company has paid Rs.8.79 crores out of the above demand.		
ii. Rs.77.38 crores of tax demand for the Financial Years 1996-97, 1997-98, 1998-1999 and 1999-2000 on account of disallowances of payments made for purchase of software on which tax had not been deducted at source. This demand is directly linked to outcome of the issue discussed in point (i) above		
Sonata Information Technology Limited		
Disputed Income Tax demands as explained below : (Inclusive of Interest Charged)	269,094,608	957,917,339
a) The above includes Rs.14.74 crores on account of the disallowance of inter company Service Charges for Financial Year 2001-02, 2003-04 and 2004-05. The order of the Income Tax Appellate Tribunal is in favor of the Company. The Department has filed an appeal in this regard to the High Court of Mumbai which has been admitted.		
b) The above includes Rs.12.17 crores for the Financial Year 2007-08 mainly on account of the disallowance of inter company Service Charges and deputation expenses. The Company for these year has filed appeal before the Commissioner of Income Tax (Appeals).		
The Supreme Court by its order of 9 September, 2010 overruled the order of the High Court of Karnataka which had held that irrespective of the nature of payment, in the absence of a lower withholding order, income-tax had to be withheld on all payments made to overseas parties. Further, the Supreme Court remanded the cases back to the High Court of Karnataka for a fresh review and to examine whether payments made to overseas parties for purchase of software were in the nature of 'Royalty' and if so whether tax had to be withheld at source on the same. Based on the above Supreme Court order the following demands on the Company are not considered as contingent liability.		
i. Rs.21.82 crores as tax which had not been deducted by the Company on payments made to overseas parties for purchase of software for the Financial Years 2000-2001 and 2001-2002. However, for these years one of the principal suppliers of software to the Company has paid Rs.12.86 crores out of the above demand.		
ii. Rs. 88.18 crores of tax demand for the Financial Year 2007-2008 on account of disallowances of payments made for purchase of software on which tax had not been deducted at source. This demand is consequent to the principle covered in point (i) above.		
iii. For the financial years 2000-2001 and 2002-2003, the issue regarding disallowance of payments made for purchase of software was raised by the Department to the High Court of Mumbai. The High Court had dismissed these appeals as being 'time barred'. The total demand for the aforementioned years for which the appeals were dismissed by the High Court is Rs 82.48 crores. On a special leave petition filed by the Department, the Supreme Court has now referred back to High Court of Mumbai to reconsider the dismissal for the Financial Year 2002-03.		
iv. For the Financial Year 2001-2002, the Departmental appeal on the same issue as above has been admitted by the High Court of Mumbai. The demand under consideration for the said year is Rs. 32.40 crores.		
II. Disputed KVAT from commercial tax department		
Sonata Software Limited	6,813,800	6,813,800
Sonata Information Technology Limited	294,017	294,017
III. Service Tax (Inclusive of Penalty & Interest Charged)	67,653,029	-
IV. Claims against the Company not acknowledged as debts -		
Sonata Software Limited	6,970,461	6,970,461
5. Corporate Guarantees :		
a) Sonata Software Ltd has given corporate guarantee to IBM Ltd on behalf of Sonata Information Technology Limited for a value of Rs.5 Crores.		
b) Sonata Software Ltd has provided an indemnity of US\$ 0.5 million to Standard Chartered Bank, India to cover working capital limits provided by Standard Chartered Bank, Dubai to Sonata Software FZ LLC, Dubai.		

Sonata Software Limited - Consolidated Financial Statement

Schedules (Contd.)

6. Note on AS 30 adoption :

Accounting Standard 30, (AS 30) Financial Instruments : Recognition and Measurement was issued by the Institute of Chartered Accountants of India (ICAI) in December 2007. AS 30 becomes recommendatory in respect of accounting periods commencing on or after 1st April, 2009 and mandatory in respect of accounting periods commencing on or after 1st April, 2011. ICAI has announced that the earlier adoption of AS 30 is encouraged. From the accounting year 2008-09, the Company has early adopted Accounting Standard 30 (AS 30) "Financial Instruments: Recognition and Measurement".

From the year 2008-09 the Company applied the recognition and measurement principles as set out in AS 30 in accounting derivatives. Changes in fair values of derivative financial instruments designated as effective cash flow hedges were recognized directly into Hedging Reserve in the Balance Sheet under Reserves and Surplus and reclassified into Profit and Loss account upon the occurrence of the forecasted hedged transaction. As at 31st March 2011, the Company recognized Rs. Nil (Previous period (1778.25 lacs) into "Hedging Reserve" due to changes in fair value of the effective cash flow hedges by adding it to Reserve and Surplus.

7. Segment Reporting

The company's operation comprises of software development, technical services and product marketing. Primary segmental reporting is based on geographical areas, viz., Domestic India (products and services) and International = Rest of the world (Exports-Software Services and Products) Secondary Segment comprises business segment viz., products and services.

In the primary segment, revenue and all expenses, which relate to a particular geographical segment are reported. Fixed Assets, Current assets, Loans and Advances, Current Liabilities and Provisions are classified based on specific geographical segment's business. Secondary segment is reported based on the company's business viz., products and services. Revenue is identified based on the business operations. Fixed assets used in the company's business have not been identified to any specific business segment as they are used interchangeably between segments. Further cash and bank balances are reported at the enterprise level. Current assets and current liabilities relating to the specific business segments are identified and reported. Those, which are not identifiable, are reported as common assets/liabilities.

Primary Reporting Requirement - Profit & Loss Account

(Rs.)

	Domestic	International	Total
Revenue	5,979,431,354 (5,006,851,026)	7,954,074,828 (8,797,595,419)	13,933,506,182 (13,804,446,445)
Direct and allocated Segment Cost	5,865,957,337 (4,870,405,497)	6,666,731,568 (7,351,638,404)	12,532,688,905 (12,222,043,901)
Inter - Segment Cost	- (-)	- (-)	- (-)
Total Cost	5,865,957,337 (4,870,405,497)	6,666,731,568 (7,351,638,404)	12,532,688,905 (12,222,043,901)
Operating Profit	113,474,017 (136,445,529)	1,287,343,260 (1,445,957,015)	1,400,817,277 (1,582,402,544)
Other Income	71,174,783 (5,129,637)	106,345,276 (123,330,442)	177,520,059 (128,460,079)
Profit Before Interest, Depreciation and Tax	184,648,800 (141,575,166)	1,393,688,536 (1,569,287,457)	1,578,337,336 (1,710,862,623)
Depreciation	1,594,956 (2,995,116)	385,313,997 (488,729,470)	386,908,953 (491,724,586)
Profit Before Interest and Tax	183,053,844 (138,580,050)	1,008,374,539 (1,080,557,987)	1,191,428,383 (1,219,138,037)
Interest	25,264,768 (14,076,927)	39,010,068 (52,953,290)	64,274,836 (67,030,217)
Profit Before Tax	157,789,076 (124,503,123)	969,364,471 (1,027,604,697)	1,127,153,547 (1,152,107,820)
Provision for Taxation	39,121,848 (39,100,158)	210,840,637 (248,648,318)	249,962,485 (287,748,476)
MAT Credit	- (-)	-82,804,684 (-89,892,126)	-82,804,684 (-89,892,126)
Profit After Tax	118,667,228 (85,402,965)	841,328,518 (868,848,505)	959,995,746 (954,251,470)
Less : Minority interest	- (-)	(107,939,173) (140,140,104)	(107,939,173) (140,140,104)
Add : Share of profit of Associates	- (-)	4,039,786 (-15,367,893)	4,039,786 (-15,367,893)
Profit After Tax and after minority interest and share of profit of Associates	118,667,228 (85,402,965)	737,429,131 (713,340,508)	856,096,359 (798,743,473)

Sonata Software Limited - Consolidated Financial Statement

Schedules (Contd.)

Primary Reporting Requirement - Assets and Liabilities

(Rs.)

	Domestic	International	Total
FIXED ASSETS			
Gross Block	32,145,864 (31,927,071)	7,664,932,808 (7,889,666,911)	7,697,078,672 (7,921,593,982)
Less : Depreciation	29,547,913 (27,952,957)	6,011,707,021 (6,050,637,315)	6,041,254,934 (6,078,590,272)
Net Block	2,597,951 (3,974,114)	1,653,225,787 (1,839,029,596)	1,655,823,738 (1,843,003,710)
Capital WIP and Advances	1,012,000 (-)	77,758,398 (3,950,001)	78,770,398 (3,950,001)
Investments	- (-)	191,841,830 (457,898,415)	191,841,830 (457,898,415)
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	22,054,239 (77,286,576)	79,791,418 (69,991,001)	101,845,657 (147,277,577)
Sundry Debtors	900,173,232 (785,949,771)	1,143,558,594 (1,153,365,372)	2,043,731,826 (1,939,315,142)
Cash and Bank Balances	103,957,546 (87,212,623)	1,387,705,620 (643,865,718)	1,491,663,166 (731,078,341)
Other Current Assets	19,019,697 (20,253,750)	87,108,757 (70,548,175)	106,128,454 (90,801,925)
Loans and Advances	967,047,045 (1,031,061,162)	914,550,938 (835,727,663)	1,881,597,983 (1,866,788,825)
LESS : CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	1,071,289,003 (1,269,810,932)	1,195,428,292 (924,075,454)	2,266,717,295 (2,193,886,387)
Provisions	1,494,621 (1,232,255)	887,206,586 (706,578,324)	888,701,207 (707,810,579)
NET CURRENT ASSETS	939,468,135 (730,720,694)	1,530,080,449 (1,142,844,150)	2,469,548,584 (1,873,564,844)
DEFERRED TAX ASSET (NET)	4,629,282 (1,252,195)	161,949,988 (155,369,489)	166,579,270 (156,621,684)

Sonata Software Limited - Consolidated Financial Statement

Schedules (Contd.)

Secondary Reporting Requirement - Business Segment

(Rs.)

	Products	Services	Common	Total
Revenue	9,841,704,913 (9,772,942,333)	4,091,801,269 (4,031,504,112)	- (-)	13,933,506,182 (13,804,446,445)
FIXED ASSETS				
Gross Block	- (-)	- (-)	7,697,078,672 (7,921,593,982)	7,697,078,672 (7,921,593,982)
Less : Accumulated Depreciation	- (-)	- (-)	6,041,254,934 (6,078,590,272)	6,041,254,934 (6,078,590,272)
Net Block	- (-)	- (-)	1,655,823,738 (1,843,003,710)	1,655,823,738 (1,843,003,710)
Capital Work-in-Progress	- (-)	- (-)	78,770,398 (3,950,001)	78,770,398 (3,950,001)
Deferred Tax Assets (Net)	- (-)	- (-)	166,579,270 (156,526,167)	166,579,270 (156,526,167)
CURRENT ASSETS				
Inventories	22,054,239 (82,522,116)	- (64,755,461)	79,791,418 (-)	101,845,657 (147,277,577)
Sundry Debtors	900,173,232 (785,949,771)	439,687,977 (350,677,063)	703,870,617 (802,688,308)	2,043,731,826 (1,939,315,142)
Cash and Bank Balances	- (-)	- (-)	1,491,663,166 (731,078,341)	1,491,663,166 (731,078,341)
Other Current Assets	19,019,697 (20,253,750)	(350,419,577) (52,262,624)	437,528,334 (18,285,551)	106,128,454 (90,801,925)
Loans and Advances	967,047,045 (1,031,061,162)	732,410,153 (668,396,263)	182,140,785 (167,331,400)	1,881,597,983 (1,866,788,825)
Capital Expenditure	- (-)	- (-)	266,049,389 (350,352,030)	266,049,389 (350,352,030)

8. Related Party Transaction

The list of related parties and nature of their relationship is disclosed in the annexure.

The transactions with related parties are furnished below :

Remuneration of Directors and Key Managerial Persons

(a) Sonata Software Limited

(Rs.)

