

Updated: 06-11-2018 08:02
Tags: @vishnu570

44-56 minutes

Nov 5, 2018 (Thomson StreetEvents) -- Edited Transcript of Sonata Software Ltd earnings conference call or presentation Monday, November 5, 2018 at 6:30:00am GMT

Nirmal Bang Securities Pvt. Ltd., Research Division - Head of Research

Ladies and gentlemen, good day, and welcome to Sonata Software Limited Second Quarter Results Update Conference Call. (Operator Instructions) Please note that this conference is being recorded.

I now hand the conference over to Mr. Srikar Reddy, CEO and Managing Director, Sonata Software. Thank you, and over to you, sir.

Yes. Thank you. Good afternoon, everybody, and welcome to the analyst call for the announcement of our quarter 2 results on the 2nd of November. The results are on the website and the analysis.

Up here today with me I see a larger audience in -- particularly a lot more of my colleagues are here with me physically today, apart from Prasanna, whom you all know the CFO; Sathya, the Head of Finance; and Kundan, the -- our Company Secretary. We have Vikas, who -- the Chief Operating Officer, normally based out of Houston in the U.S.; Raju, our Chief Delivery Officer; Ranga Puranik, Chief Growth Officer, usually based out of the Bay Area; and Sujit Mohanty, head of our subsidiary, SITL.

So quick, quick, I guess, qualitative analysis on the performance of Q2. On the international services business, we grew about 3% on dollar terms and about 4% at constant currency. I think our margins have been a little better than normal, some of it obviously driven by the foreign currency.

We did our first phase of our pay revisions last quarter, so the results factored in the revisions we made in compensation last quarter. And we've continued to see a very steady uptick in our India business from a margin perspective and absolute margin perspective, so that continues to grow at the rate at which we have said it will grow at.

So qualitatively, we have seen both growth in some of our larger existing clients. We also added some fairly marquee names as clients last quarter. Europe has been relatively growing faster than the rest of the other geographies, so that's been, we have -- I would say, the highlight.

Our focus on Platformation continues to drive access to clients, reposition ourselves as digital transformation partners in our client space and new client space. Our alliance with Microsoft had gone up a notch last quarter. I think we just made an announcement of us being inducted into what Microsoft calls its Inner Circle members for dynamic focus, which are then both organic and inorganic in the dynamics space, has now brought us to be one of the lesser proved numbers, which is about 30, 40 partners worldwide.

I guess, we may be 1 or -- 1 of 2 who are Indian partners who are in that list. So that's been a good sign, and we continue to leverage the alliance for accessing new clients. So that's been a very high-level summary analysis of performance last quarter.

I'll hand it over to Prasanna to give you the detailed analysis of the financials, and then we take some questions, if you have. Thank you.

Prasanna Oke, Sonata Software Limited - CFO [3]

Okay. Thanks, Srikar, and to everyone, welcome to the earnings call. As you're aware, the results were declared on 2nd of November, Friday. And hoping investor deck and the results have been on our corporate site since then, you should have a chance to -- you have had a chance to look at it.

Here are some few key highlights. They're still up in the consolidated numbers. Our revenue stood at INR 593 crores with a PAT of INR 62.2 crores. That's a sequential growth of about 8% and growth of 37% on a year-on-year basis. ROCE stood at

35% and RONW at 36%.

Moving on to our 2 separate segments, so to sum up the International IT services segment. Revenues of INR 275.3 crores, a sequential growth quarter-over-quarter of about 7% and year-on-year growth of 17%. These revenues are about 46% of consolidated revenues.

The revenues in dollar terms stood at \$39.1 million during the quarter. That's a sequential growth of 3.3%. Trying to break it up. INR revenue growth of 7% and USD growth in constant currency of 4%. One of the measures that we have been talking about, revenues from the digital component, that is at 35%. IP-led revenues, which we have been looking at for the last 5 quarters now, currently stands at 18% of our revenues. So that's an uptick from the 16.3% last quarter.

EBITA overall at 26.7%, sequential growth of 10%. We added about 10 to 11 new clients. They came from across North America, Europe and Asia.

So moving on to our Domestic Product & Services. PAT. Continued to grow PAT at about 11% -- sorry, INR 11 crores, Q-on-Q growth of 6% and year-on-year growth of 31%. This contributed about 18% of positive PAT. ROCE, RONW, those are about 26% -- 25%, 26%.

