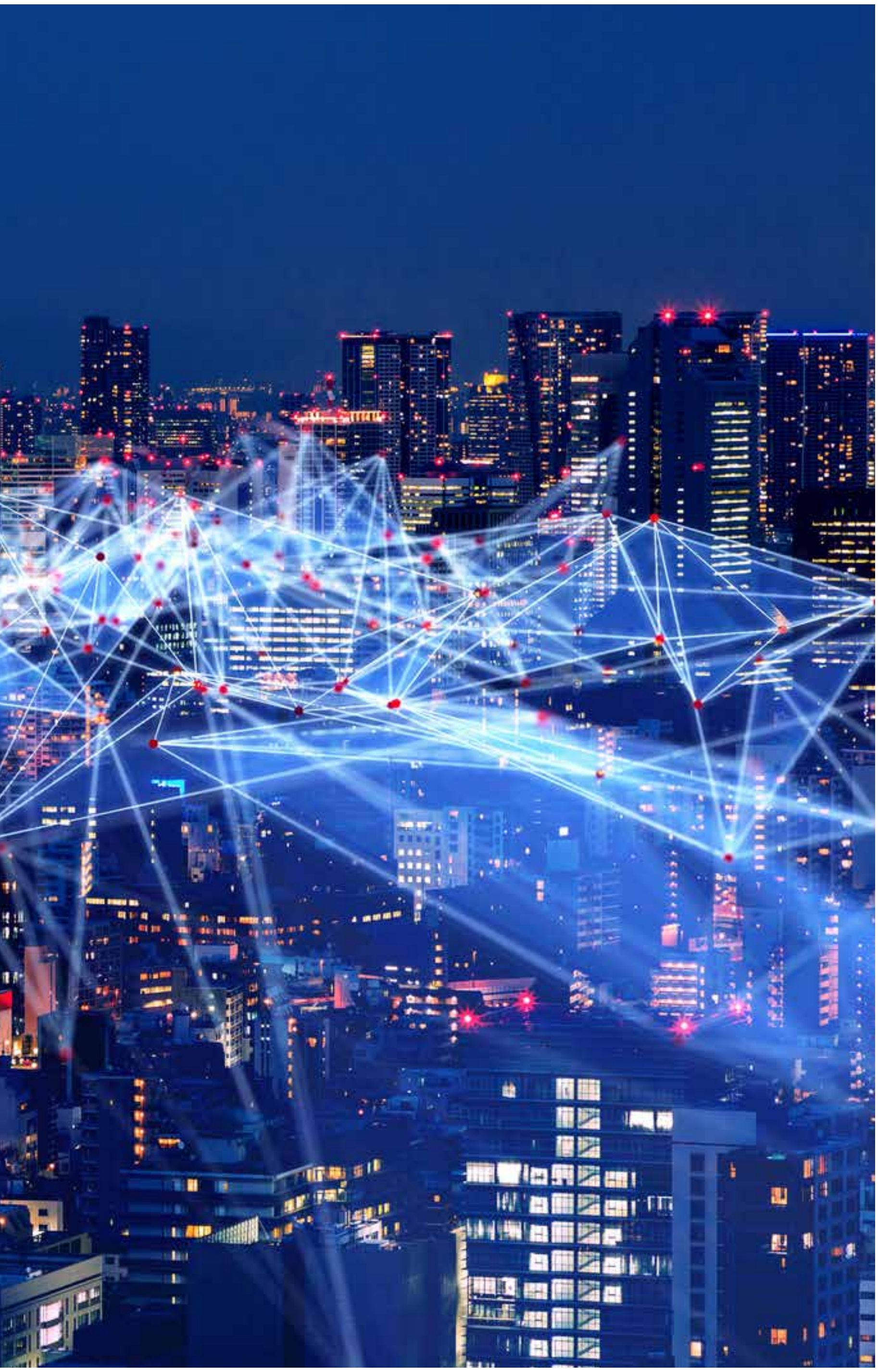
Creating World-class Digital Enterprise with Platformation™

ANNUAL REPORT 2019-20

SONATA SOFTWARE

CONTENTS

CREATING WORLD-CLASS DIGITAL ENTERPRISES WITH PLATFORMATION™



Sonata's unique proprietary model of digital transformation for enterprises – Platformation™ was conceptualized three years ago based on understanding and applying how successful, born-digital companies have been able to create highly scalable and rapidly growing digital businesses.

Platformation™, our unique approach has helped incumbent businesses achieve their digital transformation mandates, leveraging the power of platforms to create & implement platform-based business models. By combining a design thinking-led approach with a platform mindset, we help anchor our clients' platform journey end-to-end. This combined with industry and engineering experience, niche horizontal expertise, platform assets and IPs – has helped companies build open, connected, intelligent and scalable platforms which we believe, form the core of modern digital businesses today The Platformation™ approach leverages world-class consulting assets & best practices – of the likes of the Customer Digital Agenda Template (CDAT), Platform Maturity Assessment tool, Digital Business Process Library, 16-point Tech Platform Characteristics, amongst others, that help steer digital agenda, derisk enterprise transformation upfront and create measurable outcomes.

