



Sonata Software Limited Conference Call FY2011 (Q2)

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PRESENTATION

Shuba - Moderator

Good morning ladies and gentlemen. I am Shuba, the moderator for this conference. Welcome to the conference call of Sonata Software Limited. Mr. B. Ramaswamy will be your host for today. For the duration of the presentation, all participant lines will be in the listen-only mode. After the presentation, the question and answer session will be conducted for the participants in the conference. Now I hand over the floor to Mr. B. Ramaswamy, thank you and over to you Mr. Ramaswamy.

**B. Ramaswamy - President and Managing Director -
Sonata Software Limited**

Thank you Shuba. This is Ramaswamy. Good morning everybody and welcome to the results call. I have with me around the table Srikar who is the Executive Vice President, Director and COO, Venkat who is the Head of Strategic Finance and Risk Management, Sathya who is the Head of Finance, Praveen who is the Company Secretary and Swati, who is the Head of Corporate Marketing and Communications.

Let us begin by giving you an update on the quarter's performance. This has been a very strong quarter. International Services, which contribute 70% of the profit, grew 19% year-on-year and 7% sequentially in terms of constant currency. In spite of increase in cost on account of salary revisions, the operating margins were maintained at 27%. In fact it grew 15% year-on-year and 17% sequentially. The consolidated profit of Rs.25 crores grew 57% sequentially and 17% year-on-year. This strong growth has resulted in a consolidated cash reserve of Rs.156 crores up from Rs.72 crores same period last year and up from Rs.107 crores end of June.

In terms of geographies, it has been pretty stable as it was in the last quarter, 56% of International Services revenues came from US, 36% from Europe and 7% from rest of the world, mainly Middle East. In terms of business segments, Travel contributed to 33% of our revenues, IT Software Product Development companies contributed 38% and Enterprise clients contributed 28%. Now I will hand over to Srikar who will give an overview of TUI InfoTec as well as SITL domestic operations.

**Srikar Reddy - Executive Vice President, Director
and COO - Sonata Software Limited**

Good morning everybody. I will give you a brief update on TUI InfoTec and our business in India. TUI InfoTec business as you all know has three parts, one is the TUI Group's internal business, business from the DAK market, that is the German-speaking market, and the third is to leverage the IP and solutions and domain expertise, which TUI InfoTec has for the worldwide Travel and Tourism market.

In the TUI business, most of the cost reduction possible is already done though there could be a bit more left in material cost through better price negotiations with suppliers. The TUI business we expect going forward to remain flat or marginally drop as they do further business consolidation and buy certain infrastructure items like communication links and desktop directly from suppliers. The German market overall had been sluggish in the last few quarters. We now see a more positive economic situation and an appetite from customers to invest. It is heartening to notice that offshoring as a concept is becoming more acceptable



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and certain opportunities are emerging but these all have a long lead-time.

There is lot of traction around TUI InfoTec IP and Solutions and I have got some very interesting opportunities worldwide especially in the Asia and Middle East markets. As far as the domestic business goes, we continue our focus on moving to a more value added business model with greater focus on services, which is mainly driven by the alliances we have with SAP, Oracle, Microsoft, and IBM. We have some good wins in both Oracle and SAP implementations in the last quarter and now we are becoming critical partner for both in India. We also have seen good projects wins in the Government sector and in the Enterprise space for our E-commerce collaboration and Testing services offerings. I will now hand over to Venkat to take you through the financials in greater detail. Thank you.

N Venkatraman - Head of Strategic Finance and Risk Management - Sonata Software Limited

Thank you Srikar. Hi, this is Venkat. I will now take you through the financials. We have hosted our financial presentation on the website, it is available there and I will take you through that. Our business has actually three business lines; one is the software export business, which is essentially comprised of Sonata Software and its subsidiaries in America, Europe and Middle East. All of these we collectively refer to as International Services. The second engine is the domestic products and services, which Srikar briefly covered and is done through 100% subsidiary in India called Sonata Information Technology Limited. The third is our joint venture in Germany in which we hold 50.1% with TUI AG.