So this is, in short, smaller financial numbers. The investor deck is already there with you. It has more details on this. So I'll hand it back to Sunri, and then she can take on the other questions -- she can do the questions which you may have.

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Questions and Answers

Operator [1]

(Operator Instructions) We have the first question from the line of [Arris Shah from Reliance Securities].

Unidentified Analyst, [2]

Sir, I have a query on the infrastructure. From a service line perspective, some management business for the last couple of quarters, there has been [there do] more on the subdued -- a couple of quarters of revenue decline. So if you could give some color on exactly what is happening in that space, if there's any impact from digital disruption? How are things shaping up on that front?

Palem Srikar Reddy, Sonata Software Limited - CEO, MD & Executive Director [3]

At a high level, as you know, the industry trend that they shift from on-prem to cloud. So the good news is that I think the last percentage of our digital revenues are from cloud rather than from on-prem kind of stuff. So that stuff will continue to take place in the industry. The review from me, just that inevitable shift, which is going to be happening and how that finally falls out in terms of what is the service component of this shift. Obviously, for new players like us, it's a bigger opportunity in terms of the market.

Unidentified Analyst, [4]

So yes, basically, I understand that maybe in the near term that a subdued growth would continue on the [anna] site?

Palem Srikar Reddy, Sonata Software Limited - CEO, MD & Executive Director [5]

Yes, yes. Definitely, it is, it is, how do I say, it is the function of the movement to the cloud. And most of our clients, we are seeing, have just embarked on it so they do more office. We will see a higher percentage of that going forward kind of thing. So yes, at a very high level, we know our strategy. Infrastructure is our lead-in service for Sonata. So we don't lead in with infrastructure. Infrastructure is for us our cross-filler our cross-filler and our. So that's the fundamental difference if you understood what I was trying to say.

Unidentified Analyst, [6]

Sure, sir, and one final thing. How do you progress on your -- in the Analyst Meeting, you held earlier you say, obviously, communicated a lot about Platformation. So how is that progressing at the moment in terms of client interest be at current existing clients and the new clients? And any interesting activities that you've seen on this front to that could lead you to improving revenue growth waiting forward also?

Palem Srikar Reddy, Sonata Software Limited - CEO, MD & Executive Director [7]

Yes. Good. Thank you for asking that question. I think since we last met with you, I think a lot lost both interest and action from our side both from existing clients. Actually, a lot of this has been with existing clients and want to leave it completely new clients with Platformation as a lead-in service. So in existing clients, I think since we last met, we have seen a lot more traction in terms of conducting of workshops with the top management teams. I think I mentioned 1 or 2, I think. Since that, we've done another 3 or 4 more. So that's on the uptick in terms of being able to engage with the leadership teams of our clients. And with the alliance partners we are seeing quite a lot of interest of wanting to work with us to engage in their digital transformation initiative so that they also have a fairly unique value proposition when they talk about digital transformation. So to answer your question in a nutshell, we've seen a lot more traction and interest on this. And we said last time also that we will continue to report again this in a more detailed way as we go forward.

Operator [8]

(Operator Instructions) The next question is from the line of Mohit Jain from Anand Rathi.

Mohit Jain, Anand Rathi Financial Services Limited, Research Division - Analyst, Technology [9]

Interest in 2 things. One is our P&L proportion is disproportionately high compared to others. Is there any reason you...

Palem Srikar Reddy, Sonata Software Limited - CEO, MD & Executive Director [10]

We can't hear you, Mohit. Can you please...

Mohit Jain, Anand Rathi Financial Services Limited, Research Division - Analyst, Technology [11]

Is it better now?

Palem Srikar Reddy, Sonata Software Limited - CEO, MD & Executive Director [12]

A little better, yes.

Mohit Jain, Anand Rathi Financial Services Limited, Research Division - Analyst, Technology [13]

Okay. Sir, P&L is disproportionately high versus other. So is there a reason you were (inaudible) contact?