Name	Salaries	Commission provided during the year	Grand Total
B Ramaswamy	9,733,641 (8,847,126)	6,847,324 (6,727,468)	16,580,965 (15,574,594)
P Srikar Reddy	7,110,039 (6,653,660)	3,423,662 (3,363,734)	10,533,701 (10,017,394)
M D Dalal		2,259,617 (2,220,063)	2,259,617 (2,220,063)
S B Ghia		1,369,465 (1,345,494)	1,369,465 (1,345,494)
Viren Raheja		1,369,465 (1,345,494)	1,369,465 (1,345,494)
Pradip P Shah		1,369,465 (1,345,494)	1,369,465 (1,345,494)
S N Talwar		1,369,465 (1,345,494)	1,369,465 (1,345,494)
B K Syngal		1,369,465 (1,345,494)	1,369,465 (1,345,494)

(b) Sonata Information Technology Limited

Sujith Mohanty	3,948,669 (3,381,430)	- (-)	3,948,669 (3,381,430)
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9. Employee Benefits :**(a) Gratuity**

Defined benefit plan (Funded) - As per actuarial valuation as on March 31, 2011

(Rs.)

		Funded		Unfunded	
		31.03.2011	31.03.2010	31.03.2011	31.03.2010
I	Change in Obligation during the year ended March 31, 2011				
1	Present value of Defined Benefit Obligation at beginning of the year	75,265,530	71,613,960	831,668,301	694,912,289
2	Current Service Cost	10,952,317	11,217,093	37,009,168	37,282,236
3	Interest Cost	6,209,406	6,015,146	35,857,678	38,024,402
4	Actuarial (Gains)/Losses	17,669,092	(8,322,464)	(113,201,732)	68,844,528
5	Benefits Paid	(10,036,239)	(5,258,205)	(6,840,325)	(7,395,154)
6	Present value of Defined Benefit Obligation at the end of the year	100,060,106	75,265,530	784,493,090	831,668,301
II	Change in Assets during the year ended March 31, 2011				
1	Plan assets at the beginning of the year	93,254,163	74,632,728	-	-
2	Expected return on plan assets	7,460,333	6,273,263	9,519,497	-
3	Contributions by Employer	13,743,153	6,412,167	-	-
4	Actual benefits paid	(10,036,239)	(5,258,205)	-	-
5	Actuarial Gains / (Losses)	(1,868,405)	11,194,210	-	-
6	Plan Assets at the end of the year	102,553,005	93,254,163	9,519,497	-
III	Net Asset/(Liability) recognised in the Balance Sheet as at March 31, 2011				
1	Present Value of defined Benefit Obligation	100,060,106	75,265,530	784,493,090	831,668,301
2	Fair value of plan assets	102,553,005	93,254,163	9,519,497	-
3	Fund Status Surplus/(Deficit)	2,492,899	(17,988,633)	(774,973,593)	-
4	Net Assets / (Liability)	2,492,899	17,988,633	(774,973,593)	(831,668,301)
IV	Expenses recognised in the statement of Profit & Loss for the year ended March 31, 2011				
1	Current Service Cost	10,952,317	11,217,093	34,725,114	36,960,847
2	Interest Cost	6,209,406	6,015,146	37,042,274	39,944,034
3	Expected return on plan assets	(7,460,333)	(6,273,263)	-	-
4	Net Actuarial (Gains)/Losses	19,537,497	(19,516,674)	2,737,092	-
5	Difference from applying BilMog, recognized in P&L			2,292,726	-
6	Total Expense	29,238,887	(8,557,698)	76,797,206	76,904,881
V	The major categories of plan assets as a percentage of total plan				
	Insurer Managed Funds	100%	100%	-	-
VI	Actuarial Assumptions:				
1	Discount Rate	8.25%	8.25%	5.14%	4.70%
2	Expected rate of return on plan assets	8.00%	8.00%	N.A.	N.A.
3	Mortality Table	LIC (1994-96) Ultimate	LIC (1994-96) Ultimate	Richttafein 2005Gvon Prof. Dr.Heubeck	Richttafein 2005Gvon Prof. Dr.Heubeck
4	Retirement Age	60 years	60 years	63 Years	63 Years

Note : The funded employee benefits relate to gratuity plan of Sonata Software Limited and Sonata Information Technology Limited.
The Unfunded employee benefits pertains to TUI InfoTec GmbH.

(b) Basis used to determine expected rate of return on assets (For Funded plans) The expected return on planned assets is based on market expectation at the beginning of the period for returns over the entire life of the related obligation. The Gratuity Scheme is invested in Group Gratuity Scheme with HDFC Standard Life Insurance Company Limited. The expected return on assets assumption is taken based on current market yield.

(c) The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

(d) Amounts for the current annual period and previous three annual periods are as follows : (Rs.)

	2010-11	2009-10	2008-09
Present value of Defined benefit obligation	100,060,106	75,265,530	71,613,960
Fair Value of Plan Assets	102,553,005	93,254,163	74,632,728
Surplus / (deficit)	2,492,899	17,988,633	3,018,768

(e) Estimated Contribution for the next year on account of gratuity Rs.11, 145,118 (Rs. Nil) and pension Rs.6,420,709 (Rs. Nil)

(f) Contribution/Provisions to superannuation, Pension and other funds under defined contribution plan is Rs.37,618,985 (Rs.33,293,549)

10. Earnings Per Share

	2010-11	2009-10
Profit attributable to equity shareholders (Rs.)	856,096,359	798,743,473
Weighted average number of Equity Shares of Re.1/- each (No. of Shares)	105,159,306	105,159,306
Earnings Per Share – basic and diluted (Rs.)	8.14	7.60

11. Operating Leases :

The Company has various operating leases for office facilities, guest houses and residential premises for employees that are renewable on a periodic basis, and cancelable at its option. Rental expenses for operating leases included in the Income statements for the year is Rs. 271,462,117 (Rs. 114,601,443)

As on 31st March, 2011 future minimum lease payments for non-cancellable operating leases for the next five fiscal years are provided below.

For the year ending	(Rs.)
31.03.2012	60,568,277
31.03.2013	42,764,654
31.03.2014	24,567,148

12. The adjustment to the Goodwill relates to a refund of part of the purchase price of investment made in TUI infoTec on account of non achievement of assured revenues.

13. TUI InfoTec GmbH with effect from 1st October, 2010 has adopted the BilMoG law with respect to provision for pension resulting in a liability increase of Rs.6.11 crores for the period up to 30th September, 2010 as per the transitional provisions. Accordingly in line with AS 15, the above amount to the extent of 50.1 % has been adjusted against General Reserve and the Balance 49.9% is adjusted in Minority Interest.

14. There are no Micro, Small and Medium Enterprises, as defined in the Micro, Small, and Medium Enterprises Development Act, 2006 to whom the company owes dues on account of principal amount together with interest and accordingly no additional disclosures have been made.

The above information regarding Micro, Small and Medium Enterprises has been determined to the extent such parties have been identified on the basis of information available with the company. This has been relied upon by the auditors.

15. Previous year's figures are shown in brackets and have been regrouped, wherever necessary to conform to current year's classification.

As per our Report annexed

For N M RAIJI & Co.

Chartered Accountants

CA.Y N THAKKAR

Partner
Membership No: 33329

For and on behalf of the Board

PRADIP P SHAH

Chairman

B RAMASWAMY

Managing Director
& President

BRIJENDRA K. SYNGAL

Director

PRAVEEN KUMAR D

Company Secretary

S B GHIA

Director

VIREN RAHEJA

Director

P SRIKAR REDDY

Executive Vice President
& Chief Operating Officer

M D DALAL

Executive Vice Chairman

S N TALWAR

Director

R SATHYANARAYANA

AVP - Finance & Accounts

Mumbai, 20th April, 2011

Sonata Software Limited - Consolidated Financial Statement

Annexure to notes
forming part of the accounts

LIST OF RELATED PARTIES AND NATURE OF RELATIONSHIP

I. KEY MANAGERIAL PERSONS AND OTHER DIRECTORS AS ON 31.03.2011

1. **B Ramaswamy**, Managing Director & President of Sonata Software Limited ("SSL")
2. **P Srikar Reddy**, Executive Vice President & Chief Operation Officer of SSL
3. **M D Dalal**, Executive Vice Chairman of SSL
4. **Pradip P Shah**, Chairman of SSL
5. **S B Ghia**, Director of SSL
6. **Viren Raheja**, Director
7. **S N Talwar**, Director of SSL
8. **B K Syngal**, Director of SSL
9. **Sujit Mohanty**, Associate Vice President & Director of Sonata Information Technology Limited

II. OTHERS AS ON 31.03.2011

	List of related parties	Nature of Relationship
S B Ghia Director	Bhupati Investments & Finance Pvt. Ltd.	Significant Influence (through VIPL), Spouse Mrs.R S Ghia as Chairperson and brother's wife Mrs.V D Ghia as Director
	Chika Pvt. Ltd.	Son Mr.N S Ghia as Chairman
	Viraj Investments Pvt. Ltd. (VIPL)	Son as Chairman and Spouse, Brother's wife are Directors
M D Dalal Executive Vice Chairman	Daltreya Investment & Finance Pvt. Ltd.	Spouse & sister are Directors
Viren Raheja Director	Rajan B Raheja	Father
	Suman R Raheja	Mother
	Akshay R Raheja	Brother
	Excelsior Construction Pvt. Ltd.	100% shareholding by Mr.Rajan B Raheja & his family
	Gstaad Investments & Finance Pvt. Ltd.	100% shareholding by Mr.Rajan B Raheja & his family
	Trophy Investments & Finance Pvt. Ltd.	100% shareholding by Mr.Rajan B Raheja & his family
B Ramaswamy President & Managing Director	Sonata Information Technology Ltd.	Director
	TUI InfoTec GmbH, Germany	Member of Supervisory Board
	Sonata Software FZ LLC, Dubai	Director
P Srikar Reddy Executive Vice President & COO	Sonata Information Technology Ltd.	Director
	TUI InfoTec GmbH, Germany	Managing Director
	Sonata Software FZ LLC, Dubai	Director
Subsidiaries	Sonata Information Technology Ltd.	Wholly owned subsidiary of Sonata
	Sonata Software FZ LLC, Dubai	Wholly owned subsidiary of Sonata
	Sonata Software North America Inc., USA	Wholly owned subsidiary of Sonata
	Sonata Software GmbH, Germany	Wholly owned subsidiary of Sonata
	Sonata Europe Ltd, UK	Wholly owned subsidiary of Sonata
	TUI InfoTec GmbH, Germany	Subsidiary of Sonata

Note : Above disclosures have been made by the Directors pursuant to the legal opinion from M/s Kanga & Co, Solicitors.

Sonata Software Limited - Consolidated Financial Statement

CASH FLOW STATEMENT

(Rs.)

	YEAR ENDED 31.03.2011	YEAR ENDED 31.03.2010
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax	1,127,153,547	1,152,107,820
Adjustments for :		
Depreciation	386,908,953	491,724,586
Interest paid	64,274,836	67,030,217
Interest Received from Term Deposits	(12,967,683)	(3,444,308)
Provision for doubtful debts	11,801,354	29,415,731
Advances Written Off	1,856,653	-
Bad Debts	13,879,822	3,764,490
Provision no longer required	(2,654,010)	(2,423,732)
(Profit)/Loss on sale of Fixed Assets	2,638,226	5,244,252
Loss on Sale of Investments	7,196	-
Dividend received	(10,163,206)	(4,135,162)
Operating Profit before Working Capital Changes	1,582,735,688	1,739,283,894
Adjustments for :		
Decrease/(Increase) in Sundry Debtors	(130,097,859)	805,016,702
Decrease/(Increase) in Inventories	45,431,920	(92,528,705)
Decrease/(Increase) in Other Current Assets	(15,326,529)	(8,270,824)
Decrease/(Increase) in Loans and Advances	263,085,532	(614,527,784)
(Decrease)/Increase in Current Liabilities and Provisions	53,574,312	(920,287,166)
Decrease/(Increase) in Deferred Tax Asset	(9,957,585)	42,263,238
(Decrease)/Increase in Deferred Tax Liability	(95,517)	(928,454)
Cash generated from operations	1,789,349,962	950,020,901
Direct taxes / Advance tax paid	(446,909,144)	(253,721,029)
Net Cash from Operating Activities (A)	1,342,440,818	696,299,872
B. CASH FLOW FROM INVESTING ACTIVITIES		
Dividend received	10,163,206	4,135,162
Interest received	12,967,683	3,444,308
Purchase of Fixed Assets - net	(353,863,486)	(434,009,480)
Sale of Fixed Assets	76,675,882	-
Purchase / Sale of Investments (Net)	266,049,389	(376,924,586)
Net Cash used in Investing Activities (B)	11,992,674	(803,354,596)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Minority Interest	(318,063,817)	(66,871,023)
Proceeds from Long Term Borrowings-Others	8,274,319	265,627,402
Dividends / Dividend Taxes Paid	(219,784,333)	(110,961,040)
Interest paid	(64,274,836)	(67,030,217)
Net cash from Financing Activities (C)	(593,848,667)	20,765,122
Net increase/(decrease) in Cash and Cash Equivalents (A+B+C)	760,584,825	(86,289,602)
Opening Cash and Cash Equivalents	731,078,341	817,367,943
Closing Cash and Cash Equivalents	1,491,663,166	731,078,341

Sonata Software Limited - Consolidated Financial Statement Cash Flow Statement (Contd.)