Now I will take you through consolidated financials of the entire business that is all three of them put together. PAT for the quarter was Rs.25 crores. This was our highest quarterly PAT for the company ever and largely has shown a growth of 17% on a year-over-year basis and 37% growth on a sequential basis. In addition to the improved operational and business fundamentals in the business, we have had good movements on the exchange rate front which also contributed to this upside. Consolidated revenues were Rs.391 crores which was 13% year-over-year growth and a 17% sequential growth. On the EPS front again healthy annualized EPS of Rs.9.53, which is a 17% growth on a year-over-year basis.

We ended the quarter as Mr. Ramaswamy mentioned of net cash and liquid investments of approximately Rs.156 crores. A large part of this Rs.63 crores was held in the International Services business, domestic business holds about Rs.11 crores and TUI about Rs.82 crores. In our domestic business, we have some short-term working capital borrowing of about Rs.45 crores which is essential for running that business. Return on net worth and capital employed on a consolidated basis was 26% and 25% respectively. On the manpower front, we ended the quarter with 2902

employees, which is an increase of 67 over the immediately preceding quarter. On the dividend side we have declared an interim dividend of Rs.1 per share and that is part of the press release that has been released post the board meeting.

Now coming to the highlights of our first business, which is the International Services business. For the quarter, International Services contributed 19% of our consolidated revenues whereas it contributes to 69% of the PAT. So it is a most critical element in the profit of the consolidated hold.

The revenue for the quarter was Rs.75 crores versus Rs.67 crores, showing a growth of 12% on a year-over-year basis and 7% on a quarter-over-quarter. In constant currency year-over-year growth was 19% and sequentially it was 7%. Operating margins, again as Mr. Ramaswamy covered, stood at Rs.20 crores versus Rs.17 crores in the year before, showing a growth of 15% year over year and 17% sequentially. PAT for business was about Rs.17.3 crores, this has grown by 10% on a year-over-year basis and 22% sequentially.

The day sales outstanding that is the receivable's count was 87 days compared to 84 days in the previous quarter, so that is sure on a steady state. The good news is that we have added about 9 new clients during the quarter and the other real operational matrix, which is employee utilization, was at a high of 80% this is compared to 77% of the immediate preceding quarter. Overall improvement of the business environment, improved volumes and utilization and as I have explained earlier favorable foreign exchange rates on consolidation improved performance in terms of profitability. In this business our headcount was 2315 compared to 2247 in the immediate preceding quarter, which is about 68 net additions.

On the domestic Products and Services business, which Srikar briefly covered, the constant focus is to improve profitability and at the same time ensure that we are working on the verticals that he talked about. For this quarter, this business contributed about 48% of our consolidated revenues and 11% of the consolidated profits. Revenue in this business was Rs.189 crores which showed a growth of 61% year-over-year and a sequential growth of 39%. This was largely contributed because of the quarter end sale, which is typical in the resale business.

PAT for the quarter was Rs.2.82 crores, which showed a growth on a year-over-year basis of 106% and sequential growth of 5%. This business is all about working capital management and maintaining healthy returns on the capital that we have employed in that business. For the quarter the DSO was 97 days; return on capital employed was 16% and return on networth was 28%, both of which were ahead of cost of capital. On the DSO front, it was slightly higher on account of high quarter end sale that I have mentioned earlier. In this business we ended the quarter with a headcount of 140 people.



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Now I will come to the joint venture TUI InfoTec, which is our joint venture with TUI AG in Germany. We hold 50.1% share in the joint venture, which was acquired by Sonata in 2006 for about 18 million Euros. Our International Services business, which I have talked about earlier, does offshore work for the JV. We have just eliminated these intersegmental, intercompany transfers when I am making this presentation. TUI InfoTec had revenues of Rs.127 crores for the quarter. This was flat on a sequential basis. There is a drop of 22% on a year-over-year basis. The drop was primarily on account of volume reduction, which Srikar alluded to earlier and also the overall continued softness in the European region and more so the Travel business within that region. Cost reduction is a continued process in that business.