Palem Srikar Reddy, Sonata Software Limited - CEO, MD & Executive Director [14]

We don't really -- I mean, this is the nature of the business we do kind of -- we don't have any preference. I mean, obviously, if clients prefer fixed price, we do fixed price. And if clients prefer T&M, we do T&M kind of stuff. It's not like -- we're not trying to convert T&M to fixed price or fixed price to T&M kind of stuff. So that's not a -- we don't see that models to say that's a kind of a value proposition kind of stuff. Finally, I think our value comes from what service we deliver. For us, the pricing of that service is really the secondary aspect of how do we price the service whether it's T&M, fixed price, outcome based (inaudible) that kind of stuff. Our hope is it seems to be very rarely heavily differentiated on the service we offer and the way we offer the service and what value we bring into our customers and how do we measure the value of services delivered to our clients' business kind of stuff. So there's -- it's not -- I mean, what I'm saying is it's not a focused activity to figure that out on more T&M or more fixed price kind of stuff. I think they're margins are pretty decent. So actually, as Mike alluded to earlier for us, or rather T&M or fixed price to keep the margins at rates -- at where we are, that kind of stuff.

Mohit Jain, Anand Rathi Financial Services Limited, Research Division - Analyst, Technology [15]

Sir, where are your IT services margins for this quarter if you adjust for the ForEx gain for other income?

Palem Srikar Reddy, Sonata Software Limited - CEO, MD & Executive Director [16]

IT services, Mohit, on a EBITDA basis, we talked about 26.5. This to pick out the other income and the ForEx generating 22.5.

Mohit Jain, Anand Rathi Financial Services Limited, Research Division - Analyst, Technology [17]

25, is it?

Palem Srikar Reddy, Sonata Software Limited - CEO, MD & Executive Director [18]

(inaudible) 22.5, 22.5 (inaudible) excluding ForEx and other income.

Mohit Jain, Anand Rathi Financial Services Limited, Research Division - Analyst, Technology [19]

Okay. And the third just one thing on the cash flow, if you could walk us through the first half cash denoted?

Palem Srikar Reddy, Sonata Software Limited - CEO, MD & Executive Director [20]

Prasanna?

Prasanna Oke, Sonata Software Limited - CFO [21]

Yes. As at closing, we have about INR [364] crore cash available. This is after the last dividend quarter when we have paid the final dividend.

Mohit Jain, Anand Rathi Financial Services Limited, Research Division - Analyst, Technology [22]

Sir, so how much would be the first half cash from operations?

Prasanna Oke, Sonata Software Limited - CFO [23]

So cash from operations. Cash from operations would be, yes, about INR 130 crores.

Palem Srikar Reddy, Sonata Software Limited - CEO, MD & Executive Director [24]

So Mohit, it's like it's here about INR 520 crores, and what we see now is about INR 340 crores. So there has been one of the large deals that we can quickly get for the quarter, and then we collect the money from that. So that money did not get collected because of the September, and that's the reason that you see this INR 100 crores kind of a gap is we paid dividends and we didn't get the INR 100 crores. So that is the difference between the INR 540 crores and the INR 360 crores that you see -- INR 520 crores, sorry, and INR 550 crores that you see.

Mohit Jain, Anand Rathi Financial Services Limited, Research Division - Analyst, Technology [25]

Understood. And first half number you said was INR 130 crores, right.

Palem Srikar Reddy, Sonata Software Limited - CEO, MD & Executive Director [26]

Yes.

Operator [27]

(Operator Instructions) The next question is from the line of Amit Chandra from HDFC Securities.

Amit Chandra, HDFC Securities Limited, Research Division - IT Analyst [28]

Sir, my question is regarding the IT margins. So like if we adjust the other income, so if it does not completely step up the other income from the EBITDA, then there is a fall of around 236 basis points in our EBITDA margin. That is despite the currency benefits and all the higher utilization we have? And also, offshoring has been [high wind per this deed] this quarter. So it's only the wage hike that has impacted? Or is there something else like pricing and all the pricing pressure, also there are some -- like some other, like some other [etrusda].

Palem Srikar Reddy, Sonata Software Limited - CEO, MD & Executive Director [29]

That's right, we talked, Amit. We've adjusted also for the travel lines in this, so shipping their golf -- the ForEx gains and the -- also enough income. We're at about 22.5, right, and that is including the salary hikes which have taken place in Q2 of this year.

