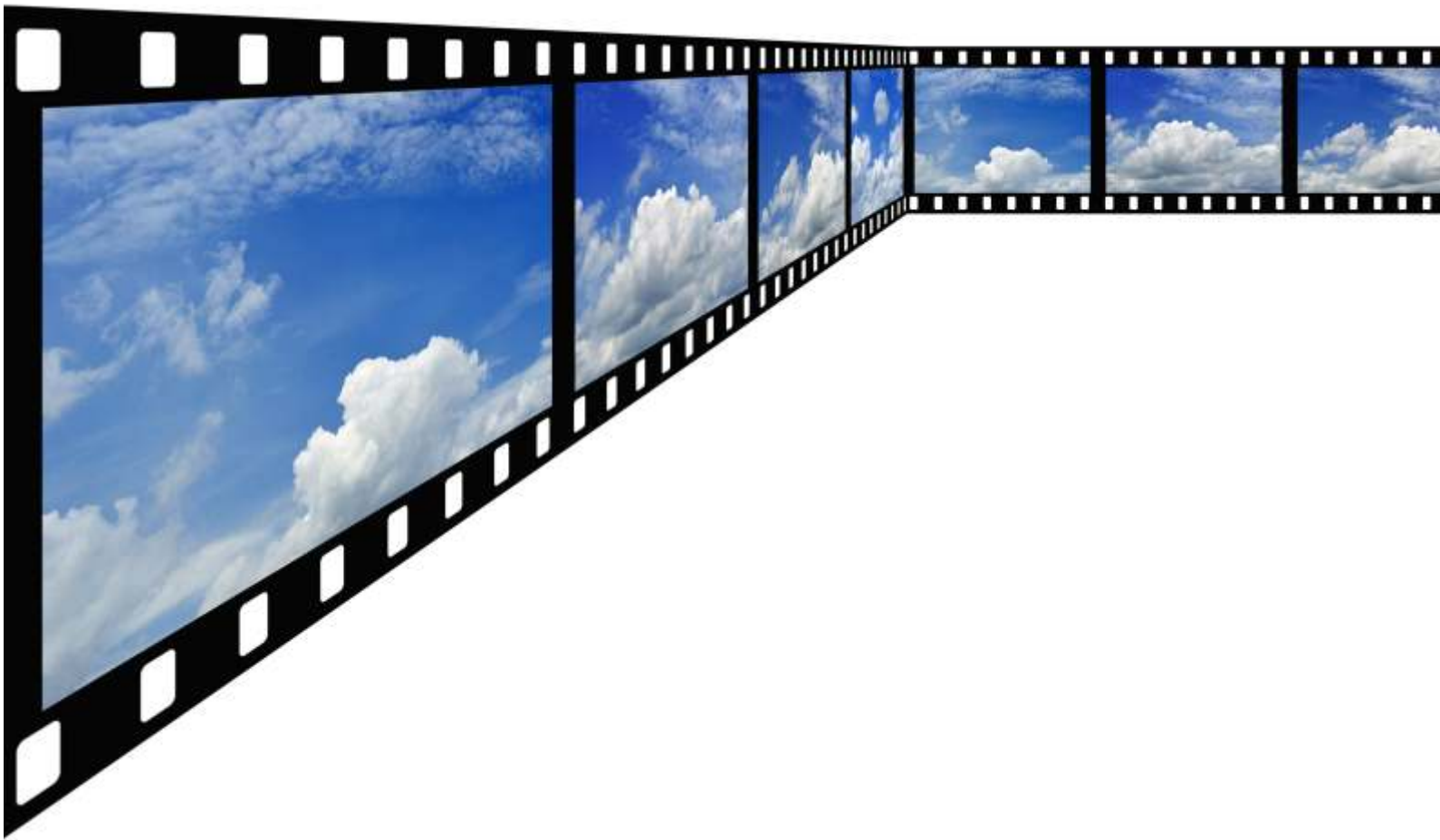


# Focus and depth.

Technology. Domain. Relationships.



Annual Report 2012 - 2013

## **Sonata Software Limited**

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## Sonata Software Limited

### DIRECTORS' REPORT

#### TO THE MEMBERS OF SONATA SOFTWARE LIMITED

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

#### FINANCIAL RESULTS

(₹ in Crores)

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

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

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

# Audited numbers for the year ended 31<sup>st</sup> March, 2012.

#### BUSINESS PERFORMANCE

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

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

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

Your Company achieved the above turnaround through:

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

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

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

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

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

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

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

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

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

#### **DIVIDEND / TRANSFER TO RESERVES**

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

If approved, the final dividend will be paid to all those equity shareholders whose names appear on the Register of Members of the Company on 29<sup>th</sup> July, 2013 and to those whose names appear as beneficial owners in the records of National Securities Depository Ltd and Central Depository Services (India) Ltd. as on the said date.

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

#### **QUALITY**

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

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

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

#### **LISTING / LISTING FEES**

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

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

#### **SUBSIDIARY COMPANIES**

The statement pursuant to Section 212(1)(e) of the Companies Act, 1956 in respect of subsidiaries is attached. The Consolidated Accounts of your Company and its subsidiaries viz., Sonata Information Technology Ltd, Sonata Technology Solutions (India) Limited, Sonata Software North America Inc., USA (formerly known as Offshore Digital Services Inc), Sonata Software GmbH, Germany, Sonata Europe Ltd, UK, Sonata Software FZ LLC, Dubai and Sonata Software (Qatar) LLC duly audited by the Statutory Auditors are presented as part of this Report in accordance with Accounting Standard 21 and the Listing Agreement with the Stock Exchanges, wherever applicable.

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

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

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

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

#### **RECOGNITION**

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

#### **CORPORATE GOVERNANCE**

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

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

#### **SECRETARIAL COMPLIANCE REPORT**

As a reflection of your Company's commitment to transparency, the Board is pleased to enclose the Secretarial Compliance Report for the financial year 2012-13, as part of this Directors' Report.

#### **DIRECTORS' RESPONSIBILITY STATEMENT**

Your Directors, to the best of their knowledge and belief, state that the Company maintains proper accounting records which disclose with reasonable accuracy, the financial position of the Company.

Further, your Directors state that these accounting records have formed the basis for the preparation of financial statements of the Company in compliance with the provisions of the Companies Act, 1956, including any amendments thereto.

Your Directors also confirm that the financial statements of the Company are prepared in such a manner to give a true and fair view of the state of affairs of the Company as at the end of 31<sup>st</sup> March, 2013 and of the profit of the Company for the year to that date.

Your Directors state that in preparing the aforesaid financial statements of the Company, appropriate accounting policies have been consistently applied and supported by reasonable and prudent judgements and estimates, whilst applicable accounting standards have been followed and that these financial statements have been prepared on "going-concern basis".

Further, your Directors to the best of their knowledge and belief, state that appropriate internal control systems are in place which are reasonably expected to safeguard the assets of the Company and to prevent and detect fraud and irregularities.

#### **ENERGY CONSERVATION, RESEARCH & DEVELOPMENT, FOREIGN EXCHANGE**

The particulars, as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, with regard to conservation of energy, research & development and foreign exchange earnings & outgo are set out in the annexure attached to this Report.

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

#### **PUBLIC DEPOSITS**

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

## **HUMAN RESOURCE MANAGEMENT**

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

## **COMMUNITY SERVICE**

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

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

## **GO GREEN INITIATIVES**

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

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

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

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

## **DIRECTORS**

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

## **AUDITORS**

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

## **ACKNOWLEDGEMENTS**

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

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

For and on behalf of the Board

Place : Mumbai  
Date : 30<sup>th</sup> May, 2013

**Pradip P Shah**  
Chairman



## Sonata Software Limited

### ANNEXURE TO THE DIRECTORS' REPORT

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

#### 1. CONSERVATION OF ENERGY

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

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

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

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

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

#### 2. RESEARCH AND DEVELOPMENT (R&D)

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

#### a) Specific areas for R&D at Sonata :

##### (i) Mobility

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

##### (ii) Cloud

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

##### (iii) Big Data Analytics

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

##### (iv) Enterprise Social Networking

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

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

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

**c) Future Plan of action**

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

**d) Expenditure on R&D**

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

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

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

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

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

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

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

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

For and on behalf of the Board

Place : Mumbai  
Date : 30<sup>th</sup> May, 2013

**Pradip P Shah**  
Chairman



## Sonata Software Limited

Annexure to Directors' Report (Contd.)

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

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

**Notes:**

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

# Sonata Software Limited

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## MANAGEMENT DISCUSSION AND ANALYSIS REPORT (MDA)

### a. Industry structure and developments

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

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

Major growth drivers in 2013-14 will be:

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

### b. Opportunities and threats

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

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

### c. Segment wise performance

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

### d. Outlook

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

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

### e. Risks and concerns

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

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

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

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

Legislation in various countries in which we operate including the US and UK may place restrictions on companies in those countries from outsourcing work to us, or may enact stricter immigration laws, or may limit our ability to send our employees to certain client sites. In our endeavor to provide uninterrupted world class services to our customers, we are planning to set up delivery centers or operations in these countries to ensure local compliance and customer satisfaction.

#### 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 processes and the systems are reviewed constantly and changed to address the changing regulatory and business environment. 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 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 upon 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.

The Company ended the year with a headcount of 2375 which was an increase by 3% compared to the previous year's headcount of 2295.

#### h. Financial Highlights of SSL standalone

##### 1. Revenues

Revenue from US was 61% and Europe was 29% for the year ended 31<sup>st</sup> March, 2013 as compared to 57% from US and 35% 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 0.66% over the same period last year.

#### 3. EBITDA

The EBITDA was at 13.75% for the year ended 31<sup>st</sup> March, 2013 as compared to 13.09% for the same period last year.

#### 4. Profit After Tax

Profit after Tax was at 6.47% for the year ended 31<sup>st</sup> March, 2013 as compared to 6.28% for the same period last year.

#### 5. Interest and Borrowings

The company has availed from bank, Packaging Credit and the balance for the year ended 31<sup>st</sup> March, 2013 is ₹ 16.78 crores. During the year the Company has incurred ₹ 0.05 crores as interest cost. The company had a net cash balance of ₹ 112.13 crores including investments in mutual funds, Inter - corporate deposits given to its subsidiary and net of bank borrowings.

#### 6. Capital Employed

The Return on Average Capital Employed (ROCE) for the year ended 31<sup>st</sup> March, 2013 was 5.07% as compared to 4.87% for the same period last year.

#### 7. Net Worth

The Return on Average Net Worth (RONW) for the year ended 31<sup>st</sup> March, 2013 was 5.05% as compared to 4.87% for the same period last year.

#### 8. Fixed Assets

The Company added fixed assets to the extent of ₹ 1.98 crores. Additions were mainly incurred for improvements at Corporate Office, Bangalore.

#### 9. Cash Generation

Cash generated from operations was ₹ 19.70 crores for the year ended 31<sup>st</sup> March, 2013.

#### 10. Manpower

The total employee strength as on 31<sup>st</sup> March, 2013 was 2026 as against 2006 as on 31<sup>st</sup> March, 2012.

#### PERFORMANCE SUMMARY

##### 1. Revenue

Revenue increased by 3.37% at ₹ 232.97 crores for the year ended 31<sup>st</sup> March, 2013 as compared to ₹ 225.37 crores for the same period last year.

##### 2. EBITDA

EBITDA was ₹ 33.47 crores for the year ended 31<sup>st</sup> March, 2013 as compared to ₹ 31.06 crores for the same period last year.

##### 3. Profit After Tax (PAT)

PAT stood at ₹ 15.76 crores for the year ended 31<sup>st</sup> March, 2013 as compared to ₹ 14.91 crores for the same period last year.

## Sonata Software Limited

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### AUDITOR'S CERTIFICATE

#### 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 31<sup>st</sup> March, 2013, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchange.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementations thereof, adopted by the Company for ensuring compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above-mentioned listing agreement.

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 **DELOITTE HASKINS & SELLS**  
Chartered Accountants  
(ICAI Registration No.: 008072S)

Place : Bangalore  
Date : 28<sup>th</sup> June, 2013

**V Srikumar**  
(Partner)  
(Membership No.: 84494)

### DECLARATION

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

I, P Srikar Reddy, Managing Director & CEO 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 31<sup>st</sup> March, 2013.

Place : Mumbai  
Date : 30<sup>th</sup> May, 2013

**P Srikar Reddy**  
Managing Director & CEO

## 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 2012-13 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 as on 31<sup>st</sup> March, 2013 comprised of seven Directors of whom three are Promoter Directors, one is an Executive Director and three are Independent Directors. None of the Directors are related to each other.

During the Financial Year 2012-13, 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 19<sup>th</sup> April, 2012 (for few agenda items, this meeting was adjourned and subsequently held on 24<sup>th</sup> May, 2012), 9<sup>th</sup> August, 2012, 12<sup>th</sup> November, 2012 and 12<sup>th</sup> February, 2013.

The names, designation, categories of the Directors and their shareholding in the Company as on 31<sup>st</sup> March, 2013 are as given below :

Name of the Director	Designation	Category	Equity shareholding in the Company
Pradip P Shah	Chairman	Independent Director	Nil
S B Ghia	Director	Promoter Non-executive Director	5,000
M D Dalal	Executive Vice Chairman	Promoter Executive Director	13,02,600
Viren Raheja	Director	Promoter Non-executive Director	82,50,000
P Srikar Reddy	Managing Director & CEO	Executive Director	13,65,004
S N Talwar	Director	Independent Director	50,000
B K Syngal	Director	Independent Director	Nil

Details of Directors' attendance during the year, directorships / committee memberships held by them as on 31<sup>st</sup> March, 2013 are as given below :

Director's Name	No. of Board Meetings held	No. of Board Meetings attended	Whether attended the last AGM on 9 <sup>th</sup> July'12	No. of memberships in Boards of other Public Companies	No. of Committee memberships in all Public Companies@
Pradip P Shah	4	4	Yes	11	8
S B Ghia	4	4	Yes	5	5
M D Dalal	4	4	Yes	1	2
Viren Raheja	4	4	Yes	3	3
P Srikar Reddy	4	4	Yes	2	2
S N Talwar	4	4	No	13	9
B K Syngal	4	3	Yes	2	3

@ 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 interalia 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 thereon.
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**

- Priya Manoj Jaswani - Company Secretary

**By Invitation**

- Venkatraman N - Chief Financial Officer  
 Sathyanarayana R - AVP - Finance & Accounts  
 Y N Thakkar \* - Partner, N M Raiji & Co. (Statutory Auditors)  
 V Srikumar \*\* - Partner, Deloitte, Haskins & Sells (Statutory Auditors)  
 V Raghavendran - Partner, V Raghavendran & Co. (Internal Auditors)

\* Ceased to be Statutory Auditors w.e.f. 09.07.2012

\*\* Appointed as Statutory Auditors w.e.f. 09.07.2012 for FY 2012-13

**Meetings and attendance during the year**

Members	Meetings held	Meetings attended
B K Syngal	4	3
S B Ghia	4	4
Pradip P Shah	4	4

Note : At the meeting held on 12<sup>th</sup> November, 2012 in the absence of Mr. B K Syngal, Mr. S N Talwar, Independent Director attended the meeting by invitation.

**IV. REMUNERATION COMMITTEE**

The Remuneration Committee was reconstituted on 17<sup>th</sup> 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**

- S N Talwar - Chairman (Independent Director)  
 S B Ghia - Non-Executive Director  
 B K Syngal - Non-Executive Director  
 Viren Raheja - Non-Executive Director

**Secretary**

- Priya Manoj Jaswani - Company Secretary

**Meetings and attendance during the year**

One meeting was held on 19<sup>th</sup> April, 2012 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 during the Financial Year ended 31<sup>st</sup> March, 2013**

Name	Salary & Perquisites (In INR)	Commission & Sitting fees (In INR)	Shares issued under ESOP	Details of service contracts; notice period & severance fees
Pradip P Shah	Nil	668,964	Nil	Nil
S B Ghia	Nil	768,964	Nil	Nil
M D Dalal	1,250,000	Nil	Nil	Effective 01.04.2012 re-appointed as Executive Vice Chairman for a period of 5 years vide Agreement dated 24.05.2012 Three (3) months notice period and no severance fees
Viren Raheja	Nil	608,964	Nil	Nil
P Srikar Reddy	9,719,373	1,502,067	Nil	Effective 14.02.2012 appointed Managing Director & CEO for a period of 5 years vide Agreement dated 24.05.2012; Seven (7) months notice period and severance fees of ₹ 1.20 Crores spread over a period of 3 years.
S N Talwar	Nil	608,964	Nil	Nil
B K Syngal	Nil	688,964	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 10<sup>th</sup> 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.

Further, as authorized by the Board in the meeting held on 14<sup>th</sup> February, 2012, all non-executive directors are also being paid a sitting fee of ₹ 20,000/- for each meeting of the Board or Committee attended by them from FY 2012-13 onwards.

**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)
M D Dalal	- Member
P Srikar Reddy	- Member

**Secretary**

Priya Manoj Jaswani - Company Secretary

**Meetings and attendance during the year**

Members	Meetings held	Meetings attended
S B Ghia	4	4
M D Dalal	4	4
P Srikar Reddy	4	4

**Name & Designation of Compliance Officer**

Priya Manoj Jaswani, Company Secretary

**Details of complaints received and resolved during the Financial Year ended 31<sup>st</sup> March, 2013 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
2009-10	15.06.2010	M.C.Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikhushru Dubash Marg Mumbai - 400 001	4.00 p.m.
2010-11	15.06.2011	M.C.Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikhushru Dubash Marg Mumbai - 400 001	4.00 p.m.
2011-12	09.07.2012	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 2009-10 - Nil  
Year 2010-11 - Nil  
Year 2011-12 - 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 34 under 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 has established and put in place a Whistle Blower Policy which has been approved by the Audit Committee at its meeting held on 14<sup>th</sup> February, 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 has been communicated to the employees and is also available on the Company's website. The Company affirms that no employee has been denied access to the Audit Committee during the Financial Year 2012-13.

## **Mandatory / Non-mandatory Requirements**

During the Financial Year 2012-13, 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 and Whistle Blower Policy.

## 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 "**Shareholders' 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 31<sup>ST</sup> MARCH, 2013

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 there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the year ended 31<sup>st</sup> March, 2013.

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

1. The Equity Shares of the Company are listed on Bombay Stock Exchange Ltd. and the National Stock Exchange of India Ltd.
2. All the registers and other records prescribed under the Act and the Rules made there under 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. There was no instance of creation, modification or satisfaction of charge which required compliance with the provisions of the Companies Act, 1956.
12. Necessary approvals of the 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**

Sd/-

Date : 20<sup>th</sup> May, 2013

Place : Bangalore

**V Sreedharan**

Partner

FCS 2347: C.P. No.: 833

## Sonata Software Limited

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### CEO / CFO CERTIFICATION

To  
The Board of Directors  
Sonata Software Limited  
Mumbai

We, P Srikar Reddy, Managing Director & CEO and N Venkatraman, CFO of Sonata Software Ltd, to the best of our knowledge and belief, certify that :

- (a) We have reviewed financial statements and the cash flow statement for the year ended 31<sup>st</sup> March, 2013 and :
  - (i) these statements do not contain any false or misleading statement or figures and do not omit any material fact, which may make the statements or figures contained therein misleading;
  - (ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations;
- (b) Appropriate internal controls for financial reporting are in place which are reasonably expected to safeguard assets of the Company and there are no deficiencies in the design or operation of internal controls, of which we are aware.
- (c) During the year ended 31<sup>st</sup> March, 2013, there were :
  - (i) no significant changes in internal control over financial reporting;
  - (ii) no significant changes in accounting policies; and
  - (iii) no instances of fraud of which we have become aware.

**P Srikar Reddy**  
Managing Director & CEO

**N Venkatraman**  
CFO

Place: Mumbai  
Date : 30<sup>th</sup> May, 2013

## Sonata Software Limited

### INDEPENDENT AUDITORS' REPORT

#### TO THE MEMBERS OF SONATA SOFTWARE LIMITED

##### Report on the Financial Statements

We have audited the accompanying financial statements of **SONATA SOFTWARE LIMITED** ("the Company"), which comprise the Balance Sheet as at 31<sup>st</sup> March, 2013, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

##### Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956 ("the Act") and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

##### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act 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 31<sup>st</sup> March, 2013;
- (b) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
  - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
  - (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards referred to in Section 211(3C) of the Act.
  - (e) On the basis of the written representations received from the directors as on 31<sup>st</sup> March, 2013 taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> March, 2013 from being appointed as a director in terms of Section 274(1)(g) of the Act.

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants  
(Firm Registration No.: 008072S)

**V Srikumar**  
(Partner)

Place : Mumbai  
Date : 30<sup>th</sup> May, 2013

Membership No.: 84494

## Sonata Software Limited

### ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

- (i) Having regard to the nature of the Company's business / activities / results during the year, clauses (ii), iii (b) to (d), iii (f) and iii (g), (iv) (to the extent it relates to purchase of inventory and sale of goods), (v), (vi), (viii), (x), (xii), (xiii), (xiv), xvi, (xix) and (xx) of paragraph 4 of the Order are not applicable to the Company.

- (ii) In respect of its fixed assets:

- (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.

- (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.

- (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.

- (iii) The Company has neither granted nor taken any loans, secured or unsecured, to / from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.

- (iv) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of fixed assets and the sale of services. During the course of our audit, we have not observed any major weakness in such internal control system.

- (v) In our opinion, the internal audit functions carried out during the year by firm of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and the nature of its business.

- (vi) According to the information and explanations given to us, in respect of statutory dues:

- (a) The Company has generally been regular in depositing undisputed dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.

- (b) There were no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Customs Duty, Excise Duty, Cess and other material statutory dues in arrears as at 31<sup>st</sup> March, 2013 for a period of more than six months from the date they became payable.

- (c) Details of dues of Income-tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and Cess which have not been deposited as on 31<sup>st</sup> March, 2013 on account of disputes are given below:

Statute	Nature of Dues	Forum where dispute is pending	Period to which the amount relates	Amount involved (₹)
Income Tax Act, 1961	Income Tax and Interest thereon	Commissioner of Income Tax (Appeals)	AY 2008-09	216,958,816
Income Tax Act, 1961	Withholding Tax and Interest thereon	Supreme Court	AY 2000-01, 2001-02 & 2002-03	284,187,956
Finance Act, 1994	Service Tax, Penalty and Interest there on	CESTAT	FY 2005-06 to 2008-09	67,653,029

- (vii) In our opinion and according to the information and explanations given to us, the Company has been not defaulted in the repayment of dues to banks. There are no borrowings from financial institution. The Company has not issued any Debentures.

- (viii) In our opinion and according to the information and explanations given to us, the terms and conditions of guarantees given by the Company for loans taken by others from banks or financial institutions are not, *prima facie*, prejudicial to the interest of the Company.

- (ix) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have, *prima facie*, not been used during the year for long - term investment.

- (x) In our opinion and according to the information and explanations given to us, the Company has not made any allotment of shares during the year.

- (xi) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company has been noticed or reported during the year.

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants  
(Firm Registration No.: 008072S)

**V Srikumar**  
(Partner)

Place : Mumbai,  
Date : 30<sup>th</sup> May, 2013

Membership No.: 84494



## Sonata Software Limited

### BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2013

		AS AT 31.03.2013	AS AT 31.03.2012
	Note		
<b>EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDER'S FUNDS</b>			
Share capital	3	105,159,306	105,159,306
Reserves and surplus	4	2,992,008,432	2,881,859,821
		<b>3,097,167,738</b>	<b>2,987,019,127</b>
<b>NON-CURRENT LIABILITIES</b>			
Other long-term liabilities	5	-	17,533,992
Long-term provisions	6	57,059,208	55,274,031
		<b>57,059,208</b>	<b>72,808,023</b>
<b>CURRENT LIABILITIES</b>			
Short-term borrowings	7	167,821,500	-
Trade payables	8	173,163,861	165,812,610
Other current liabilities	9	64,783,494	199,849,112
Short-term provisions	10	160,395,372	36,442,812
		<b>566,164,227</b>	<b>402,104,534</b>
<b>TOTAL</b>		<b>3,720,391,173</b>	<b>3,461,931,684</b>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Fixed assets			
Tangible assets	11 (i)	206,224,841	285,087,777
Intangible assets	11 (ii)	165,240	4,936,676
Capital work-in-progress		-	5,175,536
		<b>206,390,081</b>	<b>295,199,989</b>
Non-current investments	12	842,637,275	908,202,564
Deferred tax asset	13	28,302,676	62,790,091
Long-term loans and advances	14	639,554,908	590,142,494
		<b>1,510,494,859</b>	<b>1,561,135,149</b>
<b>CURRENT ASSETS</b>			
Current investments	15	217,692,746	220,075,486
Trade receivables	16	586,225,089	624,535,941
Cash and cash equivalents	17	791,451,514	443,118,030
Short-term loans and advances	18	372,893,359	305,287,564
Other current assets	19	35,243,525	12,579,526
		<b>2,003,506,233</b>	<b>1,605,596,547</b>
<b>TOTAL</b>		<b>3,720,391,173</b>	<b>3,461,931,684</b>

See accompanying notes 1 to 38 forming part of the financial statements

In terms of our report attached  
For Deloitte Haskins & Sells  
Chartered Accountants

For and on behalf of the Board of Directors

**V Srikumar**  
Partner

**PRADIP P SHAH**  
Chairman

**P SRIKAR REDDY**  
Managing Director  
& CEO

**M D DALAL**  
Executive  
Vice Chairman

**S B GHIA**  
Director

**VIREN RAHEJA**  
Director

**S N TALWAR**  
Director

**B K SYNGAL**  
Director

**VENKATRAMAN  
NARAYANAN**  
CFO

**R SATHYANARAYANA**  
AVP - Finance  
& Accounts

**PRIYA MANOJ JASWANI**  
Company Secretary

Mumbai, 30<sup>th</sup> May, 2013

## Sonata Software Limited

### STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2013

			(₹)
	Note	YEAR ENDED 31.03.2013	YEAR ENDED 31.03.2012
<b>INCOME</b>			
Revenue from operations	20.1	2,329,740,617	2,253,738,146
Other income	20.2	105,119,279	119,281,428
<b>Total Revenue</b>		<b>2,434,859,896</b>	<b>2,373,019,574</b>
<b>EXPENSES</b>			
Employee benefit expenses	21	1,291,873,876	1,461,156,359
Other expenses	22	808,301,458	601,222,635
<b>Total Expenses</b>		<b>2,100,175,334</b>	<b>2,062,378,994</b>
<b>Earnings before interest, tax, depreciation and amortization (EBITDA)</b>		<b>334,684,562</b>	<b>310,640,580</b>
Finance costs	23	530,088	158,268
Depreciation and amortization expense	11 (iii)	97,215,684	107,709,774
		<b>97,745,772</b>	<b>107,868,042</b>
<b>Profit Before Tax</b>		<b>236,938,790</b>	<b>202,772,538</b>
Tax expense			
Current tax expense		53,000,000	70,935,867
Excess provision for tax relating to prior years		(10,359,621)	(9,942,473)
Deferred tax		36,699,703	(7,279,351)
<b>Net Tax Expense</b>		<b>79,340,082</b>	<b>53,714,043</b>
<b>Profit After Tax</b>		<b>157,598,708</b>	<b>149,058,495</b>
Earnings Per Share - Basic & Diluted (on ₹ 1 per share) (₹)		<b>1.50</b>	<b>1.42</b>
(Refer Note 36)			
Par value ₹ 1 per share			
<b>See accompanying notes 1 to 38 forming part of the financial statements</b>			

In terms of our report attached  
For Deloitte Haskins & Sells  
Chartered Accountants

For and on behalf of the Board of Directors

**V Srikumar**  
Partner

**PRADIP P SHAH**  
Chairman

**P SRIKAR REDDY**  
Managing Director  
& CEO

**M D DALAL**  
Executive  
Vice Chairman

**S B GHIA**  
Director

**VIREN RAHEJA**  
Director

**S N TALWAR**  
Director

**B K SYNGAL**  
Director

**VENKATRAMAN  
NARAYANAN**  
CFO

**R SATHYANARAYANA**  
AVP - Finance  
& Accounts

**PRIYA MANOJ JASWANI**  
Company Secretary

Mumbai, 30<sup>th</sup> May, 2013

## Sonata Software Limited

### NOTES FORMING PART OF FINANCIAL STATEMENTS

#### Note 1 : Corporate Information

Sonata Software Limited (SSL or the Company) is a Company registered in India with its registered office at Mumbai and operationally headquartered at Bangalore. The Company is listed on the National Stock Exchange Limited and the Bombay Stock Exchange Limited. The Company is primarily engaged in the business of providing IT Services and Solutions to its customers in the US, Europe, Middle East and India.

#### Note 2 : Significant Accounting Policies

##### a. Basis for preparation of financial statements

The financial statements of the Company have been prepared under the historic cost convention, on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles ('GAAP') in India to comply with the Accounting Standards notified under the Companies (Accounting Standard) Rule, 2006 (as amended) and the relevant provisions of the Companies Act.

##### b. Use of Estimates

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognized in the periods in which the results are known / materialize.

##### c. Depreciation

Depreciation has been provided on Plant & 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 rate based on useful lives as estimated by the Management :

	Rates of Depreciation	
	Sch. XIV Rate	Rate Adopted
Leasehold land	Lease period	Primary Lease period
Leasehold improvements	Lease period	Primary Lease period
Buildings	1.63%	1.63%
Plant and equipment	13.91%	33.33%
Furniture and fixtures	18.10%	18.10%
Vehicles	25.89%	25.89%
Office equipments	13.91%	13.91%
Computer software	16.21%	33.33%

Assets costing less than ₹ 5,000/- each are fully depreciated in the year of capitalization.

##### d. Revenue Recognition

Revenues from contracts priced on a time and material basis are recognised when services are rendered and related costs are incurred.

Revenues from fixed price contracts, are recognised over the life of the contract using the proportionate completion method, with contract costs determining the degree of completion. Foreseeable losses on such contracts are recognised when probable.

Revenues from sale of product and licenses are recognised upon delivery where there is no customisation required. In case of customisation the same is recognised over the life of the contract using the proportionate completion method.

Revenues from maintenance contracts are recognised pro-rata over the period of the contract.

Revenues are reported net of discounts.

Dividends are recorded when the right to receive payment is established. Interest income is recognised on time proportion basis taking into account the amount outstanding and the rate applicable.

##### e. Tangible & Intangible Fixed Assets

Fixed assets are carried at cost less accumulated depreciation / amortization and impairment losses, if any. The cost of fixed assets comprises its purchase price net of any trade discounts and rebates, any import duties and other taxes (other than those subsequently recoverable from the tax authorities), any directly attributable expenditure on making the asset ready for its intended use. Subsequent expenditure, if any, on fixed assets after its purchase / completion is capitalized only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.

##### f. Foreign Currency Transactions

Transactions in foreign currencies entered into by the Company are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the exchange rate prevalent at the date of Balance Sheet. Exchange differences arising on foreign currency transactions are recognized as income or expense in the year which they arise.

##### g. Investments

Long-term investments are carried individually at cost less provision for diminution, other than temporary, in the value of such investments. Current investments are carried individually, at the lower of cost and fair value. Cost of investments include acquisition charges such as brokerage, fees and duties.