Operating margins for the quarter was Rs.17.2 crores showing a sequential growth of 16% and our share of PAT for the quarter, post adjustment of translation gains, intersegment adjustments for International Services etc., in the JV was Rs.4.91 crores compared to Rs.4.3 crores in the same quarter last year and Rs. 1.38 crores in the immediately preceding quarter, which is actually a growth of 14% on a year-over-year basis and 257% on a quarter-over-quarter basis. At TUI InfoTec we have ended the quarter with a headcount of 447 people compared to 444 in the previous quarter.

With that I come to the end of my financial update for the quarter. Thank you for hearing me out and what we will now open call for questions.

Shuba - Moderator

Thank you sir. We will now begin the question and answer interactive session for all the participants connected to this call. Participants who wish to ask questions may please press “*” “1” on their touchtone enabled telephone keypad. On pressing “*” “1” participants will get a chance to present their questions on a first-in-line basis. To ask a question please press “*” “1” now. First question comes from Mr. Abhishek Samsan from Kolkata. Mr. Samsan you may please ask your question now.

Abhishek Samsan - Microsafe Capital –Kolkata

Good morning sir. This is Abhishek Samsan from Microsafe Capital. I just want to know about your domestic products and services business which you grew almost by 39% quarter-on-quarter, so any kind of specific trend you are seeing in this business line because this is what I know is a very depressed business if you compare other peers of yours, so what have you done differently this quarter or what is your strategy going forward?

Srikar Reddy - Executive Vice President, Director and COO - Sonata Software Limited

This is Srikar. The products business is really based upon certain contracts we obtain in different parts of the year, so I would not say that this is the trend, also it could depend on some large contracts which customer sign.

Abhishek Samsan - Microsafe Capital -Kolkata

Okay means it is one of kind of thing?

Srikar Reddy - Executive Vice President, Director and COO - Sonata Software Limited

No, these are licensed volume contracts, which get refreshed once a year, so it depends really on which time of the year, these contracts come up for renewal.

Abhishek Samsan - Microsafe Capital -Kolkata

Thanks.

Shuba - Moderator

Thank you sir. Participants who wish to ask further questions may please press “*” “1”. The next question comes from Mr. Manish Shah from Mumbai. Mr. Shah you may please ask your question now.

Manish Shah – Antique Stock Broking – Mumbai

Sir, congratulations for a good set of numbers. What I would like to know is that since the cash balance is increasing and as it is reported to be around Rs.156 crores on a consolidated basis, so what do you propose to do with the cash balance?

B. Ramaswamy - President and Managing Director - Sonata Software Limited

Immediately we have declared about 100% dividend.

Manish Shah – Antique Stock Broking – Mumbai

But that will absorb only Rs.10 crores I suppose.

B. Ramaswamy - President and Managing Director - Sonata Software Limited

So I am just saying that. Like any other mid-sized company, we are also looking very aggressively on



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acquisitions. As you know we have done one four years ago at 18 million euros, so to that extent I do not think we are only talking and not doing anything, but at the same time, we do not want to rush into anything that is available at any point in time, we need to evaluate the strategic risks and strategic fit of each one of these candidates. The cash position that we have gives us that kind of strength and the optimism to look at transactions of a substantial nature.

Manish Shah – Antique Stock Broking – Mumbai

Considering our size and the strong cash flow generation that we are having quarter-on-quarter so would you not like to distribute or reward the shareholders, something like onetime special dividend?

B. Ramaswamy - President and Managing Director - Sonata Software Limited

We could consider that only when we as management feel that the cash will not be utilized very fruitfully and we therefore should give it back to the investors so that they can invest in companies or other companies where they would get a better return on capital kind of thing. But we believe that we have a very good capital return on capital employed and return on net worth as of now and we feel that going forward this cash will be very helpful in bumping up the growth rate of the company and thereby the return on capital employed will be further enhanced. So as long as we have that optimism, I do not think we or the board will be considering the other option, which you are rightly saying from investor's point of view as an option.

Manish Shah – Antique Stock Broking – Mumbai

Correct. Sir just one more question there have been reports in the media about change of ownership, so would you like to clarify anything on that?

B. Ramaswamy - President and Managing Director - Sonata Software Limited

So far it is only about change of ownership.