Amit Chandra, HDFC Securities Limited, Research Division - IT Analyst [30]

Okay. So like going ahead, 22 to 23 is India's -- like, what are you looking for? It can go up with higher proportion of IP-led revenues.

Palem Srikar Reddy, Sonata Software Limited - CEO, MD & Executive Director [31]

But everything led, IP-led revenues is the value that we had when we don't give a guidance bucket, but we expect it to add to value. But we believe at this point of time, that 22, 23 had most of our cost baked in. So yes, that's where we are.

Amit Chandra, HDFC Securities Limited, Research Division - IT Analyst [32]

Okay. And thirdly, we have seen a very strong growth in the [back order IT], so this is largely led by the large client? Or it's like additional some new clientele? And what's happening there in travel vertical, if you can explain that?

Palem Srikar Reddy, Sonata Software Limited - CEO, MD & Executive Director [33]

A lot of it has been driven by growth in the large part. Although you're right, we have seen new clients in that space. It's a mix of both. We have I think thought about 2 or 3 new clients are looking extremely promising in that vertical in terms of growth. And these are [crazy green beans] some in Europe but -- and some are in Asia. So yes, it has driven by both growth in the large clients and some very interesting large new clients we've acquired in Europe.

Amit Chandra, HDFC Securities Limited, Research Division - IT Analyst [34]

Okay. And sir, like in the vertical mix, if we see that the other components have come off sharply in this quarter, so is it -- can you please elaborate on what, I don't know, what exactly led to this decline or...?

Palem Srikar Reddy, Sonata Software Limited - CEO, MD & Executive Director [35]

Is there, Amit, can you talking about their focus on the retail distribution IC, right. So the others, what we are seeing is that percentage will decrease. Just because our focus is on these 3, 4 verticals, the same percentage that we're going to focus in other verticals, too.

Amit Chandra, HDFC Securities Limited, Research Division - IT Analyst [36]

But in revenue terms, it's declined at 12%. Revenue, in absolute revenue (inaudible) declined this quarter so that's why it's...

Palem Srikar Reddy, Sonata Software Limited - CEO, MD & Executive Director [37]

I think there's a lot of focus for us, right? I mean, we're not going up in (inaudible) client. These are clients we get because of relationships and other things and not as goal structured, goal market, IP-led, Platformation-led, vertical-led, Alliance-led, et cetera, et cetera. Retail focus is on our 4 verticals: travel, retail, distribution and ISVs. The others are really what we had, legacy and where we get based on relationships, alliance-led and so on and so forth. So it's not regular. We don't want to get X amount of our business kind of stuff. It's really -- it's not something we plan for. It's what we get. What we plan for is our vertically led growth.

Amit Chandra, HDFC Securities Limited, Research Division - IT Analyst [38]

Okay. And sir, lastly, on the IP-led revenue, so we have seen a pretty good growth in the IP-led portfolio in the last 6, 7 quarters since we have started putting, so like the current run rate, the IP-led portfolio revenue down 28 million, right. So

what scope you can -- like you see in that portfolio seeing that we have 7 IPs? So can it be 50 million to 60 million portfolio like in the next 2, 3 years?

Palem Srikar Reddy, Sonata Software Limited - CEO, MD & Executive Director [39]

As what you said, I think up to now that these IP-led is not like centers we get from the IP, so you all know what it means. It's their clients we get because of our IP, and then we do services with them, right. It's not licenses or IP. And that will be at that 5%, which I told you a long time. So absolutely, I mean, that's been our strategy, which has been a 3-prong strategy, which is Platformation-led, IP-led and Alliance-led. So IP is a very, very strong differentiator for us going get new clients. And I would be very disappointed if we don't get this number of 50 million, 60 million in 2 to 3 years.

Amit Chandra, HDFC Securities Limited, Research Division - IT Analyst [40]

Sir, of the 7 IPs you have, which are the...

Palem Srikar Reddy, Sonata Software Limited - CEO, MD & Executive Director [41]

So what serve the IPs, which are doing well are, first of all, our Dynamics-led IP, which is the brick and play on the Cassiopeia and the modern distribution; our Rezopia from the travel perspective; and Halosys. The one which is still not very strong traction in the market is the devops, closeout platform. So that's still in the process of getting some traction. So otherwise, each of them obviously serve a different purpose in the clients' value footprint. And yes, I mean, so that continues -- our differentiation will be planned. And with that alliance partners to say why we should work together to access clients in the market because of the IP we have in the industry of which, (inaudible).