Notes:

1. Cash and Cash Equivalents:

Cash & Cash equivalents consists of cash on hand and balances with banks. Cash & cash equivalents included in the cash flow statement comprise of the following balance sheet amounts :

	YEAR ENDED 31.03.2011	YEAR ENDED 31.03.2010
Cash on hand & balance with banks	1,489,573,066	739,930,698
Cash & Cash Equivalents	1,489,573,066	739,930,698
Effect of exchange rate change	2,090,100	(8,852,357)
Cash & Cash Equivalents as restated	1,491,663,166	731,078,341

2. Direct Tax/Advance tax paid during the Year Ended 31.03.2011 amounted to Rs. 4,469.09 Lakhs

3. Previous year's figures have been regrouped wherever necessary to confirm to current year's classification

As per our Report annexed

For N M RAIJI & Co.

Chartered Accountants

CA.Y N THAKKAR

Partner

Membership No: 33329

For and on behalf of the Board

For Sonata Software Limited

PRADIP P SHAH

Chairman

B RAMASWAMY

Managing Director
& President

BRIJENDRA K. SYNGAL

Director

PRAVEEN KUMAR D

Company Secretary

S B GHIA

Director

VIREN RAHEJA

Director

P SRIKAR REDDY

Executive Vice President
& Chief Operating Officer

M D DALAL

Executive Vice Chairman

S N TALWAR

Director

R SATHYANARAYANA

AVP - Finance & Accounts

Mumbai, 20th April, 2011

Sonata Software Limited - Consolidated Financial Statement

ADDITIONAL FINANCIAL INFORMATION OF OVERSEAS SUBSIDIARIES : in foreign currency

	Sonata Software North America Inc, USA *	Sonata Software FZ LLC	Sonata Software GmbH, Germany	Sonata Europe Limited, UK	TUI InfoTec GmbH, Germany
	(Amount in USD)	(Amount in USD)	(Amount in Euro)	(Amount in GBP)	(Amount in Euro)
a. Capital					
- Stock holders Equity	300,000	136,129	25,000	671,700	1,000,000
- Preferred Stock	-	-	-	12,049,100	-
b. Reserves and Surplus	(2,152,634)	325,339	245,693	5,787,613	5,460,074
c. Total Assets	4,824,407	2,182,420	706,912	18,508,413	35,731,888
d. Total Liabilities	4,824,407	2,182,420	706,912	18,508,413	35,731,888
e. Details of Investment (except in case of investment in subsidiaries)	-	-	-	-	270,276
f. Turnover	24,905,848	3,878,593	2,309,897	46,370	90,263,261
g. Dividends from Subsidiary	-	-	-	3,955,779	-
h. Profit before Taxation	480,777	178,759	170,619	4,120,255	4,970,025
i. Provision for Taxation	15,832	-	82,237	19,719	1,496,771
j. Minority Interest	-	-	-	-	140,915
k. Profit after Taxation and Minority Interest	464,945	178,759	88,382	4,100,536	3,332,339
l. Proposed Dividend	-	-	-	-	-

ADDITIONAL FINANCIAL INFORMATION OF OVERSEAS SUBSIDIARIES : in Rs.

	Sonata Software North America Inc, USA *	Sonata Software FZ LLC	Sonata Software GmbH, Germany	Sonata Europe Limited, UK	TUI InfoTec GmbH, Germany
a. Capital					
- Stock holders Equity	13,377,000	6,069,992	1,582,500	48,127,305	63,300,000
- Preferred Stock	-	-	-	863,318,015	-
b. Reserves and Surplus	(95,985,950)	14,506,866	15,552,388	414,682,471	345,622,653
c. Total Assets	215,120,308	97,314,108	44,747,525	1,326,127,791	2,261,828,507
d. Total Liabilities	215,120,308	97,314,108	44,747,525	1,326,127,791	2,261,828,507
e. Details of Investment (except in case of investment in subsidiaries)	-	-	-	-	17,108,442
f. Turnover	1,110,551,762	172,946,462	146,216,463	3,322,411	5,713,664,404
g. Dividends from Subsidiary	-	-	-	283,431,565	-
h. Profit before Taxation	21,437,846	7,970,864	10,800,171	295,216,271	314,602,564
i. Provision for Taxation	705,949	-	5,205,607	1,412,866	94,745,624
j. Minority Interest	-	-	-	-	8,919,910
k. Profit after Taxation and Minority Interest	20,731,898	7,970,864	5,594,564	293,803,404	210,937,030
l. Proposed Dividend	-	-	-	-	-

(* formerly Offshore Digital Services Inc., USA)

Notes : (a) The above information has been furnished as per the requirement of Department of Company Affairs letter

(b) Conversion rate considered to arrive the above information is US Dollar = Rs.44.59, Euro = Rs.63.30 and GBP = Rs.71.65

Sonata Information Technology Limited

DIRECTORS' REPORT

TO THE MEMBERS OF SONATA INFORMATION TECHNOLOGY LIMITED

Your Directors have pleasure in presenting the Eleventh Annual Report of your Company along with the audited Statement of Accounts for the year ended 31st March, 2011.

FINANCIAL HIGHLIGHTS

		(Rs. in million)	
Particulars		Year ended 31.03.2011	Year ended 31.03.2010
1.	Total Income	6060.84	5041.19
2.	Total Expenditure	5888.12	4896.48
3.	Profit before Interest and Depreciation	172.72	144.71
4.	Interest	47.19	26.41
5.	Depreciation	1.59	3.00
6.	Profit after Interest and Depreciation but before Tax	123.94	115.30
7.	Provision for Tax	39.12	39.10
8.	Profit after Tax	84.82	76.20

DIVIDEND

Your Directors do not recommend any dividend for the financial year ended 31st March, 2011.

BUSINESS REVIEW

The business of your Company can be classified into two broad areas:

A. PRODUCTS

During the year under review, your Company has increased number of sizeable customers for products business and associated product based services. It has also won awards from various principals for being the best partner for the year. Your Company has consolidated its position in the Indian market and has been rated the best in the industry by various principals.

Your Company's strategy for the current financial year is to add new profitable product lines and increase focus on product based and infrastructure management services.

B. BUSINESS SOLUTIONS

During the year under review, your Company has shown strong growth across all the service offerings. Client additions for end-to-end ERP implementation solutions were commendable. Your Company made significant client additions across all its ERP offerings. In particular your company won a large order to implement Oracle Apps ERP at a marquee media company and for the implementation of Axapta ERP at a prestigious Central Government organization in the real estate space.

During the year, your Company acquired a number of Enterprise class clients for add-on services like post implementation support, upgrade services and ERP extension services.

In the IT consulting space, your Company's strategy to focus deeper into existing accounts during the year paid rich dividends. It has also helped increase customer confidence levels in your Company.

Your Company continues to enjoy preferred partner status from all key principals.

Detailed management review and performance summary during the year under review on each of the above business heads has been given elsewhere in the Annual Report of 2010-11.

QUALITY

During the year under review, your Company continued to update its Quality Management System (QMS). Recognizing the importance of collecting customer feedback in a timely manner, a tool has been deployed that automates the customer survey process. Regular surveillance audits have been successfully completed, ensuring that an objective feedback is obtained on the definition and implementation of processes.

RECOGNITION

During the year under review, your Company was recognized as a Platinum Partner by Oracle for offering best set of services to customers, with the highest levels of professionalism, resulting in greater customer satisfaction.

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 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, 2011 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 a 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, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE

Your Company has nothing to report on energy conservation and technology absorption as required under Section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

Foreign Exchange outgo on account of Travelling, Royalty, Import of traded products, etc was Rs.3442.70 Mn and foreign exchange inflow on account of software services rendered and sales of traded products exports was Rs.132.65 Mn.

PUBLIC DEPOSITS

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

PERSONNEL

The Company has no employees in the category specified under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Amendment Rules, 2011.

DIRECTORS

Mr.B K Syngal and Mr.Sujit Mohanty, 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, the Statutory Auditors of your Company, who hold office until the conclusion of the forthcoming Annual General Meeting being eligible, offer themselves for re-appointment. Accordingly, the members may re-appoint M/s N.M.Raiji & Co., as Statutory Auditors of the Company for the financial year 2011-12.

ACKNOWLEDGEMENTS

Your Directors take this opportunity to thank all Principals, Customers, Vendors, Business Partners, Bankers, Financial Institutions and Regulatory authorities for their continued support. Your Directors also place on record their appreciation to the dedicated and committed team of employees for their valuable contribution to the Company during the year under review.

For and on behalf of the Board

Place : Mumbai
Date : 20th April, 2011

B.RAMASWAMY
Director

Sonata Information Technology Limited

MANAGEMENT REVIEW- INDIAN OPERATIONS

1. Revenues

Revenue has increased by 18.94% to 5,989.66 million during the year ended 31st March, 2011.

a) Products Business :

Products Business Group constituted 97.50 % of the turnover of Indian Operations. There has been an increase of 20.87 % in the performance during the year ended 31st March, 2011 as compared to the same period in the last year.

b) Business Solutions :

Business Solutions Group constituted 2.50 % of the turnover of Indian Operations.

2. Operating Expenses

The operating expenses increased by 29.80 % to Rs. 496.59 million for the year ended 31st March, 2011 from Rs. 382.52 million for the same period last year.

3. EBITD

The operating margin increased by 19.37 % at Rs. 172.72 million for the year ended 31st March, 2011 as compared to Rs. 144.71 million for the same period last year.

4. Profit After Tax

Profit after Tax increased by 11.31% at Rs. 84.82 million for the year ended 31st March, 2011 as compared to Rs. 76.20 million for the same period last year.

5. Interest and Borrowings

The Interest on borrowings has increased by 78.69% to Rs. 47.19 million for the year ended 31st March, 2011 from Rs. 26.41 million for the same period last year. The interest is due to utilization of fund-based facilities & bill discounting with banks in order to meet its working capital requirements.

6. Capital Employed

The Return on Average Capital Employed (ROCE) was at 15.68% for the year ended 31st March, 2011 as compared to 20.10% for the same period last year.

7. Net Worth

The Return on Average Net worth (RONW) was at 21.26% for the year ended 31st March, 2011 as compared to 23.92% for the same period last year.

8. Receivables

Debtor's number of days sales was at 55 days for the year ended 31st March, 2011 as compared to 57 days for the same period last year.

9. Manpower

The total employee strength as on 31st March, 2011 was 135 as compared to 144 as on 31st March, 2010.

PERFORMANCE SUMMARY

1. Revenue

For the year ended 31st March, 2011

- a. Revenue from Products Business was Rs. 5,839.81 millions
- b. Revenue from Business Solutions was Rs. 149.85 millions

2. EBITD

EBITD for the year ended 31st March, 2011 was 2.85% of Total Income as Compared to 2.87% for the same period last year.

3. Profit After Tax (PAT)

- a. PAT for the year ended 31st March, 2011 was at Rs. 84.82 million as against Rs. 76.20 million for the same period last year.
- b. Profit Margin at 1.40% as compared to 1.51% for the same period last year.