Manish Shah – Antique Stock Broking – Mumbai

Yes change of ownership, which is why I corrected myself, I am very happy with the present management, I would not even like it to be changed so what I mean is change of ownership. So is it a rumor or is there any truth in it? Would you like to throw some light on it?

B. Ramaswamy - President and Managing Director - Sonata Software Limited

Manish. There have been incessant reports in the last four months in leading daily and business papers.

Manish Shah – Antique Stock Broking – Mumbai

Yes it is being flashed on CNBC as well.

B. Ramaswamy - President and Managing Director - Sonata Software Limited

Yes, electronic media and the coverage is getting stronger and bolder. As you know this is purely a shareholder issue, nothing to do with the company. Such a thing could happen when a company is starved of cash or they cannot grow or there are huge problems etc., so all this is not true in case of Sonata at least.

Manish Shah – Antique Stock Broking – Mumbai

Correct, very true.

B. Ramaswamy - President and Managing Director - Sonata Software Limited

It is purely a shareholder issue and the promoters have denied any of the names and reports that have been appearing over the last four months. Their denial has been sent to the stock exchanges and also to the media, but media has not published it, that is all. But, the ones which have been sent to the stock exchanges have been published on the respective websites.

Manish Shah – Antique Stock Broking – Mumbai

Right sir. Thank you very much and all the best.

B. Ramaswamy - President and Managing Director - Sonata Software Limited

Thank you Manish.

Shuba - Moderator

Thank you Mr. Shah. Next question comes from Mr. Deepan Kapadia from Mumbai. Mr. Kapadia you may please ask your question now.

Deepan Kapadia – PUG Securities - Mumbai

Sir the question has already been asked and I wanted you to throw some light on promoters selling stake, do we see that happening or not?



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B. Ramaswamy - President and Managing Director - Sonata Software Limited

I just answered that question.

Deepan Kapadia – PUG Securities - Mumbai

That is what I said you just answered the question. Thank you.

B. Ramaswamy - President and Managing Director - Sonata Software Limited

Thank you

Shuba - Moderator

Thank you, Mr. Kapadia. Participants who wish to ask further questions may please press “*” “1”. The next question comes from Mr. Vinay Bhandari from Mumbai. Mr. Bhandari you may please ask your question now.

Vinay Bhandari – Enam Securities – Mumbai

Good set of numbers. Just two questions, what traction are we looking at European markets now, how is it shaping up and second how about our partnership or JV rather, I would say, with TUI because I think the contract is due for renegotiation in FY11?

Srikar Reddy - Executive Vice President, Director and COO - Sonata Software Limited

Let me answer the second question first. As per the JV, the revenue guarantee ends by end of 2011, but we see that we are continuing to do very critical work for the TUI Group. As long as that work is required by the company, we will continue to do it. As I had mentioned in my earlier statement, we may see a marginal drop in some revenues because of consolidation or some other direct purchases of raw materials by the end customer, but TUI InfoTec continues to be a very critical supplier to the TUI Group and we see that business to continue.

Vinay Bhandari – Enam Securities – Mumbai

What sort of traction are we seeing in European markets now? Are contracts coming in or they are kept on hold or something like that? I just wanted to understand whether there are any improvements in those markets related to your segment?

Srikar Reddy - Executive Vice President, Director and COO - Sonata Software Limited

I will answer on the German-speaking market, which is what the TUI Group focuses on, when we ventured. As I said I think the last two to three years because of the economic crisis and so on and so forth, there was slowness in the market. Now I think as you will see the reports, Germany is possibly the only country in Europe, who is actually doing well and they expect it to continue to do better. So, based on that, we now see interest from customers to start making investments. Also very heartening to see that offshoring which was a very, very dirty word in these markets for the last many years, customers are open to it, but the decision-making cycles in these markets and countries are very, very slow, they are very conservative, so they will take time to go forward, but when they do go forward then they will invest in a big way.

Vinay Bhandari – Enam Securities – Mumbai

Thanks.