Amit Chandra, HDFC Securities Limited, Research Division - IT Analyst [42]

And sir, what about the -- this one, plug and play in the IP retail that you hardly mentioned like it's like a very strong IP, and it's like the acceptance in the market is also very good for [habick] and click?

Palem Srikar Reddy, Sonata Software Limited - CEO, MD & Executive Director [43]

Yes, yes. So you're asking (inaudible). Don't think that we are (inaudible) It. Okay. I can't just give you a breakup of what IP has led to what growth. But Amit, yes, yes, yes, so -- but I don't know. Maybe.

Unidentified Company Representative, [44]

We'll try to give some (inaudible) gives fine as we give dive deep to end each of the eyepiece to certain threshold kind of a level. Yes.

Operator [45]

The next question is from the line of [Ripple Shah], individual investor.

Unidentified Shareholder, [46]

Can you share [IVIS,] Halosys turnover and EBITDA for the quarter and Rezopia?

Palem Srikar Reddy, Sonata Software Limited - CEO, MD & Executive Director [47]

[IVIS,] we should share. As we mentioned in the past, Halosys and Rezopia are not operating entities anymore, although, they've listed companies. The business is done through Sonata 100%. We can share [IVIS] with you through the operating entity. The business which is done for Rezopia and Halosys are completely operating through the Sonata entity today for the note affect. Also, the existing entities, they are not (inaudible) through that. We can share IVIS number.

Unidentified Analyst, [48]

Yes. Can you give the [IVIS] turnover and EBITDA for the quarter?

Palem Srikar Reddy, Sonata Software Limited - CEO, MD & Executive Director [49]

Yes, yes. So we did about between about \$2.3 million, \$2.3 million in [IVIS,] and EBITDA was about 18%.

Unidentified Analyst, [50]

EBITDA was?

Palem Srikar Reddy, Sonata Software Limited - CEO, MD & Executive Director [51]

18%, 18%, 1-8.

Unidentified Shareholder, [52]

1-8.

Operator [53]

(Operator Instructions) We have a follow-up question from the line of [Arris Shah from Reliance Securities]

Unidentified Analyst, [54]

Sir, we are just coming back to the question about the other segment with your verticals. So I had the point of your focus being on OPD, retail and travel, but you're even source, other, still account for about 1/6 of your revenue, so it's still quite substantial. So just want to get a sense what exactly this really consist of? Is it like -- or if you could just give some idea of this...

Palem Srikar Reddy, Sonata Software Limited - CEO, MD & Executive Director [55]

(inaudible) insurance companies, some financial services companies. I guess, off the mix, yes.

Unidentified Analyst, [56]

Right, right. So is it basically, I think it's -- there will not be any specific area of focus for you in the future?

Palem Srikar Reddy, Sonata Software Limited - CEO, MD & Executive Director [57]

Because -- they're not like (inaudible) in health care or financial services or insurance or whatever is correct. So these are based on relationships. The CIOs, they get back to us or sometimes even the top management. There has been no impact. And I think you're very good technologically. I mean, we'd like to work with you, so we do that. So it's not really IP-led or solution-led. It's not like very heavily competitive go-to-market scenarios kind of stuff. So there's still a lot of that based on the goodwill and the fact that we have signature in the company not for more than 31 years. We have that goodwill out in the market, and that can still continue to happen hopefully in the same proportion. Yes.

Unidentified Analyst, [58]

Right, right. And just one last thing. I think (inaudible) because I think you had mentioned [IVIS] revenue and EBITDA margin. Could you please repeat that?

Palem Srikar Reddy, Sonata Software Limited - CEO, MD & Executive Director [59]

Yes. [IVIS] revenues is about \$2.3 million and EBITDA margin is about 18%.

Unidentified Analyst, [60]

\$2.3 million, 18%, right.

Palem Srikar Reddy, Sonata Software Limited - CEO, MD & Executive Director [61]

Yes.

Operator [62]

The next question is from the line of Madhu Babu from Prabhudas Lilladher.