Sonata Information Technology Limited (SITL)

AUDITOR'S REPORT

TO THE MEMBERS OF SONATA INFORMATION TECHNOLOGY LIMITED

We have audited the attached Balance Sheet of **SONATA INFORMATION TECHNOLOGY LIMITED**, as on 31st March, 2011, and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance on whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 duly amended by DCA notification G.S.R. 766(E) dated 25th November, 2004 (hereinafter to be referred to as "the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

Further to our comments in the Annexure referred to above, we report that:

1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
2. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of such books;

3. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
4. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 to the extent applicable;
5. On the basis of written representations received from the directors and taken on record by the Board of Directors, we report that none of the directors is disqualified from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - a. In the case of the Balance Sheet, of the state of affairs of the Company as on 31st March, 2011;
 - b. In the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - c. In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **N. M. Raiji & Co.,**
Chartered Accountants
Registration No: 108296W

CA.Y.N Thakkar
Partner

Place : Mumbai
Date : 20th April, 2011

Membership No: 33329

Sonata Information Technology Limited

ANNEXURE TO THE AUDITOR'S REPORT OF EVEN DATE

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets.
- (b) Physical verification of major assets was conducted by the management during the year, which in our opinion is reasonable having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such verification as compared with the book records.
- (c) During the year, the Company has not disposed off substantial part of its fixed assets.
- (ii) (a) The stock of inventory has been physically verified at reasonable intervals during the year by the management.
- (b) The procedures for physical verification of inventory followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company has maintained proper records of inventory and no discrepancies were noticed on physical verification as compared with the book records.
- (iii) (a) The Company has not granted any loans, secured or unsecured, during the year to companies, firms and other parties listed in the register maintained under section 301 of the Companies Act, 1956.

Accordingly, sub-clause (b),(c) and (d) of clause 4(iii) of the Order are not applicable.

- (b) During the year the Company has taken unsecured loans from company listed in the register maintained under section 301 of the Companies Act, 1956.

No of Parties	Amount outstanding as on 31.03.2011	Maximum amount outstanding during the year
1	Rs. 19.40 crores	Rs. 49.00 crores

- (c) The rate of interest and other terms and conditions of the loans taken by the Company are prima facie not prejudicial to the interest of the Company.
- (d) The payment of the principal amount and interest are also regular.
- (iv) In our opinion, there are adequate internal control systems commensurating with the size of the Company and the nature of its business with regard to purchase of inventory fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal controls.
- (v) There are no transactions that need to be entered into the register in pursuance of Section 301 of the Companies Act 1956.
- (vi) The Company has not accepted any deposits from the public.
- (vii) The Company has an adequate internal audit system, which was conducted by an independent firm of Chartered Accountants, which in our opinion commensurate with the size and nature of its business.
- (viii) According to the information and explanation given to us, maintenance of cost records have not been prescribed by the Central Government under section 209(1)(d) of the Act.

- (ix) (a) The Company is generally regular in depositing appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax custom duty, excise, cess and any other statutory dues applicable to it.
- (b) The dues of income tax and sales tax that have not been deposited on account of dispute, the amount involved and the forum where the dispute is pending is detailed in the statement attached.
- (x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
- (xi) The Company has not defaulted in repayment of dues to a financial institution or bank or debenture holders.
- (xii) The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The Company is not a chit/nidhi/mutual benefit fund/society.
- (xiv) Proper records have been maintained of the transactions and contracts in relation to investments and timely entries have been made therein. There are no investments held by the Company as at the end of the year.
- (xv) The Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) The Company has not obtained any term loans.
- (xvii) Funds raised on short-term basis have not been used for long term investments.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The Company has not issued any debentures during the year.
- (xx) The Company has not raised any money by public issues during the year.
- (xxi) Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For **N. M. Raiji & Co.**
Chartered Accountants
Registration No: 108296W

CA.Y.N Thakkar
Partner

Place : Mumbai
Date : 20th April, 2011

Membership No: 33329

Statement forming part of Audit Report clause (ix)(b)

Name of the statute	Nature of Dues and Period	Amount (Rs. in crores)	Forum where dispute is pending
Income Tax Act 1961	Income tax and interest thereon for A Y 2008-09	100.88	Commissioner of Income Tax (Appeals)
KVAT Act 2003	Sales tax of 2001-02	0.01	The Joint Commissioner of Commercial Taxes, Bangalore

Sonata Information Technology Limited

BALANCE SHEET AS AT 31ST MARCH, 2011

				(Rs.)
	SCHEDULE		AS AT 31.03.2011	AS AT 31.03.2010
SOURCES OF FUNDS				
SHAREHOLDERS' FUNDS				
Share Capital	1	33,753,940	33,753,940	
Reserves and Surplus	2	412,306,708	318,193,063	
			446,060,648	351,947,003
LOAN FUNDS				
Secured Loans	3	307,646,720	219,000,000	
Unsecured Loans	4	194,000,000	165,000,000	
			501,646,720	384,000,000
TOTAL FUNDS EMPLOYED			947,707,368	735,947,003
APPLICATION OF FUNDS				
FIXED ASSETS				
	5			
Gross Block		32,145,864	31,927,071	
Less : Depreciation		29,547,913	27,952,957	
Net Block		2,597,951	3,974,114	
Capital work-in-progress & advances		1,012,000	-	
			3,609,951	3,974,114
			4,629,282	1,252,195
DEFERRED TAX ASSET				
CURRENT ASSETS, LOANS & ADVANCES				
Inventories	6	22,054,239	77,286,576	
Sundry Debtors	7	900,173,232	785,949,771	
Cash and Bank Balances	8	103,957,546	87,212,623	
Other Current Assets	9	19,019,697	20,253,750	
Loans and Advances	10	967,047,045	1,031,061,162	
		2,012,251,759	2,001,763,882	
Less : CURRENT LIABILITIES & PROVISIONS				
Current Liabilities	11	1,071,289,003	1,269,810,933	
Provisions	12	1,494,621	1,232,255	
		1,072,783,624	1,271,043,188	
NET CURRENT ASSETS			939,468,135	730,720,694
TOTAL FUNDS APPLIED			947,707,368	735,947,003
NOTES FORMING PART OF ACCOUNTS	18			

As per our Report annexed

For and on behalf of the Board

For N M RAIJI & Co.
Chartered Accountants

CA.Y N THAKKAR
Partner
Membership No 33329

B RAMASWAMY
Director

SUJIT MOHANTY
AVP & Director

P SRIKAR REDDY
Director

FEROZA BYRAMJI
Company Secretary

BRIJENDRA K SYNGAL
Director

Mumbai, 20th April, 2011

Sonata Information Technology Limited

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

(Rs.)

	SCHEDULE	YEAR ENDED 31.03.2011	YEAR ENDED 31.03.2010
INCOME			
Sales and Services (Net)	13	5,989,662,771	5,036,061,097
Other Income	14	71,174,783	5,129,637
Total Income		6,060,837,554	5,041,190,734
EXPENDITURE			
Operating and Other Expenses	15	496,588,177	382,522,476
Purchase of traded items		5,336,292,069	4,562,361,832
Interest	16	47,190,404	26,409,395
Depreciation		1,594,956	2,995,116
		5,881,665,606	4,974,288,819
Add/(Less) : (Increase)/Decrease in Stocks	17	55,232,337	(48,395,762)
		5,936,897,943	4,925,893,057
Profit Before Tax		123,939,611	115,297,677
Provision for Tax		39,121,847	39,100,158
Profit After Tax		84,817,764	76,197,519
Add : Balance of Profit brought forward from previous year		301,235,884	225,038,365
Disposable Surplus		386,053,648	301,235,884
Balance carried to Balance Sheet		386,053,648	301,235,884
NOTES FORMING PART OF ACCOUNTS	18		
EPS - Basic (on Re.10/- per share)		25.13	22.57
EPS - Diluted (on Re.10/- per share)		25.13	22.57

As per our Report annexed For and on behalf of the Board

For N M RAJI & Co.
Chartered Accountants

CA.Y N THAKKAR
Partner
Membership No 33329

B RAMASWAMY
Director

SUJIT MOHANTY
AVP & Director

P SRIKAR REDDY
Director

FEROZA BYRAMJI
Company Secretary

BRIJENDRA K SYNGAL
Director

Mumbai, 20th April, 2011

Sonata Information Technology Limited

SCHEDULES ATTACHED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2011

(Rs.)

	AS AT 31.03.2011	AS AT 31.03.2010
SCHEDULE 1 : SHARE CAPITAL		
Authorised :		
10,000,000 Equity Shares of Rs.10/- each (Previous year 10,000,000 Equity Shares of Rs.10/- each)	<u>100,000,000</u>	<u>100,000,000</u>
Issued :		
6,000,700 Equity Shares of Rs.10/- each (Previous year 6,000,700 Equity Shares of Rs.10/- each)	<u>60,007,000</u>	<u>60,007,000</u>
Subscribed and Paid-Up :		
3,375,394 Equity Shares of Rs.10/- each (Held by Holding company -Sonata Software Limited) (Previous year 3,375,394 Equity Shares of Rs.10/- each)	<u>33,753,940</u>	<u>33,753,940</u>
Of the above 3,374,694 Equity Shares have been allotted as fully paid pursuant to a contract without payment received in cash from Holding Company. (Previous year 3,374,694 Equity Shares)		
SCHEDULE 2 : RESERVES AND SURPLUS		
Capital Redemption Reserve*	26,253,060	26,253,060
Profit and Loss Account	386,053,648	301,235,884
Hedging Reserve	-	(9,295,881)
*(Capital Redemption Reserve created on account of buyback of the shares)	<u>412,306,708</u>	<u>318,193,063</u>
SCHEDULE 3 : SECURED LOANS		
From Banks (Secured by hypothecation of movable assets both present and future)		
Standard Chartered Bank	117,646,720	119,000,000
CITI bank	100,000,000	100,000,000
BNP Paribas	50,000,000	-
Axis Bank	40,000,000	-
	<u>307,646,720</u>	<u>219,000,000</u>
SCHEDULE 4 : UNSECURED LOANS		
Inter Corporate Deposit from Holding Company (repayable on demand)	<u>194,000,000</u>	<u>165,000,000</u>
SCHEDULE 5 : FIXED ASSETS		

Assets	Gross Block				Depreciation				Net Block as at 31.03.2011
	Cost as at 01.04.2010	Additions	Deductions/ Adjustments	Cost as at 31.03.2011	As at 01.04.2010	For the Year	Deductions/ Adjustments	As at 31.03.2011	
Leasehold Improvements	3,826,190 (3,826,190)	- (-)	- (-)	3,826,190 (3,826,190)	2,800,989 (2,497,153)	303,768 (303,836)	- (-)	3,104,757 (2,800,989)	721,433 (1,025,201)
Plant & Machinery	22,215,924 (23,329,251)	190,575 (-)	- (1,113,327)	22,406,499 (22,215,924)	21,115,200 (19,913,470)	989,887 (2,315,033)	- (1,113,303)	22,105,087 (21,115,200)	301,412 (1,100,724)
Furniture & Fixtures	3,508,284 (3,508,284)	- (-)	- (-)	3,508,284 (3,508,284)	2,605,687 (2,402,690)	163,374 (202,997)	- (-)	2,769,061 (2,605,687)	739,223 (902,597)
Motor Car & Vehicles	- (2)	- (-)	- (2)	- (-)	- (1)	- (1)	- (2)	- (-)	- (-)
Air Conditioners & Other Equipments	2,376,673 (2,354,897)	28,218 (36,964)	- (15,188)	2,404,891 (2,376,673)	1,431,081 (1,264,825)	137,927 (173,249)	- (6,993)	1,569,008 (1,431,081)	835,883 (945,592)
TOTAL	31,927,071 (33,018,624)	218,793 (36,964)	- (1,128,517)	32,145,864 (31,927,071)	27,952,957 (26,078,139)	1,594,956 (2,995,116)	- (1,120,298)	29,547,913 (27,952,957)	2,597,951 (3,974,114)
Capital work-in-progress and advances									1,012,000 (-)
GRAND TOTAL									3,609,951 (3,974,114)

Notes:

- Figures in brackets pertain to previous year.
- Plant and Machinery includes Computer and Software.

Sonata Information Technology Limited

Schedules (Contd.)