##### h. Employee Benefits

Employee benefits include provident fund, superannuation fund, employee state insurance scheme, gratuity fund and compensated absences.

##### Defined Contribution Plans

Contribution to defined retirement benefit schemes are recognized as an expense when employees have rendered services entitling them to contribution required to be made.

**Defined Benefit Plans**

For defined benefit plans, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each Balance Sheet date. Actuarial gains and losses are recognized in the Statement of Profit and Loss in the period in which they occur. Past service cost is recognized immediately to the extent that the benefits are already vested and otherwise is amortized on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognized in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

Long term liability for compensated absence is provided based on actuarial valuation of the accumulated leave credit outstanding to the employees as on Balance Sheet date.

**i. Leases**

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognized as operating leases. Lease rentals under operating leases are recognized in the Statement of Profit and Loss on a straight-line basis.

**j. Earnings Per Share**

Basic earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. For the purpose of computing diluted earnings per share, profit / (loss) after tax (including the post tax effect of extraordinary items, if any) and the weighted average number of equity shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

**k. Taxes on Income**

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognized as an asset in the Balance Sheet when it is probable that future economic benefit associated with it will flow to the Company.

Deferred tax is recognized on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognized for all timing differences. Deferred tax assets are recognized for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realized. However, if there is unabsorbed depreciation and carry forward of losses, deferred tax assets are recognized only if there is

virtual certainty that there will be sufficient future taxable income available to realize the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each Balance Sheet date for their realizability.

**l. Impairment of Assets**

The carrying values of assets / cash generating units at each Balance Sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognized, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognized for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognized in the Statement of Profit and Loss.

**m. Provisions and Contingencies**

A provision is recognized when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed in the Notes. Contingent assets are not recognized in the financial statements.

**n. Hedge Accounting**

The Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to highly probable forecast transactions. The Company designates such forward contracts in a cash flow hedging relationship by applying the hedge accounting principles set out in "Accounting Standard 30 Financial Instruments: Recognition and Measurement" issued by the Institute of Chartered Accountants of India. These forward contracts are stated at fair value at each reporting date. Changes in the fair value of these forward contracts that are designated and effective as hedges of future cash flows are recognized directly in "Hedging reserve account" under Reserves and Surplus, net of applicable deferred income taxes and the ineffective portion is recognized immediately in the Statement of Profit and Loss. Amounts accumulated in the "Hedging reserve account" are reclassified to the Statement of Profit and Loss in the same periods during which the forecasted transaction affects profit or loss. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. For forecasted transactions, any cumulative gain or loss on the hedging instrument recognized in "Hedging reserve account" is retained until the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, the net cumulative gain or loss recognized in "Hedging reserve account" is immediately transferred to the Statement of Profit and Loss.

(₹)

	AS AT 31.03.2013	AS AT 31.03.2012
<b>Note 3 : Share capital</b>		
<b>Authorized</b>		
150,000,000 equity shares of face value ₹ 1/- each	<b>150,000,000</b>	<b>150,000,000</b>
(Previous year 150,000,000 equity shares of face value ₹ 1/- each)		
<b>Issued, Subscribed and paid-up</b>		
105,159,306 equity shares of face value ₹ 1/- each fully paid-up	<b>105,159,306</b>	<b>105,159,306</b>
(Previous year 105,159,306 equity shares of face value ₹ 1/- each)		
<b>Total</b>	<b>105,159,306</b>	<b>105,159,306</b>
Refer to notes (i) to (iii) below		

**i) Reconciliation of number of shares and amount outstanding at the beginning and at the end of the reporting period**

	Opening balance	Fresh issue	Closing balance
Equity shares with voting rights			
Year ended 31 <sup>st</sup> March, 2013			
Number of shares	105,159,306	-	105,159,306
Amount ₹	105,159,306	-	105,159,306
Equity shares with voting rights			
Year ended 31 <sup>st</sup> March, 2012			
Number of shares	105,159,306	-	105,159,306
Amount ₹	105,159,306	-	105,159,306

**ii) Details of rights, preferences and restrictions attached to each class of shares**

The company has equity shares having a par value of ₹ 1. Each Shareholder is entitled for one vote per share. The shareholders have the right to receive interim dividends declared by the Board of Directors and final dividends proposed by the Board and approved by the shareholders.

In the event of liquidation by the Company, the holders of the equity shares will be entitled to receive in proportion to the number of equity shares held by them, the remaining assets of the Company.

The shareholders have all other rights as available to equity shareholders as per the provisions of the Companies Act, 1956, read together with the Memorandum of Association and Articles of Association of the Company, as applicable.

**iii) Details of shares held by each shareholder holding more than 5% shares**

	31.03.2013		31.03.2012	
	No. of Shares	% of Holding	No. of Shares	% of Holding
Akshay Raheja	8,250,000	7.85	5,750,000	5.47
Viren Raheja	8,250,000	7.85	5,750,000	5.47
Suman Raheja	6,900,000	6.56	6,900,000	6.56
Hemendra M Kotari	6,500,000	6.18	-	-
Bhupati Investments & Finance Pvt. Ltd.	3,231,951	3.07	15,058,337	14.32

(₹)

	AS AT 31.03.2013	AS AT 31.03.2012
<b>Note 4 : Reserves and surplus</b>		
<b>Securities premium</b>		
Opening balance	450,924,411	450,924,411
Add : Premium on shares issued during the year	-	-
Less : Utilised during the year	-	-
<b>Closing balance</b>	<b>450,924,411</b>	<b>450,924,411</b>
<b>General reserve</b>		
Opening balance	633,154,246	618,154,246
Add: Transfer from surplus in Statement of Profit and Loss	16,000,000	15,000,000
<b>Closing balance</b>	<b>649,154,246</b>	<b>633,154,246</b>
<b>Hedging reserve</b>		
Opening balance	(178,722,709)	30,712,825
(Deductions) / Additions during the year (net)	167,448,203	(209,435,534)
<b>Closing balance</b>	<b>(11,274,506)</b>	<b>(178,722,709)</b>
<b>Surplus in Statement of Profit and Loss</b>		
Opening balance	1,976,503,873	1,934,109,457
Add / (Less) : Profit for the year	157,598,708	149,058,495
Less :		
Proposed dividend	131,449,133	26,289,827
(Dividend proposed to be distributed to equity share holders ₹ 1.25/- share)		
(Previous year ₹ 0.25/- equity share)		
Interim dividend	52,579,653	52,579,653
(Interim dividend is distributed to equity share holders ₹ 0.50/- share)		
(Previous year ₹ 0.50/- equity share)		
Tax on dividend	30,869,514	12,794,599
Transfer to general reserve	16,000,000	15,000,000
<b>Closing balance</b>	<b>1,903,204,281</b>	<b>1,976,503,873</b>
<b>Total</b>	<b>2,992,008,432</b>	<b>2,881,859,821</b>

(₹)

	AS AT 31.03.2013	AS AT 31.03.2012
<b>Note 5 : Other long-term liabilities</b>		
Loss on forward contracts (Marked-to-market)	-	17,533,992
<b>Total</b>	<b>-</b>	<b>17,533,992</b>
<b>Notes 6 : Long-term provisions</b>		
Provision for employee benefits	15,049,559	13,376,536
Provision for compensated absences		
Provision for tax (net of advance tax - ₹ 130,307,925 (as at 31.03.2012 - ₹ 176,126,382))	42,009,649	41,897,495
<b>Total</b>	<b>57,059,208</b>	<b>55,274,031</b>
<b>Note 7 : Short term borrowings</b>		
Loans repayable on demand From banks - Secured (Secured by Pari passu first charge on all the current assets of the company both present and future including stocks, book debts and other current assets wherever located)	167,821,500	-
<b>Total</b>	<b>167,821,500</b>	<b>-</b>
<b>Note 8 : Trade payables</b>		
Trade payables - other than acceptances (Refer Note 26 & 34)	173,163,861	165,812,610
<b>Total</b>	<b>173,163,861</b>	<b>165,812,610</b>

(₹)

	AS AT 31.03.2013	AS AT 31.03.2012
<b>Note 9 : Other current liabilities</b>		
Income received in advance (Unearned revenue)	1,998,882	-
Gratuity (Refer Note 32)	2,829,940	2,184,113
Unpaid dividend	7,330,545	8,201,975
Other payables		
Statutory remittances	36,010,343	21,770,578
Payable on purchase of fixed assets	1,893,199	3,263,387
Loss on forward contracts (Marked-to-market)	11,274,506	161,188,717
Others	3,446,079	3,240,342
<b>Total</b>	<b>64,783,494</b>	<b>199,849,112</b>
<b>Note 10 : Short-term provisions</b>		
Provision for employee benefits		
Provision for compensated absences	6,606,459	5,888,118
Others		
Provision for proposed equity dividend	131,449,133	26,289,827
Provision for tax on proposed dividend	22,339,780	4,264,867
<b>Total</b>	<b>160,395,372</b>	<b>36,442,812</b>

**FIXED ASSETS****11 (i) Tangible fixed assets**

(₹)

Particulars	Gross Block				Depreciation				Net Block As at 31.03.2013	Net Block As at 31.03.2012
	Cost as at 01.04.2012	Additions	Deductions / Adjustments	Cost as at 31.03.2013	As at 01.04.2012	For the year	Deductions / Adjustments	As at 31.03.2013		
Owned										
Leasehold land	35,200,000	-	-	35,200,000	3,411,775	987,851	-	4,399,626	30,800,374	31,788,225
Previous year	(35,200,000)	(-)	(-)	(35,200,000)	(2,332,511)	(1,079,264)	(-)	(3,411,775)	(31,788,225)	
Buildings	15,493,000	-	-	15,493,000	2,967,240	252,767	-	3,220,007	12,272,993	12,525,760
Previous year	(15,493,000)	(-)	(-)	(15,493,000)	(2,714,703)	(252,537)	(-)	(2,967,240)	(12,525,760)	
Leasehold improvements	225,623,077	4,022,225	1,602,780	228,042,522	137,428,315	34,448,241	1,582,901	170,293,655	57,748,867	88,194,763
Previous year	(193,558,922)	(31,993,210)	70,945	(225,623,077)	(101,100,243)	(36,328,072)	(-)	(137,428,315)	(88,194,763)	
Plant and equipment	389,729,804	7,591,488	103,011,176	294,310,116	311,694,455	43,331,674	100,949,172	254,076,957	40,233,159	78,035,349
Previous year	(357,975,340)	(35,166,814)	(3,412,350)	(389,729,804)	(269,060,901)	(44,917,293)	(2,283,739)	(311,694,455)	(78,035,349)	
Furniture and fixtures	119,706,043	5,169,450	24,385,610	100,489,883	97,628,015	5,222,287	22,496,421	80,353,881	20,136,002	22,078,028
Previous year	(114,138,128)	(8,482,785)	(2,914,870)	(119,706,043)	(93,166,513)	(6,877,773)	(2,416,271)	(97,628,015)	(22,078,028)	
Vehicles	14,927,567	-	5,495,781	9,431,786	10,334,923	1,074,277	4,669,312	6,739,888	2,691,898	4,592,644
Previous year	(16,630,876)	(-)	(1,703,309)	(14,927,567)	(9,600,110)	(1,768,340)	(1,033,527)	(10,334,923)	(4,592,644)	
Office equipments	110,980,174	3,023,217	8,694,631	105,308,760	63,107,166	7,146,680	7,286,634	62,967,212	42,341,548	47,873,008
Previous year	(105,400,475)	(6,214,483)	(634,784)	(110,980,174)	(56,007,570)	(7,535,072)	(435,476)	(63,107,166)	(47,873,008)	
<b>Total</b>	<b>911,659,665</b>	<b>19,806,380</b>	<b>143,189,978</b>	<b>788,276,067</b>	<b>626,571,889</b>	<b>92,463,777</b>	<b>136,984,440</b>	<b>582,051,226</b>	<b>206,224,841</b>	<b>285,087,777</b>
Previous year	(838,396,741)	(81,857,292)	(8,594,368)	(911,659,665)	(533,982,551)	(98,758,351)	(6,169,014)	(626,571,889)	(285,087,777)	



## 11(ii) Intangible fixed assets

(₹)

Particulars	Gross Block				Depreciation				Net Block	Net Block
	Cost as at 01.04.2012	Additions	Deductions / Adjustments	Cost as at 31.03.2013	As at 01.04.2012	For the year	Deductions / Adjustments	As at 31.03.2013	As at 31.03.2013	As at 31.03.2012
Owned										
Computer software	121,228,274	-	60,480	121,167,794	116,291,598	4,751,907	40,951	121,002,554	165,240	4,936,676
Previous year	(121,023,921)	(204,353)	(-)	(121,228,274)	(107,340,175)	(8,951,423)	(-)	(116,291,598)	(4,936,676)	
<b>Total</b>	<b>121,228,274</b>	<b>-</b>	<b>60,480</b>	<b>121,167,794</b>	<b>116,291,598</b>	<b>4,751,907</b>	<b>40,951</b>	<b>121,002,554</b>	<b>165,240</b>	<b>4,936,676</b>
Previous year	(121,023,921)	(204,353)	(-)	(121,228,274)	(107,340,175)	(8,951,423)	(-)	(116,291,598)	(4,936,676)	

## 11 (iii) Depreciation and amortization expense

(₹)

Particulars	For the year ended 31.03.2013	For the year ended 31.03.2012
Depreciation on Tangible assets As per Note 11 (i)	92,463,777	98,758,351
Amortization on Intangible assets As per Note 11 (ii)	4,751,907	8,951,423
<b>Total</b>	<b>97,215,684</b>	<b>107,709,774</b>

(₹)

(₹)

	AS AT 31.03.2013	AS AT 31.03.2012
<b>Note 12 : Non-current investments</b>		
<b>Trade, Long Term, unquoted and at cost</b>		
<b>In subsidiary companies</b>		
<b>Investment in equity instruments</b>		
3,375,394 Equity shares of ₹ 10/- each in Sonata Information Technology Limited (fully paid)	33,753,940	33,753,940
(Previous year - 3,375,394 Equity Shares of ₹ 10/- each (fully paid))		
300,000 Equity Shares in Sonata Software North America Inc. formerly Offshore Digital Services Inc. California (fully paid)	12,232,184	12,232,184
(Previous year - 300,000 Equity Shares - (fully paid))		
2 shares of Euro 12,500 each in Sonata Software GmbH, Germany (fully paid)	3,166,234	3,166,234
(Previous year - 2 shares of Euro 12,500 each (fully paid))		
671,700 Equity shares of 1 Pound each in Sonata Europe Ltd, UK (fully paid)	57,281,788	57,281,788
(Previous period - 671,700 share of 1 pound (fully paid))		
500 Equity shares in Sonata Software FZ LLC of 1,000 AED each (fully paid)	6,614,250	6,614,250
(Previous period - 500 Equity shares of 1,000 AED each (fully paid))		
98 Equity shares in Sonata Software (Qatar) LLC of 1,000 QAR each (fully paid)	1,242,640	1,242,640
(Previous year : 98 Equity shares of 1,000 QAR each (fully paid))		
50,000 Equity shares of ₹ 10/- each in Sonata Technology Solutions India Limited (fully paid)	500,000	-
(Previous year - Nil)		
<b>Investment in preference shares</b>		
88,13,660 2% non-cumulative convertible redeemable preference shares of 1 Pound each in Sonata Europe Ltd, UK (fully paid)	727,846,239	793,911,528
(Previous year - 96,13,660 shares of 1 Pound each (fully paid))		
<b>Total</b>	<b>842,637,275</b>	<b>908,202,564</b>
Aggregate cost of unquoted investment	842,637,275	908,202,564
<b>Note 13 : Deferred tax asset</b>		
Tax effects on		
On account of carry forward loss	-	46,734,916
Difference between book balance and tax balance of Fixed assets	17,222,071	5,943,641
Others	11,080,605	10,111,534
<b>Total</b>	<b>28,302,676</b>	<b>62,790,091</b>
<b>Note 14 : Long-term loans and advances</b>		
Unsecured, considered good		
Capital advances	37,813	4,000,000
Security deposits	97,582,352	93,334,492
Prepaid expenses	5,914,407	4,370,807
Advance Tax (net of provision for tax - ₹ 350,838,005 (as at 31.03.2012 - ₹ 291,130,023))	278,887,044	202,542,022
MAT credit entitlement	257,133,292	285,895,173
<b>Total</b>	<b>639,554,908</b>	<b>590,142,494</b>

(₹)

	AS AT 31.03.2013	AS AT 31.03.2012
<b>Note 15 : Current investments</b>		
<b>Non-trade</b>		
<b>Investments in mutual funds (unquoted)</b>		
Birla Sun Life - Floating Rate fund 2,176,492.16 units at ₹ 100.02 per unit (Previous year - 1,200,057.009 units at ₹ 100.02 per unit)	217,692,746	120,029,702
Taurus Liquid Fund - Super IP - DDR (Previous year - 100,036.726 units at ₹ 1000.0905 per unit)	-	100,045,784
<b>Total</b>	<b>217,692,746</b>	<b>220,075,486</b>
Aggregate cost of unquoted investment	217,692,746	220,075,486
<b>Note 16 : Trade receivables</b>		
Unsecured		
Trade receivable outstanding for a period exceeding six months from the date they are due for payment		
Considered good	4,454,638	29,060,900
Considered doubtful	33,530,483	30,801,709
	37,985,121	59,862,609
Less : Provision for doubtful trade receivables	33,530,483	30,801,709
	4,454,638	29,060,900
Other debts :		
Considered good	581,770,451	595,475,041
Considered doubtful	641,160	635,934
	582,411,611	596,110,975
Less : Provision for doubtful trade receivables	641,160	635,934
	581,770,451	595,475,041
<b>Total</b>	<b>586,225,089</b>	<b>624,535,941</b>
<b>Note 17 : Cash and cash equivalents</b>		
Cash on hand	85,195	37,175
Cheques, drafts on hand	425,355	2,085,430
Balances with banks		
In Current accounts	83,610,419	272,793,450
In Deposit accounts	700,000,000	160,000,000
In Unpaid dividend account	7,330,545	8,201,975
The balance that meet the definition of Cash and cash equivalents as per AS-3. Cash Flow Statement is ₹ 784,120,969 (As at 31.03.2012 is ₹ 434,916,055)		
<b>Total</b>	<b>791,451,514</b>	<b>443,118,030</b>

(₹)

	AS AT 31.03.2013	AS AT 31.03.2012
<b>Note 18 : Short term loans and advances</b>		
Unsecured, considered good		
Loans and advances to related parties		
Advances recoverable (Refer Note 34)	7,060,274	43,242,356
Inter-corporate deposits (Refer Note 34)	280,000,000	180,000,000
Security deposits	755,000	8,980,140
Loans and advances to employees	45,087,366	28,200,759
Prepaid expenses	31,037,116	26,881,966
Balances with Government authorities		
VAT credit receivable	5,998,067	6,328,991
Service tax credit receivable	633,862	682,639
Other recoverables	2,321,674	10,970,713
<b>Total</b>	<b>372,893,359</b>	<b>305,287,564</b>
Intercompany deposit given to - Sonata Information Technology Limited	280,000,000	180,000,000
Maximum amount outstanding	788,000,000	688,000,000
<b>Note 19 : Other current assets</b>		
Unbilled revenue	30,380,110	6,684,102
Interest accrued on term deposits	279,726	72,328
Interest accrued on intercompany deposit (Refer Note 34)	4,583,689	5,823,096
<b>Total</b>	<b>35,243,525</b>	<b>12,579,526</b>

(₹)

	YEAR ENDED 31.03.2013	YEAR ENDED 31.03.2012
<b>Note 20.1 : Revenue from operations</b>		
Revenue from Software services	2,316,227,434	2,234,017,001
Other operating revenues	13,513,183	19,721,145
<b>Total</b>	<b>2,329,740,617</b>	<b>2,253,738,146</b>
<b>Note 20.2 : Other income</b>		
Interest income	86,722,657	59,655,404
Dividend income	17,734,193	4,677,526
Net gain on fixed assets sold	553,614	-
Net gain on foreign currency transaction and translation	-	35,740,965
Provision no longer required written back	75,815	19,207,533
Miscellaneous income	33,000	-
<b>Total</b>	<b>105,119,279</b>	<b>119,281,428</b>

(₹)

	YEAR ENDED 31.03.2013	YEAR ENDED 31.03.2012
<b>Note 21 : Employee benefit expenses</b>		
Salaries, wages, bonus and allowances	1,425,258,129	1,517,952,636
Contribution to provident fund and other funds (Refer Note 32)	89,343,247	93,551,688
Staff welfare expenses	17,653,625	17,151,457
	<b>1,532,255,001</b>	<b>1,628,655,781</b>
Less: Deputation cost recovered from subsidiary (Refer Note 34)	240,381,125	167,499,422
<b>Total</b>	<b>1,291,873,876</b>	<b>1,461,156,359</b>
<b>Note 22 : Other expenses</b>		
Power and fuel	50,239,049	50,878,182
Rent (Refer Note 35)	107,253,765	110,501,055
Repairs and maintenance - Buildings	2,774,830	474,685
Repairs and maintenance - Machinery	7,679,972	8,018,780
Insurance	35,199,304	23,184,759
Rates and taxes	693,430	4,062,429
Communication cost	26,030,187	25,387,455
Facility maintenance	38,981,911	35,326,258
Travelling and conveyance expenses	156,901,444	139,163,514
Sales commission	5,661,725	4,721,353
Subsistence / living cost	124,215,629	174,550,511
Legal, professional and technical fees	68,120,584	70,916,343
Insourcing professional fees	42,432,329	28,024,754
Net loss on foreign currency transaction and translation	180,813,670	-
Net loss on fixed assets sold / scrapped	-	1,315,780
Net loss on sale of investments	7,381	-
Allowance for bad and doubtful trade receivables	2,591,794	5,285,254
Payment to auditors (Refer Note i below)	2,450,000	500,000
Miscellaneous expenses	81,057,025	74,036,599
	<b>933,104,029</b>	<b>756,347,711</b>
Less: Service charges recovered from subsidiary (Refer Note 34)	124,802,571	155,125,076
<b>Total</b>	<b>808,301,458</b>	<b>601,222,635</b>
Note i - Payment to Auditors		
Statutory audit	2,150,000	500,000
Remuneration to erstwhile auditors	300,000	-
	<b>2,450,000</b>	<b>500,000</b>
(Previous year ₹ 500,000 paid to erstwhile auditors)		
The Company avails input credit for Service Tax and hence no Service Tax expense was accrued during the year		

(₹)

	AS AT 31.03.2013	AS AT 31.03.2012
<b>Note 23 : Finance costs</b>		
Interest expense		
Borrowings	449,261	148,237
Others	80,827	10,031
<b>Total</b>	<b>530,088</b>	<b>158,268</b>

(₹)

	2012-13	2011-12
<b>Note 24 : Contingent Liabilities</b>		
<b>a) Guarantees</b>	50,000,000	50,000,000
The Company has given corporate guarantee to IBM Ltd. on behalf of Sonata Information Technology Limited, Amount drawdown as at year-end by IBM Ltd. of this facility is ₹ Nil (Previous year - ₹ Nil).		
<b>b) Claims against the Company not acknowledged as debt</b>	22,863,099	-
The Company has received a legal notice from its ex-employee towards compensation arising on account of terms of appointment. Based on legal opinion received by the Company, the maximum amount payable in the event the proceeding goes against the Company is ₹ 22,863,099.		
<b>c) Disputed demand of Service Tax</b>	67,653,029	67,653,029
The Company renders Information Technology related services to some of its clients in India. The Service Tax department has classified these services as 'Manpower Recruitment or Supply Agency Services'. The Company has contested this re-classification and has preferred an appeal before the Central Excise and Service Tax Appellate Tribunal (CESTAT). One of the clients of the Company has indemnified the Company for any demands that may arise on account of service tax liability up to an amount of ₹ 23,700,000.		
<b>d) Disputed demand of Income - Tax</b>	687,173,280	975,629,465

**Details of disputed demand of Income-Tax by issue and by year are as below:**

**a. Disallowance of claims made under Section 10A of the Income-Tax Act, 1961 :**

The Company does its business of software exports through multiple operating units or undertakings registered under the Software Technology Park Scheme of India. In computing taxable profit from the export of software, the Company claims exemptions provided to registered Software Technology Parks undertakings and units as provided under Section 10A of the Income-Tax Act, 1961 ("Act").

The Income-Tax department in its assessments has been denying or limiting the benefits of Section 10A to the multiple undertakings of the Company on the ground that they were in fact one single unit and thus the benefits claimed where in excess of permissible limits, and had raised a demand of ₹ 229,570,226 (Previous Year - ₹ 229,570,226) for financial year 2007-2008.

The Company has challenged the above position and has preferred an appeal to the Commissioner of Income-Tax (Appeals).

During the year, with respect to the above issue, the company received favorable orders from Income Tax Appellate Tribunal for financial year 2004-05 and Commissioner of Income Tax (Appeals) for financial year 2006-07, which were disclosed as contingent liability in the previous year of ₹ 333,267,823.

**b. Inter-unit set-off of losses :**

As discussed in point (a) above, the Company operates multiple operating units and undertakings under the Software Technology Park Scheme of India. While computing its taxable profits, losses from one undertaking were set off against profits of another or carried forward to the subsequent years. The Income-Tax department has disallowed such carry forward of losses and raised a demand of ₹ 11,900,233 (Previous Year - ₹ 11,900,233) for financial years 2004-2005. The Company received unfavorable orders from the Commissioner of Income Tax (Appeals) and has preferred an appeal before Income-Tax Appellate Tribunal.

With respect to the financial years of 2002-03 and 2003-04, the Company has received favorable orders during the year from Commissioner of Income Tax (Appeals), which were disclosed as contingent liability in previous year of - ₹ 12,321,813. The Company has not received any intimation on the Department filing further appeal against this order.

**c. Disallowance of Inter-Company Service Charges :**

The Company charges Sonata Information Technology Limited, its wholly owned subsidiary, for certain support services rendered. During assessments, the Income-Tax department denied Section 10A benefits on such support services and assessed the same as normal business income and raised a demand of ₹ 153,231,577 ((Previous year - ₹ 96,098,126) for financial years 2001-2002, 2002-2003 and 2003-04. The Company has received favorable orders from Income-Tax Appellate Tribunal. However, the department has preferred an appeal on the said orders before the Honorable High Court of Mumbai.

**d. Withholding tax demand :**

The Income-Tax department has been contending that amounts paid by the Company for buying the software products is in the nature of 'royalty' and hence had to withhold Income-Tax on the same as per the Act 1961 and has raised demand of ₹ 284,187,956 (Previous year ₹ 284,187,956) for the financial years 1999-2000, 2000-2001 and 2001-2002. The Company's contention has been that the payments were made for purchase of 'goods'

and hence was under no obligation to withhold Income-Tax on the same. The Company had received favorable orders from the Income-Tax Appellate Tribunal which were reversed by the Honorable High Court of Karnataka. The Company has preferred a Special Leave Petition Appeal on the said order to the Honorable Supreme Court of India, which has been admitted. However, for these years one of the principal suppliers of software to the Company has paid taxes of ₹ 87,904,913 out of the above demand.

**e. Deductions claimed under section 80 O :**

Prior to the enactment of Section 10A, the Company claimed deduction for exports made, under Section 80 O of the Act. The department has re-opened the assessments and disallowed certain aspects of the claims made on the contention that cost allocation principles followed for the claim are erroneous and raised a demand of ₹ 8,283,288 (Previous year - ₹ 8,283,288) for the financial year 1994-1995. The Company has received favorable orders from Income-Tax Appellate Tribunal. The Department has preferred an appeal on the said order before the Honorable High Court of Mumbai.

(₹)

	AS AT 31.03.2013	AS AT 31.03.2012
<b>Note 25 : Commitments</b>		
Estimated amount of contracts remaining to be executed on capital account and not provided for	207,749	68,119,424

**Note 26 : Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006**

There are no Micro and Small Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days during the year and also as at 31.03.2013 (Previous year - ₹ Nil). The information has been identified 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.

**Note 27 : Details on derivative instruments and unhedged foreign currency**

- i) Forward exchange contracts (being derivative instruments), which are not intended for trading or speculative purposes but for hedge purposes to establish the amount of reporting currency required or available at the settlement date of certain payables / receivables.

Currency	Amount	Buy / Sell	Cross currency
USD	16,400,000	Sell	Rupees
	(33,850,000)	Sell	Rupees
	1,364,675	Buy	Rupees
	(6,577,011)	Buy	Rupees
GBP	3,375,000	Sell	Rupees
	(6,975,000)	Sell	Rupees
EUR	2,300,000	Sell	Rupees
	(6,650,000)	Sell	Rupees

Outstanding forward exchange contracts entered into by the Company as on 31<sup>st</sup> March, 2013.

Note: Figures in brackets relate to the previous year

- ii) The year-end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below :

	As at 31.03.2013		As at 31.03.2012		Currency
	Receivable / (Payable) (₹)	Receivable / (Payable) in Foreign currency	Receivable / (Payable) (₹)	Receivable / (Payable) in Foreign Currency	
Loans and advances	23,604	417	-	-	AUD
Import of goods and services / other payables	11,215,412	206,583	12,357,873	242,860	USD
	4,025,631	48,974	747,514	9,169	GBP
	1,214,826	17,477	425,054	6,260	EUR
	-	-	42,521	1,050	SGD
	-	-	272,688	5,152	AUD

(₹)

	FY 31.03.2013	FY 31.03.2012
<b>Note 28 : Value of imports calculated on CIF basis</b>		
Capital goods	2,996,323	2,616,977
<b>Note 29 : Expenditure in foreign currency</b>		
Travelling and conveyance expenses	80,696,500	66,059,963
Subsistence / living cost	124,215,629	174,550,511
Salaries, wages, bonus and allowances	17,040,532	25,971,567
Legal, professional and technical fees	6,838,738	29,786,564
Others	87,857,358	35,407,703
<b>Total</b>	<b>316,648,757</b>	<b>331,776,308</b>

	FY 31.03.2013		FY 31.03.2012	
	Interim	Final	Interim	Final
<b>Note 30 : Dividend remittance in foreign currency</b>				
Amount remitted (Net) (₹)	3,021,300	1,548,361	615,519	1,130,543
Number of non-resident shareholders	488	522	494	467
Number of shares on which remittance was made	6,042,600	6,193,443	1,231,038	1,130,543
Year for which the Dividend was paid	2012-2013	2011-2012	2011-2012	2010-2011

(₹)

	For the Year 31.03.2013	For the Year 31.03.2012
<b>Note 31 : Earnings in foreign exchange</b>		
Export of services	2,306,785,205	2,234,017,001
Other operating revenues	6,064,157	5,279,531

**Note 32 : Employee benefit plans**

- i) Defined contribution plans

- a) Provident fund

The Company makes contributions towards a provident fund under a defined contribution retirement benefit plan for qualifying employees. The provident fund is administered by the Trustees of Sonata Software Limited Provident Fund and by the Regional Provident Fund Commissioner. Under this scheme, the Company is required to contribute a specified percentage of payroll cost to fund the benefits.