B. Ramaswamy – President & Managing Director – Sonata Software Limited

If I may add to what Srikar has said, may be these are not large enough number of cases, but what we have seen in one or two cases is that they are retaining services of people who can help them in deciding their offshoring strategy and they have very specifically said they want tier II vendors. So that is very heartening to note and I hope that this is going to be the trend in future. There is a good logic for doing so and that is the trend.

Vinay Bhandari – Enam Securities – Mumbai

Thanks sir, all the best.

B. Ramaswamy – President & Managing Director – Sonata Software Limited

Thank you.

Shuba - Moderator

Thank you, Mr. Bhandari. The next question comes from Mr. Jigar Walia from Mumbai. Mr. Walia, you may please ask your question now.

Jigar Walia – Om Stock Brokers - Mumbai

Good morning to everyone and congratulations as well.



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B. Ramaswamy – President & Managing Director – Sonata Software Limited

Thank you Jigar. Nice to talk to you.

Jigar Walia – Om Stock Brokers - Mumbai

Sir, I will continue with TUI first. How much have we done for TUI (overall in terms of over the years) from contracted amount versus something that you have already completed?

B. Ramaswamy – President & Managing Director – Sonata Software Limited

I would be able to give the precise numbers, but first two years, the shortfall was minimal, the third year, there was bit of a shortfall of about 10% or something, and that would be the case so far in the nine months, here also, maybe a little more.

Jigar Walia – Om Stock Brokers - Mumbai

So in that case, much of it would come on the fifth year

B. Ramaswamy – President & Managing Director – Sonata Software Limited

No, this is each year's shortfall. It is not kind of carry over or whatever.

Jigar Walia – Om Stock Brokers - Mumbai

There is no carry forward on that? And how is that we get compensated on this?

B. Ramaswamy – President & Managing Director – Sonata Software Limited

There is compensation, we have to see it.

Jigar Walia – Om Stock Brokers - Mumbai

So over the years, whatever is the shortfall, the compensation gets accounted on the sales as revenues, and that straightaway comes to the bottom line?

B. Ramaswamy – President & Managing Director – Sonata Software Limited

No. The compensation was given to the shareholder, capital reduction. It is not going to the bottomline.

Jigar Walia – Om Stock Brokers - Mumbai

Okay. Capital reduction means? It is just that cost of our investment goes down?

B. Ramaswamy – President & Managing Director – Sonata Software Limited

Yes, cost of our investment goes down. It is not reflected in the bottom line.

Jigar Walia – Om Stock Brokers - Mumbai

Going ahead post 2011, is it that Sonata can directly get business from TUI Group and can succumb with TUI InfoTec or it has to be through the InfoTec?

B. Ramaswamy – President & Managing Director – Sonata Software Limited

All the principles of the agreement remain the same except the revenue commitment.

Jigar Walia – Om Stock Brokers - Mumbai

And sir, if you can throw some idea in terms of, is there any development on non-TUI front and how is that shaping up?

B. Ramaswamy – President & Managing Director – Sonata Software Limited

I think past couple of quarters you have not been there. We have got one major breakthrough in terms of our five-year contract with a automotive ancillary company, which runs these retail shops to change tyres, batteries, etc., some 1600 outlets, so their entire IT infrastructure is being operated by TUI InfoTec, that is the first major five-year deal that we have got. Apart from that, we have had small projects from very big companies and in the hope that we need to scale it up, because they are taking very tentative and baby steps in terms of trying out offshore.

Jigar Walia – Om Stock Brokers - Mumbai

Sir, would this be enough to compensate for the marginal drop in revenues that we are anticipating post 2011 from TUI Group?

B. Ramaswamy – President & Managing Director – Sonata Software Limited

No not enough. I think we need to aggressively look at going to the external market to compensate the drop.



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Jigar Walia – Om Stock Brokers - Mumbai

Sir, as far as our standalone software business is concerned that is largely in US, but do we do anything in Europe?

B. Ramaswamy – President & Managing Director – Sonata Software Limited

Of course, we do in UK and other countries directly other than the DAKs. In Netherlands, we have opened an office. I think we have announced that recently.

Jigar Walia – Om Stock Brokers - Mumbai

Of synergies have we been able to demonstrate leveraging our Travel domain skills for your standalone?