	(Rs.)	
	AS AT 31.03.2011	AS AT 31.03.2010
SCHEDULE 6 : INVENTORIES		
Finished Products	<u>22,054,239</u>	<u>77,286,576</u>
SCHEDULE 7 : SUNDRY DEBTORS		
Unsecured		
Debts outstanding for a period exceeding six months		
Considered Good	39,665,797	61,565,024
Considered Doubtful	<u>4,047,294</u>	<u>7,704,059</u>
	43,713,091	69,269,083
Other debts : Considered Good	860,507,435	724,384,747
	904,220,526	793,653,830
Less: Provision for Doubtful Debts	<u>4,047,294</u>	<u>7,704,059</u>
	900,173,232	785,949,771
SCHEDULE 8 : CASH AND BANK BALANCES		
Cash on hand	34,043	46,957
Balances with Scheduled Banks		
In Current Accounts	60,299,789	70,354,166
In Deposit Accounts	<u>43,623,714</u>	<u>16,811,500</u>
	103,957,546	87,212,623
SCHEDULE 9 : OTHER CURRENT ASSETS		
Income Accrued but not due	<u>19,019,697</u>	<u>20,253,750</u>
SCHEDULE 10 : LOANS AND ADVANCES		
Unsecured		
(Considered good, unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received :	181,064,462	267,924,734
Balance with Customs Authorities	-	175,000,000
Advance payment of tax (net of provisions)	<u>785,982,583</u>	<u>588,136,428</u>
	967,047,045	1,031,061,162
SCHEDULE 11 : CURRENT LIABILITIES		
Sundry Creditors		
Micro and Small Enterprises	-	-
Others	<u>842,434,010</u>	<u>934,098,638</u>
	842,434,010	934,098,638
Due to Holding company	94,374,302	15,147,605
Other Liabilities	<u>134,480,691</u>	<u>320,564,690</u>
	1,071,289,003	1,269,810,933
SCHEDULE 12 : PROVISIONS		
Compensated Absence	<u>1,494,621</u>	<u>1,232,255</u>

Sonata Information Technology Limited

Schedules (Contd.)

(Rs.)

	YEAR ENDED 31.03.2011	YEAR ENDED 31.03.2010
SCHEDULE 13 : SALES AND SERVICES (NET)		
Sales	5,839,812,738	4,831,403,733
Services	149,850,033	204,657,364
	5,989,662,771	5,036,061,097
SCHEDULE 14 : OTHER INCOME		
Interest received	37,502,665	2,912,040
(Tax Deducted at Source is Rs. 7,44,029 - Previous year Rs. 21,241)		
Provision no longer required (net)	1,540,731	325,073
Dividend received	127,967	222,898
Miscellaneous Income	32,003,420	1,669,626
	71,174,783	5,129,637
SCHEDULE 15 : OPERATING AND OTHER EXPENSES		
Salaries, Wages, Bonus and Allowances (Including Directors' remuneration)	87,046,608	81,371,211
Contribution to Provident Fund and other Funds	6,460,426	3,937,315
Deputation cost to holding company	121,310,317	110,782,495
Staff Welfare Expenses	766,764	616,928
	215,584,115	196,707,949
Power and Fuel	1,049,206	817,656
Rent	13,286,503	11,354,366
Rates & Taxes	1,970,072	346,789
Insurance	725,487	247,484
Repairs to :		
Plant and Machinery	1,273,597	449,032
Others	3,502,598	3,265,049
	4,776,195	3,714,081
Travelling and Conveyance Expenses	13,789,401	10,778,432
Legal, Professional and Technical Fees	29,495,155	17,082,223
Communication Cost	4,870,259	5,329,761
Auditor's Remuneration :		
Audit Fees	400,000	400,000
Certification fees	100,000	100,000
	500,000	500,000
Commission on Sales	8,130,184	4,013,996
Bad debts	18,169,429	-
Less : Provision for doubtful debts written back	4,289,607	-
	13,879,822	-
Provision for Doubtful debts	2,155,557	4,740,508
Miscellaneous Expenses	24,894,584	11,723,578
Foreign exchange variation (net)	(2,024,254)	(15,506,831)
Loss on Sale of fixed assets (Net)	-	8,220
Service charges paid to Holding Company	163,505,891	130,664,264
	496,588,177	382,522,476
SCHEDULE 16 : INTEREST		
Interest paid to Banks	23,696,163	12,248,406
Interest - Others	23,494,241	14,160,989
	47,190,404	26,409,395
SCHEDULE 17 : (INCREASE)/DECREASE IN STOCKS		
Opening Stock		
Finished Products	77,286,576	28,890,814
	77,286,576	28,890,814
Closing Stock		
Finished Products	22,054,239	77,286,576
	22,054,239	77,286,576
(Increase)/Decrease in Stocks	55,232,337	(48,395,762)

SCHEDULE 18: NOTES FORMING PART OF THE ACCOUNTS**1 (i) BASIS FOR PREPARATION OF FINANCIAL STATEMENTS**

The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles ('IGAAP') under the historical cost convention on accrual basis.

(ii) SIGNIFICANT ACCOUNTING POLICIES**a) FIXED ASSETS AND DEPRECIATION**

Fixed assets are stated at cost less depreciation. For this purpose cost comprises of cost of acquisition and all costs directly attributable to bringing the asset to the present condition for its intended use.

Depreciation has been provided on Plant and Machinery, on straight line basis and on other assets on written down value at the rate specified in Schedule XIV of the Companies Act, 1956, (as amended), or at the rates as per Company's depreciation policy for the following items :

Rates of Depreciation**Sch. XIV Rate Rate Adopted**

Computers and Software	16.21%	33.33 %
------------------------	--------	---------

Leasehold Improvements are stated at cost and are amortized over the lease period.

b) INVENTORIES

Finished goods are valued at lower of cost (weighted average) or net realizable value.

Software products developed/under development are stated at cost. Software development cost incurred on products ready for marketing are amortized equally over a period of three years or earlier based on Management's evaluation of expected sales volumes and duration of the product life cycle.

c) REVENUE RECOGNITION

Sales are recognized on dispatch of goods to the customer. Technical Service Contracts/Software Revenue is recognized on the basis of achievement of prescribed milestones as relevant to each contract or proportionate completion method as applicable.

d) FOREIGN CURRENCY TRANSACTIONS

Purchases and Sales are accounted at daily rates. Exchange fluctuations arising on payment or realization are dealt with in the Profit and Loss Account. Monetary Assets and Monetary Liabilities are restated at the year-end closing rate as applicable and any differences arising thereof have been dealt within the Profit and Loss Account to the extent it pertains to the current year.

e) DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING

The Company has adopted Accounting Standard 30 (AS 30) "Financial Instruments : Recognition and Measurement" effective financial year commencing 1st April, 2008. Based on the Recognition and Measurement principles set out in the AS 30, changes in the fair values of derivative financial instruments designated as effective cash flow hedges are recognized as "Hedging Reserve" directly in the Balance Sheet under Reserves and Surplus and later reclassified into Profit and Loss account upon the occurrence of the hedged transaction. Changes in the fair value of ineffective cash flow hedges are recognized in the Profit and Loss account as they arise. Fair value hedges taken are recognized directly in to the Profit and Loss account.

f) EMPLOYEE BENEFITS**(i) Defined Contribution Plan :**

Company's contributions paid/payable during the year to Superannuation Fund, ESIC, Pension Fund and Labour Welfare Fund are recognized in the Profit and Loss Account. There are no other obligations other than the contribution payable to the respective trust. Company's Contribution towards Superannuation and ESIC are based on a percentage of salary which is made to an approved fund.

(ii) Defined Benefit Plan :

Company's Contribution towards Provident Fund is based on a percentage of salary which is made to an approved fund. Company's Contribution towards Gratuity is made to an approved fund as per actuarial valuation certificate obtained from an actuary which is determined using projected unit credit method.

(iii) Short term employee benefit :

Short term employee benefits are recognized in the profit and loss account relating to the year in which the employee has rendered services.

(iv) Long term employee benefit :

Long term compensated absences are provided as per actuarial valuation certificate obtained from an actuary which is determined using projected unit credit method.

(v) Actuarial gains/losses are immediately taken to Profit and Loss account and are not deferred.**2. Contingent Liabilities not provided for on disputed Income Tax demands (Inclusive of Interest Charged) Rs.269,094,608 (Rs.957,917,339) - explained below**

(a) The above includes Rs.14.74 crores on account of the disallowance of intercompany Service Charges for Financial Year 2001-02, 2003-04 and 2004-05. The order of the Income Tax Appellate Tribunal is in favor of the Company. The Department has filed an appeal in this regard to the High Court of Mumbai which has been admitted.

(b) The above includes Rs.12.17 crores for the Financial Year 2007-08 mainly on account of the disallowance of intercompany Service Charges and deputation expenses. The Company for these years has filed appeal before the Commissioner of Income Tax (Appeals).

The Supreme Court by its order of 9th September, 2010 overruled the order of the High Court of Karnataka which had held that irrespective of the nature of payment, in the absence of a lower withholding order, income-tax had to be withheld on all payments made to overseas parties. Further, the Supreme Court remanded the cases back to the High Court of Karnataka for a fresh review and to examine whether payments made to overseas parties for purchase of software were in the nature of 'Royalty' and if so whether tax had to be withheld at source on the same. Based on the above Supreme Court order the following demands on the Company are not considered as contingent liability.

i. Rs.21.82 crores as tax which had not been deducted by the Company on payments made to overseas parties for purchase of software for the Financial Years 2000-2001 and 2001-2002. However, for these years one of the principal suppliers of software to the Company has paid Rs.12.86 crores out of the above demand.

ii. Rs. 88.18 crores of tax demand for the Financial Year 2007-2008 on account of disallowances of payments made for purchase of software on which tax had not been deducted at source. This demand is consequent to the principle covered in point (i) above.

iii. For the financial years 2000-2001 and 2002-2003, the issue regarding disallowance of payments made for purchase of software was raised by the Department to the High Court of Mumbai. The High Court had dismissed these appeals as being 'time barred'. The total demand for the aforementioned years for which the appeals were dismissed by the High Court is Rs 82.48 crores. On a special leave petition filed by the Department, the Supreme Court has now referred back to High Court of Mumbai to reconsider the dismissal for the Financial Year 2002-03.

iv. For the Financial Year 2001-2002, the Departmental appeal on the same issue as above has been admitted by the High Court of Mumbai. The demand under consideration for the said year is Rs. 32.40 crores.

3. (i) Contingent Liability in respect of Karnataka Sales Tax F.Y. 2001-02 is Rs.2,94,017 out of which company has paid Rs.1,47,009.
(ii) Sonata Software Limited has given corporate guarantee to IBM Limited, on behalf of the company for a value of Rs.5 Crores.
4. Estimated amount of contracts remaining to be executed and not provided (net of advances) Rs. 3,76,000 (Nil) (Rs.)
5. Remuneration and perquisites to AVP and Director
- | | | |
|--|-------------------|-------------------|
| | 31.03.2011 | 31.03.2010 |
| Salary | 3,673,264 | 3,150,542 |
| Contribution to PF and Superannuation Fund | 254,437 | 209,920 |
| Reimbursement of Medical and Education Expenses | 15,000 | 15,000 |
| Other Perquisites as calculated under IT Act, 1961 | 5,968 | 5,968 |
| Total | 3,948,669 | 3,381,430 |
6. Value of Imports calculated on CIF basis
Traded Goods
- | | | |
|--|----------------------|----------------------|
| | 3,442,352,489 | 3,512,208,453 |
|--|----------------------|----------------------|
7. Expenditure incurred in Foreign Currency on account of
Travelling
Others
- | | | |
|--|----------------|----------------|
| | 31,000 | 940,861 |
| | 318,760 | - |
| | 349,760 | 940,861 |
8. Earnings in Foreign Exchange
Software services rendered
Sales Traded Products
- | | | |
|--|--------------------|--------------------|
| | 9,986,255 | 1,753,330 |
| | 122,662,459 | 99,461,584 |
| | 132,648,714 | 101,214,914 |
9. Income from sales and services includes gain on account of exchange fluctuation of Rs1,89,825 (previous year loss of Rs.28,96,502).
Purchases includes loss on account of exchange fluctuation of Rs.50,009,067 (55,680,595)

10. Quantity and Value Particulars of Trading Activities for the Year ended 31st March, 2011

Particulars	Opening Stock		Purchases		Sales		Closing Stock	
	Qty	Value (Rs.)	Qty	Value (Rs.)	Qty	Value (Rs.)	Qty	Value (Rs.)
Computer Software Packages	56,504 (18,112)	77,286,576 (28,890,814)	3,456,643 (5,561,167)	5,336,292,069 (4,562,361,832)	3,484,159 (5,522,775)	5,839,812,738 (4,831,403,733)	28,988 (56,504)	22,054,239 (77,286,576)

11. Provision for taxation for the year ended 31st March, 2011 consists of following :

	(Rs.)
Income Tax	42,498,934 (41,156,203)
Deferred Tax Asset Accrued	3,377,087 (2,056,045)
Total	39,121,847 (39,100,158)

12. Significant component of Company's Deferred Tax Asset (Liability) are as follows :

	DTA	DTL	Net DTA/DTL
Depreciation	875,221 (-)	- (322,601)	875,221 (-322,601)
Others	3,754,061 (1,574,796)	- (-)	3,754,061 (1,574,796)
Total	4,629,282 (1,574,796)	- (322,601)	4,629,282 (1,252,195)

13. The working capital facility of the Company is from Axis Bank Ltd, BNP Paribas, Standard Chartered Bank and Citi Bank NA and is secured by pari passu first charge on all current assets of the company both present and future, wherever located.