The Rules of the Company's Provident Fund administered by the Trust require that if the Board of Trustees are unable to pay interest at the rate declared for Employees' Provident Fund by the Government under para 60 of the Employees' Provident Fund Scheme, 1952 for the reason that the return on investment is less or for any other reason, then the deficiency shall be made good by the Company. Having regard to the assets of the Fund and the return on the investments, the Company does not expect any deficiency in the foreseeable future. There has also been no such deficiency since the inception of the Fund.

Provident fund contributions amounting to ₹ 36,253,463 (Previous year ₹ 40,429,178) have been charged to the Statement of Profit and Loss.

- b) During the year the company has recognised the following amounts in the statement of profit and loss Employers contribution to

(₹)

	31.03.2013	31.03.2012
Employers state insurance	178,011	456,273
Superannuation	20,120,962	22,598,524

(₹)

	31.03.2013	31.03.2012
ii) Defined benefit plans - Gratuity		
As per actuarial valuation		
<b>Change in Obligation during the year</b>		
Present value of Defined Benefit Obligation at beginning of the year	84,852,507	91,571,625
Current Service Cost	13,460,689	13,881,426
Interest Cost	7,212,463	7,554,659
Actuarial (Gains) / Losses	6,273,987	(2,615,546)
Benefits Paid	(10,640,525)	(25,539,657)
Present value of Defined Benefit Obligation at the end of the year	101,159,121	84,852,507
<b>Change in Assets during the year</b>		
Plan assets at the beginning of the year	82,668,394	92,154,761
Expected return on plan assets	7,109,482	7,372,381
Contributions by Employer	19,321,256	12,811,751
Actual benefits paid	(10,640,525)	(25,539,657)
Actuarial Gains / (Losses)	(129,426)	(4,130,842)
Plan Assets at the end of the year	98,329,181	82,668,394
<b>Net Asset / (Liability) recognized in the Balance Sheet as at 31<sup>st</sup> March, 2013</b>		
Present Value of Defined Benefit Obligation	101,159,121	84,852,507
Fair value of plan assets	98,329,181	82,668,394
Fund status (Surplus / (Deficit))	(2,829,940)	(2,184,113)
Net Assets / (Liability)	(2,829,940)	(2,184,113)

(₹)

	31.03.2013	31.03.2012
<b>Expenses recognized in the statement of Profit &amp; Loss for the year ended 31<sup>st</sup> March, 2013</b>		
Current Service Cost	13,460,689	13,881,426
Interest Cost	7,212,463	7,554,659
Expected return on plan assets	(7,109,482)	(7,372,381)
Net Actuarial (Gains) / Losses	6,403,413	1,515,296
Total Expense	19,967,083	15,579,000
<b>The major categories of plan assets as a percentage of total plan</b>		
Insurer Managed Funds	100%	100%
<b>Category of funds :</b>	15.3%	17.9%
Secure Fund	41.9%	40.4%
Defensive fund	42.5%	41.4%
Balanced Fund	0.3%	0.3%
<b>Actuarial Assumptions:</b>		
Discount Rate	8.00%	8.50%
Rate of return on plan assets	8.70%	8.60%
	LIC (1994-96)	LIC (1994-96)
Mortality Table	Ultimate	Ultimate
Retirement Age	60 Years	60 Years

The expected rate of return on plan assets is determined after considering several applicable factors such as the composition of the plan assets, investment strategy, market scenario, etc. In order to protect the capital and optimise returns within acceptable risk parameters, the plan assets are well diversified.

The discount rate is based on the prevailing market yields of Government of India securities as at the Balance Sheet date for the estimated term of the obligations.

The estimate of future salary increases considered, takes into account the inflation, seniority, promotion, increments and other relevant factors.

#### Experience adjustments

(₹)

Particulars	31.03.2013	31.03.2012	31.03.2011	31.03.2010	31.03.2009
Present value of Defined benefit Obligation	101,159,121	84,852,507	91,571,625	69,289,040	64,955,440
Fair Value of Plan Assets	98,329,181	82,668,394	92,154,761	83,409,111	66,508,077
Surplus / (Deficit)	(2,829,940)	(2,184,113)	583,136	14,120,071	1,552,637
Experience adjustments on plan liabilities	(450,281)	625,583	1,356,633	(171,660)	555,578
Experience adjustments on plan assets	(37,692)	(429,217)	(188,374)	1,125,187	(833,217)

#### Note 33 : Segment reporting

The Company prepares consolidated financial statements, hence as per Accounting Standard 17 on Segment Reporting, segment information has not been provided in the standalone financial statements.

#### Note 34 : Related party disclosure

i) Details of related parties :

##### Description of relationship

a) Wholly Owned Subsidiaries (WOS)

##### Names of related parties

Sonata Information Technology Limited, India  
Sonata North America Inc., USA  
Sonata Software GmbH, Germany  
Sonata Europe Limited, UK  
Sonata Software FZ LLC, Dubai  
Sonata Software Qatar LLC, Qatar  
Sonata Technology Solutions Limited, India

b) Other Subsidiaries (OS)

TUI InfoTec GmbH, Germany (ceased to be a subsidiary w.e.f 1<sup>st</sup> October, 2011)

c) Key Management Personnel (KMP)

P Srikar Reddy, MD & CEO  
Sanjay Viswanathan (Resigned w.e.f. 14<sup>th</sup> February, 2012)  
B Ramaswamy (Resigned w.e.f. 16<sup>th</sup> August, 2011)

ii) Transactions with related parties :

(₹)

Particulars	WOS		OS		KMP	
	31.03.2013	31.03.2012	31.03.2013	31.03.2012	31.03.2013	31.03.2012
<b>Sales of services</b>						
Sonata North America Inc., USA	1,214,565,291	980,414,308	-	-	-	-
Sonata Software GmbH, Germany	10,858,199	28,519,377	-	-	-	-
Sonata Europe Limited, UK	-	15,203,920	-	-	-	-
Sonata Software FZ LLC, Dubai	147,741,616	80,908,652	-	-	-	-
TUI InfoTec GmbH, Germany	-	-	-	263,611,015	-	-
<b>Miscellaneous Expenses</b>						
Sonata Information Technology Limited, India	20,183,535	14,926,675	-	-	-	-
<b>Deputation expenses</b>						
Sonata Information Technology Limited, India	240,381,125	167,499,422	-	-	-	-
<b>Service charges</b>						
Sonata Information Technology Limited, India	124,802,571	155,125,076	-	-	-	-
<b>Subsistence / living cost</b>						
Sonata North America Inc., USA	-	58,032,847	-	-	-	-



(₹)

Particulars	WOS		OS		KMP	
	31.03.2013	31.03.2012	31.03.2013	31.03.2012	31.03.2013	31.03.2012
<b>Reimbursement of expenses</b>						
Sonata Information Technology Limited, India	6,745,028	17,552,135	-	-	-	-
Sonata North America Inc., USA	879,351	3,547,656	-	-	-	-
Sonata Software GmbH, Germany	1,886,359	2,798,865	-	-	-	-
Sonata Software FZ LLC, Dubai	3,673,388	7,437,549	-	-	-	-
Sonata Software Qatar LLC, Qatar	175,223	1,679,447	-	-	-	-
Sonata Technology Solutions Limited, India	51,797	-	-	-	-	-
TUI InfoTec GmbH, Germany	-	-	-	1,690,561	-	-
<b>Purchase of fixed assets</b>						
Sonata North America Inc., USA	-	42,810	-	-	-	-
<b>Inter corporate deposits given</b>						
Sonata Information Technology Limited, India	3,005,000,000	2,030,800,000	-	-	-	-
<b>Interest on inter corporate deposits given</b>						
Sonata Information Technology Limited, India	60,431,877	57,932,812	-	-	-	-
<b>Redemption of preference shares</b>						
Sonata Europe Limited, UK	68,229,077	186,483,136	-	-	-	-
<b>Remuneration</b>						
P Srikar Reddy, MD & CEO	-	-	-	-	9,719,373	9,532,109
Sanjay Viswanathan	-	-	-	-	-	5,899,072
B Ramaswamy	-	-	-	-	-	6,172,981
<b>Commission</b>						
P Srikar Reddy, MD & CEO	-	-	-	-	1,502,067	1,067,824
B Ramaswamy	-	-	-	-	-	800,868
<b>Balances outstanding at the end of the year</b>						
<b>Trade receivables</b>						
Sonata North America Inc., USA	367,466,139	287,349,643	-	-	-	-
Sonata Software GmbH, Germany	1,013,018	9,443,052	-	-	-	-
Sonata Europe Limited, UK	-	5,032,790	-	-	-	-
Sonata Software FZ LLC, Dubai	30,124,903	53,102,671	-	-	-	-
TUI InfoTec GmbH, Germany	-	-	-	33,917,069	-	-
<b>Advances recoverable</b>						
Sonata Information Technology Limited, India	2,687,968	34,356,773	-	-	-	-
Sonata North America Inc., USA	879,350	-	-	-	-	-
Sonata Software GmbH, Germany	415,392	1,329,974	-	-	-	-
Sonata Software FZ LLC, Dubai	1,171,097	5,876,162	-	-	-	-
Sonata Software Qatar LLC, Qatar	1,854,670	1,679,447	-	-	-	-
Sonata Technology Solutions Limited, India	51,797	-	-	-	-	-
TUI InfoTec GmbH, Germany	-	-	-	220,675	-	-
<b>Trade payable</b>						
Sonata North America Inc., USA	2,942,779	3,302,526	-	-	-	-
<b>Inter corporate deposit</b>						
Sonata Information Technology Limited, India	280,000,000	180,000,000	-	-	-	-
<b>Interest on inter corporate deposit</b>						
Sonata Information Technology Limited, India	4,583,689	5,823,096	-	-	-	-
<b>Commission payable</b>						
P Srikar Reddy, MD & CEO	-	-	-	-	1,502,067	1,067,824
B Ramaswamy	-	-	-	-	-	800,868
Guarantees given on behalf of Subsidiaries						
Sonata Information Technology Limited, India	50,000,000	50,000,000	-	-	-	-

**Note 35 : Details of leasing arrangements**

The Company has various operating leases for office facilities and residential premises for employees that are renewable on a year basis, and cancelable at its option. Rental expenses for operating leases included in the Statement of Profit and Loss is ₹ 104,981,823 (Previous year ₹ 110,190,019).

As of 31<sup>st</sup> March, 2013 future minimum lease payments for non-cancelable operating leases for the period up to which the lease is non-cancellable are provided below.

	31.03.2013	31.03.2012
Not later than one year	25,584,870	36,912,694
Later than one year and not later than 5 years	9,518,317	22,310,384
Later than 5 years	-	-

The Company has subleased a portion of its leased premises cancelable at the option of either parties.

The sublease payment received during the year included in the Statement of Profit and Loss is ₹ 535,368 ( Previous year ₹ 109,376).

There are no rents which are contingent in nature.

**Note 36 : Earnings Per Share**

(₹)

Particular	31.03.2013	31.03.2012
Profit attributable to equity shareholders (₹)	157,598,708	149,058,495
Weighted average number of Equity Shares of ₹ 1/- each (No. of Shares)	105,159,306	105,159,306
Earnings Per Share - basic & diluted (₹)	1.50	1.42

**Note 37:** There is no amount due and outstanding as at Balance Sheet date to be credited to the Investor Education and Protection Fund

**Note 38:** Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

**For and on behalf of the Board of Directors**

**PRADIP P SHAH**  
Chairman

**P SRIKAR REDDY**  
Managing Director  
& CEO

**M D DALAL**  
Executive  
Vice Chairman

**S B GHIA**  
Director

**VIREN RAHEJA**  
Director

**S N TALWAR**  
Director

**B K SYNGAL**  
Director

**VENKATRAMAN  
NARAYANAN**  
CFO

**R SATHYANARAYANA**  
AVP - Finance  
& Accounts

**PRIYA MANOJ JASWANI**  
Company Secretary

Mumbai, 30<sup>th</sup> May, 2013

## Sonata Software Limited

### CASH FLOW STATEMENT

		(₹)
	YEAR ENDED 31.03.2013	YEAR ENDED 31.03.2012
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit / (Loss) Before Tax	<b>236,938,790</b>	<b>202,772,538</b>
Adjustments for :		
Depreciation and amortization expense	97,215,684	107,709,774
Interest expense	530,088	158,268
Allowance for bad & doubtful trade receivables	2,591,794	5,285,254
Provision no longer required (net)	(75,815)	(19,207,533)
Advances written off	-	475,613
Interest income	(86,722,657)	(59,655,404)
Dividend income	(17,734,193)	(4,677,526)
(Profit) / loss on sale of fixed assets / assets scrapped	(553,614)	1,315,780
Unrealized foreign exchange (gain) / loss	(45,842,267)	(73,396,375)
Foreign exchange Loss on sale of investments	(2,163,788)	14,639,422
<b>Operating Profit before Working Capital Changes</b>	<b>184,184,022</b>	<b>175,419,811</b>
Adjustments for :		
Decrease / (Increase) in trade receivables	68,670,245	38,715,773
Decrease / (Increase) in other current assets	(23,696,008)	15,345,579
Decrease / (Increase) in long-term loans and advances	(1,829,273)	4,425,611
Decrease / (Increase) in short-term loans and advances	32,394,206	320,724,643
(Decrease) / Increase in trade payables	9,159,492	6,490,017
(Decrease) / Increase in other current liabilities	(44,611,187)	(67,017,242)
(Decrease) / Increase in long-term provisions	1,897,331	981,318
(Decrease) / Increase in short-term provisions	61,032,113	(72,934,804)
<b>Cash generated from operations</b>	<b>287,200,941</b>	<b>422,150,706</b>
Direct taxes / advance tax paid (net)	(90,223,520)	(349,694,301)
<b>Net Cash from Operating Activities (A)</b>	<b>196,977,421</b>	<b>72,456,405</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets, including intangible assets, CWIP and capital advances	(13,260,656)	(44,882,897)
Proceeds from sale of fixed assets	6,778,680	1,109,574
Proceeds of current investments (net)	2,382,740	(170,674,304)
Redemption of Investment in subsidiary	68,229,077	186,483,136
Interest received	87,754,666	53,765,614
Dividend received	17,734,193	4,677,526
Investments in subsidiary	(500,000)	(1,242,640)
Inter corporate deposit to subsidiary (net)	(100,000,000)	14,000,000
<b>Net Cash Flow from Investing Activities (B)</b>	<b>69,118,700</b>	<b>43,236,009</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowing	167,821,500	-
Dividends paid on equity shares	(77,998,050)	(53,061,618)
Dividend taxes paid on equity shares	(12,794,601)	(8,529,733)
Interest paid	(530,088)	(158,268)
<b>Net Cash from Financing Activities (C)</b>	<b>76,498,761</b>	<b>(61,749,619)</b>
<b>Net Increase / (Decrease) in Cash and Cash Equivalents (A+B+C)</b>	<b>342,594,882</b>	<b>53,942,795</b>
<b>Opening Cash and Cash Equivalents</b>	<b>434,916,055</b>	<b>381,028,621</b>
<b>Exchange Difference on Translation of Foreign Currency Cash and Cash Equivalents</b>	<b>6,610,032</b>	<b>(55,361)</b>
<b>Closing Cash and Cash Equivalents</b>	<b>784,120,969</b>	<b>434,916,055</b>

**Sonata Software Limited**

Cash Flow Statement (Contd.)

	(₹)	
	<b>YEAR ENDED 31.03.2013</b>	<b>YEAR ENDED 31.03.2012</b>
Cash and cash equivalents at the end of the year comprises :		
Cash on hand	85,195	37,175
Cheques, drafts on hand	425,355	2,085,430
Balances with banks		
In Current accounts	83,610,419	272,793,450
In Deposit accounts	700,000,000	160,000,000
	<u>784,120,969</u>	<u>434,916,055</u>

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

**In terms of our report attached  
For Deloitte Haskins & Sells**  
Chartered Accountants

**V Srikumar**  
Partner

**For and on behalf of the Board of Directors**

**PRADIP P SHAH**  
Chairman

**P SRIKAR REDDY**  
Managing Director  
& CEO

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Executive  
Vice Chairman

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NARAYANAN**  
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**R SATHYANARAYANA**  
AVP - Finance  
& Accounts

**PRIYA MANOJ JASWANI**  
Company Secretary

Mumbai, 30<sup>th</sup> May, 2013

## Sonata Software Limited

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

1.	Name of the subsidiary	<b>Sonata Information Technology Limited</b>	<b>Sonata Technology Solutions India Limited</b>	<b>Sonata Software North America, Inc.*</b>	<b>Sonata Software Qatar LLC</b>	<b>Sonata Software FZ LLC</b>	<b>Sonata Software GmbH</b>	<b>Sonata Europe Limited</b>
2.	Financial year ended	31 <sup>st</sup> March, 2013	31 <sup>st</sup> March, 2013	31 <sup>st</sup> March, 2013	31 <sup>st</sup> March, 2013	31 <sup>st</sup> March, 2013	31 <sup>st</sup> March, 2013	31 <sup>st</sup> March, 2013
3.	Holding company's interest	100% in Equity Share Capital	100% in Equity Share Capital	100% in Equity Share Capital	49% in Equity Share Capital	100% in Equity Share Capital	100% in Equity Share Capital	100% in Equity Share Capital
4.	Shares held by the holding company in the subsidiary	3,375,394 shares of ₹ 10/- each	50,000 shares of ₹ 10/- each	300,000 shares	98 shares of 1000 QAR each	500 shares of 1000 AED each	2 shares of EURO 12,500 each	671,700 shares of 1 Pound each
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 b. not dealt with or provided for in the accounts of the holding company	Nil  Profit: 94,401,787	Nil  Loss: (₹ 69,283)	Nil  Profit: USD 1,710,267	Nil  Loss: USD 78,045	Nil  Profit: USD 192,340	Nil  Profit: EURO 38,849	Nil  Loss: GBP 2,112,540
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: ₹ 288,669,312	Nil  Nil	Nil  Loss: USD 1,788,101	Nil  Loss: USD 60,854	Nil  Profit: USD 440,752	Nil  Profit: EURO 305,988	Nil  Profit : GBP 3,165,829

\* (Formerly known as Offshore Digital Services Inc.)

#### For and on behalf of the Board of Directors

**PRADIP P SHAH**  
Chairman

**P SRIKAR REDDY**  
Managing Director & CEO

**M D DALAL**  
Executive Vice Chairman

**S B GHIA**  
Director

**VIREN RAHEJA**  
Director

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Director

**VENKATRAMAN NARAYANAN**  
CFO

**R SATHYANARAYANA**  
AVP - Finance & Accounts

**PRIYA MANOJ JASWANI**  
Company Secretary

Mumbai, 30<sup>th</sup> May, 2013

## Sonata Software Limited - Consolidated Financial Statement

### INDEPENDENT AUDITORS' REPORT

#### TO THE BOARD OF DIRECTORS OF SONATA SOFTWARE LIMITED

#### REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of **SONATA SOFTWARE LIMITED** (the "Company") and its subsidiaries (the Company and its subsidiaries constitute "the Group"), which comprise the Consolidated Balance Sheet as at 31<sup>st</sup> March, 2013, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

#### Management's Responsibility for the Consolidated Financial Statements

The Company's Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of the reports of the other auditors on the financial statements / financial information of the subsidiaries referred to below in the Other Matter paragraph, the aforesaid consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31<sup>st</sup> March, 2013;
- (b) in the case of the Consolidated Statement of Profit and Loss, of the loss of the Group for the year ended on that date; and
- (c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

#### Other Matter

We did not audit the financial statements / financial information of 7 subsidiaries whose financial statements / financial information reflect total assets (net) of ₹ 468,412,450 as at 31<sup>st</sup> March, 2013, total revenues of ₹ 2,392,623,006 and net cash flows amounting to ₹ (213,180,193) for the year ended on that date, as considered in the consolidated financial statements. These financial statements / financial information have been audited by other auditors whose reports have been furnished to us by the Management and our opinion, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries is based solely on the reports of the other auditors.

Our opinion is not qualified in respect of this matter.

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants  
(Firm Registration No.: 008072S)

**V Srikumar**  
(Partner)

Place: Mumbai  
Date : 30<sup>th</sup> May, 2013

(Membership No.: 84494)

## Sonata Software Limited - Consolidated Financial Statement

### CONSOLIDATED BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2013

		AS AT 31.03.2013	AS AT 31.03.2012
	Note		
<b>EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDER'S FUNDS</b>			
Share capital	3	105,159,306	105,159,306
Reserves and surplus	4	3,312,163,732	3,640,156,223
		<b>3,417,323,038</b>	<b>3,745,315,529</b>
<b>MINORITY INTEREST</b>		<b>540,648</b>	<b>51,785,537</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term borrowings	5	-	37,526,259
Other long-term liabilities	6	-	225,708,597
Long-term provisions	7	84,102,427	985,537,702
		<b>84,102,427</b>	<b>1,248,772,558</b>
<b>CURRENT LIABILITIES</b>			
Short-term borrowings	8	167,821,500	374,738,058
Trade payables	9	1,553,731,896	2,186,365,271
Other current liabilities	10	217,897,287	436,669,137
Short-term provisions	11	160,886,943	45,548,338
		<b>2,100,337,626</b>	<b>3,043,320,804</b>
<b>TOTAL</b>		<b>5,602,303,739</b>	<b>8,089,194,428</b>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Fixed assets			
Tangible assets	12 (i)	216,206,768	719,801,976
Intangible assets	12 (ii)	143,254	209,354,231
Capital work-in-progress		-	20,432,890
		<b>216,350,022</b>	<b>949,589,097</b>
Goodwill on consolidation		-	949,883,194
Non-current investments	13	30,718	21,417,598
Deferred tax asset	14	38,585,939	109,211,000
Long-term loans and advances	15	1,635,491,793	1,629,918,674
Other non-current assets	16	277,300,056	28,222,928
		<b>2,167,758,528</b>	<b>3,688,242,491</b>
<b>CURRENT ASSETS</b>			
Current investments	17	217,692,746	220,075,486
Inventories	18	7,920,177	404,057,589
Trade receivables	19	1,413,027,469	1,964,074,869
Cash and cash equivalents	20	1,354,924,570	1,217,306,945
Short-term loans and advances	21	328,861,264	496,489,657
Other current assets	22	112,118,985	98,947,391
		<b>3,434,545,211</b>	<b>4,400,951,937</b>
<b>TOTAL</b>		<b>5,602,303,739</b>	<b>8,089,194,428</b>

See accompanying notes 1 to 39 forming part of the financial statements

In terms of our report attached  
For Deloitte Haskins & Sells  
Chartered Accountants

V Srikumar  
Partner

For and on behalf of the Board of Directors

PRADIP P SHAH  
Chairman

S B GHIA  
Director

B K SYNGAL  
Director

P SRIKAR REDDY  
Managing Director  
& CEO

VIREN RAHEJA  
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Vice Chairman

S N TALWAR  
Director

R SATHYANARAYANA  
AVP - Finance  
& Accounts

PRIYA MANOJ JASWANI  
Company Secretary

Mumbai, 30<sup>th</sup> May, 2013



## Sonata Software Limited - Consolidated Financial Statement

### CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2013

(₹)

	Note	YEAR ENDED 31.03.2013	YEAR ENDED 31.03.2012
<b>INCOME</b>			
Revenue from operations	23.1	13,110,929,672	15,677,436,393
Other income	23.2	61,955,723	131,259,125
<b>Total Revenue</b>		<b>13,172,885,395</b>	<b>15,808,695,518</b>
<b>EXPENSES</b>			
Purchase of stock-in-trade (traded goods)	24	8,508,505,670	7,697,225,349
(Increase) / decrease in inventories	25	396,137,412	(302,211,933)
Employee benefit expenses	26	2,253,555,130	4,558,481,614
Other expenses	27	1,419,801,750	3,238,239,629
<b>Total expenses</b>		<b>12,577,999,962</b>	<b>15,191,734,659</b>
<b>Earnings before interest, tax, depreciation and amortization (EBITDA)</b>		<b>594,885,433</b>	<b>616,960,859</b>
Finance costs	28	58,889,457	118,086,296
Depreciation and amortization expense	12 (iii)	100,814,585	459,067,059
		<b>159,704,042</b>	<b>577,153,355</b>
<b>Profit Before Tax and exceptional items</b>		<b>435,181,391</b>	<b>39,807,504</b>
Exceptional item (Refer Note 37a & 37b)		580,557,355	118,944,000
<b>Loss Before Tax</b>		<b>(145,375,964)</b>	<b>(79,136,496)</b>
Tax expense			
Current tax expense		124,847,758	95,676,572
MAT credit		(12,595,022)	-
Short / (Excess) provision for tax relating to prior years		(10,359,621)	(6,591,196)
Deferred tax		33,701,213	5,084,607
<b>Net Tax Expense</b>		<b>135,594,328</b>	<b>94,169,983</b>
<b>Loss after tax before minority interest</b>		<b>(280,970,292)</b>	<b>(173,306,479)</b>
Share of earning of associates		-	23,244,550
Minority interest		427,898	124,163,268
<b>Loss After Tax after minority interest</b>		<b>(280,542,394)</b>	<b>(25,898,661)</b>
A) Profit / (loss) from continuing operations (Net of Tax expense ₹ 147,924,981 (31.03.2012 ₹ 64,833,783))		300,014,961	253,186,186
B) Profit / (loss) from discontinuing operations (Net of Tax expense ₹ Nil (31 <sup>st</sup> March 31, 2012 ₹ 29,336,200)) (Refer Note 37)		-	(279,084,847)
C) Loss on disposal of operations (Refer Note 37)		(580,557,355)	-
<b>Total</b>		<b>(280,542,394)</b>	<b>(25,898,661)</b>
Earnings per share - Basic & Diluted (on ₹ 1 per share) (₹)		<b>(2.67)</b>	<b>(0.25)</b>
(Refer Note 36)			
Par value ₹ 1 per share			

See accompanying notes 1 to 39 forming part of the financial statements

In terms of our report attached  
For Deloitte Haskins & Sells  
Chartered Accountants

For and on behalf of the Board of Directors

**V Srikumar**  
Partner

**PRADIP P SHAH**  
Chairman

**P SRIKAR REDDY**  
Managing Director  
& CEO

**M D DALAL**  
Executive  
Vice Chairman

**S B GHIA**  
Director

**VIREN RAHEJA**  
Director

**S N TALWAR**  
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**VENKATRAMAN  
NARAYANAN**  
CFO

**R SATHYANARAYANA**  
AVP - Finance  
& Accounts

**PRIYA MANOJ JASWANI**  
Company Secretary

Mumbai, 30<sup>th</sup> May, 2013

## Sonata Software Limited - Consolidated Financial Statement

### NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

#### Note 1 : Corporate Information

The Consolidated financials of Sonata Software Limited is made up of the Sonata Software Limited ("Sonata or the Company") together with its subsidiaries Sonata Information Technology Limited, Sonata Software North America Inc, Sonata Software GmbH, Sonata Europe Limited, Sonata Software FZ LLC, Sonata Software Qatar LLC & Sonata Technology Solutions Limited. Sonata has its Registered Office at Mumbai, India and operationally headquartered at Bangalore, India. Sonata is listed on the National Stock Exchange Limited and Bombay Stock Exchange Limited. The Company is engaged in the business of providing Information Technology Solutions and software development services to its customers. Material subsidiaries of the Company are:

- Sonata Information Technology Limited, in India through which it delivers both software development and consulting services and also re-selling of product licenses of leading international software companies such as Microsoft, IBM, Oracle etc.
- Sonata Software North America Inc., in USA through which it delivers software development and consulting services to its clients in North America.

#### Note 2 : Significant Accounting Policies

##### a. Basis for Preparation of Financial Statements

The consolidated financial statements of the Company and its subsidiaries (together the 'Group') have been prepared in accordance with the Generally Accepted Accounting Principles ('GAAP') in India to comply with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the previous year.

##### b. Principles of Consolidation

The consolidated financial statements have been prepared in accordance with the principles and procedures for the preparation and presentation of consolidated financial statements as laid down under AS 21 - *Consolidated Financial Statements* prescribed under the Rules. The consolidated financial statements are prepared by applying uniform accounting policies in use at the Group.

The financial statements of the Company and its subsidiary companies have been combined on a line-by-line basis by adding together the book value of like items of assets, liabilities, income and expenses after eliminating intra-group balances, intra group transactions and unrealized profits or losses. The amount shown in respect of reserves comprises the amount of the relevant reserves as per the balance sheet of the Company and its share in the post-acquisition change in the relevant reserve of subsidiaries.

Minority interest represents the amount of equity attributable to the minority shareholders at the dates on which investment in a subsidiary is made by the Company and its share of movements in the equity subsequent to the dates of investments as stated above.

The excess of cost to the Company of its investments in the subsidiary companies over its share of the equity of the subsidiary companies, at the dates on which the investments in the subsidiary companies were made, is recognized as goodwill, being an asset in the consolidated financial statements. Where the share of the equity in the subsidiary companies as on the date of investment is in excess of cost of investment of the Company, it is recognized as capital reserve and shown under the head reserves and surplus.

Information on subsidiary companies

The list of subsidiary companies included in the consolidated financial statements is as under:

Name of the entity	Country of incorporation	% of Ownership held As on 31 <sup>st</sup> March, 2013	% of Ownership held As on 31 <sup>st</sup> March, 2012
Sonata Information Technology Limited	India	100%	100%
Sonata Software North America Inc.	USA	100%	100%
Sonata Europe Limited	UK	100%	100%
Sonata Software GmbH	Germany	100%	100%
Sonata Software FZ-LLC	UAE	100%	100%
Sonata Software (Qatar) LLC - Refer note 1	Qatar	49%	49%
Sonata Technology Solutions Ltd. (w.e.f. 12 <sup>th</sup> April, 2012)	India	100%	-
TUI InfoTec GmbH (Refer Note 37)	Germany	-	50.10%

Note 1 : In terms of the Memorandum and Articles of Association, the composition of the Board of Directors of Sonata Software (Qatar) LLC is controlled by the Company and hence it has been considered as subsidiary for the purpose of consolidation.

Figures pertaining to the subsidiary companies have been regrouped / reclassified wherever necessary to bring them in line with the Company's financial statements.

#### Investments in TUI InfoTec Associate Companies

Investments in Associate Companies represent in the previous year, 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 were based on the financial statements (As at 31/12/11). The Associates of TUI InfoTec and the ownership interest were as follows:

Name of the Company	% Share held	Original Cost of Investment	Accumulated Profit / (Loss) / adjustment	Carrying amount of Investments as at 31.03.12
Accon-RVS Accounting GmbH *	50%	37,939,268	(21,841,878)	16,097,390
BOSYS Software GmbH**	25.2%	6,631,984	(2,527,066)	4,104,918
<b>Total</b>		<b>44,571,252</b>	<b>(24,368,944)</b>	<b>20,202,308</b>

\* Investment were held by TUI InfoTec GmbH

\*\* Investment were held by subsidiary of TUI InfoTec GmbH namely Travel BA Sys

Consequent to the sale of Investment of TUI InfoTec GmbH, the above investments are not included in the consolidated financial statements in the current year.

#### **Investment in TUI InfoTec Group Undertaking**

On the previous year Balance Sheet date TUI InfoTec held 79% share in Travel BA. Sys Beteiligungs GmbH, Mulheim an der Ruhr. The financials of Travel BA sys were not considered for consolidation by TUI InfoTec group in the previous year 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.