B. Ramaswamy – President & Managing Director – Sonata Software Limited

Sure, that is happening in rest of Europe apart from DAKs as well as in the Middle East, and even in the US.

Jigar Walia – Om Stock Brokers - Mumbai

Sir, the other question what I wanted to know is, how are we holding our cash, is it in which entities are we holding and how have we deployed it?

B. Ramaswamy – President & Managing Director – Sonata Software Limited

I will let Venkat and Sathya handle that.

N Venkatraman - Head of Strategic Finance and Risk Management - Sonata Software Limited

Basically, we are holding cash in Sonata Software Limited as well as SITL. SSL cash holding is about Rs.67 crores that includes Rs.28 crores given as ICD to SITL. These have been verified by our auditors. SITL is Rs.10.7 crores.

Jigar Walia – Om Stock Brokers - Mumbai

Okay, so these would have been deployed in the respective currencies?

B. Ramaswamy – President & Managing Director – Sonata Software Limited

Yes, whatever is in Sonata Europe is in Euros.

Jigar Walia – Om Stock Brokers - Mumbai

Okay. My last question would be in terms of our M&A targets, what is it and what space and what size are we looking at ?

B. Ramaswamy – President & Managing Director – Sonata Software Limited

We are looking at beefing up our existing segments, that is Travel, ERP, Business Intelligence, Cloud, Mobility, Infrastructure Management, so these are the areas that we want to focus on in terms of a strategic fit.

Jigar Walia – Om Stock Brokers - Mumbai

Infrastructure Management again would be purely the management and lesser capital intensive?

B. Ramaswamy – President & Managing Director – Sonata Software Limited

Remote management and not Datacentres.

Jigar Walia – Om Stock Brokers - Mumbai

Sir, what do you mean by Mobility?

B. Ramaswamy – President & Managing Director – Sonata Software Limited

Today, increasingly people are saying that even the enterprises want to make sure that their IT infrastructure is completely enabled to hand-held devices, which are available in many forms, it could be Blackberry, it could be i-pad, it could be i-phone or cell phone etc. So, you should not only be able to transact in a very secured environment, but also have information at your finger tips through these devices when people are mobile. So various processes are being looked at by large companies. Those are the areas that are really being looked at in terms of investments by enterprises. We are not looking at the consumer side of the mobility, not developing apps for apple i-store, though we have done one such project just to gain competency in that area.



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Jigar Walia – Om Stock Brokers - Mumbai

But, are there many opportunities in terms of M&A in this particular space and would it be very ROE business?

B. Ramaswamy – President & Managing Director – Sonata Software Limited

Very few, because this is an emerging area and not many people have competencies and we have to look hard to get those competencies.

Jigar Walia – Om Stock Brokers - Mumbai

Would this be also scalable enough or it would remain as a small business generally?

B. Ramaswamy – President & Managing Director – Sonata Software Limited

See, it would be scalable to the extent that we will have a very highly differentiated offering for the enterprises. Once you do that, I think that is the good entry point and if you have the ability to mine customers like we have in the last five years that can be a very, very good way forward as far as scaling of enterprise clients is concerned.

Jigar Walia – Om Stock Brokers - Mumbai

Sir, within ERP what exactly would you be looking at?

B. Ramaswamy – President & Managing Director – Sonata Software Limited

Today we have alliances with SAP, Oracle as well as Microsoft Dynamics in India. We have extended the SAP relationship to Germany in terms of hosting in Hanover, so we will be looking at any one of these, because we are now more or less platform agnostic.

Jigar Walia – Om Stock Brokers - Mumbai

Okay, so this would be more focused on implementation?

B. Ramaswamy – President & Managing Director – Sonata Software Limited

Yes, I think what we have to do in ERP is two things, one is we need to get the high end consulting capability which is local, second, I think we need to get some vertical focus there, and that is one way of driving or adding one or two new verticals on to our portfolio.

The ERP could be the route to establishing new verticals.

Jigar Walia – Om Stock Brokers - Mumbai

Sir, in terms of geography and size, if you can give some flavor, would it also include South East Asia or other regions, as far as acquisition is concerned?