Madhu Babu, Prabhudas Lilladher Pvt Ltd., Research Division - IT Analyst [63]

Sir, last year, we had a very swing quarter where we had 8% kind of quarter-on-quarter growth. So this year, I mean, can you expect any such number in the second half?

Palem Srikar Reddy, Sonata Software Limited - CEO, MD & Executive Director [64]

Yes, Madhu, I think not giving the guidance, so we'll see in the second half. But as we talk about, we're getting good traction from the efficiency of having the transformation clients on the verticals, the IPs, so we just have to wait and watch the next 3 months, 6 months.

Madhu Babu, Prabhudas Lilladher Pvt Ltd., Research Division - IT Analyst [65]

And second, sir, I think we have reason that (inaudible) moving to the Microsoft Inner Circle for the timing. So how significant that will be the relationship with Microsoft?

Palem Srikar Reddy, Sonata Software Limited - CEO, MD & Executive Director [66]

It's very significant (inaudible) like (inaudible) I mean, like 0.5% or 1% of partners globally. There are like 4,000 partners globally, I think. So they're 125. And I said 1 or 2 possibly in the company. An active can be one only. For others, even acquisition between (inaudible) we make. So that's why it's very, very hard to give you access to market if you just do the leadership from Microsoft. You figure in the list of putting your partners or doing well for them. And this is selected based on customer adds, IP you have, ability to deliver value, successful delivery of projects, a lot of metrics that's been used before they choose to put these people kind of stuff. So it's very, very fastidious. I don't think that's something very, very many

companies in the past in this list kind of stuff in the [internet] space and that we have (inaudible) long back, which gives huge amount of traction in the market. Microsoft is doing extremely well. They had their first \$1 billion quarter last quarter for Dynamics, for (inaudible), so they're growing at 50%, 60% in the analytics business, so it's all delivered.

Operator [67]

This is the operator. Last so there for your line?

Madhu Babu, Prabhudas Lilladher Pvt Ltd., Research Division - IT Analyst [68]

Yes. My question has been answered.

Operator [69]

The next question comes from Sunil Jain from Nirmal Bank.

Sunil Jain, Nirmal Bang Securities Pvt. Ltd., Research Division - Head of Research [70]

Sir, my question relate to more of how much new business we won in this particular quarter and maybe you can differentiate?

Palem Srikar Reddy, Sonata Software Limited - CEO, MD & Executive Director [71]

New business, we're \$1.5 million. The customer we find last quarter and we -- who give us the business last quarter, right. That's the definition.

Unidentified Company Representative, [72]

That's the last 2 quarters that we signed.

Palem Srikar Reddy, Sonata Software Limited - CEO, MD & Executive Director [73]

So these are customers signed over the last 2 quarters.

Unidentified Company Representative, [74]

From the beginning of the year.

Palem Srikar Reddy, Sonata Software Limited - CEO, MD & Executive Director [75]

From this beginning, \$1.5 million. \$1.5 million.

Sunil Jain, Nirmal Bang Securities Pvt. Ltd., Research Division - Head of Research [76]

And how was it in the previous quarter?

Palem Srikar Reddy, Sonata Software Limited - CEO, MD & Executive Director [77]

So we typically take it from the beginning of the year, so we did about \$1.5 million. This actually based on how be getting to Q3 and Q4 when we realize that the clients had bought to a larger site. Last year, I think it should have been about 5%, 5.5%. We can get that to fix that numbers, but that's the new business that we started in April, and that's what consume at video. Yes, Sunil?

Sunil Jain, Nirmal Bang Securities Pvt. Ltd., Research Division - Head of Research [78]

Yes. This is related to European (inaudible) can you throw some light how the business is panning out over there? You've seen some competitively better growth over there.

Palem Srikar Reddy, Sonata Software Limited - CEO, MD & Executive Director [79]

Yes. I think we have grown revenue better number is 25% growth, I guess. And Europe, on the first half, in the correct number. Yes, so that's driven by both growth in our existing clients, growth in clients we acquired last year and some gross new market clients this year to acquire the market we are operating are in U.K., Nordics and Switzerland (inaudible) these places where we are operating, and we are seeing good traction.

Sunil Jain, Nirmal Bang Securities Pvt. Ltd., Research Division - Head of Research [80]

And how's the pipeline looking for this particularly IP-led revenue? How is the pipeline for this for next second half?