#### **c. Use of Estimates**

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognized in the periods in which the results are known / materialize.

#### **d. Inventories**

Inventories are valued at lower of cost (weighted average) and the net realizable value after providing for obsolescence and other losses wherever considered necessary.

#### **e. Depreciation**

Depreciation has been provided on Plant & 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 based on useful lives as estimated by the Management :

	Rates of Depreciation	
	Sch. XIV Rate	Rate Adopted
Leasehold land	Lease period	Primary Lease period
Leasehold improvements	Lease period	Primary Lease period
Buildings	1.63%	1.63%
Plant and equipment	13.91%	33.33%
Furniture and fixtures	18.10%	18.10%
Vehicles	25.89%	25.89%
Office equipments	13.91%	13.91%
Computer software	16.21%	33.33%

Assets costing less than ₹ 5,000/- each are fully depreciated in the year of capitalization.

#### **f. Revenue Recognition**

Revenues from contracts priced on a time and material basis are recognised when services are rendered and related costs are incurred.

Revenues from fixed price contracts, are recognised over the life of the contract using the proportionate completion method, with contract costs determining the degree of completion. Foreseeable losses on such contracts are recognised when probable.

Revenues from sale of software licenses are recognised upon delivery where there is no customisation required. In case of customisation the same is recognised over the life of the contract using the proportionate completion method.

Revenues from maintenance contracts are recognised pro-rata over the period of the contract.

Revenues are reported net of discounts.

Dividends are recorded when the right to receive payment is established. Interest income is recognised on time proportion basis taking into account the amount outstanding and the rate applicable.

#### **g. Tangible & Intangible Fixed Assets**

Fixed assets are carried at cost less accumulated depreciation / amortization and impairment losses, if any. The cost of fixed assets comprises its purchase price net of any trade discounts and rebates, any import duties and other taxes (other than those subsequently recoverable from the tax authorities), any directly attributable expenditure on making the asset ready for its intended use. Subsequent expenditure if any on fixed assets after its purchase / completion is capitalized only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.

#### **h. Foreign Currency Transactions**

Transactions in foreign currencies entered into by the Company are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the exchange rate prevalent at the date of Balance sheet. Exchange differences arising on foreign currency transactions are recognized as income or expense in the year which they arise.

Premium or discount on forward exchange contract is amortized over the life of such contract and is recognized as income or expense. Any profit or loss arising on cancellation, renewal or restatement of forward contract is recognized in the Statement of Profit and Loss.

On consolidation, in case of integral operations assets and liabilities (other than non-monetary items) are translated at the exchange rate prevailing on the balance sheet date. Non-monetary items are carried at historical cost. In case of non-integral operations assets and liabilities (both monetary and non-monetary items) are translated at the exchange rate prevailing on the Balance Sheet date. Revenue and expenses are translated at yearly average exchange rates prevailing during the year in case the holding subsidiary relationship was in existence on the first day of the fiscal year. In case of subsidiaries formed or acquired during the year, the average exchange rate

prevailing during the period since the holding subsidiary relationship came into existence is taken. Exchange differences arising out of these transactions are included under Exchange Loss / Gain and charged to the Statement of Profit and Loss in case of "Integral operations". However in case of non-integral operations, these exchange differences are included in 'Foreign Currency Translation Reserve' and shown under Reserves and Surplus.

#### **Investments**

Long-term investments are carried individually at cost less provision for diminution, other than temporary, in the value of such investments. Current investments are carried individually, at the lower of cost and fair value. Cost of investments include acquisition charges such as brokerage, fees and duties.

#### **i. Employee Benefits**

Employee benefits include provident fund, superannuation fund, employee state insurance scheme, gratuity fund and compensated absences.

#### **Defined Contribution Plans**

Contribution to defined retirement benefit schemes are recognized as an expense when employees have rendered services entitling them to contribution required to be made.

#### **Defined Benefit Plans**

For defined benefit plans, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognized in the Statement of Profit and Loss in the period in which they occur. Past service cost is recognized immediately to the extent that the benefits are already vested and otherwise is amortized on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognized in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

Long term liability for compensated absence is provided based on actuarial valuation of the accumulated leave credit outstanding to the employees as on Balance sheet date.

#### **j. Segment**

The Group identifies primary segments based on the dominant source, nature of risks and returns and the internal organization and management structure. The operating segments are the segments for which separate financial information is available and for which operating profit / loss amounts are evaluated regularly by the Executive Management in deciding how to allocate resources and in assessing performance.

Revenue, expense, assets and liabilities which relate to the group as a whole and are not allocable to segment on reasonable basis have been included under unallocated revenue / expenses / assets / liabilities.

#### **k. Leases**

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognized as operating leases. Lease rentals under operating leases are recognized in the Statement of Profit and Loss on a straight-line basis.

#### **l. Earnings Per Share**

Basic earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. For the purpose of computing diluted earnings per share, profit / (loss) after tax (including the post tax effect of extraordinary items, if any) and the weighted average number of equity shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

#### **m. Taxes on Income**

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognized as an asset in the Balance Sheet when it is probable that future economic benefit associated with it will flow to the Company.

Deferred tax is recognized on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognized for all timing differences. Deferred tax assets are recognized for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realized. However, if there is unabsorbed depreciation and carry forward of losses, deferred tax assets are recognized only if there is virtual certainty that there will be sufficient future taxable income available to realize the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet date for their realizability.

**n. Impairment of Assets**

The carrying values of assets / cash generating units at each balance sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognized, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognized for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognized in the Statement of Profit and Loss, except in case of revalued assets.

**o. Provisions and Contingencies**

A provision is recognized when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed in the Notes. Contingent assets are not recognized in the financial statements.

**p. Derivative Instruments and Hedge Accounting**

The Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to highly probable forecast transactions. The Company designates such forward contracts in a cash flow hedging relationship by applying the hedge accounting principles set out in "Accounting Standard 30 Financial Instruments: Recognition and Measurement" issued by the Indian Institute of Chartered Accountants of India. These forward contracts are stated at fair value at each reporting date. Changes in the fair value of these forward contracts that are designated and effective as hedges of future cash flows are recognized directly in "Hedging reserve account" under Reserves and surplus, net of applicable deferred income taxes and the ineffective portion is recognized immediately in the Statement of Profit and Loss. Amounts accumulated in the "Hedging reserve account" are reclassified to the Statement of Profit and Loss in the same periods during which the forecasted transaction affects profit or loss. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. For forecasted transactions, any cumulative gain or loss on the hedging instrument recognized in "Hedging reserve account" is retained until the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, the net cumulative gain or loss recognized in "Hedging reserve account" is immediately transferred to the Statement of Profit and Loss.

(₹)

	AS AT 31.03.2013	AS AT 31.03.2012
<b>Note 3 : Share capital</b>		
<b>Authorized</b>		
150,000,000 equity shares of face value ₹ 1/- each	<b>150,000,000</b>	<b>150,000,000</b>
(Previous year 150,000,000 equity shares of face value ₹ 1/- each)		
<b>Issued, Subscribed and paid-up</b>		
105,159,306 equity shares of face value ₹ 1/- each fully paid-up	<b>105,159,306</b>	<b>105,159,306</b>
(Previous year 105,159,306 equity shares of face value ₹ 1/- each)		
<b>Total</b>	<b>105,159,306</b>	<b>105,159,306</b>
Refer notes (i) to (iii) below		

**i) Reconciliation of number of shares and amount outstanding at the beginning and at the end of the reporting period**

	Opening balance	Fresh issue	Closing balance
Equity shares with voting rights			
Year ended 31 <sup>st</sup> March, 2013			
Number of shares	105,159,306	-	105,159,306
Amount ₹	105,159,306	-	105,159,306
Equity shares with voting rights			
Year ended 31 <sup>st</sup> March, 2012			
Number of shares	105,159,306	-	105,159,306
Amount ₹	105,159,306	-	105,159,306

**ii) Details of rights, preferences and restrictions attached to each class of shares**

The company has equity shares having a par value of ₹ 1. Each Shareholder is entitled for one vote per share. The shareholders have the right to receive interim dividends declared by the Board of Directors and final dividends proposed by the Board and approved by the shareholders.

In the event of liquidation by the Company, the holders of the equity shares will be entitled to receive in proportion to the number of equity shares held by them, the remaining assets of the Company.

The shareholders have all other rights as available to equity shareholders as per the provisions of the Companies Act, 1956, read together with the Memorandum of Association and Articles of Association of the Company, as applicable.

**iii) Details of shares held by each shareholder holding more than 5% shares**

	31.03.2013		31.03.2012	
	No. of Shares	% of Holding	No. of Shares	% of Holding
Akshay Raheja	8,250,000	7.85	5,750,000	5.47
Viren Raheja	8,250,000	7.85	5,750,000	5.47
Suman Raheja	6,900,000	6.56	6,900,000	6.56
Hemendra M Kotari	6,500,000	6.18	-	-
Bhupati Investments & Finance Pvt Ltd	3,231,951	3.07	15,058,337	14.32

# Sonata Software Limited - Consolidated Financial Statement

Notes (Contd.)

	AS AT 31.03.2013	AS AT 31.03.2012
<b>Note 4 : Reserves and surplus</b>		
<b>Securities premium</b>		
Opening balance	450,924,411	450,924,411
Add : Premium on shares issued during the year	-	-
Less : Utilised during the year	-	-
<b>Closing balance</b>	<b>450,924,411</b>	<b>450,924,411</b>
<b>Capital Redemption Reserve</b>		
Opening balance	212,953,890	26,253,060
Add : Additions during the year	-	186,700,830
Less : Utilized during the year	-	-
<b>Closing balance</b>	<b>212,953,890</b>	<b>212,953,890</b>
<b>General Reserve</b>		
Opening balance	633,154,246	618,154,246
Add: Transfer from surplus in Statement of Profit and Loss	16,000,000	15,000,000
<b>Closing balance</b>	<b>649,154,246</b>	<b>633,154,246</b>
<b>Hedging Reserve</b>		
Opening balance	(178,722,709)	30,712,825
(Deductions) / Additions during the year (net)	167,448,203	(209,435,534)
<b>Closing balance</b>	<b>(11,274,506)</b>	<b>(178,722,709)</b>
<b>Surplus in Statement of Profit and Loss</b>		
Opening balance	2,521,846,385	2,841,109,955
Add / (Less) : Profit / (Loss) for the year	(280,542,394)	(25,898,661)
Less :		
Transferred to capital redemption reserve	-	186,700,830
Proposed dividend	131,449,133	26,289,827
(Dividend proposed to be distributed to equity share holders ₹ 1.25/- share)		
(Previous year ₹ 0.25/- equity share)		
Interim dividend	52,579,653	52,579,653
(Interim dividend is distributed to equity share holders ₹ 0.50/- share)		
(Previous year ₹ 0.50/- equity share)		
Tax on dividend	30,869,514	12,794,599
Transfer to general reserve	16,000,000	15,000,000
<b>Closing balance</b>	<b>2,010,405,691</b>	<b>2,521,846,385</b>
<b>Total</b>	<b>3,312,163,732</b>	<b>3,640,156,223</b>

	AS AT 31.03.2013	AS AT 31.03.2012
<b>Note 5 : Long-term borrowings</b>		
Long-term maturities of finance lease obligations	-	37,526,259
<b>Total</b>	<b>-</b>	<b>37,526,259</b>
As at 31.03.2012 TUI InfoTec GmbH had acquired assets on three finance leases, which are secured by hypothecation of such assets, the details are as below :		
a) Two lease agreements are with IBM which has a monthly installment of ₹ 1,067,931 (€15,728) and are maturing by December 2014.		
b) Lease agreement with Deutsche Leasing which has a monthly installment of ₹ 686,401 (€10,109) and is maturing by January 2015.		
<b>Note 6 : Other long-term liabilities</b>		
Trade payables - other than acceptances	-	109,026,466
Loss on forward contracts (Marked-to-market)	-	17,533,992
Others	-	99,148,139
<b>Total</b>	<b>-</b>	<b>225,708,597</b>
<b>Note 7 : Long-term provisions</b>		
Provision for employee benefits		
Provision for compensated absences	16,229,597	14,537,918
Pension	-	908,304,125
Provision for tax (net of advance tax - ₹ 82,511,531 (as at 31.03.2012 - ₹ 104,312,663))	67,872,830	62,695,659
<b>Total</b>	<b>84,102,427</b>	<b>985,537,702</b>
<b>Note 8 : Short-term borrowings</b>		
Loans repayable on demand		
From banks - Secured (Secured by Pari passu first charge on all the current assets of the company both present and future including stocks, book debts and other current assets wherever located)	167,821,500	306,838,058
Others	-	67,900,000
<b>Total</b>	<b>167,821,500</b>	<b>374,738,058</b>
<b>Note 9 : Trade payables</b>		
Trade payables - other than acceptances	1,553,731,896	2,186,365,271
<b>Total</b>	<b>1,553,731,896</b>	<b>2,186,365,271</b>



# Sonata Software Limited - Consolidated Financial Statement

Notes (Contd.)

(₹)

	AS AT 31.03.2013	AS AT 31.03.2012
<b>Note 10 : Other current liabilities</b>		
Income received in advance (Unearned revenue)	1,998,882	-
Current maturities of finance lease obligations	-	21,051,368
Gratuity (Refer Note 32)	3,302,537	1,803,519
Unpaid dividend	7,330,545	8,201,975
Other payables		
Statutory remittances	177,902,512	221,705,094
Payable on purchase of fixed assets	2,638,199	4,999,847
Loss on forward contracts (Marked-to-market)	11,274,506	161,188,717
Interest accrued and due on borrowings	-	414,944
Advances from customers	5,988,295	7,986,517
Others	7,461,811	9,317,156
<b>Total</b>	<b>217,897,287</b>	<b>436,669,137</b>

(₹)

	AS AT 31.03.2013	AS AT 31.03.2012
<b>Note 11 : Short-term provisions</b>		
Provision for employee benefits		
Provision for compensated absences	7,098,030	6,376,557
Pension	-	8,617,087
Others		
Provision for proposed equity dividend	131,449,133	26,289,827
Provision for tax on proposed dividends	22,339,780	4,264,867
<b>Total</b>	<b>160,886,943</b>	<b>45,548,338</b>

## FIXED ASSETS

### 12 (i) Tangible fixed assets

(₹)

Particulars	Gross Block				Depreciation				Net Block As at 31.03.2013	Net Block As at 31.03.2012
	Cost as at 01.04.2012	Additions	Deductions / Adjustments	Cost as at 31.03.2013	As at 01.04.2012	For the year	Deductions / Adjustments	As at 31.03.2013		
Owned										
Leasehold land	35,200,000	-	-	35,200,000	3,411,775	987,851	-	4,399,626	30,800,374	31,788,225
Previous year	(35,200,000)	(-)	(-)	(35,200,000)	(2,332,511)	(1,079,264)	(-)	(3,411,775)	(31,788,225)	
Buildings	15,493,000	-	-	15,493,000	2,967,240	252,767	-	3,220,007	12,272,993	12,525,760
Previous year	(15,493,000)	(-)	(-)	(15,493,000)	(2,714,703)	(252,537)	(-)	(2,967,240)	(12,525,760)	
Leasehold improvements	229,697,687	4,022,225	1,602,780	232,117,132	141,059,214	34,708,273	1,582,901	174,184,586	57,932,546	88,638,473
Previous year	(197,633,532)	(31,993,210)	70,945	(229,697,687)	(104,426,540)	(36,632,674)	(-)	(141,059,214)	(88,638,473)	
Plant and equipment	3,248,696,038	14,663,575	2,926,150,346	337,209,267	2,851,651,971	46,228,653	2,608,890,911	288,989,713	48,219,554	397,044,067
Previous year	(2,880,827,959)	(384,757,479)	(16,889,400)	(3,248,696,038)	(2,589,978,661)	(274,598,921)	(12,925,611)	(2,851,651,971)	(397,044,067)	
Furniture and fixtures	124,643,739	5,263,026	25,888,644	104,018,121	101,344,421	5,473,365	23,968,965	82,848,821	21,169,300	23,299,318
Previous year	(119,031,645)	(8,538,462)	(2,926,368)	(124,643,739)	(96,631,937)	(7,139,092)	(2,426,608)	(101,344,421)	(23,299,318)	
Vehicles	14,927,567	-	5,495,781	9,431,786	10,334,923	1,074,277	4,669,312	6,739,888	2,691,898	4,592,644
Previous year	(16,630,876)	(-)	(1,703,309)	(14,927,567)	(9,600,110)	(1,768,340)	(1,033,527)	(10,334,923)	(4,592,644)	
Office equipments	350,814,755	3,224,102	246,307,206	107,731,651	188,901,266	7,292,150	131,581,868	64,611,548	43,120,103	161,913,489
Previous year	(322,027,236)	(29,655,113)	(867,594)	(350,814,755)	(167,561,082)	(19,097,103)	2,243,081	(188,901,266)	(161,913,489)	
<b>Total</b>	<b>4,019,472,786</b>	<b>27,172,928</b>	<b>3,205,444,757</b>	<b>841,200,957</b>	<b>3,299,670,810</b>	<b>96,017,336</b>	<b>2,770,693,957</b>	<b>624,994,189</b>	<b>216,206,768</b>	<b>719,801,976</b>
Previous year	(3,586,844,248)	(454,944,264)	(22,315,726)	(4,019,472,786)	(2,973,245,544)	(340,567,931)	(14,142,665)	(3,299,670,810)	(719,801,976)	

### 12 (ii) Intangible fixed assets

(₹)

Particulars	Gross Block				Depreciation				Net Block As at 31.03.2013	Net Block As at 31.03.2012
	Cost as at 01.04.2012	Additions	Deductions / Adjustments	Cost as at 31.03.2013	As at 01.04.2012	For the year	Deductions / Adjustments	As at 31.03.2013		
Owned										
Computer software	3,182,790,296	-	3,069,178,468	113,611,828	2,973,436,065	4,797,249	2,864,764,740	113,468,574	143,254	209,354,231
Previous year	(2,988,371,751)	(249,476,417)	(55,057,872)	(3,182,790,296)	(2,897,571,335)	(117,213,923)	(41,349,193)	(2,973,436,065)	(209,354,231)	
<b>Total</b>	<b>3,182,790,296</b>	<b>-</b>	<b>3,069,178,468</b>	<b>113,611,828</b>	<b>2,973,436,065</b>	<b>4,797,249</b>	<b>2,864,764,740</b>	<b>113,468,574</b>	<b>143,254</b>	<b>209,354,231</b>
Previous year	(2,988,371,751)	(249,476,417)	(55,057,872)	(3,182,790,296)	(2,897,571,335)	(117,213,923)	(41,349,193)	(2,973,436,065)	(209,354,231)	



# Sonata Software Limited - Consolidated Financial Statement

Notes (Contd.)

## 12 (iii) Depreciation and amortization expense

(₹)

Particulars	For the year ended 31.03.2013	For the year ended 31.03.2012
Depreciation on Tangible assets As per Note 12 (i)	96,017,336	340,567,931
Amortization on Intangible assets As per Note 12 (ii)	4,797,249	117,213,923
Amortization on Goodwill on consolidation	-	1,285,205
<b>Total</b>	<b>100,814,585</b>	<b>459,067,059</b>

(₹)

	AS AT 31.03.2013	AS AT 31.03.2012
<b>Note 13 : Non-current investments</b>		
<b>Non-trade Long Term , at cost in Foreign Holdings</b>		
<b>Investment in equity instruments of associate</b>		
<b>Unquoted</b>		
TUI InfoTec Group Undertaking	-	1,184,572
TUI InfoTec associate companies (net of provisions)	-	20,202,308
<b>Quoted</b>		
138 shares of US \$ 0.01 per share of Principal Financial Group Inc., (Previous year 138 Shares of US \$ 0.01 per share)	30,718	30,718
	<b>30,718</b>	<b>21,417,598</b>
Aggregate cost of unquoted investment	-	21,386,880
Aggregate cost of quoted investment	30,718	30,718
Market value of quoted investment	254,953	207,203
<b>Note 14 : Deferred tax asset</b>		
Tax effects on		
On account of carry forward loss	-	46,734,916
Difference between book balance and tax balance of Fixed assets	17,831,828	6,538,234
Others	20,754,111	55,937,850
<b>Total</b>	<b>38,585,939</b>	<b>109,211,000</b>
<b>Note 15 : Long-term loans and advances</b>		
<b>Unsecured, considered good</b>		
Capital advances	37,813	4,000,000
Security deposits	102,184,006	100,611,146
Prepaid expenses	5,914,407	21,624,596
Advance Tax (net of provision for tax - ₹ 635,901,723 (as at 31.03.2012 - ₹ 571,878,072))	1,256,084,236	1,216,404,086
MAT credit entitlement	269,728,314	285,895,173
Other recoverables	14,043,017	1,383,673
Less : Allowance for doubtful advances	12,500,000	-
	1,543,017	1,383,673
<b>Total</b>	<b>1,635,491,793</b>	<b>1,629,918,674</b>

(₹)

	AS AT 31.03.2013	AS AT 31.03.2012
<b>Note 16 : Other non-current assets</b>		
Unsecured, considered good		
Long-term trade receivable	-	28,222,928
Receivable on sale of Subsidiary (Refer Note 37)	277,300,056	-
<b>Total</b>	<b>277,300,056</b>	<b>28,222,928</b>
<b>Note 17 : Current investments</b>		
<b>Non-trade</b>		
<b>Investments in mutual funds (unquoted)</b>		
Birla Sun Life - Floating Rate fund 2,176,492.16 units at ₹ 100.02 per unit (Previous year - 1,200,057.009 units at ₹ 100.02 per unit)	217,692,746	120,029,702
Taurus Liquid Fund - Super IP - DDR (Previous year - 100,036.726 units at ₹ 1000.0905 per unit)	-	100,045,784
<b>Total</b>	<b>217,692,746</b>	<b>220,075,486</b>
Aggregate cost of unquoted investment	217,692,746	220,075,486
<b>Note 18 : Inventories</b>		
Work-in-progress - Software services	-	67,527,254
Stock-in-trade - hardware / software product and licenses	7,920,177	192,078,387
Material-in-transit - hardware / software product and licenses	-	144,451,948
<b>Total</b>	<b>7,920,177</b>	<b>404,057,589</b>
<b>Note 19 : Trade receivables</b>		
Unsecured		
Trade receivable outstanding for a period exceeding six months from the date they are due for payment		
Considered good	27,561,685	90,987,183
Considered doubtful	50,359,711	60,960,052
	77,921,396	151,947,235
Less : Provision for doubtful trade receivables	50,359,711	60,960,052
	27,561,685	90,987,183
Other debts :		
Considered good	1,385,465,784	1,873,087,686
Considered doubtful	641,160	635,934
	1,386,106,944	1,873,723,620
Less : Provision for doubtful trade receivables	641,160	635,934
	1,385,465,784	1,873,087,686
<b>Total</b>	<b>1,413,027,469</b>	<b>1,964,074,869</b>

# Sonata Software Limited - Consolidated Financial Statement

Notes (Contd.)

	AS AT 31.03.2013	AS AT 31.03.2012
<b>Note 20 : Cash and cash equivalents</b>		
Cash on hand	85,195	37,175
Cheques, drafts on hand	425,355	2,085,430
Balances with banks		
In Current accounts	269,861,701	685,571,105
In Deposit accounts	1,033,189,290	469,488,190
In Earmarked accounts		
Balance held as Margin money	44,032,484	51,923,070
Unpaid dividend account	7,330,545	8,201,975
The balance that meet the definition of Cash and cash equivalents as per AS-3. Cash flow Statement is ₹ 1,303,561,541 (Previous year is ₹ 1,157,181,900)		
<b>Total</b>	<b>1,354,924,570</b>	<b>1,217,306,945</b>
<b>Note 21 : Short-term loans and advances</b>		
<b>Unsecured, considered good</b>		
Security deposits	10,284,311	15,200,427
Loans and advances to employees	47,230,621	43,991,019
Prepaid expenses	32,290,085	264,462,654
Balances with Government authorities		
VAT credit receivable	25,449,122	10,153,480
Service tax credit receivable	182,715,099	134,840,869
Receivable from customs authority	22,227,142	-
Receivable from service tax authority	4,078,721	-
Other recoverables	4,586,163	27,841,208
<b>Total</b>	<b>328,861,264</b>	<b>496,489,657</b>
<b>Note 22 : Other current assets</b>		
Unbilled revenue	109,228,633	96,357,279
Interest accrued on term deposits	2,890,352	2,590,112
<b>Total</b>	<b>112,118,985</b>	<b>98,947,391</b>

(₹)

	YEAR ENDED 31.03.2013	YEAR ENDED 31.03.2012
<b>Note 24 : Purchase of traded items</b>		
Purchase of traded items	8,508,505,670	7,697,225,349
<b>Total</b>	<b>8,508,505,670</b>	<b>7,697,225,349</b>
<b>Note 25 : (Increase) / Decrease in inventories</b>		
<b>Opening Stock</b>		
Work-in-progress - Software services	67,527,254	79,791,417
Stock-in-trade - hardware / software product and licenses	192,078,387	22,054,239
Material-in-transit - hardware / software product and licenses	144,451,948	-
	<b>404,057,589</b>	<b>101,845,656</b>
<b>Closing Stock</b>		
Work-in-progress - Software services	-	67,527,254
Stock-in-trade - hardware / software product and licenses	7,920,177	192,078,387
Material-in-transit - hardware / software product and licenses	-	144,451,948
	<b>7,920,177</b>	<b>404,057,589</b>
<b>(Increase) / Decrease in inventories</b>	<b>396,137,412</b>	<b>(302,211,933)</b>
<b>Note 26 : Employee benefits expenses</b>		
Salaries, wages, bonus and allowances	2,135,840,565	4,419,915,510
Contribution to provident fund and other funds (Refer Note 32)	97,923,215	101,509,906
Staff welfare expenses	19,791,350	37,056,198
<b>Total</b>	<b>2,253,555,130</b>	<b>4,558,481,614</b>
<b>Note 27 : Other expenses</b>		
Power and fuel	51,444,476	99,104,250
Rent (Refer Note 35)	145,564,458	944,985,796
Repairs and maintenance - Buildings	2,790,838	2,514,667
Repairs and maintenance - Machinery	8,340,463	161,807,087
Insurance	36,570,902	29,390,966
Rates and taxes	23,457,167	8,737,964
Communication cost	45,248,706	271,919,804
Facility maintenance	45,344,471	47,737,128
Travelling and conveyance expenses	206,343,273	225,091,457
Sales commission	69,894,478	40,622,227
Subsistence / living cost	124,215,629	174,580,146
Legal, professional and technical fees	262,649,740	607,668,762
Insourcing professional fees	43,182,329	32,016,158
Net loss on foreign currency transaction and translation	226,113,230	-
Net loss on fixed assets sold / scrapped	-	3,313,997
Net loss on sale of investments	7,381	-
Bad debts written off	32,075,267	71,844

(₹)

	YEAR ENDED 31.03.2013	YEAR ENDED 31.03.2012
<b>Note 23.1 : Revenue from operations</b>		
Revenue from hardware / software product and licenses	9,412,566,127	11,495,861,432
Revenue from Software services	3,686,006,046	4,118,923,625
Other operating revenues	12,357,499	62,651,336
<b>Total</b>	<b>13,110,929,672</b>	<b>15,677,436,393</b>
<b>Note 23.2 Other income</b>		
Interest income	43,584,280	85,413,160
Dividend income	17,941,253	7,638,846
Net gain on foreign currency transaction and translation	-	34,245,627
Net gain on fixed assets sold	382,433	-
Provision no longer required written back	14,757	3,961,492
Miscellaneous income	33,000	-
<b>Total</b>	<b>61,955,723</b>	<b>131,259,125</b>

(₹)

# Sonata Software Limited - Consolidated Financial Statement

Notes (Contd.)

	YEAR ENDED 31.03.2013	YEAR ENDED 31.03.2012
<b>Note 27 : Other expenses</b>		
Provision for doubtful receivables released	(24,114,206)	(1,516,451)
Allowance for bad and doubtful trade receivables	13,913,830	30,556,537
Allowance for doubtful advances	12,500,000	-
Software Licence fees	18,748,815	435,176,720
Payment to auditors (Refer Note i below)	9,158,999	5,065,361
Miscellaneous expenses	66,351,504	119,395,209
	<b>1,419,801,750</b>	<b>3,238,239,629</b>
<b>Note i - Payment to Auditors</b>		
Statutory audit	3,250,000	900,000
Remuneration to erstwhile auditors	450,000	-
Remuneration to other auditors for the subsidiaries	5,458,999	4,165,361
	<b>9,158,999</b>	<b>5,065,361</b>
(Previous year ₹ 900,000 paid to erstwhile auditors)		
The Company avails input credit for Service Tax and hence no Service Tax expense was accrued during the year		
<b>Note 28 : Finance costs</b>		
Interest expense	13,447,777	77,293,924
Other borrowing costs	32,543,089	19,748,218
Net loss on foreign currency transaction and translation	12,898,591	21,044,154
	<b>58,889,457</b>	<b>118,086,296</b>

(₹)

	2012-13	2011-12
<b>Note 29 : Contingent liabilities</b>		
<b>a) Guarantees</b>	50,000,000	50,000,000
The Company has given corporate guarantee to IBM Ltd on behalf of Sonata Information Technology Limited, Amount drawdown as at year-end by IBM Ltd of this facility is ₹ Nil (Previous year - ₹ Nil) .		
<b>b) Claims against the Company not acknowledged as debt</b>	22,863,099	-
The Company has received a legal notice from its ex-employee towards compensation arising on account of terms of appointment. Based on legal opinion received by the Company, the maximum amount payable in the event proceedings goes against the Company is ₹ 22,863,099.		
<b>c) Disputed demand of Karnataka Sales Tax</b>	294,017	294,017

	2012-13	2011-12
<b>d) Disputed demand of Service tax</b>	67,653,029	67,653,029
The Company renders Information Technology related services to some of its clients in India. The Service Tax department has classified these services as 'Manpower Recruitment or Supply Agency Services'. The Company has contested this re-classification and has preferred an appeal before the Central Excise and Service Tax Appellate Tribunal (CESTAT). One of the clients of the Company has indemnified the Company for any demands that may arise on account of service tax liability up to an amount of ₹ 23,700,000.		
The demand for payment of service tax on repair service relating to software is based on Board circular of the department issued with retrospective effect. The Company has filed appeal before CESTAT and has got stay on recovery until disposal of appeal. It is confident of getting favourable outcome based on legal precedents which supports its stand.	21,352,990	-
<b>e) Disputed demand of Income-Tax</b>	3,069,963,628	4,052,184,110

**Details of disputed demand of Income-Tax by issue and by year are as below:**

## a. Disallowance of claims made under Section 10A of the Income-Tax Act, 1961 :

The Company does its business of software exports through multiple operating units or undertakings registered under the Software Technology Park Scheme of India. In computing taxable profit from the export of software, the Company claims exemptions provided to registered Software Technology Parks undertakings and units as provided under Section 10A of the Income-Tax Act, 1961 ("Act").

The Income-Tax department in its assessments has been denying or limiting the benefits of Section 10A to the multiple undertakings of the Company on the ground that they were in fact one single unit and thus the benefits claimed where in excess of permissible limits, and had raised a demand of ₹ 229,570,226 (Previous Year - ₹ 229,570,226) for financial year 2007-2008.