B. Ramaswamy – President & Managing Director – Sonata Software Limited

No, it will be in the main markets. We do not want to go and acquire something in Japan and do something else in the US, so we will wait for an acquisition in other territories before we can consolidate and there is more work to do in our existing geographies. So it will be in the US, Europe, or Middle East (if something is very, very attractive there).

Jigar Walia – Om Stock Brokers - Mumbai

For each of these, how would we be comfortable in terms of integration or will it be each business growing on its own?

B. Ramaswamy – President & Managing Director – Sonata Software Limited

It will depend on the kind of target that we are talking about and I would envisage that more or less it will get integrated to our existing solutions and offerings.

Jigar Walia – Om Stock Brokers - Mumbai

Okay great sir. I will just add one more question, can you clarify or give some more flavor on the regular software business, how is that growing and what kind of tractions can one expect?

B. Ramaswamy – President & Managing Director – Sonata Software Limited

That is what I told you. We had a very good quarter in terms of constant currency, we grew 9% year-on-year and 7% sequentially, that is pure software services business. Second I think what we are seeing is a fairly good uptake from our existing customers, at least in this quarter, but right now as we speak, people are working out their budgets for the next year and we need to wait till may be end of this month or beginning of next month to see how the budgets pan out.

Jigar Walia – Om Stock Brokers - Mumbai



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Okay and how are we doing in terms of customer acquisitions on that front?

B. Ramaswamy – President & Managing Director – Sonata Software Limited

We had 9 clients last quarter and even the previous quarter we had 9 clients and some of these are very strategic clients, where there are huge growth possibilities.

Jigar Walia – Om Stock Brokers - Mumbai

Congratulation Sir. Pleased to see the result. Happy to talk to you.

B. Ramaswamy – President & Managing Director – Sonata Software Limited

Thanks to reconnect with you.

Shuba - Moderator

Thank you Mr. Walia. The next question comes from Mr. Shubankar Ojha from Kolkata. Mr. Ojha you may please ask your question now.

Shubankar Ojha - SKS Capital & Research - Kolkata

Hello sir. Good set of numbers. In fact my question has been more or less answered. Sir, if you can talk about the tentative size of the acquisition that we are looking at, of course if you are in the advanced stage?

B. Ramaswamy – President & Managing Director – Sonata Software Limited

No. There is nothing in advanced stage, see if it is only kind of core competency that we are acquiring, the size could be very small, it could be 2, 3, 4, or 5 million dollars. Otherwise, we would prefer a mature company, which has been there and has demonstrated its business model, which has good customer base, revenue model and good set of management. So that would be in region of 20-50 million dollars.

Shubankar Ojha - SKS Capital & Research - Kolkata

There is no plan of giving some special dividend as you are already doing good business and expect a good set of numbers and a good growth going forward, will cash only be utilized in acquisition?

B. Ramaswamy – President & Managing Director – Sonata Software Limited

Right now that is the plan.

Shubankar Ojha - SKS Capital & Research - Kolkata

Okay. Secondly sir, we are already half way through in the current financial year, so if you could give us guidance for the remaining half?

B. Ramaswamy – President & Managing Director – Sonata Software Limited

Guidance is what we stopped a decade ago, so we do not give guidance.

Shubankar Ojha - SKS Capital & Research - Kolkata

Okay. Thank you so much.

B. Ramaswamy – President & Managing Director – Sonata Software Limited

Thank you.

Shuba – Moderator

Thank you Mr. Ojha. As we do not have any further questions from the participants, I hand over the call proceedings back to Mr. B. Ramaswamy, thank you and over to you Mr. Ramaswamy.

B. Ramaswamy – President & Managing Director – Sonata Software Limited

Thank you Shuba and thank you everyone for your participation. I look forward to continued interaction with you, thanks.

Shuba – Moderator

Thank you Mr. Ramaswamy.

B. Ramaswamy – President & Managing Director – Sonata Software Limited

Thank you Shuba.

Shuba – Moderator

You are welcome. Ladies and gentlemen, this concludes the conference call. You may now disconnect your lines, thank you for connecting to conference services from Airtel and have a pleasant day.