14. EARNINGS PER SHARE :

	FY 2010-11	FY 2009-10
Profit attributable to equity shareholders (Rs.)	84,817,764	76,197,519
Weighted average number of Equity Shares of Re.1/- each (No.of Shares)	3,375,394	3,375,394
Earnings Per Share – basic and diluted (Rs.)	25.13	22.57

15. NOTE ON AS 30 ADOPTION :

Accounting Standard 30, (AS 30) Financial Instruments: Recognition and Measurement was issued by the Institute of Chartered Accountants of India (ICAI) in December 2007. AS 30 becomes recommendatory in respect of accounting periods commencing on or after 1st April, 2009 and mandatory in respect of accounting periods commencing on or after 1st April, 2011. ICAI has announced that the earlier adoption of AS 30 is encouraged.

From the financial year commencing 2008-09 the Company applied the recognition and measurement principles as set out in AS 30 in accounting derivatives. Changes in fair values of derivative financial instruments designated as effective cash flow hedges were recognized directly into Hedging Reserve in the Balance Sheet under Reserves and Surplus and reclassified into Profit and Loss account upon the occurrence of the hedged transaction. Fair value hedges taken are recognized directly in to the profit and loss account.

As at 31st March 2011, the Company recognized Rs Nil (Rs. 92.96 lakhs) into "Hedging Reserve" due to changes in fair value of the effective cash flow hedges.

16. Previous year's figures are shown in brackets and have been regrouped, wherever necessary to conform to current year's classification.

17. Related Party Transactions

(The list of related parties and nature of their relationship is disclosed in the annexure.)

Remuneration of AVP and Director

(Rs.)

Name	Salary
Sujit Mohanty	3,948,669 (3,381,430)

Other Related Parties

Sonata Software limited (SSL) is a company incorporated in India. SITL is a wholly owned subsidiary of SSL and both the Companies have three common directors. Amounts included in the financial statements of the Company are in relation to administrative services normal business transactions with SSL, as given below :

(Rs.)

Particulars	Opening Balance as on 01.04.10	Transactions during the year	Amount received/paid during the year	Closing Balance as on 31.03.11
Sales	- (-)	13,564,970 (24,293,864)	13,564,970 (24,293,864)	- (-)
Deputation Cost	13,568,370 (1,679,556)	121,310,317 (110,782,495)	101,952,358 (98,893,681)	32,926,329 (13,568,370)
Salary	- (-)	9,537,813 (-)	9,537,813 (-)	- (-)
Others	- (-)	163,505,891 (130,664,264)	121,583,732 (130,664,264)	41,922,159 (-)
Service Charges	165,000,000 (-)	1,489,000,000 (715,000,000)	1,460,000,000 (550,000,000)	194,000,000 (165,000,000)
Inter Corporate Deposit taken	- (-)	21,925,636 (12,332,468)	21,925,636 (12,332,468)	- (-)
Interest on Inter Corporate Deposit taken	1,579,235 (4,257,684)	293,708,442 (21,794,108)	278,993,352 (24,472,558)	16,294,325 (1,579,235)
Others				

Sonata Software Ltd has given corporate guarantee to IBM Ltd on behalf of Sonata Information Technology Limited for a value of Rs.5 Crores.

Sonata Software FZ LLC, a Company incorporated under the Registrar of Companies, The Dubai Technology and Media Free Zone Authority, Dubai, which is engaged in software development services. Sonata Software Ltd holds 100% equity in Sonata Software FZ LLC. Transactions with the Company included in the financial statements as 31st March, 2011 as follows :

Sonata Software FZ LLC

	Opening Balance as on 01.04.10	Transaction during the year	Amount received/paid during the year	Closing Balance as on 31.03.11
Sale	1,247,110 (-)	- (3,761,860)	1,247,110 (2,514,750)	- (1,247,110)

18. Employee Benefits :

(a) Gratuity

Defined benefit plan (Funded) - As per actuarial valuation as on 31st March, 2011

(Rs.)

I	Change in Obligation during the year ended 31st March, 2011	31.03.2011	31.03.2010
1	Present value of Defined Benefit Obligation at beginning of the year	5,976,490	6,658,520
2	Current Service Cost	708,336	777,053
3	Interest Cost	493,060	517,796
4	Actuarial (Gains)/Losses	1,356,633	(913,636)
5	Benefits Paid	(46,038)	(1,063,243)
6	Present value of Defined Benefit Obligation at the end of the year	8,488,481	5,976,490
II	Change in Assets during the year ended 31st March, 2011		
1	Plan assets at the beginning of the year	9,845,052	8,124,651
2	Expected return on plan assets	787,604	685,295
3	Contributions by Employer	-	973,162
4	Actual benefits paid	(46,038)	(1,063,243)
5	Actuarial Gains / (Losses)	(188,374)	1,125,187
6	Plan Assets at the end of the year	10,398,244	9,845,052
III	Net Asset/(Liability) recognised in the Balance Sheet as at 31st March, 2011		
1	Present Value of defined Benefit Obligation	8,488,481	5,976,490
2	Fair value of plan assets	10,398,244	9,845,052
3	Fund status Surplus/(Deficit)	1,909,763	3,868,562
4	Net Assets / (Liability)	1,909,763	3,868,562
IV	Expenses recognised in the statement of Profit and Loss for the year ended 31st March, 2011		
1	Current Service Cost	708,336	777,053
2	Interest Cost	493,060	517,796
3	Expected return on plan assets	(787,604)	(685,295)
4	Net Actuarial (Gains)/Losses	1,545,007	(2,038,823)
5	Total Expenses	1,958,799	(1,429,269)
V	The major categories of plan assets as a percentage of total plan		
	Insurer Managed Funds	100%	100%
VI	Actuarial Assumptions :		
1	Discount Rate	8.25%	8.25%
2	Expected rate of return on plan assets	8%	8%
3	Mortality Table	LIC (1994-96) Ultimate	LIC (1994-96) Ultimate
4	Retirement Age	60 years	60 years

Amount recognized as an expense and included in Schedule 15 under "contribution to provident fund and other funds".

- (b) The Guidance issued by the Accounting Standard Board (ASB) on implementing AS-15, Employee benefits (revised 2005) states that provident funds set up by employers which requires interest short fall to be met by the employer, needs to be treated as defined benefit plan. The fund does not have any existing deficit or interest shortfall.

Pending the issuance of the Guidance Note from the Actuarial Society of India, the Company's actuary has expressed his inability to reliably measure the future obligation arising due to interest shortfall (i.e. government interest to be paid on provident fund scheme exceeds rate of interest earned on investment) hence information not furnished.

- (c) Basis used to determine expected rate of return on assets
The expected return on planned assets is based on market expectation at the beginning of the period for returns over the entire life of the related obligation. The Gratuity Scheme is invested in Group Gratuity Scheme with HDFC Standard Life Insurance Company Limited.
- (d) The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.
- (e) Amounts for the current period and previous two annual periods are as follows :

	31.03.2011	31.03.2010	31.03.2009
Present value of Defined benefit obligation	8,488,481	5,976,490	6,658,520
Fair Value of Plan Assets	10,398,244	9,845,052	8,124,651
Surplus / (deficit)	1,909,763	3,868,562	1,466,131

- (f) Estimated Contribution for the next year on account of gratuity Rs Nil (Rs.Nil)

- (g) Contribution/Provisions to superannuation, Pension and other funds stated under defined contribution plan is Rs.2,388,950 (Rs.1,228,347)

19. There are no Micro, Small and Medium Enterprises, as defined in the Micro, Small, Medium Enterprises Development Act, 2006 to whom the Company owes dues on account of principal amount together with interest and accordingly no additional disclosures have been made.

The above information regarding Micro, Small and Medium Enterprises has been determined to the extent such that parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

20. Operating Leases

The Company has various operating leases for office facilities and residential premises for employees that are renewable on a yearly basis, and cancellable at its option. Rental expenses for operating leases included in the Income statements for the year is Rs.13,251,701 (Rs.11,107,576).

As of 31st March, 2011 future minimum lease payments for non-cancellable operating leases for the period up to which the lease is non-cancellable are provided below :

Year	Amount in Rs.
2011-2012	1,184,040
2012-2013	404,228

21. Investments Purchased and sold during the year

Name of the Mutual Fund	Units	Cost (Rs.)
Birla Sunlife Savings Fund	21,997,838.13	220,127,967

As per our Report annexed For and on behalf of the Board

For N M RAIJI & Co.

Chartered Accountants

CA.Y N THAKKAR

Partner
Membership No: 33329

B RAMASWAMY

Director

SUJIT MOHANTY

AVP & Director

P SRIKAR REDDY

Director

FEROZA BYRAMJI

Company Secretary

BRIJENDRA K SYNGAL

Director

Mumbai, 20th April, 2011

Sonata Information Technology Limited (SITL)

Annexure to notes forming part of the accounts

LIST OF RELATED PARTIES AND NATURE OF RELATIONSHIP

I. KEY MANAGERIAL PERSONS AS ON 31.03.2011

Sujit Mohanty, Associate Vice President and Director

II. OTHERS AS ON 31.03.2011

	List of related parties	Nature of Relationship
S B Ghia Director of Sonata Software Ltd.	Bhupati Investments & Finance Pvt. Ltd.	Significant Influence (through VIPL), Spouse Mrs.R S Ghia as Chairperson and brother's wife Mrs.V D Ghia as Director
	Chika Pvt. Ltd.	Son Mr.N S Ghia as Chairman
	Viraj Investments Pvt. Ltd. (VIPL)	Son as Chairman and Spouse, Brother's wife are Directors
M D Dalal, Executive Vice Chairman of Sonata Software Ltd.	Daltreya Investment & Finance Pvt. Ltd.	Spouse & sister are Directors
Viren Raheja Director of Sonata Software Ltd.	Rajan B Raheja	Father
	Suman R Raheja	Mother
	Akshay R Raheja	Brother
	Excelsior Construction Pvt. Ltd.	100% shareholding by Mr.Rajan B Raheja & his family
	Gstaad Investments & Finance Pvt. Ltd.	100% shareholding by Mr.Rajan B Raheja & his family
B Ramaswamy Director of SITL	Trophy Investments & Finance Pvt. Ltd.	100% shareholding by Mr.Rajan B Raheja & his family
	Sonata Software Ltd.	President & Managing Director
	TUI InfoTec GmbH, Germany	Member of Supervisory Board
P Srikar Reddy Director of SITL	Sonata Software FZ LLC, Dubai	Director
	Sonata Software Ltd.	Executive Vice President & COO
	TUI InfoTec GmbH, Germany	Managing Director
Sujit Mohanty	Sonata Software FZ LLC, Dubai	Director
Sonata Software Ltd		Director of SITL
		Holding Company

Note : Above disclosures have been made by the Directors pursuant to the legal opinion from M/s Kanga & Co, Solicitors.

Sonata Information Technology Limited

Additional information pursuant to provisions of Part IV of Schedule VI to the Companies Act, 1956.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I Registration Details

Registration No.	127476	State Code	11
Balance Sheet Date	31.03.2011		

II Capital Raised During the Year (Rs.)

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

III Position of mobilisation and deployment of Funds (Rs.)