The Company has challenged the above position and has preferred an appeal to the Commissioner of Income-Tax (Appeals).

During the year, with respect to the above issue, the company received favorable orders from Income Tax Appellate Tribunal for financial year 2004-05 and Commissioner of Income Tax (Appeals) for financial year 2006-07, which were disclosed as contingent liability in the previous year of ₹ 333,267,823.

**b. Inter-unit set-off of losses :**

As discussed in point (a) above, the Company operates multiple operating units and undertakings under the Software Technology Park Scheme of India. While computing its taxable profits, losses from one undertaking were set off against profits of another or carried forward to the subsequent years. The Income-Tax department has disallowed such carry forward of losses and raised a demand of ₹ 11,900,233 (Previous Year - ₹ 11,900,233) for financial years 2004-2005. The Company received unfavorable orders from the Commissioner of Income Tax (Appeals) and has preferred an appeal before Income-Tax Appellate Tribunal.

With respect to the financial years of 2002-03 and 2003-04, the Company has received favorable orders during the year from Commissioner of Income Tax (Appeals), which were disclosed as contingent liability in previous year of - ₹ 12,321,813. The Company has not received any intimation on the Department filing further appeal against this order.

**c. Disallowance of Inter-Company Service Charges and costs for deputation of personnel :**

Sonata Software Limited, the holding company charges Sonata Information Technology Limited (SITL), its wholly owned subsidiary, for certain support services rendered and for the cost of project personnel deputed.

(a) During assessments of the parent Company, the Income-Tax department denied Section 10A benefits on such support services and assessed the same as normal business income and raised a demand of ₹ 153,231,577 ((Previous year - ₹ 96,098,126) for financial years 2001-2002, 2002-2003 and 2003-04. The Company has received favorable orders from Income-Tax Appellate Tribunal. However, the department has preferred an appeal on the said orders before the Honorable High Court of Mumbai.

(b) In SITL's assessments, the support services and costs for deputation are being disallowed by the Income-Tax department while computing taxable profits of the Subsidiary Company. The Company has challenged these disallowances at appellate levels and is confident of a favorable outcome.

**Details of Demands and Forums where they are pending are :**

- I. ₹ 320,045,816 ((Previous year – ₹ 267,548,422) for the financial years 2001-2002, 2003-2004, 2004-2005, 2005-06 and 2007-08. The Company has received favorable orders from the Income-Tax Appellate Tribunal. The Income-Tax department has preferred an appeal to the Honorable High Court of Mumbai.
- II. ₹ 44,659,336 (Previous year – ₹ 44,659,336) for the financial year 2002-2003. The Income-Tax department's appeal to the Honorable High Court of Mumbai was time-barred and hence dismissed. The Income-Tax department had preferred a Special Leave Petition on the said dismissal to the Honorable Supreme Court of India which has referred the petition back to the Honorable High Court of Mumbai with a request to reconsider its decision.

- III. ₹ 91,884,882 (Previous year - ₹ Nil) for the financial year 2009-2010. The Company has preferred an appeal to Commissioner of Income Tax (Appeals) and based on the favorable orders in the previous years from the Income-Tax Appellate Tribunal the Company is confident of a favorable outcome.

During the year favorable orders were received from Income Tax Appellate Tribunal for financial year 2006-07 and Commissioner of Income Tax (Appeals) for financial year 2008-09 which were disclosed as contingent liability in the previous year of ₹ 181,797,556. The Department has filed an appeal before High Court of Mumbai for financial year 2006-07 which is yet to be admitted.

**d. Withholding tax demand :**

The Company is engaged in the business of buying and selling packaged software in India. The Income-Tax department has been contending that amounts paid by the Company for buying the software products is in the nature of 'royalty' and hence had to withhold Income-Tax on the same as per the Income-Tax Act, 1961, and has raised a demands of ₹ 502,427,543 (Previous year - ₹ 502,427,543) for the financial years 1999-2000, 2000 -2001 and 2001-2002. The Company's contention has been that the payments were made for purchase of 'goods' and hence was under no obligation to withhold Income-Tax on the same. The Company had received favorable orders from the Income-Tax Appellate Tribunal which were during the year reversed by the Honorable High Court of Karnataka. The Company has preferred a Special Leave Petition Appeal on the said order to the Honorable Supreme Court of India, which has been admitted. However, for these years one of the principal suppliers of software to the Company has paid taxes of ₹ 216,503,179 out of the above demand.

**e. Disallowance of payments made for purchase of software on which Income-Tax was not withheld :**

Payment in the nature of Royalty on which Income-Tax have not been deducted at source are subject to disallowance as an 'expense' as per Sections 40(a)(i) and 40(a)(ia) while computing taxable profits of the Company. Consequent to issue described in (d) above, the Income-Tax department, holding payments for purchase of software as "Royalty" disallowed the same while computing taxable profits of the Company.

The Honorable High Court of Karnataka has given an unfavorable decision on the issue covered in (b) above. However, the said demands which are consequential and penal in nature do not arise automatically and there are multiple legal precedents in favor of the Company. Based on legal opinions and feedback from its legal counsels, the Company is confident of a favorable outcome on these consequential demands.

# Sonata Software Limited - Consolidated Financial Statement

Notes (Contd.)

## Details of demands raised and the forums where they are pending are :

- I. ₹ 1,707,960,727 (Previous year - ₹ 1,707,960,727) of tax demand for the financial year 2001-2002, 2002-2003 and 2007-08. The Company has received a favorable order from the Income-Tax Appellate Tribunal. The Income-Tax department has preferred an appeal to the Honorable High Court of Mumbai.
- II. During the year favorable orders were received from Income-Tax Appellate Tribunal pertaining to the financial year 2006-07 which were disclosed as contingent liability in the previous year of ₹ 656,349,017. The department has filed an appeal before High Court of Mumbai which is yet to be admitted.

## f. Deductions claimed under Section 80 O :

Prior to the enactment of Section 10A, the Company claimed deduction for exports made, under Section 80 O of the Act. The department has re-opened the assessments and disallowed certain aspects of the claims made on the contention that cost allocation principles followed for the claim are erroneous and raised a demand of ₹ 8,283,288 (Previous year - ₹ 8,283,288) for the financial year 1994-1995. The Company has received favorable orders from Income-Tax Appellate Tribunal. The department has preferred an appeal on the said order before the Honorable High Court of Mumbai.

(₹)

	31.03.2013	31.03.2012
<b>Note 30 : Commitments</b>		
Estimated amount of contracts remaining to be executed on capital account and not provided for	207,749	68,119,424
Other commitments - revenue contracts	122,691,462	-

## Note 31 : Details on derivative instruments and unhedged foreign currency

- i) Forward exchange contracts (being derivative instruments), which are not intended for trading or speculative purposes but for hedge purposes to establish the amount of reporting currency required or available at the settlement date of certain payables / receivables.

Currency	Amount	Buy / Sell	Cross currency
USD	16,400,000	Sell	Rupees
	(33,850,000)	Sell	Rupees
	1,364,675	Buy	Rupees
	(6,577,011)	Buy	Rupees
GBP	3,375,000	Sell	Rupees
	(6,975,000)	Sell	Rupees
EUR	2,300,000	Sell	Rupees
	(6,650,000)	Sell	Rupees

Outstanding forward exchange contracts entered into by the Company as on 31<sup>st</sup> March, 2013

Note: Figures in brackets relate to the previous year

- ii) The year-end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below :

	As at 31.03.2013		As at 31.03.2012		Currency
	Receivable / (Payable) (₹)	Receivable/ (Payable) in Foreign currency	Receivable / (Payable) (₹)	Receivable/ (Payable) in Foreign Currency	
Export of goods and services / loans and advance	67,322,038	1,240,028	18,708,808	367,705	USD
Import of goods and services / other payables	11,215,412	206,583	12,357,873	242,860	USD
	4,306,454	52,390	1,026,048	12,585	GBP
	1,214,826	17,477	425,054	6,260	EUR
	-	-	80,682	1,992	SGD
	-	-	272,688	5,152	AUD

## Note 32 : Employee benefit plans

- i) Defined contribution plans

- a) Provident fund

The Company makes contributions towards a provident fund under a defined contribution retirement benefit plan for qualifying employees. The provident fund is administered by the Trustees of Sonata Software Limited Provident Fund and by the Regional Provident Fund Commissioner. Under this scheme, the Company is required to contribute a specified percentage of payroll cost to fund the benefits.

The Rules of the Company's Provident Fund administered by the Trust require that if the Board of Trustees are unable to pay interest at the rate declared for Employees' Provident Fund by the Government under para 60 of the Employees' Provident Fund Scheme, 1952 for the reason that the return on investment is less or for any other reason, then the deficiency shall be made good by the Company. Having regard to the assets of the Fund and the return on the investments, the Company does not expect any deficiency in the foreseeable future. There has also been no such deficiency since the inception of the Fund.

Provident fund contributions amounting to ₹ 38,701,247 (Previous year ₹ 42,906,115) have been charged to the Statement of Profit and Loss.

- b) During the year the company has recognised the following amounts in the statement of profit and loss Employers contribution to :

(₹)

	31.03.2013	31.03.2012
Employees state insurance	221,766	530,353
Super annuation	21,970,201	24,346,208

(₹)

	31.03.2013	31.03.2012
ii) Defined benefit plans - Gratuity		
As per actuarial valuation		
<b>Change in Obligation during the year</b>		
Present value of Defined Benefit Obligation at beginning of the year	95,158,119	100,060,106
Current Service Cost	14,529,597	14,799,236
Interest Cost	8,088,440	8,254,959
Actuarial (Gains) / Losses	6,473,449	(2,301,844)
Benefits Paid	(11,179,077)	(25,654,338)
Present value of Defined Benefit Obligation at the end of the year	113,070,528	95,158,119

## Sonata Software Limited - Consolidated Financial Statement

Notes (Contd.)

(₹)

	31.03.2013	31.03.2012
<b>Change in Assets during the Year</b>		
Plan assets at the beginning of the year	93,354,600	102,553,005
Expected return on plan assets	8,028,496	8,204,241
Contributions by Employer	19,731,090	12,811,751
Actual benefits paid	(11,179,077)	(25,654,338)
Actuarial Gains / (Losses)	(167,118)	(4,560,059)
Plan Assets at the end of the year	109,767,991	93,354,600
<b>Net Asset / (Liability) recognized in the Balance Sheet as at 31<sup>st</sup> March, 2013</b>		
Present Value of Defined Benefit Obligation	113,070,528	95,158,119
Fair value of plan assets	109,767,991	93,354,600
Fund Status (Surplus / (Deficit))	(3,302,537)	(1,803,519)
Net Assets / (Liability)	(3,302,537)	(1,803,519)
<b>Expenses recognized in the statement of Profit &amp; Loss for the year ended 31<sup>st</sup> March, 2013</b>		
Current Service Cost	14,529,597	14,799,236
Interest Cost	8,088,440	8,254,959
Expected return on plan assets	(8,028,496)	(8,204,241)
Net Actuarial (Gains) / Losses	6,640,567	2,258,215
Total Expense	21,230,108	17,108,169
<b>The major categories of plan assets as a percentage of total plan</b>		
Insurer Managed Funds	100%	100%
<b>Category of funds :</b>		
Secure Fund	17.8%	20.6%
Defensive fund	40.7%	39.0%
Balanced Fund	41.3%	40.1%
Stable Managed Fund	0.2%	0.3%
<b>Actuarial Assumptions :</b>		
Discount Rate	8.00%	8.50%
Rate of return on plan assets	8.70%	8.60%
	LIC (1994-96)	LIC (1994-96)
Mortality Table	Ultimate	Ultimate
Retirement Age	60 Years	60 Years
Estimate of amount of contribution in the immediate next year	3302537	2184113

The expected rate of return on plan assets is determined after considering several applicable factors such as the composition of the plan assets, investment strategy, market scenario, etc. In order to protect the capital and optimise returns within acceptable risk parameters, the plan assets are well diversified.

The discount rate is based on the prevailing market yields of Government of India securities as at the Balance Sheet date for the estimated term of the obligations.

The estimate of future salary increases considered, takes into account the inflation, seniority, promotion, increments and other relevant factors.

### Experience adjustments

(₹)

Particulars	31.03.2013	31.03.2012	31.03.2011	31.03.2010	31.03.2009
Present value of Defined benefit obligation	113,070,528	95,158,119	100,060,106	75,265,530	71,613,960
Fair Value of Plan Assets	109,767,991	93,354,600	102,553,005	93,254,163	74,632,728
Surplus / (deficit)	(3,302,537)	(1,803,519)	2,492,899	17,988,633	3,018,768
Experience adjustments on plan liabilities	170,144	5,069,613	17,669,092	912,044	6,337,987
Experience adjustments on plan assets	(167,118)	(4,560,059)	(1,868,405)	11,194,210	(7,127,231)

### Note 33 : 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 & services) and International and Rest of the world (Exports-Software Services and Products). Secondary Segment comprises business segment viz., products & services.

In 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.



# Sonata Software Limited - Consolidated Financial Statement

Notes (Contd.)

## Primary Reporting Requirement - Statement of Profit & Loss

(₹)

	Domestic		International		Unallocable		Total	
	31.03.2013	31.03.2012	31.03.2013	31.03.2012	31.03.2013	31.03.2012	31.03.2013	31.03.2012
Revenue	9,766,604,328	7,921,149,680	3,344,325,344	7,756,286,713	-	-	13,110,929,672	15,677,436,393
Direct and allocated Segment Cost	9,186,277,857	7,629,907,306	3,391,722,105	7,561,827,353	-	-	12,577,999,962	15,191,734,659
Inter - Segment Cost	365,183,696	322,624,498	(365,183,696)	(322,624,498)	-	-	-	-
Total Cost	9,551,461,553	7,952,531,804	3,026,538,409	7,239,202,855	-	-	12,577,999,962	15,191,734,659
Operating Profit	215,142,775	(31,382,124)	317,786,935	517,083,858	-	-	532,929,710	485,701,734
Other Income	-	-	-	-	61,955,723	131,259,125	61,955,723	131,259,125
Earnings before interest, tax, depreciation and amortization (EBITDA)	215,142,775	(31,382,124)	317,786,935	517,083,858	61,955,723	131,259,125	594,885,433	616,960,859
Depreciation & amortization expense	1,709,238	1,094,436	99,105,347	457,972,623	-	-	100,814,585	459,067,059
Profit / (Loss) Before Interest and Tax	213,433,537	(32,476,560)	218,681,588	59,111,235	61,955,723	131,259,125	494,070,848	157,893,800
Finance costs	-	-	-	-	58,889,457	118,086,296	58,889,457	118,086,296
Exceptional items	-	-	-	-	580,557,355	118,944,000	580,557,355	118,944,000
Profit / (Loss) Before Tax	213,433,537	(32,476,560)	218,681,588	59,111,235	(577,491,089)	(105,771,171)	(145,375,964)	(79,136,496)
Provision for Taxation	-	-	-	-	148,189,350	94,169,983	148,189,350	94,169,983
Mat Credit	-	-	-	-	(12,595,022)	-	(12,595,022)	-
Profit / (Loss) After Tax before minority interest	213,433,537	(32,476,560)	218,681,588	59,111,235	(713,085,417)	(199,941,154)	(280,970,292)	(173,306,479)
Less : Minority interest	-	-	-	-	427,898	124,163,268	427,898	124,163,268
Add: Share of profit of Associates	-	-	-	-	-	23,244,550	-	23,244,550
Profit / (Loss) After Tax and after minority interest and share of profit of Associates	213,433,537	(32,476,560)	218,681,588	59,111,235	(712,657,519)	(52,533,336)	(280,542,394)	(25,898,661)
<b>Primary Reporting Requirement - Assets and Liabilities</b>								
<b>NON-CURRENT ASSETS</b>								
Tangible & Intangible assets	35,259,966	34,466,814	919,552,819	7,167,796,268	-	-	954,812,785	7,202,263,082
Less: Depreciation	29,818,800	30,313,547	708,643,963	6,242,793,328	-	-	738,462,763	6,273,106,875
Net Block	5,441,166	4,153,267	210,908,856	925,002,940	-	-	216,350,022	929,156,207
Capital work-in-progress	-	-	-	20,432,890	-	-	-	20,432,890
Goodwill on consolidation	-	-	-	949,883,194	-	-	-	949,883,194
Non-current investments	-	-	30,718	21,417,598	-	-	30,718	21,417,598
Deferred Tax Asset (net)	-	-	-	-	38,585,939	109,211,000	38,585,939	109,211,000
Other non-current assets	-	-	277,300,056	28,222,928	-	-	277,300,056	28,222,928
Long-term loans and advances	4,601,654	7,276,654	105,077,589	120,342,761	1,525,812,550	1,502,299,259	1,635,491,793	1,629,918,674
<b>CURRENT ASSETS</b>								
Current investments	-	-	217,692,746	220,075,486	-	-	217,692,746	220,075,486
Inventories	7,920,177	336,530,335	-	67,527,254	-	-	7,920,177	404,057,589
Trade receivables	818,747,573	736,116,144	594,279,896	1,227,958,725	-	-	1,413,027,469	1,964,074,869
Cash and cash equivalents	102,142,168	99,658,640	1,252,782,402	1,117,648,305	-	-	1,354,924,570	1,217,306,945
Other Current Assets	16,958,829	10,974,230	95,160,156	87,973,161	-	-	112,118,985	98,947,391
Short-term loans and advances	222,405,876	151,533,441	106,455,388	344,956,216	-	-	328,861,264	496,489,657
<b>NON-CURRENT LIABILITIES</b>								
Long-term borrowings	-	-	-	-	-	37,526,259	-	37,526,259
Other long-term liabilities	-	-	-	225,708,597	-	-	-	225,708,597
Long-term provisions	1,180,038	1,161,382	15,049,559	921,680,661	67,872,830	62,695,659	84,102,427	985,537,702
<b>CURRENT LIABILITIES</b>								
Trade payables	1,306,153,355	1,341,364,692	247,578,541	845,000,579	-	-	1,553,731,896	2,186,365,271
Short-term borrowings	-	-	-	-	167,821,500	374,738,058	167,821,500	374,738,058
Other current liabilities	141,898,611	149,612,253	75,998,676	287,056,884	-	-	217,897,287	436,669,137
Short-term provisions	491,571	488,439	160,395,372	45,059,899	-	-	160,886,943	45,548,338



# Sonata Software Limited - Consolidated Financial Statement

Notes (Contd.)

## Secondary Reporting Requirement - Business Segment

(₹)

	Products		Services		Unallocable		Total	
	31.03.2013	31.03.2012	31.03.2013	31.03.2012	31.03.2013	31.03.2012	31.03.2013	31.03.2012
Revenue	9,412,566,127	11,495,861,432	3,686,006,046	4,118,923,625	12,357,499	62,651,336	28,725,714,729	15,677,436,393
<b>NON CURRENT ASSETS</b>								
<b>Tangible &amp; Intangible Assets</b>								
Gross Block	-	-	-	-	954,812,785	7,202,263,081	954,812,785	7,202,263,081
Less: Accumulated Depreciation	-	-	-	-	738,462,763	6,273,106,875	738,462,763	6,273,106,875
Net Block	-	-	-	-	216,350,022	929,156,207	216,350,022	929,156,207
Capital work-in-progress	-	-	-	-	-	20,432,890	-	20,432,890
Goodwill on consolidation	-	-	-	-	-	949,883,194	-	949,883,194
Non-current investments	-	-	-	-	30,718	21,417,598	30,718	21,417,598
Deferred Tax Assets (Net)	-	-	-	-	38,585,939	109,211,000	38,585,939	109,211,000
Other non-current assets	-	-	-	-	277,300,056	28,222,928	277,300,056	28,222,928
Long-term loans and advances	-	-	-	-	1,635,491,793	1,629,918,674	1,635,491,793	1,629,918,674
<b>CURRENT ASSETS</b>								
Current investments	-	-	-	-	217,692,746	220,075,486	217,692,746	220,075,486
Inventories	7,920,177	336,530,335	-	-	-	67,527,254	7,920,177	404,057,589
Trade receivables	818,747,573	736,116,144	594,279,896	1,227,958,725	-	-	1,413,027,469	1,964,074,869
Cash and cash equivalents	-	-	-	-	1,354,924,570	1,217,306,945	1,354,924,570	1,217,306,945
Other Current Assets	-	-	-	-	112,118,985	98,947,391	112,118,985	98,947,391
Short-term loans and advances	-	-	-	-	328,861,264	496,489,657	328,861,264	496,489,657
Capital Expenditure	-	-	-	-	21,997,392	694,693,999	21,997,392	694,693,999

### Note 34 : Related Party Disclosure

i) Details of related parties :

Description of relationship	Names of related parties
(a) Key Management Personnel (KMP)	P Srikar Reddy, MD & CEO Sanjay Viswanathan (Resigned w.e.f. 14 <sup>th</sup> February, 2012) B Ramaswamy (Resigned w.e.f. 16 <sup>th</sup> August, 2011) Sujit Mohanty, VP & Director

ii) Transactions with related parties :

(₹)

Particulars	KMP	
	31.03.2013	31.03.2012
<b>Remuneration</b>		
P Srikar Reddy, MD & CEO	9,719,373	9,532,109
Sanjay Viswanathan	-	5,899,072
B Ramaswamy	-	6,172,981
Sujit Mohanty	4,283,818	4,116,427
<b>Commission</b>		
P Srikar Reddy, MD & CEO	1,502,067	1,067,824
B Ramaswamy	-	800,868

### Note 35 : Details of leasing arrangements

The Company has various operating leases for office facilities and residential premises for employees that are renewable on a year basis, and cancelable at its option. Rental expenses for operating leases included in the Statement of Profit and Loss is ₹ 143,065,304 (Previous year ₹ 283,911,332).

As of 31<sup>st</sup> March, 2013 future minimum lease payments for non-cancelable operating leases for the period up to which the lease is non-cancellable are provided below.

(₹)

Particulars	31.03.2013	31.03.2012
Not later than one year	25,968,870	38,830,381
Later than one year and not later than 5 years	11,163,517	23,099,744
Later than 5 years	309,600	-

### Note 36 : Earnings per share

Particulars	31.03.2013	31.03.2012
Profit attributable to equity shareholders (₹)	(280,542,394)	(25,898,661)
Weighted average number of Equity Shares of ₹ 1/- each (No. of Shares)	105,159,306	105,159,306
Earnings Per Share - basic & diluted (₹)	(2.67)	(0.25)

### Note 37 : Discontinued operations

a) The Company's subsidiary Sonata Europe Limited executed a Share purchase and Joint Venture termination agreement on 28<sup>th</sup> September, 2012 to sell its 50.1% shareholding in its step-down subsidiary TUI InfoTec GmbH ('TUI') to Leibniz-Service GmbH ('the purchaser') with an effective date of transfer and assignment being 1<sup>st</sup> October, 2011. The purchaser assumed all losses of TUI commencing from 1<sup>st</sup> October, 2011. TUI business included providing information technology services, and IT infrastructure support services which were included under International Segment in previous year ended 31<sup>st</sup> March, 2012.

The total purchase consideration of ₹ 410,100,000 (Euro 6 million), is payable on a deferred payment basis spread over a three year period ending 31<sup>st</sup> March, 2015. The consideration receivable as on 31<sup>st</sup> March, 2013 of ₹ 277,300,056 has been included under other non-current assets. The loss on disposal of TUI of ₹ 580,557,355 (net off the loss of ₹ 130,502,537 recognized in the period 1<sup>st</sup> October, 2011 to 31<sup>st</sup> March, 2012) is included under Exceptional items in the Statement of Profit and loss.

Consequent to the sale of TUI, the operations of this subsidiary are classified as discontinued operations and are not included in the consolidated financial statements with effect from 1<sup>st</sup> April, 2012; accordingly the financial statements for the year ended 31<sup>st</sup> March, 2013 are not comparable with the previous year ended 31<sup>st</sup> March, 2012.

The total Assets and Liabilities related to TUI as included in the Consolidated Balance Sheet as at 31<sup>st</sup> March, 2012, and net cash flows attributable to the operating, investing, and financing activities of the TUI during the previous year ended 31<sup>st</sup> March, 2012 are as follows :

# Sonata Software Limited - Consolidated Financial Statement

Notes (Contd.)

(₹)		(₹)	
Particulars	31.03.2012	Particulars	31.03.2012
<b>MINORITY INTEREST</b>	<b>50,816,991</b>	Goodwill on consolidation	949,883,194
<b>NON-CURRENT LIABILITIES</b>		Non-current investments	21,064,168
Long-term borrowings	37,526,259	Deferred tax asset	15,620,654
Other long-term liabilities	263,552,625	Long-term loans and advances	42,435,538
Long-term provisions	908,304,125	Other non-current assets	28,222,929
	<b>1,209,383,009</b>		<b>1,700,382,816</b>
<b>CURRENT LIABILITIES</b>		<b>CURRENT ASSETS</b>	
Short-term borrowings	72,510,000	Inventories	67,527,254
Trade payables	599,520,782	Trade receivables	860,296,992
Other current liabilities	168,976,496	Cash and Cash equivalents	236,027,978
Short-term provisions	17,872,765	Short-term loans and advances	245,502,358
	<b>858,880,043</b>		<b>1,409,354,582</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Fixed assets</b>			
Tangible assets	362,199,236		
Intangible assets	265,699,743		
Capital work-in-progress	15,257,354		
	<b>643,156,333</b>		

The following statement shows the revenue and expense of continuing and discontinuing operations.

						(₹)
Particulars	Continuing operations		Discontinued operations		Total	
	31.03.2013	31.03.2012	31.03.2013	31.03.2012	31.03.2013	31.03.2012
<b>Income from operations</b>						
Revenue from operations	13,110,929,672	10,350,041,577	-	5,327,394,816	13,110,929,672	15,677,436,393
Other income	61,955,723	86,635,162	-	44,623,963	61,955,723	131,259,125
<b>Total revenue</b>	<b>13,172,885,395</b>	<b>10,436,676,739</b>	<b>-</b>	<b>5,372,018,779</b>	<b>13,172,885,395</b>	<b>15,808,695,518</b>
<b>Expenses</b>						
Purchase of stock-in-trade (traded goods)	8,508,505,670	7,692,873,767	-	4,351,582	8,508,505,670	7,697,225,349
Changes in inventories of stock-in-trade	396,137,412	(314,476,095)	-	12,264,162	396,137,412	(302,211,933)
Employee benefit expenses	2,253,555,130	1,968,992,837	-	2,589,488,777	2,253,555,130	4,558,481,614
Other expenses	1,419,801,750	622,524,424	-	2,615,715,205	1,419,801,750	3,238,239,629
<b>Total expenses</b>	<b>12,577,999,962</b>	<b>9,969,914,933</b>	<b>-</b>	<b>5,221,819,726</b>	<b>12,577,999,962</b>	<b>15,191,734,659</b>
<b>Earnings before interest, tax, depreciation and amortization (EBITDA)</b>	<b>594,885,433</b>	<b>466,761,806</b>	<b>-</b>	<b>150,199,053</b>	<b>594,885,433</b>	<b>616,960,859</b>
Finance costs	58,889,457	67,438,821	-	50,647,475	58,889,457	118,086,296
Depreciation and amortization expense	100,814,585	109,766,834	-	349,300,225	100,814,585	459,067,059
	<b>159,704,042</b>	<b>177,205,655</b>	<b>-</b>	<b>399,947,700</b>	<b>159,704,042</b>	<b>577,153,355</b>
<b>Profit / (loss) before tax and exceptional items</b>	<b>435,181,391</b>	<b>289,556,151</b>	<b>-</b>	<b>(249,748,647)</b>	<b>435,181,391</b>	<b>39,807,504</b>
Loss on disposal of operations	-	118,944,000	580,557,355	-	580,557,355	118,944,000
<b>Profit / (loss) before tax</b>	<b>435,181,391</b>	<b>170,612,151</b>	<b>(580,557,355)</b>	<b>(249,748,647)</b>	<b>(145,375,964)</b>	<b>(79,136,496)</b>
<b>Tax Expense</b>						
Current tax expense	124,847,758	66,340,372	-	29,336,200	124,847,758	95,676,572
MAT credit	(12,595,022)	-	-	-	(12,595,022)	-
Short / (Excess) provision for tax relating to prior years	(10,359,621)	(6,591,196)	-	-	(10,359,621)	(6,591,196)
Deferred tax	33,701,213	5,084,607	-	-	33,701,213	5,084,607
<b>Net tax expense</b>	<b>135,594,328</b>	<b>64,833,783</b>	<b>-</b>	<b>29,336,200</b>	<b>135,594,328</b>	<b>94,169,983</b>
<b>Profit / (loss) after tax</b>	<b>299,587,063</b>	<b>105,778,368</b>	<b>(580,557,355)</b>	<b>(279,084,847)</b>	<b>(280,970,292)</b>	<b>(173,306,479)</b>

b) Exceptional items for year ended 31<sup>st</sup> March, 2012, amounting to ₹ 118,944,000 accrual of employee restructuring costs on account of early retirement in TUI InfoTec GmbH.

**Note 38 :** There is no amount due and outstanding as at Balance Sheet date to be credited to the Investor Education and Protection Fund.

**Note 39 :** Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

For and on behalf of the Board of Directors

**PRADIP P SHAH**  
Chairman

**P SRIKAR REDDY**  
Managing Director & CEO

**M D DALAL**  
Executive Vice Chairman

**PRIYA MANOJ JASWANI**  
Company Secretary

**S B GHIA**  
Director

**VIREN RAHEJA**  
Director

**S N TALWAR**  
Director

**B K SYNGAL**  
Director

**VENKATRAMAN NARAYANAN**  
CFO

**R SATHYANARAYANA**  
AVP - Finance & Accounts

Mumbai, 30<sup>th</sup> May, 2013

## Sonata Software Limited - Consolidated Financial Statement

### CONSOLIDATED CASH FLOW STATEMENT

	(₹)	
	YEAR ENDED 31.03.2013	YEAR ENDED 31.03.2012
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
<b>Net Profit / (Loss) Before Tax</b>	<b>(145,375,964)</b>	<b>(79,136,496)</b>
Adjustments for :		
Depreciation and amortization expense	100,814,585	459,067,059
Finance costs	45,990,866	97,042,142
Allowance for bad & doubtful trade receivables	13,913,830	30,556,537
Advances written off	-	475,613
Bad Debts written off	32,075,267	71,844
Provision for doubtful debts released	(24,114,206)	(1,516,451)
Allowance for doubtful advances	12,500,000	-
Provision no longer required (net)	(14,757)	(3,961,492)
Net loss on sale of investments	7,381	-
(Profit) / Loss on sale of fixed assets / assets scrapped	(382,433)	3,313,997
Loss on sale of Investments - disposal of subsidiary	580,557,355	-
Interest income	(43,584,280)	(85,413,160)
Dividend income	(17,941,253)	(7,638,846)
Unrealized foreign exchange (gain) / loss	(27,842,275)	(113,968,987)
<b>Operating Profit before Working Capital Changes</b>	<b>526,604,114</b>	<b>298,891,760</b>
Adjustments for :		
Decrease / (Increase) in trade receivables	(299,517,837)	86,024,544
Decrease / (Increase) in inventories	328,610,158	(302,211,932)
Decrease / (Increase) in other current assets	(12,871,354)	9,771,175
Decrease / (Increase) in other non current assets	-	(28,222,928)
Decrease / (Increase) in long-term loans and advances	(9,674,646)	63,000,688
Decrease / (Increase) in short-term loans and advances	(77,873,967)	93,418,621
(Decrease) / Increase in trade payables	5,650,065	299,809,684
(Decrease) / Increase in other long-term liabilities	55,378,020	107,964,970
(Decrease) / Increase in other current liabilities	(14,387,162)	16,471,778
(Decrease) / Increase in long term provisions	(7,563,999)	171,339,786
(Decrease) / Increase in short term provisions	70,229,865	(86,409,677)
Bank balances not considered as Cash and cash equivalents	7,890,586	(8,299,356)
<b>Cash generated from operations</b>	<b>572,473,843</b>	<b>721,549,113</b>
Direct taxes / advance tax paid (net)	(114,778,795)	(347,428,799)
<b>Net Cash from Operating Activities</b>	<b>(A) 457,695,048</b>	<b>374,120,314</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets, including intangible assets, CWIP and capital advances	(19,359,193)	(681,403,189)
Proceeds from sale of fixed assets	11,647,982	18,753,015
Proceeds from sale of Subsidiary	132,799,943	-
Proceeds of current investments (net)	2,375,359	(44,272,585)
Proceeds of non-current investments (net)	322,712	(5,378,669)
Interest received	43,284,040	84,385,953
Dividend received	17,941,253	7,638,846
<b>Net Cash used in Investing Activities</b>	<b>(B) 189,012,096</b>	<b>(620,276,629)</b>

# Sonata Software Limited - Consolidated Financial Statement

Cash Flow Statement (Contd.)