Palem Srikar Reddy, Sonata Software Limited - CEO, MD & Executive Director [81]

Generally, I think, I would say, the pipeline is looking very good. We have to convert it. But I would say that it never looked healthier in terms of both existing and new. In terms of pipeline kind of opportunities, we're in the midst of in kind of opportunities we're getting kind of thing. Obviously, we have to convert it and grow it and all kind of stuff. But overall, our pipeline growth has been very, very healthy.

Operator [82]

(Operator Instructions) We have a follow-up question from the line of [Ripple Shah], individual investor.

Unidentified Shareholder, [83]

Sir, can you -- I missed your figures you give for other income and ForEx gain for this quarter.

Palem Srikar Reddy, Sonata Software Limited - CEO, MD & Executive Director [84]

Yes. As we said, overall EBITDA is about 27%, and sifting it off foreign and other income is 22.5%, so give me one small second. Roughly, about 2.5% to 3% is ForEx and 2% is -- and 1.5% is other income. So that breaks it up from 27% to 22.5%.

Unidentified Shareholder, [85]

Okay, sir. And what gives me fresh order intake in this quarter?

Palem Srikar Reddy, Sonata Software Limited - CEO, MD & Executive Director [86]

Fresh order intake, as we said, we mentioned it on -- starting from the beginning of the year, so the number of new clients that we've got and the revenues which have come from them is about \$1.5 million. (inaudible) Yes.

Operator [87]

The next question is from the line of Devang Bhatt from ICICI Securities.

Devang Bhatt, [ICICIdirect.com](https://www.icicidirect.com), Research Division - Research Analyst [88]

Sir, I just wanted to know on the margin front, what were the headwind and tailwind in the IT services?

Palem Srikar Reddy, Sonata Software Limited - CEO, MD & Executive Director [89]

So overall, we kept on the growth and just looked at it small change in the onsite-offshore mix. We definitely did -- the headwinds came some cross-currency effects, which were there. As also, I won't say the headwind is a part of normal operations, but the highest that we took care of this time, right, and there's some investment that we made in the management in -- over these. So these were a little bit of a cost upside or (inaudible) a little bit negative. The positive was between the ForEx and, as we've talked about, the various increase.

Devang Bhatt, [ICICIdirect.com](https://www.icicidirect.com), Research Division - Research Analyst [90]

Sir, can you break it up in EPS terms? I mean, what -- how it moved from margin to margin from Q-o-Q basis?

Palem Srikar Reddy, Sonata Software Limited - CEO, MD & Executive Director [91]

Yes, just one second. I mean, usual overall step-down question of the margin movement, so if you look across the last 3 quarters, EBITDA without other income and without ForEx have actually moved from 18% in Q2 '18 to 21% to 21.2%, 22.7% and dropped to about 22.5%. That's why we've been seeing growth. That's what we are saying that, on overall basis, if you look at the EBITDA year-on-year basis, in absolute terms or percentage terms, it was another 20%.

Devang Bhatt, [ICICIdirect.com](https://www.icicidirect.com), Research Division - Research Analyst [92]

So sir, do you have -- I mean, do you hedge more of your revenues? So will there be higher ForEx gain in the next -- second half?

Palem Srikar Reddy, Sonata Software Limited - CEO, MD & Executive Director [93]

So second half, actually, we expect it when we talked about it at the beginning of the year that ours is in the range of 69, 70. Obviously, that is not going to benefit us once you bring the INR versus the dollar hedges that you've got. We have benefits on the cost of the revenue calculations. But no, the benefits that you have seen would be more likely towards 1H of next year.

Operator [94]

(Operator Instructions) As there are no further questions from the participants, I now hand the conference over to Mr. Srikar Reddy for closing comments.

Palem Srikar Reddy, Sonata Software Limited - CEO, MD & Executive Director [95]

Thank you all very much for joining and highly interactive further discussion. Thank you very much for your support all this while. So wishing you and your families a very great happy prosperous Diwali and look forward to interacting with you in the future. Thank you all again.

Operator [96]

Thank you. On behalf of Sonata Software Limited, we conclude this conference. Thank you for joining us, and you may now disconnect your lines.