Total Liabilities	947,707,368	Total Assets	947,707,368
Sources of Funds			
Paid Up Capital	33,753,940	Reserves & Surplus	412,306,708
Secured Loans	307,646,720	Unsecured Loans	194,000,000
Application of Funds			
Net Fixed Assets	3,609,951	Investments	NIL
Net Current Asset	939,468,135	Deferred Tax Asset	4,629,282
Accumulated Losses	NIL	Misc. Expenditure	NIL

IV Performance of Company (Rs.)

Turnover	6,060,837,554	Total Expenditure	5,936,897,943
Profit Before Tax	123,939,611	Profit After Tax	84,817,764
Earning Per Share	25.13	Dividend Rate	NIL

V Generic Names of Principal Products of the Company

Item Code No. (ITCCode)	852499.02
Product Description	Floppy Disk / Cartridge Tape Contianing Computer Software

As per our Report annexed

For and on behalf of the Board

For N M RAIJI & Co.
Chartered Accountants

CA.Y N THAKKAR
Partner
Membership No: 33329

B RAMASWAMY
Director

SUJIT MOHANTY
AVP & Director

P SRIKAR REDDY
Director

FEROZA BYRAMJI
Company Secretary

BRIJENDRA K SYNGAL
Director

Mumbai, 20th April, 2011

Sonata Information Technology Limited

CASH FLOW STATEMENT

(Rs.)

	YEAR ENDED 31.03.2011	YEAR ENDED 31.03.2010
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax	123,939,611	115,297,677
Adjustments for :		
Depreciation	1,594,956	2,995,116
Interest paid	47,190,404	26,409,395
Bad debts (Net)	18,169,429	-
Provision for Doubtful Debts	2,155,557	4,740,508
Provision no longer required (net)	(1,540,731)	(325,073)
(Profit)/Loss on sale of Fixed Assets	-	8,220
Dividend received	(127,967)	(222,898)
Operating Profit before Working Capital Changes	191,381,259	148,902,945
Adjustments for :		
Decrease/(Increase) in Sundry Debtors	(133,025,734)	414,536,446
Decrease/(Increase) in Inventories	55,232,337	(48,395,762)
Decrease/(Increase) in Other Current Assets	1,234,053	(9,453,750)
Decrease/(Increase) in Loans and Advances	271,156,153	(44,997,861)
(Decrease)/Increase in Current Liabilities and Provisions	(199,253,547)	(598,870,233)
(Decrease)/Increase in Deferred Tax Liability	-	(803,850)
Decrease/(Increase) in Deferred Tax Asset	(3,377,086)	(1,252,195)
Cash generated from operations	183,347,435	(140,334,260)
Direct taxes / Advance tax paid	(236,968,002)	(299,413,464)
Net Cash from Operating Activities (A)	(53,620,567)	(439,747,724)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Dividend received	127,967	222,898
Purchase of Fixed Assets	(218,793)	(36,964)
Sale of Fixed Assets	-	(1)
Net Cash used in Investing Activities (B)	(90,826)	185,933
C. CASH FLOW FROM FINANCING ACTIVITIES		
Interest Paid	(47,190,404)	(26,409,395)
Inter Corporate Loan from holding Company	29,000,000	165,000,000
Borrowings from banks - Working capital facility (Net)	88,646,720	219,000,000
Net cash from Financing Activities (C)	70,456,316	357,590,605
Net increase/(decrease) in Cash and Cash Equivalents (A+B+C)	16,744,923	(81,971,186)
Opening Cash and Cash Equivalents	87,212,623	169,183,809
Closing Cash and Cash Equivalents	103,957,546	87,212,623

Notes :

1. Cash and Cash Equivalents :

Cash and Cash Equivalents consists of cash on hand and balances with banks. Cash and Cash Equivalents included in the cash Flow Statement comprises the following balance sheet amounts :

	(Rs.)	
	YEAR ENDED 31.03.2011	YEAR ENDED 31.03.2010
Cash on hand and balance with banks	104,393,085	88,553,653
Cash and Cash Equivalents	104,393,085	88,553,653
Effect of exchange rate change	(435,539)	(1,341,030)
Cash and Cash Equivalents as restated	103,957,546	87,212,623

2. The Company has undrawn borrowing facilities of Rs.2,855 Lacs

3. Previous year's figures have been regrouped wherever necessary to conform to current year's classification

As per our Report annexed

For and on behalf of the Board

For N M RAIJI & Co.

Chartered Accountants

CA.Y N THAKKAR

Partner

Membership No: 33329

B RAMASWAMY

Director

P SRIKAR REDDY

Director

BRIJENDRA K SYNGAL

Director

SUJIT MOHANTY

AVP & Director

FEROZA BYRAMJI

Company Secretary

Mumbai, 20th April, 2011

Sonata Software Limited

SHAREHOLDERS' INFORMATION FOR FY 2010-11

1. Annual General Meeting

The next Annual General Meeting of the Company will be held on Wednesday, 15th June, 2011 at 4.00 p.m. at

M.C.Ghia Hall, Bhogilal Hargovindas Building,
18/20, Kaikhushru Dubash Marg
(Behind Prince of Wales Museum),
Mumbai – 400 001.
Ph : (022) 22844350

2. Financial Year

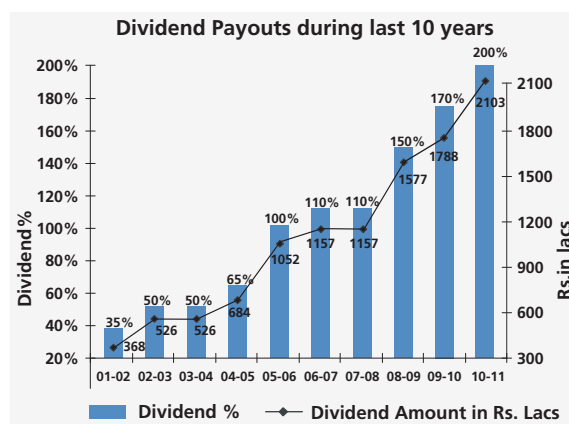
The financial year of the Company is from 1st April, 2010 to 31st March, 2011.

3. Book Closure

The Register of Members and Share Transfer Books will remain closed from 10th June, 2011 to 15th June, 2011 (both days inclusive) to determine the entitlement of shareholders to receive the final dividend as may be declared for the financial year that ended on 31st March, 2011.

4. Payment of Dividend

The final dividend as recommended by the Board of Re.1/- per equity share for the financial year ended 31st March, 2011, if approved at the forthcoming Annual General Meeting, will be paid on or after 21st June, 2011 to those members whose names appear in the Register of Members as on 9th June, 2011. Dividend in respect of shares held in the electronic form will be payable to the beneficial owners of the shares as on 9th June, 2011 as per details furnished by Depositories for this purpose.



5. Listing on Stock Exchanges and Stock Code

(a) Your Company's equity shares are listed and traded on the following stock exchanges :

Bombay Stock Exchange Ltd (BSE)
Phiroze Jeejeebhoy Towers
Dalal Street, Fort
Mumbai – 400 001
Stock Code : 532221

National Stock Exchange of India Ltd (NSE)
Exchange Plaza, 5th Floor, Plot No. C/1
G Block, Bandra-Kurla Complex, Bandra(E)
Mumbai – 400 051
Stock Code : Sonatsoftw

(b) Listing fees for the year 2010-11 have been paid to above stock exchanges.

(c) As on 31st March, 2011, your Company had 45,408 shareholders.

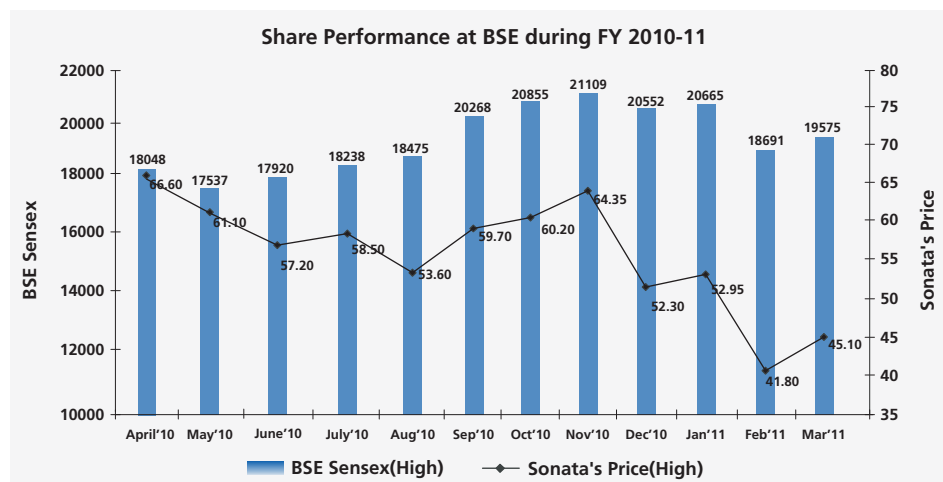
6. Stock Market Data

(a) Market Capitalization as on 31st March, 2011 : Rs.450 Crores (based on closing price in BSE)

(b) Number of shares traded during FY 2010-11: BSE : 838 Lacs and NSE : 1412 Lacs

(c) The monthly high and low quotations of shares traded at BSE and NSE during financial year 2010-11 and performance in comparison with BSE Sensex are as given below :

Month	BSE		NSE		BSE SENSEX	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)	High	Low
April'10	66.60	56.65	70.00	56.70	18,048	17,277
May'10	61.10	42.60	61.05	42.00	17,537	15,960
June'10	57.20	44.00	57.20	44.05	17,920	16,318
July'10	58.50	48.50	63.00	48.85	18,238	17,396
Aug'10	53.60	42.40	57.50	42.60	18,475	17,820
Sep'10	59.70	42.65	59.60	42.90	20,268	18,027
Oct'10	60.20	49.00	60.40	49.00	20,855	19,769
Nov'10	64.35	43.20	64.30	43.00	21,109	18,955
Dec'10	52.30	42.25	52.25	42.50	20,552	19,075
Jan'11	52.95	39.10	52.95	39.10	20,665	18,038
Feb'11	41.80	33.50	41.90	33.70	18,691	17,296
Mar'11	45.10	31.05	45.40	31.70	19,575	17,792



7. Share Transfer System / Investor Service

As the Company's shares are traded in dematerialized form, transfer requests are processed and approved in electronic form by NSDL/CDSL through their depository participants. Transfer of shares in physical form are processed by our Registrar and Share Transfer Agents, Karvy Computershare Pvt. Ltd. and approved by the Share Transfer Committee of the Company. Physical shares sent for transfer are registered and returned within an average period of 10 days from the date of receipt, that is, if documents submitted are clear of all defects.

Total number of physical shares transferred during FY 2010-11 :

Transfer Period (Days)	No. of transferees (Folios)	No of shares	%
1-10	114	2,464,300	100.00
Above 10	-	-	-
Total	114	2,464,300	100.00

Details of complaints received and resolved from 1st April, 2010 to 31st March, 2011 :

Complaints	Received	Attended to	Pending
Non-receipt of dividend	42	42	0
Non-receipt of Annual Report	3	3	0
Complaints received from SEBI	0	0	0
Complaints received from stock exchanges	0	0	0
Total	45	45	0

8. Distribution of shareholding

(a) Distribution Schedule

Range of equity shares held	As on 31st March, 2011				As on 31st March, 2010			
	No. of share holders	% to total holders	No. of shares	% to total shares	No. of share holders	% to total holders	No. of shares	% to total shares
1-500	35,369	77.90	5,987,453	5.70	27,831	77.29	4,496,926	4.28
501-1000	5,081	11.19	4,472,596	4.25	3,838	10.66	3,425,875	3.26
1001-5000	3,766	8.29	8,973,253	8.53	3,245	9.01	7,850,649	7.46
5001-10000	574	1.26	4,419,231	4.20	566	1.57	4,185,308	3.98
Over 10001	618	1.36	81,306,773	77.32	530	1.47	85,200,548	81.02
Total	45,408	100.00	105,159,306	100.00	36,010	100.00	105,159,306	100.00

(b) Shareholding Pattern

Category	As on 31st March, 2011				As on 31st March, 2010			
	No. of share holders	% to total holders	No. of shares	% to total shares	No. of share holders	% to total holders	No. of shares	% to total shares
Promoters	24	0.05	45,471,730	43.24	24	0.07	47,747,850	45.41
Bodies Corporate	892	1.96	8,483,294	8.06	861	2.39	7,621,240	7.25
FIs, NRIs	482	1.06	2,016,774	1.92	483	1.34	3,008,692	2.86
IFIs/Mutual Funds	7	0.02	859,782	0.82	8	0.02	1,283,782	1.22
Trusts	6	0.01	5,750	0.01	9	0.02	3,892,945	3.70
Clearing Members	299	0.66	825,659	0.79	108	0.30	383,450	0.36
Public	43,698	96.24	47,496,317	45.16	34,517	95.86	41,221,347	39.20
Total	45,408	100.00	105,159,306	100.00	36,010	100.00	105,159,306	100.00

9. Dematerialization of shares and liquidity

Your Company's shares are tradable only in electronic form. We have established connectivity with both the depositories viz., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) through our Registrars and Share Transfer Agents M/s Karvy Computershare Pvt Ltd.