		(₹)
	YEAR ENDED 31.03.2013	YEAR ENDED 31.03.2012
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Minority Interest	-	16,590,060
Proceeds from borrowings (net)	(134,406,558)	104,617,597
Dividend paid on equity shares	(77,998,050)	(53,061,618)
Dividend taxes paid on equity shares	(12,794,601)	(8,529,732)
Finance costs	(45,990,866)	(97,042,142)
<b>Net Cash from Financing Activities</b>	<b>(C)</b>	<b>(37,425,835)</b>
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>	<b>(A+B+C)</b>	<b>(283,582,150)</b>
Opening Cash and Cash Equivalents	1,157,181,900	1,441,564,282
Less : Cash and Cash Equivalents of Discontinued Operations	236,027,978	-
Adjusted Opening Cash and Cash Equivalents	921,153,922	-
Exchange difference on Translation of Foreign Currency Cash and Cash Equivalents	6,890,550	(800,232)
<b>Closing Cash and Cash Equivalents</b>	<b>1,303,561,541</b>	<b>1,157,181,900</b>
Cash and cash equivalents at the end of the year comprises :		
Cash on hand	85,195	37,175
Cheques, drafts on hand	425,355	2,085,430
Balances with banks		
In Current accounts	269,861,701	685,571,105
In Deposit accounts	1,033,189,290	469,488,190
	<b>1,303,561,541</b>	<b>1,157,181,900</b>

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

**In terms of our report attached**  
**For Deloitte Haskins & Sells**  
Chartered Accountants

**V Srikumar**  
Partner

**For and on behalf of the Board of Directors**

**PRADIP P SHAH**  
Chairman

**P SRIKAR REDDY**  
Managing Director  
& CEO

**M D DALAL**  
Executive  
Vice Chairman

**S B GHIA**  
Director

**VIREN RAHEJA**  
Director

**S N TALWAR**  
Director

**B K SYNGAL**  
Director

**VENKATRAMAN  
NARAYANAN**  
CFO

**R SATHYANARAYANA**  
AVP - Finance  
& Accounts

**PRIYA MANOJ JASWANI**  
Company Secretary

Mumbai, 30<sup>th</sup> May, 2013

## Sonata Software Limited - Consolidated Financial Statement

### ADDITIONAL FINANCIAL INFORMATION OF OVERSEAS SUBSIDIARIES - in respective foreign currency

		Sonata Software North America Inc, USA *	Sonata Software FZ LLC	Sonata Software GmbH, Germany	Sonata Europe Limited, UK	Sonata Software, Qatar
		(Amount in USD)	(Amount in USD)	(Amount in Euro)	(Amount in GBP)	(Amount in USD)
a.	Capital					
	- Stock holders Equity	300,000	136,129	25,000	671,700	55,080
	- Preferred Stock	-	-	-	8,813,660	-
b.	Reserves and Surplus	77,834	633,092	369,837	3,488,729	(138,899)
c.	Total Assets	8,372,077	1,433,942	535,673	13,046,667	65,496
d.	Total Liabilities	8,372,077	1,433,942	535,673	13,046,667	65,496
e.	Details of Investment (except in case of investment in subsidiaries)	-	-	-	-	-
f.	Turnover	37,976,059	4,803,802	834,498	(36,266)	-
g.	Dividends from Subsidiary	-	-	-	-	-
h.	Profit before Taxation	2,043,067	192,340	59,178	(2,078,012)	(78,045)
i.	Provision for Taxation	332,800	-	20,329	(34,528)	-
j.	Profit after Taxation and Minority Interest	1,710,267	192,340	38,849	(2,112,540)	(78,045)
k.	Proposed Dividend	-	-	-	-	-

### ADDITIONAL FINANCIAL INFORMATION OF OVERSEAS SUBSIDIARIES - in ₹

		Sonata Software North America Inc, USA *	Sonata Software FZ LLC	Sonata Software GmbH, Germany	Sonata Europe Limited, UK	Sonata Software, Qatar
a.	Capital					
	- Stock holders Equity	16,287,000	7,390,443	1,737,750	55,213,740	2,990,293
	- Preferred Stock	-	-	-	724,482,852	-
b.	Reserves and Surplus	4,225,608	34,370,565	25,707,399	286,773,524	(7,540,827)
c.	Total Assets	454,520,060	77,848,711	37,234,600	1,072,436,027	3,555,778
d.	Total Liabilities	454,520,060	77,848,711	37,234,600	1,072,436,027	3,555,778
e.	Details of Investment (except in case of investment in subsidiaries)	-	-	-	-	-
f.	Turnover	2,061,720,243	260,798,411	58,005,987	(2,981,065)	-
g.	Dividends from Subsidiary	-	-	-	-	-
h.	Profit before Taxation	110,918,107	10,442,139	4,113,479	(170,812,586)	(4,237,063)
i.	Provision for Taxation	18,067,712	-	1,413,091	(2,838,202)	-
j.	Profit after Taxation and Minority Interest	92,850,395	10,442,139	2,700,388	(173,650,788)	(4,237,063)
k.	Proposed Dividend	-	-	-	-	-

(\* formerly Offshore Digital Services Inc., USA)

**Note :** The above information has been furnished as per the requirement of Department of Company Affairs letter  
Conversion rate considered to arrive the above information is US Dollar = ₹ 54.29, Euro = ₹ 69.51 and GBP = ₹ 82.20

# Sonata Information Technology Limited

## DIRECTORS' REPORT

### TO THE MEMBERS OF SONATA INFORMATION TECHNOLOGY LIMITED

Your Directors have pleasure in presenting the Thirteenth Annual Report of your Company along with the audited Statement of Accounts for the financial year ended 31<sup>st</sup> March, 2013.

### FINANCIAL HIGHLIGHTS

(₹ in Crores)

Description	Year ended 31.03.2013	Year ended 31.03.2012
1. Total Income	<b>978.86</b>	800.64
2. Total Expenditure	<b>956.53</b>	797.64
3. EBITDA	<b>22.33</b>	3.00
4. Finance cost	<b>11.88</b>	12.52
5. Depreciation	<b>0.17</b>	0.11
6. Profit / (Loss) after Interest and Depreciation but before Tax	<b>10.28</b>	(9.63)
7. Provision for Tax	<b>0.84</b>	0.11
8. Profit / (Loss) after Tax	<b>9.44</b>	(9.74)

### BUSINESS REVIEW

Your Company has posted encouraging results for the year that ended on 31<sup>st</sup> March, 2013.

Despite unfavourable economic conditions and a slowing growth rate in the Indian economy, your Company has reported all-time high revenues showing a growth 22% on a year over year basis. Your Company has returned to profits during the year and believes that the base for future has been set. This turnaround in results and performance was possible through focussing on customer quality, tighter credit review processes and the re-alignment and changing of the Company's product mix.

Your Company's business has two broad lines:

#### A. PRODUCTS

Your Company's strategy of focusing on key customers and providing value added products and services to them have paid dividends. The restructuring of the business that was undertaken during the last quarter of the last year has shown favourably on the results. Your Company is focussing new business lines in the areas of Analytics, Cloud, Social Media to strengthen its existing portfolio of products. We continue to focus and build on the strategy of creating more value to our customers and principals and at the same time bring advanced technology products to the Indian market.

#### B. SERVICES

During the year under review, your Company has shown strong growth across its service offerings. Your Company's strategy and focus of addressing select Enterprise class clients continued

to pay rich dividends both in terms of revenues as well as profitability. During the year, the group restructured and reinvented itself to focus on a set of identified enterprise clients. As a result, relationship with enterprise clients has become deeper and engagements span across multiple technology and service offerings. As a result a significant percentage of revenues come from repeat business. During the year, your Company was able to build a million dollar Indian client.

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 2012-13.

### DIVIDEND

Your Directors do not recommend any dividend for the financial year ended 31<sup>st</sup> March, 2013.

### QUALITY

Your Company continues to upgrade its Quality Management System (QMS) processes, which have resulted in improved satisfaction of its customers. During the year under review, regular surveillance audits as per ISO 9001:2008 have been successfully completed, ensuring objective assessment of the QMS implementation. Your Company's current focus is to improve the delivery processes so as to enhance the effectiveness and timeliness of the solutions delivered to its customers.

### RECOGNITION

During the year under review, your Company was recognized as the SAP Business all-in-one master VAR of the year 2012, Emerging Business volume partner for highest revenue contribution 2011 by SAP, Winner of Best Performance Challenge for SAP Partners 2011, Emerging Partner of the Year Award 2012 from HP and Best Performing Business Partner for the year 2011 from IBM.

### 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 31<sup>st</sup> March, 2013 and of the profit of the Company for the year to that date.

Your Directors state that in preparing the aforesaid financial statements of the Company, appropriate accounting policies have been consistently applied and supported by reasonable

and prudent judgements and estimates, whilst applicable accounting standards have been followed and that these financial statements have been prepared on 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 ₹ 641 Crores and foreign exchange inflow on account of software services rendered and sales of traded products exports was ₹ 37 Crores.

**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 offers themselves for re-appointment. Brief profiles of these Directors are given in the notes to the Notice of the ensuing AGM.

**AUDITORS**

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

**ACKNOWLEDGEMENTS**

Your Directors take this opportunity to thank all Principals, Customers, Vendors, Business Partners, Bankers, and 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 : 30<sup>th</sup> May, 2013

**P SRIKAR REDDY**  
Director



# Sonata Information Technology Limited

## INDEPENDENT AUDITORS' REPORT

### TO THE MEMBERS OF SONATA INFORMATION TECHNOLOGY LIMITED

#### Report on the Financial Statements

We have audited the accompanying financial statements of **SONATA INFORMATION TECHNOLOGY LIMITED** ("the Company"), which comprise the Balance Sheet as at 31<sup>st</sup> March, 2013, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

#### Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956 ("the Act") and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act 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 31<sup>st</sup> March, 2013;
- (b) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

#### Report on Other Legal and Regulatory Requirements

- 1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the annexure a statement on the matters specified in paragraphs 4 and 5 of the order.
- 2. As required by Section 227(3) of the Act, we report that:
  - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this report are in agreement with the books of account.
  - (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards referred to in Section 211(3C) of the Act.
  - (e) On the basis of the written representations received from the Directors as on 31<sup>st</sup> March, 2013 taken on record by the Board of Directors, none of the Directors is disqualified as on 31<sup>st</sup> March, 2013 from being appointed as a Director in terms of Section 274(1)(g) of the Act.

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants  
(Firm Registration No.: 008072S)

**V Srikumar**  
(Partner)

Place: Mumbai,  
Date : 30<sup>th</sup> May, 2013

(Membership No.: 84494)

# Sonata Information Technology Limited

## ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

- (i) Having regard to the nature of the Company's business / activities, clauses, iii (b) to (d), iii (f) and iii (g), v, vi, viii, x, xii, xiii, xiv, xvi, xix, xx of paragraph 4 of the Order are not applicable to the Company.
- (ii) In respect of its fixed assets:
  - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
  - (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
  - (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (iii) In respect of its inventories
  - (a) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals.
  - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- (iv) The Company has neither granted nor taken any loans, secured or unsecured, to / from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (v) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of fixed assets and the sale of services. During the course of our audit, we have not observed any major weakness in such internal control system.
- (vi) In our opinion, the internal audit functions carried out during the year by firm of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and the nature of its business.
- (vii) According to the information and explanations given to us, in respect of statutory dues:
  - (a) The Company has generally been regular in depositing undisputed dues, including Provident Fund, Investor Education and Protection Fund, Employees' State

Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.

- (b) There were no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other material statutory dues in arrears as at 31<sup>st</sup> March, 2013 for a period of more than six months from the date they became payable.
- (c) Details of dues of Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess which have not been deposited as on 31<sup>st</sup> March, 2013 on account of disputes are given below:

Statute	Nature of Dues	Forum where dispute is pending	Period to which the amount relates	Amount involved (₹)
Income Tax Act, 1961	Income Tax and Interest thereon	Supreme Court	AY 2001-02 and AY 2002-03	205,739,587
Income Tax Act, 1961	Income Tax and Interest thereon	Commissioner of Income Tax (Appeals)	AY 2010-11	43,489,848
Finance Act, 1994	Service Tax	CESTAT	FY 2004-05 and 2005-06	21,352,990
Karnataka VAT Act, 2003	Sales Tax	The Joint Commissioner of Commercial Taxes (Appeals), Bangalore	FY 2001-02	147,008

- (viii) In our opinion and according to the information and explanations given to us, the Company has been not defaulted in the repayment of dues to banks. There are no borrowings from financial institutions. The Company has not issued any debentures.
- (ix) The Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (x) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have, *prima facie*, not been used during the year for long- term investment.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not made any allotment of shares during the year.
- (xii) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company has been noticed or reported during the year.

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants  
(Firm Registration No.: 0080725)

Place : Mumbai,  
Date : 30<sup>th</sup> May, 2013

**V Srikumar**  
(Partner)  
(Membership No.: 84494)

## Sonata Information Technology Limited

### BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2013

(₹)

	Note	AS AT 31.03.2013	AS AT 31.03.2012
<b>EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDER'S FUNDS</b>			
Share capital	3	33,753,940	33,753,940
Reserves and surplus	4	409,324,159	314,922,372
		<b>443,078,099</b>	<b>348,676,312</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term provisions	5	1,556,556	22,304,160
		<b>1,556,556</b>	<b>22,304,160</b>
<b>CURRENT LIABILITIES</b>			
Short-term borrowings	6	280,000,000	486,838,058
Trade payables	7	1,306,153,355	1,341,364,692
Other current liabilities	8	141,898,611	149,612,253
Short-term provisions	9	491,571	488,439
		<b>1,728,543,537</b>	<b>1,978,303,442</b>
<b>TOTAL</b>		<b>2,173,178,192</b>	<b>2,349,283,914</b>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Fixed assets			
Tangible assets	10 (i)	5,422,666	4,089,425
Intangible assets	10 (ii)	18,500	63,842
		5,441,166	4,153,267
Deferred tax asset	11	9,874,125	6,875,634
Long-term loans and advances	12	989,688,278	1,003,442,223
		<b>1,005,003,569</b>	<b>1,014,471,124</b>
<b>CURRENT ASSETS</b>			
Inventories	13	7,920,177	336,530,335
Trade receivables	14	818,747,573	736,116,144
Cash and cash equivalents	15	102,142,168	99,658,640
Short-term loans and advances	16	222,405,876	151,533,441
Other current assets	17	16,958,829	10,974,230
		<b>1,168,174,623</b>	<b>1,334,812,790</b>
<b>TOTAL</b>		<b>2,173,178,192</b>	<b>2,349,283,914</b>

See accompanying notes 1 to 35 forming part of the financial statements

In terms of our report attached  
For Deloitte Haskins & Sells  
Chartered Accountants

For and on behalf of the Board of Directors

**V Srikumar**  
Partner

**P SRIKAR REDDY**  
Director

**SUJIT MOHANTY**  
VP & Director

**B K SYNGAL**  
Director

**VENKATRAMAN  
NARAYANAN**  
Director

**FEROZA BYRAMJI**  
Company Secretary

Mumbai, 30<sup>th</sup> May, 2013

## Sonata Information Technology Limited

### STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2013

(₹)

	Note	YEAR ENDED 31.03.2013	YEAR ENDED 31.03.2012
Revenue from operations	18.1	9,777,345,634	7,935,166,810
Other income	18.2	11,263,904	71,247,457
<b>Total Revenue</b>		<b>9,788,609,538</b>	<b>8,006,414,267</b>
<b>EXPENSES</b>			
Purchase of stock-in-trade (traded goods)		8,595,599,128	7,691,605,325
(Increase) / decrease in inventories	19	328,610,158	(314,476,096)
Employee benefit expenses	20	345,392,138	271,960,357
Other expenses	21	295,702,831	327,296,295
<b>Total Expenses</b>		<b>9,565,304,255</b>	<b>7,976,385,881</b>
<b>Earnings before interest, tax, depreciation and amortization (EBITDA)</b>		<b>223,305,283</b>	<b>30,028,386</b>
Finance costs	22	118,787,770	125,213,364
Depreciation and amortization expense	10 (iii)	1,709,238	1,094,436
		<b>120,497,008</b>	<b>126,307,800</b>
<b>Profit / (Loss) Before Tax</b>		<b>102,808,275</b>	<b>(96,279,414)</b>
<b>Tax expense</b>			
Current tax expense		24,000,000	-
MAT credit		(12,595,022)	-
Short provision for tax relating to prior years		-	3,351,277
Deferred tax		(2,998,490)	(2,246,353)
<b>Net Tax Expense</b>		<b>8,406,488</b>	<b>1,104,924</b>
<b>Profit / (Loss) After Tax</b>		<b>94,401,787</b>	<b>(97,384,338)</b>
Earnings Per Share - Basic & Diluted (on ₹ 10 per share) (₹)		<b>27.97</b>	<b>(28.85)</b>
(Refer Note 34)			
Par value ₹ 10 per share			

See accompanying notes 1 to 35 forming part of the financial statements

In terms of our report attached

For and on behalf of the Board of Directors

For Deloitte Haskins & Sells

Chartered Accountants

**V Srikumar**  
Partner

**P SRIKAR REDDY**  
Director

**SUJIT MOHANTY**  
VP & Director

**B K SYNGAL**  
Director

**VENKATRAMAN  
NARAYANAN**  
Director

**FEROZA BYRAMJI**  
Company Secretary

Mumbai, 30<sup>th</sup> May, 2013

# Sonata Information Technology Limited

## NOTES FORMING PART OF FINANCIAL STATEMENTS

### Note 1 : Corporate information

Sonata Information Technology Limited ("SITL or the Company") is a Company registered in India with its registered office at Mumbai and operationally headquartered at Bangalore. SITL is a wholly owned subsidiary of Sonata Software Limited and is primarily engaged in the business of providing Information Technology Solutions, software development services and re-selling products of reputed companies such as Microsoft, IBM, and Oracle etc. to its customers in India and the Asia Pacific Region.

### Note 2 : Significant Accounting Policies

#### a. Basis for preparation of Financial Statements

The financial statements of the Company have been prepared under the historic cost convention, on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles ('GAAP') in India to comply with the Accounting Standards notified under the Companies (Accounting Standard) Rule, 2006 (as amended) and the relevant provisions of the Companies Act.

#### b. Use of estimates

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognized in the periods in which the results are known / materialize.

#### c. Inventories

Inventories are valued at lower of cost (weighted average) and the net realizable value after providing for obsolescence and other losses wherever considered necessary.

#### d. Depreciation

Depreciation has been provided on Plant & 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 rate based on useful lives as estimated by the Management :

	Rates of Depreciation	
	Sch. XIV Rate	Rate Adopted
Leasehold improvements	Lease period	Primary Lease period
Plant and equipment	13.91%	33.33%
Furniture and fixtures	18.10%	18.10%
Office equipments	13.91%	13.91%
Computer software	16.21%	33.33%

Assets costing less than ₹ 5,000/- each are fully depreciated in the year of capitalization.

#### e. Revenue recognition

Revenues from sale of hardware / software product and licenses are recognised upon delivery where there is no customisation required. In case of customisation the same is recognised over the life of the contract using the proportionate completion method.

Revenues from contracts priced on a time and material basis are recognised when services are rendered and related costs are incurred.

Revenues from fixed price contracts, are recognised over the life of the contract using the proportionate completion method, with contract costs determining the degree of completion. Foreseeable losses on such contracts are recognised when probable.

Revenues from maintenance contracts are recognised pro-rata over the period of the contract.

Revenues are reported net of discounts.

Dividends are recorded when the right to receive payment is established. Interest income is recognised on time proportion basis taking into account the amount outstanding and the rate applicable.

#### f. Tangible & intangible fixed assets

Fixed assets are carried at cost less accumulated depreciation / amortization and impairment losses, if any. The cost of fixed assets comprises its purchase price net of any trade discounts and rebates, any import duties and other taxes (other than those subsequently recoverable from the tax authorities), any directly attributable expenditure on making the asset ready for its intended use. Subsequent expenditure, if any, on fixed assets after its purchase / completion is capitalized only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.

#### g. Foreign currency transactions

Transactions in foreign currencies entered into by the Company are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction. Monetary Assets and Liabilities in foreign currencies are translated at the exchange rate prevalent at the date of Balance sheet. Exchange differences arising on foreign currency transactions are recognized as income or expense in the year which they arise.

Premium or discount on forward exchange contract is amortized over the life of such contract and is recognized as income or expense. Any profit or loss arising on cancellation, renewal or restatement of forward contract is recognized in the Statement of Profit and Loss.

#### h. Employee benefits

Employee benefits include Provident Fund, Superannuation fund, Employee State Insurance Scheme, Gratuity Fund and compensated absences.

**Defined contribution plans**

Contribution to defined retirement benefit schemes are recognized as an expense when employees have rendered services entitling them to contribution required to be made.

**Defined benefit plans**

For defined benefit plans, the cost of providing benefits is determined using the Projected unit credit method, with actuarial valuations being carried out at each Balance Sheet date. Actuarial gains and losses are recognized in the Statement of Profit and Loss in the period in which they occur. Past service cost is recognized immediately to the extent that the benefits are already vested and otherwise is amortized on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognized in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

Long term liability for Compensated absence is provided based on actuarial valuation of the accumulated leave credit outstanding to the employees as on Balance Sheet date.

**i. Leases**

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognized as operating leases. Lease rentals under operating leases are recognized in the Statement of Profit and Loss on a straight-line basis.

**j. Earnings per share**

Basic earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. For the purpose of computing diluted earnings per share, profit / (loss) after tax (including the post tax effect of extraordinary items, if any) and the weighted average number of equity shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

**k. Taxes on income**

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognized as an asset in the Balance Sheet when it is probable that future economic benefit associated with it will flow to the Company.

Deferred tax is recognized on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognized for all timing differences. Deferred tax assets are recognized for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realized. However, if there is unabsorbed depreciation and carry forward of losses, deferred tax assets are recognized only if there is virtual certainty that there will be sufficient future taxable income available to realize the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each Balance Sheet date for their realizability.

**l. Impairment of assets**

The carrying values of assets / cash generating units at each balance sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognized, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognized for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognized in the Statement of Profit and Loss.

**m. Provisions and contingencies**

A provision is recognized when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed in the Notes. Contingent assets are not recognized in the financial statements.

(₹)

	AS AT 31.03.2013	AS AT 31.03.2012
<b>Note 3 : Share capital</b>		
<b>Authorized</b>		
10,000,000 equity shares of ₹ 10/- each	100,000,000	100,000,000
(Previous year 10,000,000 equity shares of ₹ 10/- each)		
<b>Issued</b>		
6,000,700 equity shares of ₹ 10/- each	60,007,000	60,007,000
(Previous year 6,000,700 equity shares of ₹ 10/- each)		
<b>Subscribed and paid-up</b>		
3,375,394 equity shares of ₹ 10/- each	33,753,940	33,753,940
(Previous year 3,375,394 equity shares of ₹ 10/- each)		
<b>Total</b>	<b>33,753,940</b>	<b>33,753,940</b>
Refer notes (i) to (v) below		

**i) Reconciliation of number of shares and amount outstanding at the beginning and at the end of the reporting period**

	Opening balance	Fresh issue	Closing balance
Equity shares with voting rights			
Year ended 31 <sup>st</sup> March, 2013			
Number of shares	3,375,394	-	3,375,394
Amount ₹	33,753,940	-	33,753,940
Equity shares with voting rights			
Year ended 31 <sup>st</sup> March, 2012			
Number of shares	3,375,394	-	3,375,394
Amount ₹	33,753,940	-	33,753,940

**ii) Details of rights, preferences and restrictions attached to each class of shares**

The Company has equity shares having a par value of ₹ 10. Each Shareholder is entitled for one vote per share. The shareholders have the right to receive interim dividends declared by the Board of Directors and final dividends proposed by the Board and approved by the shareholders.

In the event of liquidation by the Company, the holders of the Equity shares will be entitled to receive in proportion to the number of equity shares held by them, the remaining assets of the Company.

The shareholders have all other rights as available to equity shareholders as per the provisions of the Companies Act, 1956, read together with the Memorandum of Association and Articles of Association of the Company, as applicable.

**iii) Details of shares held by Holding Company**

	31.03.2013	31.03.2012
Sonata Software Limited and its nominees - Holding Company		
Equity shares with voting rights	3,375,394	3,375,394

**iv) Details of shares held by each shareholder holding more than 5% shares**

	31.03.2013	31.03.2012
Sonata Software Limited and its nominees - Holding Company	3,375,394	3,375,394
% of holding	100%	100%

**v) Details of Equity Shares bought back during last five years**

The company has bought back 1,500,175 equity shares from Holding Company Sonata Software Ltd, during 2006-07 and 1,125,131 equity shares during 2007-08.

(₹)

	AS AT 31.03.2013	AS AT 31.03.2012
<b>Note 4 : Reserves and surplus</b>		
<b>Capital redemption reserve</b>		
Opening balance	26,253,060	26,253,060
Add : Additions during the year	-	-
Less : Utilized during the year	-	-
<b>Closing balance</b>	<b>26,253,060</b>	<b>26,253,060</b>
<b>Surplus in Statement of Profit and Loss</b>		
Opening balance	288,669,312	386,053,650
(Deductions) / Additions during the year (net)	94,401,787	(97,384,338)
<b>Closing balance</b>	<b>383,071,099</b>	<b>288,669,312</b>
<b>Total</b>	<b>409,324,159</b>	<b>314,922,372</b>
<b>Note 5 : Long-term provisions</b>		
Provision for employee benefits		
Provision for compensated absences	1,180,038	1,161,382
Provision for tax (net of advance tax - ₹ 9,448,482 (as at 31 <sup>st</sup> March 2012 - ₹ 52,316,913))	376,518	21,142,778
<b>Total</b>	<b>1,556,556</b>	<b>22,304,160</b>
<b>Note 6 : Short-term borrowings</b>		
Loans repayable on demand		
From banks - Secured	-	306,838,058
(Secured by Pari passu first charge on all the current assets of the Company both present and future including stocks, book debts and other current assets wherever located)		
Loans and advances from related parties (Refer Note 32)		
Inter corporate deposit from holding Company - Unsecured	280,000,000	180,000,000
<b>Total</b>	<b>280,000,000</b>	<b>486,838,058</b>
Intercorporate deposit from holding Company	280,000,000	180,000,000
Maximum amount outstanding	788,000,000	688,000,000



(₹)

	AS AT 31.03.2013	AS AT 31.03.2012
<b>Note 7 : Trade payables</b>		
Trade payables - other than acceptances (Refer Note 25 & 32)	1,306,153,355	1,341,364,692
<b>Total</b>	<b>1,306,153,355</b>	<b>1,341,364,692</b>
<b>Note 8 : Other current liabilities</b>		
Gratuity (Refer Note 30)	472,597	-
Interest accrued but not due on borrowings (Refer Note 32)	4,583,689	5,823,096
Other payables		
Statutory remittances	128,983,559	133,687,672
Payable on purchase of fixed assets	745,000	1,736,460
Advances from customers	5,988,295	7,986,517
Others	1,125,471	378,508
<b>Total</b>	<b>141,898,611</b>	<b>149,612,253</b>
<b>Note 9 : Short-term provisions</b>		
Provision for employee benefits		
Provision for compensated absences	491,571	488,439
<b>Total</b>	<b>491,571</b>	<b>488,439</b>

**FIXED ASSETS****10 (i) Tangible fixed assets**

(₹)

Particulars	Gross Block				Depreciation				Net Block As at 31.03.2013	Net Block As at 31.03.2012
	Cost as at 01.04.2012	Additions	Deductions / Adjustments	Cost as at 31.03.2013	As at 01.04.2012	For the year	Deductions / Adjustments	As at 31.03.2013		
Owned										
Leasehold improvements	3,826,190	-	-	3,826,190	3,409,358	260,032	-	3,669,390	156,800	416,832
Previous year	(3,826,190)	(-)	(-)	(3,826,190)	(3,104,757)	(304,601)	(-)	(3,409,358)	(416,832)	
Plant and equipment	22,504,777	2,933,019	516,972	24,920,824	20,212,891	1,152,217	438,149	20,926,959	3,993,865	2,291,886
Previous year	(20,238,830)	(2,584,413)	(318,466)	(22,504,777)	(20,046,321)	(485,036)	(318,466)	(20,212,891)	(2,291,886)	
Furniture and fixtures	3,546,786	93,576	1,459,123	2,181,239	2,901,528	128,343	1,452,519	1,577,352	603,887	645,258
Previous year	(3,508,284)	(49,999)	(11,497)	(3,546,786)	(2,769,061)	(142,803)	(10,336)	(2,901,528)	(645,258)	
Office equipments	2,421,391	165,237	422,585	2,164,043	1,685,942	123,304	313,317	1,495,929	668,114	735,449
Previous year	(2,404,891)	(16,500)	(-)	(2,421,391)	(1,569,008)	(116,934)	(-)	(1,685,942)	(735,449)	
<b>Total</b>	<b>32,299,144</b>	<b>3,191,832</b>	<b>2,398,680</b>	<b>33,092,296</b>	<b>28,209,719</b>	<b>1,663,896</b>	<b>2,203,985</b>	<b>27,669,630</b>	<b>5,422,666</b>	<b>4,089,425</b>
Previous year	(29,978,195)	(2,650,912)	(329,963)	(32,299,144)	(27,489,147)	(1,049,374)	(328,802)	(28,209,719)	(4,089,425)	

**10 (ii) Intangible fixed assets**

(₹)