The International Securities Identification Number (ISIN) allotted to our shares under the Depository System is INE269A01021.

Details of Shares held in Physical and Electronic form :

	As on 31st March, 2011		As on 31st March, 2010	
Particulars	No. of shares	% of holding	No. of shares	% of holding
Physical	4,919,520	4.68	4,573,375	4.35
Electronic	100,239,786	95.32	100,585,931	95.65
Total	105,159,306	100.00	105,159,306	100.00

Number of Shares dematerialized during FY 2010-11 : 1,196,355 Shares.

Number of Shares rematerialized during FY 2010-11 : 1,542,500 Shares.

10. Office Locations

The addresses and contact details of offices/locations are given on the last page of this Report.

No. of employees as on 31st March, 2011 : 2167

11. Tentative financial calendar for FY 2011-12

Financial results for the first quarter ended 30th June, 2011	July, 2011
Financial results for the second quarter ended 30th September, 2011	Oct, 2011
Financial results for the third quarter ended 31st December, 2011	Jan, 2012
Financial results for the financial year ended 31st March, 2012	April, 2012
Annual General Meeting for the year ending 31st March, 2012	June, 2012

12. Address and contact details of the Company and Share transfer agents

Company Secretary
Sonata Software Ltd
APS Trust Building, Bull Temple Road
NR Colony, Bangalore - 560 019, India
Tel : (080) 30972500 Fax : (080) 26610972
Email : investor@sonata-software.com
Website : www.sonata-software.com

Karvy Computershare Pvt Ltd
Registrars and Share Transfer Agents
Plot No.17 to 24, Vittal Rao Nagar
Madhapur, Hyderabad - 500 081, India
Tel : (040) 44655000 Fax : (040) 44655021
Email : einward.ris@karvy.com
Website : www.karvycomputershare.com

SONATA SOFTWARE LIMITED

Regd. Office : 208, T V Industrial Estate, S K Ahire Marg, Worli, Mumbai – 400 030
Corporate Office : 1/4, APS Trust Building, Bull Temple Road, N.R.Colony, Bangalore – 560 019

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the sixteenth Annual General Meeting of the members of SONATA SOFTWARE LIMITED will be held on Wednesday, 15th June, 2011 at 4.00 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, 2011 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 for the financial year ended 31st March, 2011
3. To appoint a Director in place of Mr.S.N.Talwar, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr.P.Srikar Reddy, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr.Viren Raheja, who retires by rotation and being eligible, offers himself for re-appointment.
6. 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.

Registered Office :
208, T.V.Industrial Estate
S.K.Ahire Marg, Worli
Mumbai – 400 030

Date : 20th April, 2011

By Order of the Board
For **SONATA SOFTWARE LTD**

Praveen Kumar D
Company Secretary

NOTES :

1. **A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll on his behalf. A proxy need not be a member of the Company.** Proxies, in order to be effective, must be duly filled, stamped and signed and must reach the Company's Registered Office not less than 48 hours before the commencement of the Meeting.
2. The Register of Members and the Share Transfer Books will remain closed from 10th June, 2011 to 15th June, 2011 (both days inclusive) in terms of the provisions of Section 154 of the Companies Act, 1956 and Clause 16 of the Listing Agreement with stock exchanges.
3. 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 9th June, 2011. The dividend in respect of shares held in the electronic form will be payable to the beneficial owners of the shares as on 9th June, 2011 as per details furnished by the Depositories for this purpose.
4. A brief resume of the directors proposed to be appointed/re-appointed vide Ordinary Business Nos.3, 4 & 5 in the Notice are as follows :

Mr. S N Talwar, (72), is a non-executive Independent Director of Sonata. He holds a Bachelor's Degree in Commerce and Law from Bombay University. He is a Solicitor and Partner of M/s Talwar, Thakore & Associates. He is a Director/Alternate Director of the following public limited companies viz., Albright & Wilson Chemicals India Ltd, Biocon Limited, Blue Star Limited, Blue Star Infotech Limited, Birla Sun Life Insurance Co Ltd, Elantas Beck India Ltd, Esab India Limited, FCI OEN Connectors Ltd, Garware-Wall Ropes Ltd., Greaves Cotton Limited, Hindustan Gum & Chemicals Ltd, Johnson & Johnson Ltd, Larsen & Toubro Ltd, Merck Ltd, S.Kumars Nationwide Ltd, Shrenuj & Co Ltd, Solvay Pharma India Ltd, Samson Maritime Ltd and Transwarranty Finance Limited. He is a Chairman of the Audit Committee of Blue Star Ltd, FCI OEN Connectors Ltd, Merck Ltd & Sandvik Asia Ltd. He is member of the Audit Committee of Biocon Ltd, Blue Star Infotech Ltd, Cadbury India Ltd, Elantas Beck India Ltd, Greaves Cotton Ltd and Solvay Pharma India Ltd. He is Chairman of the Remuneration Committee of Greaves Cotton Ltd, Sonata Software Ltd and Samson Maritime Ltd. He is also a member of the Remuneration Committee of Albright & Wilson Chemicals India Ltd. His shareholding in Sonata is 40,000 shares (0.04%).

Mr. P Srikar Reddy, (52), is Executive Vice President & COO of Sonata. He holds a Degree in Engineering (Electrical) and PGDBM (IIM). Mr. Reddy is with Sonata for over 24 years. He is also a Managing Director of TUI InfoTec GmbH, Germany and a Director of Sonata Information Technology Ltd and Sonata Software FZ LLC, Dubai. He is also a member of the Audit Committee of Sonata Information Technology Limited. His shareholding in Sonata is 14,82,300 shares (1.41%).

Mr.Viren Raheja, (27), is a non-executive Promoter Director of Sonata. He holds a Bachelors degree in commerce from the Mumbai University. He has passed all 3 levels leading to the CFA charter, and has an MBA degree from the London Business School. He is a Director/Alternate Director of the following public limited companies viz., Asianet Satellite Communications Ltd, Innovassynth Technologies (India) Ltd, Hathway Cable & Datacom Ltd and Supreme Petrochem Ltd. His shareholding in Sonata is 57,50,000 shares (5.47%).

5. Since SEBI has made it mandatory for distributing dividends through **Electronic Clearing Service (ECS)**, the 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.**
6. **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 Computershare Pvt Ltd, Unit : Sonata Software Ltd, Plot No.17-24, Vittal Rao Nagar, Madhapur, Hyderabad - 500 081 Ph : 040-44655000. **Members holding shares in electronic form are requested to notify change in their address to their Depository Participant.**
7. 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.
8. Members wishing to claim dividends, which remain unclaimed, are requested to correspond with the Company's Share Transfer Agents for further particulars. Members are requested to note that dividends not encashed or claimed within seven years from the date of transfer to the Company's Unpaid Dividend Account, will, as per Section 205A of the Companies Act, 1956, be transferred to the Investor Education and Protection Fund.
9. To avail the facility of nomination, Members may write to the Company for obtaining the Nomination Form (Form 2B).
10. Members/proxies are requested to bring their attendance slips duly filled in and their copy of the Annual Report for the Meeting.

SONATA SOFTWARE LIMITED

Regd. Office : 208, T V Industrial Estate, S K Ahire Marg, Worli, Mumbai – 400 030

PROXY FORM

Reg. Folio No./Demat Account No & DP ID : _____

I / We _____

of _____ in the district of _____ being a member /

members of the above named Company hereby appoint _____ of _____ in the district

of _____ or failing him / her _____ of _____ in the district

of _____ as my / our proxy to vote for me / us on my / our behalf at the SIXTEENTH ANNUAL GENERAL MEETING of

the Company to be held on 15th June, 2011 and at any adjournment(s) thereof.

Signed this _____ day of _____ 2011

Signature _____

Rupee one
Revenue
Stamp

Note : This form in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company, not less than 48 hours before the Meeting.

SONATA SOFTWARE LIMITED

Regd. Office : 208, T V Industrial Estate, S K Ahire Marg, Worli, Mumbai – 400 030

ATTENDANCE SLIP

Reg. Folio No./Demat Account No & DP ID : _____

I certify that I am a member / proxy for the member of the Company.

I hereby record my presence at the SIXTEENTH ANNUAL GENERAL MEETING of the Company on 15th June, 2011 at 4.00 p.m. at M.C.Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikhushru Dubash Marg (Behind Prince of Wales Museum), Mumbai – 400 001.

Member's / Proxy's name in Block Letters

Member's / Proxy's Signature

Note : Please fill up this attendance slip and hand it over at the entrance of the Meeting hall.

BOARD OF DIRECTORS

Pradip P Shah

Chairman

S B Ghia

Director

M D Dalal

Executive Vice Chairman

Viren Raheja

Director

B Ramaswamy

President & Managing Director

P Srikar Reddy

Executive Vice President & COO

S N Talwar

Director

B K Syngal

Director

COMMITTEES OF THE BOARD

AUDIT COMMITTEE

B K Syngal, Chairman

S B Ghia

Pradip P Shah

INVESTORS' GRIEVANCE COMMITTEE

S B Ghia, Chairman

B Ramaswamy

M D Dalal

REMUNERATION COMMITTEE

S N Talwar, Chairman

S B Ghia

B K Syngal

SOLICITORS

M/s Talwar, Thakore & Associates

Mr William E Horwich

M/s Gleiss Lutz

M/s Fladgate Fielder

AUDITORS

M/s N M Raiji & Co

COMPANY SECRETARY

Praveen Kumar D

INVESTOR QUERIES

investor@sonata-software.com

WEBSITE

www.sonata-software.com

REGISTERED OFFICE

208, T. V. Industrial Estate, S. K. Ahire Marg

Worli, Mumbai - 400 030, India

Tel: 91-22-2494 3055, Fax: 91-22-2493 6973

Email: feroza.b@sonata-software.com

CORPORATE OFFICE

A. P. S. Trust Building

1/4, Bull Temple Road

N. R. Colony, Bangalore - 560 019, India

Tel: 91-80-3097 1999, Fax: 91-80-2661 0972

Email: info@sonata-software.com

OFFICES

6, Richmond Road, Bangalore - 560 025, India

Tel: 91-80-3097 3299, Fax: 91-80-2248 4045

Email: info@sonata-software.com

193, R V Road, Basavanagudi,

Bangalore - 560 004, India

Tel: 91-80-3097 2999, Fax: 91-80-2656 7487

Email: info@sonata-software.com

Sonata Towers, Global Village,

Pattengere & Mylasandra,

RVCE Post, Mysore Road,

Bangalore - 560 059, India

Tel: +91-80-3097 1499

Email: info@sonata-software.com

C, 1 Floor, Ali Towers, No.55,

Greaves Road, Chennai - 600 006, India

Tel: 91-44-2829 0552, Fax: 91-44-2829 1708

Email: siti@sonata-software.com

1-10-176, Begumpet Main Road,

Opp. Hyderabad Public School,

Hyderabad - 500 016, India

Tel: 91-40-2778 2000, Fax: 91-40-2776 4831

Email: info@sonata-software.com

Suite No. N-215, Ideal Plaza,

11/1, Sarat Bose Road, Kolkata - 700 020, India

Tel: 91-33-2289 1202/05, Fax: 91-33-2289 1207

Email: siti@sonata-software.com

24, First Floor, Okhla Industrial Estate,

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Tel: 91-11-2693 2411/19, Fax: 91-11-2693 2420

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