Particulars	Gross Block				Depreciation				Net Block As at 31.03.2013	Net Block As at 31.03.2012
	Cost as at 01.04.2012	Additions	Deductions / Adjustments	Cost as at 31.03.2013	As at 01.04.2012	For the year	Deductions / Adjustments	As at 31.03.2013		
Owned										
Computer software	2,167,670	-	-	2,167,670	2,103,828	45,342	-	2,149,170	18,500	63,842
Previous year	(2,167,670)	(-)	(-)	(2,167,670)	(2,058,766)	(45,062)	(-)	(2,103,828)	(63,842)	
<b>Total</b>	<b>2,167,670</b>	<b>-</b>	<b>-</b>	<b>2,167,670</b>	<b>2,103,828</b>	<b>45,342</b>	<b>-</b>	<b>2,149,170</b>	<b>18,500</b>	<b>63,842</b>
Previous year	(2,167,670)	(-)	(-)	(2,167,670)	(2,058,766)	(45,062)	(-)	(2,103,828)	(63,842)	

10 (iii) Depreciation and amortization expense

(₹)

Particulars	For the year ended 31.03.2013	For the year ended 31.03.2012
Depreciation on Tangible assets As per Note 10 (i)	1,663,896	1,049,374
Amortization on Intangible assets As per Note 10 (ii)	45,342	45,062
<b>Total</b>	<b>1,709,238</b>	<b>1,094,436</b>

(₹)

	AS AT 31.03.2013	AS AT 31.03.2012
<b>Note 11 : Deferred tax asset</b>		
Tax effects on		
Difference between book balance and tax balance of Fixed assets	609,757	594,593
Others	9,264,368	6,281,041
<b>Total</b>	<b>9,874,125</b>	<b>6,875,634</b>
<b>Note 12 : Long-term loans and advances</b>		
Unsecured, considered good		
Security deposits	4,601,654	7,276,654
Advance Tax (net of provision for tax - ₹ 232,166,405 (as at 31 <sup>st</sup> March, 2012 - ₹ 144,531,713))	972,491,602	996,165,569
MAT credit entitlement	12,595,022	-
Other recoverables	12,500,000	-
Less : Allowance for doubtful advances	12,500,000	-
<b>Total</b>	<b>989,688,278</b>	<b>1,003,442,223</b>
<b>Note 13 : Inventories</b>		
Stock-in-trade - hardware / software product and licenses	7,920,177	192,078,387
Material-in-transit - hardware / software product and licenses	-	144,451,948
<b>Total</b>	<b>7,920,177</b>	<b>336,530,335</b>
<b>Note 14 : Trade receivables</b>		
Unsecured		
Trade receivable outstanding for a period exceeding six months from the date they are due for payment		
Considered good	4,290,211	32,302,801
Considered Doubtful	2,576,314	24,726,904
	6,866,525	57,029,705
Less : Provision for doubtful trade receivables	2,576,314	24,726,904
	4,290,211	32,302,801
Other debts : Considered good	814,457,362	703,813,343
<b>Total</b>	<b>818,747,573</b>	<b>736,116,144</b>

(₹)

	AS AT 31.03.2013	AS AT 31.03.2012
<b>Note 15 : Cash and cash equivalents</b>		
Cash on hand	-	-
Balances with banks		
In Current accounts	58,109,684	47,735,570
In Deposit accounts	-	-
In Earmarked accounts		
Balance held as Margin money	44,032,484	51,923,070
The balance that meet the definition of Cash and cash equivalents as per AS-3. Cash flow Statement is ₹ 58,109,684 (As at 31.03.2012 is ₹ 47,735,570)		
<b>Total</b>	<b>102,142,168</b>	<b>99,658,640</b>
<b>Note 16 : Short term loans and advances</b>		
Unsecured, considered good		
Security deposits	6,303,472	4,181,219
Loans and advances to employees	2,098,113	1,070,689
Prepaid expenses	1,135,488	5,609,300
Gratuity (Refer Note 30)	-	380,594
Balances with Government authorities		
Receivable from customs authority	22,227,142	-
Receivable from service tax authority	4,078,721	-
VAT credit receivable	4,228,812	4,106,607
Service tax credit receivable	182,081,237	134,158,230
Other recoverables	252,891	2,026,802
<b>Total</b>	<b>222,405,876</b>	<b>151,533,441</b>
<b>Note 17 : Other current assets</b>		
Unbilled revenue	16,137,671	10,459,151
Interest accrued on term deposits	821,158	515,079
<b>Total</b>	<b>16,958,829</b>	<b>10,974,230</b>

(₹)

	For the Year Ended 31.03.2013	For the Year Ended 31.03.2012
<b>Note 18.1 : Revenue from operations</b>		
Revenue from hardware / software product and licenses	9,426,685,343	7,711,831,557
Revenue from Software services	350,655,223	223,002,515
Other operating revenues	5,068	332,738
<b>Total</b>	<b>9,777,345,634</b>	<b>7,935,166,810</b>
<b>Note 18.2 : Other income</b>		
Interest income	11,042,086	70,155,589
Dividend income	207,061	-
Net gain on fixed assets sold	-	54,106
Provision no longer required written back	14,757	1,037,762
<b>Total</b>	<b>11,263,904</b>	<b>71,247,457</b>

# Sonata Information Technology Limited

Notes (Contd.)

(₹)

	For the Year Ended 31.03.2013	For the Year Ended 31.03.2012
<b>Note 19 : (Increase) / Decrease in inventories</b>		
<b>Opening Stock</b>		
Stock-in-trade - hardware / software product and licenses	192,078,387	22,054,239
Material-in-transit - hardware / software product and licenses	144,451,948	-
	<b>336,530,335</b>	<b>22,054,239</b>
<b>Closing Stock</b>		
Stock-in-trade - hardware / software product and licenses	7,920,177	192,078,387
Material-in-transit - hardware / software product and licenses	-	144,451,948
	<b>7,920,177</b>	<b>336,530,335</b>
<b>(Increase) / Decrease in inventories</b>	<b>328,610,158</b>	<b>(314,476,096)</b>
<b>Note 20 : Employee benefits expenses</b>		
Salaries, wages, bonus and allowances	97,498,166	96,825,083
Contribution to provident fund and other funds (Refer Note 30)	6,378,351	6,665,032
Staff welfare expenses	1,134,496	970,820
	<b>105,011,013</b>	<b>104,460,935</b>
Deputation cost from holding company (Refer Note 32)	240,381,125	167,499,422
<b>Total</b>	<b>345,392,138</b>	<b>271,960,357</b>
<b>Note 21 : Other expenses</b>		
Power and fuel	1,205,427	849,185
Rent (Refer Note 33)	10,532,231	14,245,420
Repairs and maintenance - machinery	612,041	1,217,571
Insurance	345,458	274,576
Rates and taxes	2,772,067	2,162,872
Communication cost	3,228,600	3,931,972
Facility maintenance	5,042,450	3,722,288
Travelling and conveyance expenses	13,436,151	15,153,085
Sales commission	48,832,373	32,237,373
Legal, professional and technical fees	22,813,919	32,554,870
Net loss on foreign currency transaction and translation	28,576,315	33,671,833
Net loss on fixed assets sold / scrapped	184,695	-
Bad trade receivables written off	32,075,267	71,844
Provision for doubtful receivables released	(24,114,206)	(1,516,451)
Allowance for bad and doubtful trade receivables	1,963,616	22,196,060
Allowance for doubtful advances	12,500,000	-
Payment to auditors (Refer Note i below)	1,200,000	400,000
Miscellaneous expenses	9,693,856	10,998,721
	<b>170,900,260</b>	<b>172,171,219</b>

(₹)

	For the Year Ended 31.03.2013	For the Year Ended 31.03.2012
Service charges from holding company (Refer Note 32)	124,802,571	155,125,076
<b>Total</b>	<b>295,702,831</b>	<b>327,296,295</b>
<b>Note i - Payment to Auditors</b>		
Statutory audit	1,100,000	400,000
Remuneration to erstwhile auditors	100,000	-
	<b>1,200,000</b>	<b>400,000</b>
(Previous year ₹ 400,000 paid to erstwhile auditors) The Company avails input credit for Service Tax and hence no Service Tax expense was accrued during the year		
<b>Note 22 : Finance costs</b>		
Borrowings	8,476,194	23,210,338
Inter corporate deposit (Refer Note 32)	60,431,877	57,932,812
Others	4,438,019	3,277,842
Other borrowing costs	32,543,089	19,748,218
Net loss on foreign currency transaction and translation	12,898,591	21,044,154
<b>Total</b>	<b>118,787,770</b>	<b>125,213,364</b>

(₹)

	2012-13	2011-12
<b>Note 23 : Contingent Liabilities</b>		
<b>a) Disputed demand of Karnataka Sales Tax</b>	294,017	294,017
<b>b) Disputed demand of Service Tax</b>	21,352,990	-
The demand for payment of service tax on repair service relating to software is based on Board circular of the department issued with retrospective effect. The company has filed appeal before CESTAT and has got stay on recovery until disposal of appeal. It is confident of getting favourable outcome based on legal precedents which supports its stand.		
<b>c) Disputed demands of Income-Tax</b>	2,382,790,348	3,076,554,645

**Details of disputed demand of Income-Tax by issue and by year are as below:**

## a. Disallowance of Inter-Company service charges and costs for deputation of personnel.

Sonata Software Limited, the holding company charges the Company for certain support services rendered and for the cost of project personnel deputed. These support services and costs for deputation are being disallowed by the Income-Tax department while computing taxable profits of the Company. The Company has challenged these disallowances and consequent demands at appellate levels and is confident of a favorable outcome.

**Details of Demands and Forums where they are pending are:**

- I. ₹ 320,045,816 ((Previous year - ₹ 267,548,422) for the financial years 2001-2002, 2003-2004, 2004-2005, 2005-06 and 2007-08. The Company has received favorable orders from the Income-Tax Appellate Tribunal. The Income-Tax department has preferred an appeal to the Honorable High Court of Mumbai.
- II. ₹ 44,659,336 (Previous year - ₹ 44,659,336) for the financial year 2002-2003. The Income-Tax department's appeal to the Honorable High Court of Mumbai was time-barred and hence dismissed. The Income-Tax department had preferred a Special Leave Petition on the said dismissal to the Honorable Supreme Court of India which has referred the petition back to the Honorable High Court of Mumbai with a request to reconsider its decision.
- III. ₹ 91,884,882 (Previous year - ₹ Nil) for the financial year 2009-2010. The Company has preferred an appeal to Commissioner of Income Tax (Appeals) and based on the favorable orders in the previous years from the Income-Tax Appellate Tribunal the Company is confident of a favorable outcome.

During the year favorable orders were received from Income Tax Appellate Tribunal for financial year 2006-07 and Commissioner of Income Tax (Appeals) for financial year 2008-09 which were disclosed as contingent liability in the previous year of ₹ 181,797,556. The department has filed an appeal before High Court of Mumbai for financial year 2006-07 which is yet to be admitted.

**b. Withholding tax demand.**

The Company is engaged in the business of buying and selling packaged software in India. The Income-Tax department has been contending that amounts paid by the Company for buying the software products is in the nature of 'royalty' and hence had to withhold Income-Tax on the same as per the Income-Tax Act, 1961, and has raised a demands of ₹ 218,239,587 (Previous year - ₹ 218,239,587) for the financial years 2000-2001 and 2001-2002. The Company's contention has been that the payments were made for purchase of 'goods' and hence was under no obligation to withhold Income-Tax on the same. The Company had received favorable orders from the Income-Tax Appellate Tribunal which were during the year reversed by the Honorable High Court of Karnataka. The Company has preferred a Special Leave Petition Appeal on the said order to the Honorable Supreme Court of India, which has been admitted. However, for these years one of the principal suppliers of software to the Company has paid taxes of ₹ 128,598,266 out of the above demand.

**c. Disallowance of payments made for purchase of software on which Income-Tax was not withheld.**

Payment in the nature of Royalty on which Income-Tax have not been deducted at source are subject to disallowance as an 'expense' as per Sections 40(a)(i) and

40(a)(ia) while computing taxable profits of the Company. Consequent to issue described in (b) above, the Income-Tax department, holding payments for purchase of software as "Royalty" disallowed the same while computing taxable profits of the Company.

The Honorable High Court of Karnataka has given an unfavorable decision on the issue covered in (b) above. However, the said demands which are consequential and penal in nature do not arise automatically and there are multiple legal precedents in favor of the Company. Based on legal opinions and feedback from its legal counsels, the Company is confident of a favorable outcome on these consequential demands.

**Details of demands raised and the Forums where they are pending are:**

- I. ₹ 1,707,960,727 (Previous year - ₹ 1,707,960,727) of tax demand for the financial year 2001-2002, 2002-2003 and 2007-08. The Company has received a favorable order from the Income-Tax Appellate Tribunal. The Income-Tax department has preferred an appeal to the Honorable High Court of Mumbai.
- II. During the year favorable orders were received from Income Tax Appellate Tribunal pertaining to the financial year 2006-07 which were disclosed as contingent liability in the previous year of ₹ 656,349,017. The Department has filed an appeal before High Court of Mumbai which is yet to be admitted.

**Note 24 : Commitments**

(₹)

	FY 31.03.2013	FY 31.03.2012
Estimated amount of contracts remaining to be executed on capital account and not provided for	-	-
Other commitments - revenue contracts	122,691,462	-

**Note 25 : Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006**

There are no Micro and Small Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days during the year and also as at 31<sup>st</sup> March, 2013 (Previous year - ₹ Nil). The information has been identified 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.

**Note 26 : Details on derivative instruments and unhedged foreign currency**

- i) Forward exchange contracts (being derivative instruments), which are not intended for trading or speculative purposes but for hedge purposes to establish the amount of reporting currency required or available at the settlement date of certain payables / receivables.

Currency	Amount	Buy / Sell	Cross currency
USD	1,364,675	Buy	Rupees
	(6,577,011)	Buy	Rupees

Outstanding forward exchange contracts entered into by the Company as on 31<sup>st</sup> March, 2013

Note: Figures in brackets relate to the previous year

## Sonata Information Technology Limited

Notes (Contd.)

- ii) The year-end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below :

	As at 31.03.2013		As at 31.03.2012		Currency
	Receivable / (Payable) (₹)	Receivable/ (Payable) in Foreign Currency	Receivable / (Payable) (₹)	Receivable/ (Payable) in Foreign Currency	
Export of goods and services	67,298,434	1,239,610	18,708,808	367,705	USD
Import of goods and services / other payables	280,823	3,416	278,534	3,416	GBP
	-	-	38,160	942	SGD

(₹)

	FY 31.03.2013	FY 31.03.2012
<b>Note 27 : Value of imports calculated on CIF basis</b>		
Stock-in-trade - Hardware / Software product and licenses	6,406,044,128	3,718,561,741
<b>Note 28 : Expenditure in foreign currency</b>		
Travelling and conveyance expenses	222,006	602,008
Others	1,185,458	62,001
<b>Note 29 : Earnings in foreign exchange</b>		
Export of goods calculated on FOB basis	317,357,689	207,412,924
Export of services	56,017,872	27,872,473

### Note 30 : Employee benefit plans

- i) Defined contribution plans

- a) Provident fund

The Company makes contributions towards a provident fund under a defined contribution retirement benefit plan for qualifying employees. The provident fund is administered by the Trustees of Sonata Software Limited Provident Fund and by the Regional Provident Fund Commissioner. Under this scheme, the Company is required to contribute a specified percentage of payroll cost to fund the benefits.

The Rules of the Company's Provident Fund administered by the Trust require that if the Board of Trustees are unable to pay interest at the rate declared for Employees' Provident Fund by the Government under para 60 of the Employees' Provident Fund Scheme, 1952 for the reason that the return on investment is less or for any other reason, then the deficiency shall be made good by the Company. Having regard to the assets of the Fund and the return on the investments, the Company does not expect any deficiency in the foreseeable future. There has also been no such deficiency since the inception of the Fund.

Provident fund contributions amounting to ₹ 2,447,784 (Previous year ₹ 2,476,937) have been charged to the Statement of Profit and Loss.

- b) During the year the company has recognised the following amounts in the statement of profit and loss Employers contribution to

(₹)

	31.03.2013	31.03.2012
Employees state insurance	43,755	74,080
Super annuation	1,849,239	1,747,684

(₹)

	31.03.2013	31.03.2012
ii) Defined benefit plans - Gratuity		
As per actuarial valuation		
<b>Change in Obligation during the year</b>		
Present value of Defined Benefit Obligation at beginning of the year	10,305,612	8,488,481
Current Service Cost	1,068,908	917,810
Interest Cost	875,977	700,300
Actuarial (Gains) / Losses	199,462	313,702
Benefits Paid	(538,552)	(114,681)
Present value of Defined Benefit Obligation at the end of the year	11,911,407	10,305,612
<b>Change in Assets during the Year</b>		
Plan assets at the beginning of the year	10,686,206	10,398,244
Expected return on plan assets	919,014	831,860
Contributions by Employer	409,834	-
Actual benefits paid	(538,552)	(114,681)
Actuarial Gains / (Losses)	(37,692)	(429,217)
Plan Assets at the end of the year	11,438,810	10,686,206
<b>Net Asset / (Liability) recognized in the Balance Sheet as at 31<sup>st</sup> March, 2013</b>		
Present Value of Defined Benefit Obligation	11,911,407	10,305,612
Fair value of plan assets	11,438,810	10,686,206
Fund status (Surplus / (Deficit))	(472,597)	380,594
Net Assets / (Liability)	(472,597)	380,594
<b>Expenses recognized in the statement of Profit &amp; Loss for the year ended 31<sup>st</sup> March, 2013</b>		
Current Service Cost	1,068,908	917,810
Interest Cost	875,977	700,300
Expected return on plan assets	(919,014)	(831,860)
Net Actuarial (Gains) / Losses	237,154	742,919
Total Expense	1,263,025	1,529,169
<b>The major categories of plan assets as a percentage of total plan</b>		
Insurer Managed Funds	100%	100%
<b>Category of funds :</b>		
Secure Fund	39.2%	41.4%
Defensive fund	30.1%	28.9%
Balanced Fund	30.7%	29.7%
<b>Actuarial Assumptions:</b>		
Discount Rate	8.00%	8.50%
Rate of return on plan assets	8.70%	8.60%
	LIC (1994-96)	LIC (1994-96)
Mortality Table	Ultimate	Ultimate
Retirement Age	60 Years	60 Years
Estimate of amount of contribution in the immediate next year	472,597	-

# Sonata Information Technology Limited

Notes (Contd.)

The expected rate of return on plan assets is determined after considering several applicable factors such as the composition of the plan assets, investment strategy, market scenario, etc. In order to protect the capital and optimise returns within acceptable risk parameters, the plan assets are well diversified.

The discount rate is based on the prevailing market yields of Government of India securities as at the Balance Sheet date for the estimated term of the obligations.

The estimate of future salary increases considered, takes into account the inflation, seniority, promotion, increments and other relevant factors.

## Experience adjustments

(₹)

Particulars	31.03.2013	31.03.2012	31.03.2011	31.03.2010	31.03.2009
Present value of defined benefit obligation	11,911,407	10,305,612	8,488,481	5,976,490	6,658,520
Fair value of plan assets	11,438,810	10,686,206	10,398,244	9,845,052	8,124,651
Surplus / (deficit)	(472,597)	380,594	1,909,763	3,868,562	1,466,131
Experience adjustments on plan liabilities	620,425	4,444,030	16,312,459	1,083,704	5,782,409
Experience adjustments on plan assets	(129,426)	(4,130,842)	(1,680,031)	10,069,023	(6,294,014)

## Note 31 : Segment reporting

The Company is engaged in the business of hardware/software product and licenses including related services in India which constitutes a single business segment. The Company's operations outside India did not exceed the quantitative threshold for disclosure envisaged in Accounting Standard (AS17) on "Segment Reporting" issued by the Companies (Accounting Standard) Rules, 2006.

In view of the above, primary and secondary reporting disclosures for business/geographical segments, as envisaged in AS 17 are not applicable to the Company.

## Note 32 : Related party disclosure

i) Details of related parties :

Description of relationship	Names of related parties
(a) Holding Company	Sonata Software Limited
(b) Key Management Personnel (KMP)	P Srikar Reddy, Director Sujit Mohanty, VP & Director

ii) Transactions with related parties :

(₹)

Particulars	Holding Company		KMP	
	31.03.2013	31.03.2012	31.03.2013	31.03.2012
Revenue from Software product and licenses	20,183,535	14,926,675	-	-
Deputation expenses	240,381,125	167,499,422	-	-

Particulars	Holding Company		KMP	
	31.03.2013	31.03.2012	31.03.2013	31.03.2012
Service charges	124,802,571	155,125,076	-	-
Inter corporate deposit taken	3,005,000,000	2,030,800,000	-	-
Interest on inter corporate deposit taken	60,431,877	57,932,812	-	-
Reimbursement of expenses	6,745,028	17,552,135	-	-
Remuneration	-	-	4,283,818	4,116,427
<b>Balances outstanding at the end of the year</b>				
Trade payable	2,687,968	34,356,773	-	-
Inter corporate deposit	280,000,000	180,000,000	-	-
Interest on inter corporate deposit	4,583,689	5,823,096	-	-

## Note 33 : Details of leasing arrangements

The Company has various operating leases for office facilities and residential premises for employees that are renewable on a year basis, and cancelable at its option. Rental expenses for operating leases included in the Statement of Profit and Loss is ₹ 10,350,225 (Previous year ₹ 14,087,857).

As of 31<sup>st</sup> March, 2013 future minimum lease payments for non-cancelable operating leases for the period up to which the lease is non-cancellable are provided below.

(₹)

Particular	31.03.2013	31.03.2012
Not later than one year	384,000	1,917,687
Later than one year and not later than 5 years	1,645,200	789,360
Later than 5 years	309,600	-

There are no rents which are contingent in nature.

## Note 34 : Earnings Per Share

(₹)

Particular	31.03.2013	31.03.2012
Profit attributable to equity shareholders (₹)	94,401,787	(97,384,338)
Weighted average number of Equity Shares of ₹ 10/- each (No. of Shares)	3,375,394	3,375,394
Earnings Per Share - basic & diluted (₹)	27.97	(28.85)

**Note 35 :** Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

## For and on behalf of the Board of Directors

**P SRIKAR REDDY**  
Director

**SUJIT MOHANTY**  
VP & Director

**B K SYNGAL**  
Director

**VENKATRAMAN NARAYANAN**  
Director

**FEROZA BYRAMJI**  
Company Secretary

Mumbai, 30<sup>th</sup> May, 2013

## Sonata Information Technology Limited

### CASH FLOW STATEMENT

		(₹)
	YEAR ENDED 31.03.2013	YEAR ENDED 31.03.2012
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net Profit / (Loss) Before Tax	102,808,275	(96,279,414)
Adjustments for :		
Depreciation and amortization	1,709,238	1,094,436
Interest expense	105,889,179	104,169,210
Bad trade receivables written off	32,075,267	71,844
Provision for doubtful debts released	(24,114,206)	(1,516,451)
Allowance for bad and doubtful trade receivables	1,963,616	22,196,060
Allowance for doubtful advances	12,500,000	-
Provision no longer required (net)	(14,757)	(1,037,762)
Interest income	(11,042,086)	(70,155,589)
Dividend income	(207,061)	-
(Profit) / Loss on sale of fixed assets / assets scrapped	184,695	(54,106)
Unrealized foreign exchange (gain) / loss	3,287,135	(5,954,208)
<b>Operating Profit before Working Capital Changes</b>	<b>225,039,295</b>	<b>(47,465,980)</b>
Adjustments for :		
Decrease / (Increase) in trade receivables	(92,263,642)	148,446,075
Decrease / (Increase) in inventories	328,610,158	(314,476,096)
Decrease / (Increase) in other current assets	(5,678,520)	8,560,546
Decrease / (Increase) in long-term loans and advances	(9,825,000)	(3,111,523)
Decrease / (Increase) in short-term loans and advances	(70,872,435)	26,440,882
(Decrease) / Increase in trade payables	(39,071,454)	400,766,509
(Decrease) / Increase in other current liabilities	(9,929,752)	13,808,528
(Decrease) / Increase in long-term provisions	18,656	20,683,078
(Decrease) / Increase in short-term provisions	3,132	41,382
Bank balances not considered as Cash and cash equivalents	7,890,586	(8,299,356)
<b>Cash generated from operations:</b>	<b>333,921,024</b>	<b>245,394,045</b>
Direct taxes / advance tax paid (net)	(21,092,294)	(212,960,745)
<b>Net Cash from Operating Activities (A)</b>	<b>312,828,730</b>	<b>32,433,300</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(2,200,372)	(1,625,761)
Proceeds from sale of fixed assets	10,000	55,267
Interest received	10,736,007	70,438,578
Dividend received	207,061	-
<b>Net Cash used in Investing Activities (B)</b>	<b>8,752,696</b>	<b>68,868,084</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of Short-term borrowings from banks - Working capital facility (net)	(306,838,058)	(808,662)
Inter corporate loan from holding company (net)	100,000,000	(14,000,000)
Interest paid	(104,649,772)	(98,346,114)
<b>Net cash from Financing Activities (C)</b>	<b>(311,487,830)</b>	<b>(113,154,776)</b>
<b>Net Increase / (Decrease) in Cash and Cash Equivalents (A+B+C)</b>	<b>10,093,596</b>	<b>(11,853,392)</b>
<b>Opening Cash and Cash Equivalents</b>	<b>47,735,570</b>	<b>60,333,833</b>
<b>Exchange Difference on Translation of foreign currency Cash and Cash Equivalents</b>	<b>280,518</b>	<b>(744,871)</b>
<b>Closing Cash and Cash Equivalents</b>	<b>58,109,684</b>	<b>47,735,570</b>



## Sonata Information Technology Limited

Cash Flow Statement (Contd.)

(₹)

	YEAR ENDED 31.03.2013	YEAR ENDED 31.03.2012
Cash and cash equivalents at the end of the year Comprises :		
Balances with banks		
In Current accounts	58,109,684	47,735,570
	<b>58,109,684</b>	<b>47,735,570</b>

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

**In terms of our report attached  
For Deloitte Haskins & Sells**  
Chartered Accountants

**V Srikumar**  
**Partner**

**For and on behalf of the Board of Directors**

**P SRIKAR REDDY**  
Director

**SUJIT MOHANTY**  
VP & Director

**B K SYNGAL**  
Director

**VENKATRAMAN  
NARAYANAN**  
Director

**FEROZA BYRAMJI**  
Company Secretary

Mumbai, 30<sup>th</sup> May, 2013

# Sonata Technology Solutions India Limited

## DIRECTORS' REPORT

### TO THE MEMBERS OF SONATA TECHNOLOGY SOLUTIONS INDIA LIMITED

Your Directors have pleasure in presenting the First Annual Report of your Company along with the audited Statement of Accounts for the period ended 31<sup>st</sup> March, 2013 (i.e., from date of incorporation 12<sup>th</sup> April, 2012 till 31<sup>st</sup> March, 2013).

### FINANCIAL HIGHLIGHTS

(₹ in lakhs)

Description	Period ended 31.03.2013
1. Total Income	-
2. Total Expenditure	0.69
3. Profit / (Loss) before Interest & depreciation	(0.69)
4. Finance cost	-
5. Depreciation	-
6. Profit / (Loss) after Interest and depreciation but before tax	(0.69)
7. Provision for tax	-
8. Profit / (Loss) after tax	(0.69)

### DIVIDEND

Since your Company is yet to commence operations, your Directors do not recommend any dividend for the period ended 31<sup>st</sup> March, 2013.

### BUSINESS REVIEW

Your Company is still in the process of evaluating starting new lines of business under Software Product Trading and hence there have been no operations in the Company.

### 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 31<sup>st</sup> March, 2013 and of the profit of the Company for the year to that date.

Your Directors state that in preparing the aforesaid financial statements of the Company, appropriate accounting policies have been consistently applied and supported by reasonable and prudent judgements and estimates, whilst applicable accounting standards have been followed and that these financial statements have been prepared on 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.

There has been no Foreign Exchange inflow or outgo in the Company.

### 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

All Directors of the Company being named as First Directors in the Articles of Association vacate their office at the ensuing Annual General Meeting and being eligible for appointment, all directors offer themselves for appointment as rotational directors.

### AUDITORS

M/s N M Rajji & 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 Rajji & Co., as Statutory Auditors of the Company for the financial year 2013-14.

### ACKNOWLEDGEMENTS

Your Directors take this opportunity to thank Shareholders, Bankers and Regulatory authorities for their support.

For and on behalf of the Board

Place : Mumbai  
Date : 30<sup>th</sup> May, 2013

**P SRIKAR REDDY**  
Director

# Sonata Technology Solutions India Limited

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF SONATA TECHNOLOGY SOLUTIONS INDIA LIMITED

#### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Sonata Technology Solutions India Limited ('the Company') which comprise the Balance Sheet as at 31<sup>st</sup> March 2013, the Statement of Profit and Loss and the Cash Flow Statement for the period 12<sup>th</sup> April 2012 to 31<sup>st</sup> March 2013 and a summary of significant accounting policies and other explanatory information.

#### MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### OPINION

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2013;
- (ii) in the case of the Statement of Profit and Loss, of the loss for the period ended on that date; and
- (iii) in the case of the Cash Flow Statement, of the cash flows for the period ended on that date.

#### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order"), as amended, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
  - a. 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;
  - b. 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 those books;
  - c. the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - d. in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956 to the extent applicable; and
  - e. on the basis of written representations received from the directors, and taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> March, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

for **N M Raiji & Co.**  
Chartered Accountants  
Firm Regn. No: 108296W

**CA. Y N Thakkar**  
Partner

Place : Mumbai  
Date : 30<sup>th</sup> May, 2013

Membership No: 33329

## Sonata Technology Solutions India Limited

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### ANNEXURE TO THE AUDITOR'S REPORT OF EVEN DATE

- (i) The Company does not have any fixed assets. Accordingly clause (a), (b) & (c) are not applicable.
- (ii) The Company does not have any inventory. Accordingly clause (a), (b) & (c) are not applicable.
- (iii) During the period the Company has neither taken nor granted any loans, secured or unsecured from or to parties listed in the register maintained under section 301 of the Companies Act, 1956.
- (iv) With reference to internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and for the sale of goods and services, during the period there were no such transactions.
- (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 does not have an internal audit system.
- (viii) Maintenance of cost records has not been prescribed by the Central Government under section 209(1) (d) of the Act.
- (ix) (a) During the period, the statutory payments for provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, custom duty, excise, cess were not applicable to the company.  
(b) During the period, the company did not have any statutory dues which were under dispute.
- (x) The Company has been registered for a period less than five years. Accordingly this clause is not applicable.
- (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) The Company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) The Company has not given any guarantees for loans taken by others from bank or financial institutions.
- (xvi) The Company has not obtained any term loans.
- (xvii) The Company has not raised any funds during the period.
- (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.
- (xxi) Based upon the audit procedures performed and as per 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  
Firm Regn. No: 108296W

**CA. Y N Thakkar**  
Partner  
Membership No: 33329

Place : Mumbai  
Date : 30<sup>th</sup> May, 2013

## Sonata Technology Solutions India Limited

### BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2013

(₹)

	Note No.	AS AT 31.03.2013
<b>EQUITY AND LIABILITIES</b>		
<b>SHAREHOLDER'S FUNDS</b>		
Share capital	3	500,000
Reserves and surplus	4	(69,283)
		<b>430,717</b>
<b>CURRENT LIABILITIES</b>		
Trade payables		63,665
		<b>63,665</b>
<b>TOTAL</b>		<b>494,382</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	5	494,382
		494,382
<b>TOTAL</b>		<b>494,382</b>

See accompanying notes 1 to 7 forming part of the financial statements

As per our Report Annexed  
For N M RAIJI & Co.  
Chartered Accountants

For and on behalf of the Board of Directors

CA Y N THAKKAR  
Partner  
Membership No.: 33329

P SRIKAR REDDY  
Director

SUJIT MOHANTY  
Director

VENKATRAMAN  
NARAYANAN  
Director

Mumbai, 30<sup>th</sup> May, 2013

## Sonata Technology Solutions India Limited

### STATEMENT OF PROFIT AND LOSS FOR THE PERIOD 12<sup>TH</sup> APRIL, 2012 TO 31<sup>ST</sup> MARCH, 2013

		(₹)
		<b>PERIOD ENDED 31.03.2013</b>
<b>INCOME</b>		
Revenue from operations		-
<b>Total income</b>		-
<b>EXPENDITURE</b>		
Preliminary Expenses		51,803
Other expenses		6,250
Remuneration to Auditors		
- For Audit fees	5,618	
- For Certification	5,612	11,230
<b>Total expenditure</b>		<b>69,283</b>
<b>Profit / (Loss) before tax</b>		<b>(69,283)</b>
Current tax		-
<b>Profit / (Loss) after tax for the period</b>		<b>(69,283)</b>
<b>EPS - Basic</b> (on ₹ 10 Per share)		<b>(1.39)</b>
<b>EPS - Diluted</b> (on ₹ 10 Per share)		<b>(1.39)</b>

See accompanying notes 1 to 7 forming part of the financial statements

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 of Directors

**P SRIKAR REDDY**  
Director

**SUJIT MOHANTY**  
Director

**VENKATRAMAN  
NARAYANAN**  
Director

Mumbai, 30<sup>th</sup> May, 2013

# Sonata Technology Solutions India Limited

## NOTES FORMING PART OF THE FINANCIAL STATEMENT

### 1) CORPORATE INFORMATION

Sonata Technology Solutions India Limited ("STSIL or the Company") is a Company registered in India with its registered office at Bangalore. STSIL is a wholly owned subsidiary of Sonata Software Limited.

### 2) SIGNIFICANT ACCOUNTING POLICIES

#### i. Basis for preparation of financial statements

The financial statements of the Company have been prepared under the historic cost convention, on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles ('GAAP') in India to comply with the Accounting Standards notified under the Companies (Accounting Standard) Rule, 2006 (as amended), the relevant provisions of the Companies Act.

#### ii. Use of estimates

The preparation of the financial statements in conformity with GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the period. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognized in the periods in which the results are known / materialize.

#### iii. Preliminary expenses

Preliminary expenses are charged to the statement of profit & loss.

#### iv. Earnings per share

Basic earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the period. For the purpose of computing diluted earnings per share, profit / (loss) after tax (including the post tax effect of extraordinary items, if any) and the weighted average number of equity shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

#### v. Taxes on income

Current tax is the amount of tax payable on the taxable income for the period as determined in accordance with the provisions of the Income Tax Act, 1961.

(₹)

	AS AT 31.03.2013
<b>Note 3 : Share capital</b>	
<b>a) Break up of Equity Shares</b>	
<b>Authorized</b>	
50,000 equity shares of ₹ 10/- each	500,000
<b>Issued</b>	
50,000 equity shares of ₹ 10/- each	500,000
<b>Subscribed and paid-up</b>	
50,000 equity shares of ₹ 10/- each	500,000
(100% Held by holding company - Sonata Software Limited)	

#### b) Reconciliation of equity shares outstanding at the beginning and at the end of the period 31<sup>st</sup> March, 2013

	As At 31 <sup>st</sup> March, 2013	
	No. of Shares	(₹)
At the beginning of the period	-	-
Issued during the period	50,000	500,000
Outstanding at the end of the period	50,000	500,000

#### c) Terms/rights attached to equity shares

The company has equity shares having a par value of ₹ 10. Each Shareholder is entitled for one vote per share. The shareholders have the right to receive interim dividends declared by the Board of directors and final dividends proposed by the Board and approved by the shareholders.

In the event of liquidation by the company, the holders of the Equity shares will be entitled to receive in proportion to the number of equity shares held by them, the remaining assets of the company, after distribution of preferential amounts.

The shareholders have all other rights as available to equity shareholders as per the provisions of the Companies Act, 1956, read together with the Memorandum of Association and Articles of Association of the Company, as applicable.

#### d) Equity shares held by holding company

The entire equity share of the company is held by the holding company Sonata Software Ltd.

#### e) Shareholders holding more than 5% of equity shares in the company

	As At 31 <sup>st</sup> March, 2013	
	No. of Shares	% Holding
Sonata Software Ltd (Holding company)	50,000	100

As per the records of the Company, including its register of shareholders / members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

(₹)

	AS AT 31.03.2013
<b>Note 4 : Reserves and surplus</b>	
<b>Profit and loss account</b>	
Opening balance	-
Add / (Less) : Surplus / (Deficit) for the period	(69,283)
	<b>(69,283)</b>



# Sonata Technology Solutions India Limited

Notes (Contd.)

(₹)

	AS AT 31.03.2013
<b>5. Cash and cash equivalents</b>	
Balance with Bank	
In Current account	494,382
	494,382

## 6. Related Party Transactions (As per certificate given by the Management) :

The list of related parties and nature of their relationship are as stated below:

i)	<b>KEY MANAGERIAL PERSONS DURING THE PERIOD APRIL 12, 2012 TO MARCH 31, 2013</b>	
	Nil	
ii)	<b>OTHER RELATED PARTIES &amp; NATURE OF RELATIONSHIP AS ON 31.03.2013</b>	
	<b>List of related parties</b>	<b>Nature of Relationship</b>
S B Ghia, Director of Sonata Software Ltd	Bhupati Investments & Finance Pvt Ltd	Spouse Mrs.R.S.Ghia as Chairperson and brother's wife Mrs.V.D.Ghia as Director
	Chika Pvt Limited	Son Mr.N.S.Ghia as Chairman
M D Dalal, Executive Vice Chairman of Sonata Software Ltd	Daltreya Investment & Finance Pvt Ltd	Spouse & Sister are Directors
	Ardmore Healthcare Pvt Ltd	Son as Director
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 Investment & Finance Pvt Ltd	100% shareholding by Mr.Rajan B Raheja & his family
	Trophy Investment & Finance Pvt Ltd	100% shareholding by Mr.Rajan B Raheja & his family
P Srikar Reddy, Director of STSIL	Sonata Software Ltd	Managing Director & CEO
	Sonata Information Technology Ltd	Director
	Sonata Software FZ LLC, Dubai	Director
Venkatraman N, Director of STSIL	Sonata Software FZ LLC, Dubai	Director
	Sonata Information Technology Ltd	Director
	Sonata Software North America Inc	Director
	Govardhan Trading Company Pvt Ltd	Director & shareholder holding more than 2%
Sujit Mohanty, Director of STSIL	Sonata Information Technology Ltd	Director
Sonata Software Ltd		Holding Company

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

## iii) TRANSACTIONS WITH RELATED PARTIES

**Sonata Software limited (SSL)** is a company incorporated in India. STSIL is a wholly owned subsidiary of SSL and both the Companies have common directors. The transactions with the company are as under :

(₹)

	Balance as on 01.04.2012	Transaction during the period	Amount received/paid during the period	Balance as on 31.03.2013
Reimbursement of expenses	-	51,797	-	51,797

**Sonata Information Technology Limited (SITL)** is a company incorporated in India. SSL holds 100% of equity shares in SITL. The transactions with the company are as under :

(₹)

	Balance as on 01.04.2012	Transaction during the period	Amount received/paid during the period	Balance as on 31.03.2013
Reimbursement of expenses	-	6,250	-	6,250

7. Previous period's figures are not disclosed in the financial statements, since the company was incorporated as on 12<sup>th</sup> April, 2012.

As per our Report Annexed

For N M RAJI & Co.

Chartered Accountants

For and on behalf of the Board of Directors

CA Y N THAKKAR

Partner

Membership no. 33329

Mumbai, 30<sup>th</sup> May, 2013

P SRIKAR REDDY

Director

SUJIT MOHANTY

Director

VENKATRAMAN NARAYANAN

Director

## Sonata Technology Solutions India Limited

### CASH FLOW STATEMENT FOR THE PERIOD 12<sup>TH</sup> APRIL, 2012 TO 31<sup>ST</sup> MARCH, 2013

(₹)

	PERIOD ENDED 31.03.2013
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>	
Net Profit / (Loss) Before Tax	(69,283)
Adjustments for:	
(Decrease) / Increase in trade payables	63,665
<b>Cash generated from operations</b>	<b>(5,618)</b>
<b>Net cash form operating activites</b>	<b>(A) (5,618)</b>
<b>B. CASH FLOW FROM FINANCING ACTIVITIES</b>	
Proceeds from issuance of share capital	500,000
<b>Net cash from financing activities</b>	<b>(B) 500,000</b>
<b>Net Increase / (Decrease in cash and cash equivalents (A+B))</b>	<b>494,382</b>
<b>Opening cash and cash equivalents</b>	<b>-</b>
<b>Closing cash and cash equivalents</b>	<b>494,382</b>

#### Notes:

Cash and Cash Equivalents;

Cash and cash equivalents consists of balance with bank.

**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 of Directors**

**P SRIKAR REDDY**  
Director

**SUJIT MOHANTY**  
Director

**VENKATRAMAN**  
**NARAYANAN**  
Director

Mumbai, 30<sup>th</sup> May, 2013

# Sonata Software Limited

## SHAREHOLDERS' INFORMATION FOR FY 2012-13

### 1. Annual General Meeting

The next Annual General Meeting of the Company will be held on Tuesday, 6<sup>th</sup> August, 2013 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

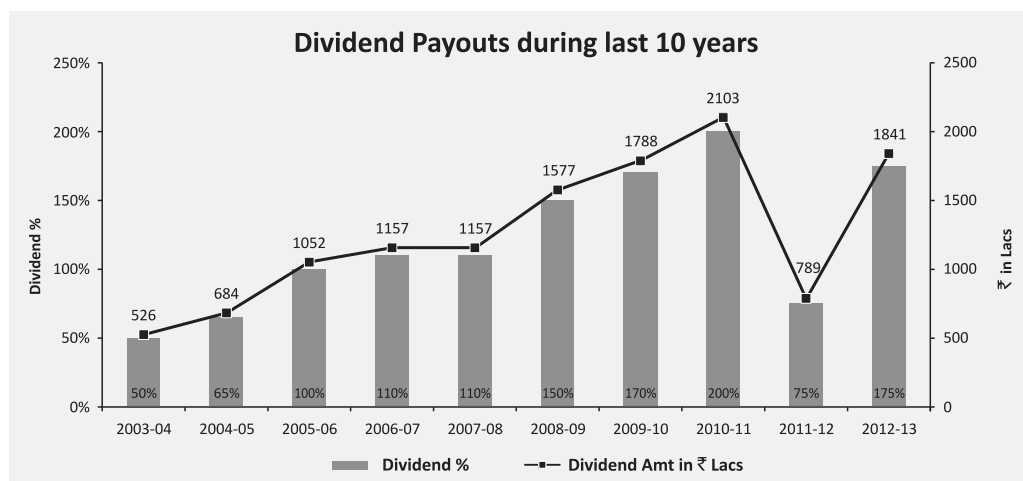
The financial year of the Company is from 1<sup>st</sup> April, 2012 to 31<sup>st</sup> March, 2013.

### 3. Book Closure

The Register of Members and Share Transfer Books will remain closed from 30<sup>th</sup> July, 2013 to 6<sup>th</sup> August, 2013 (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 31<sup>st</sup> March, 2013.

### 4. Payment of Dividend

The final dividend as recommended by the Board of ₹ 1.25 per equity share for the financial year ended 31<sup>st</sup> March, 2013, if approved at the forthcoming Annual General Meeting, will be paid on or after 12<sup>th</sup> August, 2013 to those members whose names appear in the Register of Members as on 29<sup>th</sup> July, 2013. Dividend in respect of shares held in the electronic form will be payable to the beneficial owners of the shares as on 29<sup>th</sup> July, 2013 as per details furnished by Depositories for this purpose.



### 5. Listing on Stock Exchanges & Stock Code

(a) Your Company's equity shares are listed & 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, 5<sup>th</sup> Floor, Plot No.C/1

G Block, Bandra-Kurla Complex, Bandra (E)

Mumbai - 400 051

Stock Code : Sonatsoftw

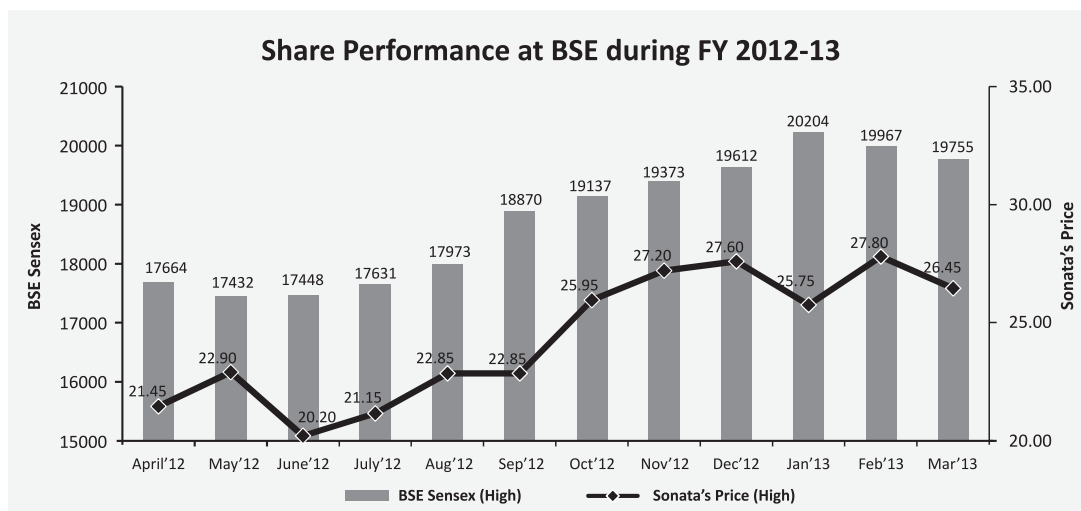
(b) Listing fees for the year 2012-13 have been paid to above stock exchanges.

(c) As on 31<sup>st</sup> March, 2013, your Company had 43,262 shareholders.

**6. Stock Market Data**

- (a) Market Capitalization as on 31<sup>st</sup> March, 2013 : ₹ **245 Crores** (based on closing price in BSE)
- (b) Number of shares traded during FY 2012-13 : BSE : 295 Lacs & NSE : 378 Lacs.
- (c) The monthly high and low quotations of shares traded at BSE and NSE during financial year 2012-13 and performance in comparison with BSE SENSEX are as given below :

Month	BSE		NSE		BSE SENSEX	
	High (₹)	Low (₹)	High (₹)	Low (₹)	High	Low
April'12	21.45	18.00	21.50	17.80	17664	17010
May'12	22.90	18.20	23.85	18.10	17432	15810
June'12	20.20	17.55	19.95	17.15	17448	15749
July'12	21.15	17.10	21.20	17.10	17631	16598
Aug'12	22.85	17.15	23.35	17.10	17973	17027
Sep'12	22.85	18.75	22.50	18.40	18870	17251
Oct'12	25.95	21.40	26.40	21.40	19137	18393
Nov'12	27.20	22.05	28.55	22.25	19373	18256
Dec'12	27.60	23.75	27.60	23.65	19612	19149
Jan'13	25.75	23.50	25.35	23.50	20204	19509
Feb'13	27.80	22.00	27.75	21.55	19967	18794
Mar'13	26.45	22.55	26.50	22.50	19755	18568



**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 in all respects.

Total number of physical shares transferred during FY 2012-13 :

Transfer period	No. of transferees (Folios)	No. of shares	Percentage
1-10 days	17	166875	100%
Above 10 days	-	-	-
<b>Total</b>	<b>17</b>	<b>166875</b>	<b>100%</b>

Details of complaints received and resolved from 1<sup>st</sup> April, 2012 to 31<sup>st</sup> March, 2013 :

Complaints	Received	Attended to	Pending
Non-receipt of dividend	52	52	0
Non-receipt of Annual Report	4	4	0
Complaints received from SEBI	3	3	0
Complaints received from stock exchanges	0	0	0
<b>Total</b>	<b>59</b>	<b>59</b>	<b>0</b>

**8. Distribution of shareholding****(a) Distribution Schedule**

Range of equity shares held	As on 31 <sup>st</sup> March, 2013				As on 31 <sup>st</sup> March, 2012			
	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	33277	76.91	5710137	5.43	37926	76.12	6634915	6.31
501-1000	4992	11.54	4368283	4.15	5870	11.78	5104549	4.85
1001-5000	3803	8.79	9008634	8.57	4682	9.40	11008304	10.47
5001-10000	569	1.32	4281383	4.07	667	1.34	5041610	4.79
Over 10001	621	1.44	81790869	77.78	680	1.36	77369928	73.58
<b>Total</b>	<b>43262</b>	<b>100.00</b>	<b>105159306</b>	<b>100.00</b>	<b>49825</b>	<b>100.00</b>	<b>105159306</b>	<b>100.00</b>

**(b) Shareholding Pattern**

Category	As on 31 <sup>st</sup> March, 2013				As on 31 <sup>st</sup> March, 2012			
	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	20	0.04	34486501	32.79	19	0.04	39786487	37.83
Bodies Corporate	704	1.63	9248875	8.80	902	1.81	10543002	10.03
FII's / NRIs	445	1.03	5613897	5.34	514	1.03	6397036	6.08
FIIs / Mutual Funds / Banks	4	0.01	363490	0.35	6	0.01	638558	0.61
Trusts	6	0.01	1719625	1.64	4	0.01	11250	0.01
Clearing Members	43	0.10	52864	0.05	87	0.17	384307	0.37
Public	42040	97.18	53674054	51.03	48293	96.93	47398666	45.07
<b>Total</b>	<b>43262</b>	<b>100.00</b>	<b>105159306</b>	<b>100.00</b>	<b>49825</b>	<b>100.00</b>	<b>105159306</b>	<b>100.00</b>

**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 :

Particulars	As on 31 <sup>st</sup> March, 2013		As on 31 <sup>st</sup> March, 2012	
	No. of Shares	% of holding	No. of Shares	% of holding
Physical	3543135	3.37	4101410	3.90
Electronic	101616171	96.63	101057896	96.10
<b>Total</b>	<b>105159306</b>	<b>100.00</b>	<b>105159306</b>	<b>100.00</b>

Number of Shares dematerialized during FY 2012-13 : 558275 Shares.

Number of Shares rematerialized during FY 2012-13 : NIL.

**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 31<sup>st</sup> March, 2013 : 2026

**11. Tentative financial calendar for FY 2013-14**

Financial results for the first quarter ended 30 <sup>th</sup> June, 2013	August, 2013
Financial results for the second quarter ended 30 <sup>th</sup> September, 2013	Nov, 2013
Financial results for the third quarter ended 31 <sup>st</sup> December, 2013	Feb, 2014
Financial results for the financial year ended 31 <sup>st</sup> March, 2014	May, 2014
Annual General Meeting for the year ending 31 <sup>st</sup> March, 2014	August, 2014

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

Company Secretary  
Sonata Software Ltd.  
APS Trust Building, Bull Temple Road  
N R Colony, Bangalore - 560 019, India  
Tel : (080) 30972408 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: APS Trust Building, Bull Temple Road, N.R.Colony, Bangalore - 560 019

### NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Eighteenth Annual General Meeting of the members of SONATA SOFTWARE LIMITED will be held on Tuesday, the 6<sup>th</sup> August, 2013 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 31<sup>st</sup> March, 2013 and the Statement of Profit and Loss 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 31<sup>st</sup> March, 2013.
3. To appoint a Director in place of **Mr. B K Syngal**, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of **Mr. M D Dalal**, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration. **M/s. Deloitte, Haskins & Sells**, Chartered Accountants, the retiring Auditors are eligible for re-appointment.

### SPECIAL BUSINESS:

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

**"RESOLVED THAT** in continuation of the earlier resolution approved by the members of the Company at the Annual General Meeting held on 10<sup>th</sup> June, 2008 and pursuant to Section 309(4) of the Companies Act, 1956 and Article 122 of the Articles of Association of the Company and subject to the limits stipulated in Section 309(4) of the Companies Act, 1956, the Company be and is hereby authorised to pay remuneration by way of commission or otherwise to any one or more or all of the Non-Executive Directors (other than Executive Vice Chairman and Managing Director and CEO) in such amounts or proportions and in such manner as may be decided by the Board of Directors of the Company from time to time, for a further period of five years commencing from 1<sup>st</sup> April, 2013, and that such commission cumulatively shall not exceed 1% of the net profits of the Company, as computed under Section 198 of the Companies Act, 1956 in any financial year."

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

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

Date : 30<sup>th</sup> May, 2013  
Place : Mumbai

**Priya Manoj Jaswani**  
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 30<sup>th</sup> July, 2013 to 6<sup>th</sup> August, 2013 (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 29<sup>th</sup> July, 2013. The dividend in respect of shares held in the electronic form will be payable to the beneficial owners of the shares as on 29<sup>th</sup> July, 2013 as per details furnished by the Depositories for this purpose.
4. A brief resume of the directors proposed to be appointed/re-appointed/ratified vide Ordinary Business Nos. 3 & 4 in the Notice are as follows :

**Mr B K Syngal (72)**, is a non-executive Independent Director of Sonata. He holds a B.Tech (Hons.) and M.Tech Degree from IIT Kharagpur, India and is further qualified as a C.Eng (UK), M.I.E.E. (UK), Sr.M.I.E.E.E. (USA) and F.I.E.T.E. (India). Mr. Syngal is currently working as Senior Principal at Dua Consulting. Prior to this, he has worked as Vice Chariman of BPL Communications Limited, Chairman, Reliance Telecom, Chairman & MD, VSNL, etc. Mr. Syngal's contribution to the telecom sector is tremendous and he is recognized as the father of the Internet and data services in India. Mr. Syngal is the recipient of a large number of awards in recognition of his outstanding contribution in the field of telecommunications. Currently he is also a Director of Sonata Information Technology Limited and Siti Cable Network Ltd. He is Chairman of the Audit Committee of Sonata Software Ltd, Siti Cable Network Ltd and Sonata Information Technology Limited. He is also a member of the Remuneration Committee of Sonata Software Ltd. He does not hold any shares in Sonata.

**Mr. M D Dalal (56)** is the Executive Vice Chairman of Sonata. He holds a Bachelor's Degree in Chemical Engineering from Salford University, UK and Master of Science Degree in Chemical Engineering from the Massachusetts Institute of Technology, USA. He is one of the first Directors of Sonata named in the Articles. He is also a Director in the following public company viz Futura Polyesters Ltd (Joint Managing Director). He is a member of the Investors' Grievance Committees of Sonata Software Ltd and Futura Polyesters Ltd. His shareholding in Sonata is 12,94,600 shares (1.23%).

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.

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

**ITEM NO.6**

At the Annual General Meeting held on 10<sup>th</sup> June, 2008, the members had approved payment of commission to non-executive directors at 1% of the net profits of the Company for a period of five years commencing from 1<sup>st</sup> April, 2008. Since the above approval was upto 31<sup>st</sup> March, 2013, it is proposed to renew the same for a further period of 5 years.

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

The Board recommends the Resolution for your approval.

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

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

Date : 30<sup>th</sup> May, 2013  
Place : Mumbai

**Priya Manoj Jaswani**  
Company Secretary

## 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 EIGHTEENTH ANNUAL GENERAL MEETING of the Company to be held on 6<sup>th</sup> August, 2013 and at any adjournment(s) thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2013

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 EIGHTEENTH ANNUAL GENERAL MEETING of the Company on 6<sup>th</sup> August, 2013 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

P Srikar Reddy  
Managing Director & CEO

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  
P Srikar Reddy  
M D Dalal

REMUNERATION COMMITTEE  
S N Talwar, Chairman  
S B Ghia  
B K Syngal  
Viren Raheja

**SOLICITORS**

M/s Talwar, Thakore & Associates  
M/s Dua & Associates  
Mr William E Horwich  
M/s Fladgate Fielder

**AUDITORS**

M/s Deloitte Haskins & Sells

**COMPANY SECRETARY**

Priya Manoj Jaswani

**INVESTOR QUERIES**

investor@sonata-software.com

**WEBSITE**

www.sonata-software.com

**BANKERS**

Standard Chartered Bank  
Axis Bank  
ING Vysya  
Bank of America  
HSBC  
State Bank of India  
BNP Paribas

**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  
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

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, I Floor, Ali Towers, No. 55,  
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Opp. Hyderabad Public School,  
Hyderabad - 500 016, India  
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Tel: 91-11-2693 2411/19, Fax: 91-11-2693 2420  
Email: sitl@sonata-software.com

127/1, Flat No. 2, Above Vidya Sahakari Bank,  
Next to Hotel Sarjaa, Sanewadi,  
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Tel: 91-20-2588 7045, Fax: 91-20-2588 3406  
Email: sitl@sonata-software.com

15446, Bel-Red Road, Suite 401,  
Redmond W A 98052, USA  
Tel: 425-702-9333, Fax: 425-484-7799  
Email: info-usnw@sonata-software.com

2002 Summit Blvd, Suite 300,  
Atlanta, GA 30319, USA  
Tel: 404-566-4730, Fax: 510-791-7270  
Email: info-usse@sonata-software.com

Crystal Tower, 24<sup>th</sup> floor, Orlyplein 10,  
1043 DP Amsterdam, P.O. Box 58176  
1040 HD Amsterdam  
Tel: 020-577-3530, Fax: 020-577-3539  
Email: info@sonata-software.com

275 Grove Street, Suite 2-400,  
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Email: info-usne@sonata-software.com

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PO. Box - 256, Blackburn  
Victoria - 3130  
Australia, Tel: 006-139-894-2500

1, North Bridge Road, # 19-04/05,  
High Street Center, Singapore - 179 094  
Tel: 65-633-724-72, Fax: 65-633-740-70  
Email: info@sonata-software.com

103 Carnegie Center, Suite 300,  
Princeton, NJ 08540, USA  
Tel: 609-919-6325  
Email: info-useast@sonata-software.com

1901 North Roselle Road, Suite 800  
Schaumburg, IL 60195, USA  
Tel: 847-517-6310, Fax: 847-517-6313  
Email: info-uscentral@sonata-software.com

**SUBSIDIARY COMPANIES****Sonata Information Technology Limited**

208, T. V. Industrial Estate,  
S.K.Ahira Marg, Worli, Mumbai - 400 030  
Tel: 91-22-2494 3055, Fax: 91-22-2493 6973  
Email: sitl@sonata-software.com  
Auditors: Deloitte Haskins & Sells

**Sonata Technology Solutions India Limited**

APS Trust Building  
Bull Temple Road,  
NR Colony,  
Bangalore - 560019, India  
Tel: 91-80-3097 1999, Fax: 91-80-2661 0972  
Auditors: N M Rajji & Co

**Sonata Software North America Inc.**

39300 Civic Center Drive, Suite 270,  
Fremont, CA 94538, USA  
Tel: 510-791-7220, Fax: 510-791-7270  
Email: info-uswest@sonata-software.com  
Auditors: Wilson Markle Stuckey Hardesty & Bott

**Sonata Software GmbH**

BCM Buero-Center an der Messe GmbH,  
Beethovenstrasse, 8-10,  
60325, Frankfurt am Main, Germany  
Tel: 49-69-975-545-37, Fax: 49-69-975-541-00  
Email: info-germany@sonata-software.com  
Auditors: O&R Oppenhoff & Radier AG

**Sonata Europe Ltd.**

5, Churchill Court,  
58, Station Road, North Harrow,  
Middlesex HA2 7SA  
Tel: 44-20-8863 8833, Fax: 44-20-8863 5533  
Email: info-uk@sonata-software.com  
Auditors: Lubbock Fine

**Sonata Software FZ-LLC**

Office # 2117, 21<sup>st</sup> Floor,  
Shatha Tower No. 1  
PO Box : 502818 Dubai Internet City,  
Dubai, United Arab Emirates  
Tel: 971-4-375 4355, Fax: 971-4-424 0132  
Email: info-me@sonata-software.com  
Auditors: Russell Bedford (Dubai) Limited

**Sonata Software (Qatar) LLC**

Office # 112-113,  
Regus Building - 1<sup>st</sup> Floor,  
D Ring Road, P O Box 32522  
Doha - Qatar  
Tel: 974-4423-1315, Fax: 974-4423-11-00  
Email: info-qatar@sonata-software.com  
Auditors: Russell Bedford (Dubai) Limited



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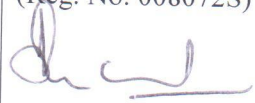
**Sonata Software Limited**

APS Trust Building  
Bull Temple Road, N. R. Colony  
Bangalore - 560 019, India

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

[www.sonata-software.com](http://www.sonata-software.com)

# FORM A

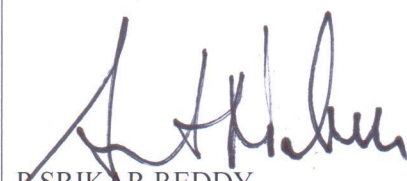


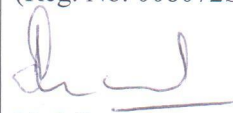
1	Name of the Company	Sonata Software Limited
2	Annual standalone financial statements for the year ended	March 31, 2013
3	Type of Audit observation	Un-qualified/ <del>Matter of Emphasis</del>
4	Frequency of observation	Not Applicable
5	To be signed by –  CEO/ Managing Director	 P SRIKAR REDDY
	Audit Committee Chairman	 B K SYNGAL
	CFO	 VENKATRAMAN NARAYANAN
	Auditor of the Company	Refer to our Audit Report dated May 30, 2013 on the standalone financial statements of the Company  For Deloitte Haskins & Sells Chartered Accountants (Reg. No. 008072S)  V. Srikumar Partner (M. No. :84494)

Place : Bangalore

Date : 16<sup>th</sup> July, 2013



# FORM A

1	Name of the Company	Sonata Software Limited
2	Annual consolidated financial statements for the year ended	March 31, 2013
3	Type of Audit observation	Un-qualified/ <del>Matter of Emphasis</del>
4	Frequency of observation	Not Applicable
5	To be signed by –  CEO/ Managing Director	 P SRIKAR REDDY
	Audit Committee Chairman	 B K SYNGAL
	CFO	 VENKATRAMAN NARAYANAN
	Auditor of the Company	Refer to our Audit Report dated May 30, 2013 on the consolidated financial statements of the Company  For Deloitte Haskins & Sells Chartered Accountants (Reg. No. 008072S)  V. Srikumar Partner (M. No. :84494)

Place : Bangalore

Date : 16<sup>th</sup> July, 2013