We have been mindful of the fact that every customer's digital journey could be unique,

A typical Platformation™ life cycle, beginning with a well-articulated digital agenda and current state of Platform Maturity Assessment, where companies assess themselves on their digital journey and how they stack up against the best in the industry. The Platform Maturity Assessment has been a jump-start kit to reimagine business processes and create unique digital services / product propositions through platforms.

Through our unique 7-step methodology anchored on a consulting approach, we have helped traditional businesses adopt a Platform mindset and Design Thinking paradigm ensuring executive leadership and business leaders reimagine their businesses to unlock value and growth. This has helped identify / create digitized interactions between enterprises, consumers and other ecosystem players while creating innovative services / product propositions. By leveraging 'born digital', specialized assets and accelerators, our clients have been able to further their enterprise transformation regardless of where they are on their digital journeys.

As trendsetters in this concept, we believe that platforms are much more than just stacks of technology layers. Building a robust digital platform requires bringing together various technology platforms across Information Systems, Data and Analytics, IoT, ecosystem and customer experience platforms ensuring we help our clients realize a world-class digital enterprise.

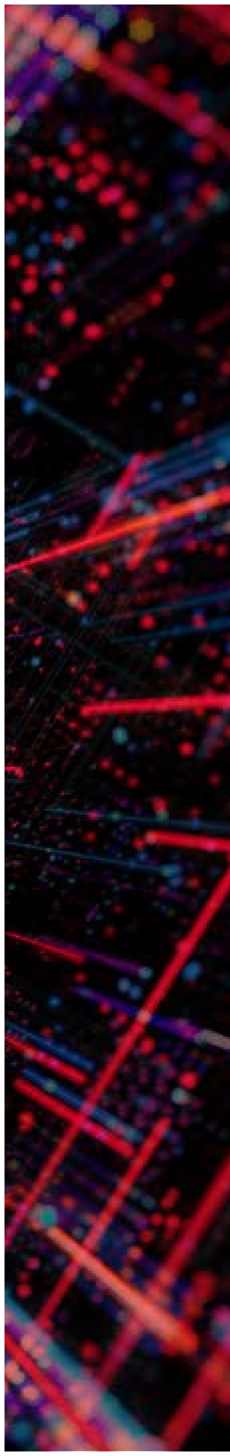
In the last year, we have seen significant traction in the implementation of the Platformation™ agenda across both our existing clients and new ones. Over the period, we have developed unique Platformation™ service realization frameworks and concepts like "MARCHITECTURE SONATA SOFTWARE" that define market architectures, to support platform-based business models, and enhance & achieve Platformation™ end goals.

For a large Oil & Gas company with a presence in 180+ countries, Sonata created a transformation journey with the strategy of adopting 39 'platforms' in BUs. The Drilling & Completion platform and Health, Environment & Safety platform were created using our 16-point framework. This will potentially mean a 30-40% reduction in costs and time taken in developing the solutions.

For a leading company in the travel industry, we were successful in employing Data Platformation™ with Business processes / requirements, "MARCHITECTURE SONATA SOFTWARE" & technical architecture with characterization. For a specialty retail store into personal care, we have conducted a business digital process consolidation with CDAT and managed maturity assessment.

A global media company employed data Platformation™ to build a consolidated billing platform for all their online business processes. Our client, a health-care manufacturing company built a consolidated inventory system using Data Platformation™ principles.

We have created several other industry-aligned digital assets, accelerators and business processes that can help our clients advance their digital transformation journey.



Talent transformation has focused on creating skill-specific roles like Digital Strategist,

Digital Client Partner and Digital Architect to name a few. Earlier in the year, we engaged with McKinsey to sharpen our Platformation™ GTM and scale our approach. We believe that every client has a unique context in their digital journey. Given the same, we created archetypes and arrowheads to map the client's digital journey upfront. We believe that this positions us uniquely to shape and fine-tune our Platformation™ approach for existing and new clients.

The unprecedented times we are in, the post-Covid impact will only mandate customers to accelerate their digital transformation journey. We anticipate clients will navigate the new normal by leveraging platforms – to address changes in customer behavior, reimagining / creating newer business models or fine-tuning existing digital services as they re-emerge. This further reinforces our platform-led strategy to digital transformation and positions us uniquely to support our clients navigate this change through Platformation™.

Our thought leadership in Platformation™ backed by our choice of strategic investments as outlined above further demonstrates our commitment to becoming a digital partner of choice, positioning Sonata uniquely in its ability to offer a unified experience to our customers across industry domains, ensuring they become world-class digital enterprises.

Sonata Footprint across the Globe

Sales Offices

North America
- Atlanta
- Chicago
- Fremont
- Colorado
- Dallas
- Redmond
- Bridgewater

UK
- London

Middle East & Africa
- Qatar
- Dubai

Europe
- France
- Germany
- The Netherlands
- Denmark

APAC
- Singapore

Australia
- Sydney
- Melbourne
- Brisbane

Development Centers

Redmond

India
- Bengaluru (3)
- Hyderabad (2)

Offices

- **Bengaluru**
- **Chennai**
- **Delhi**
- **Hyderabad**
- **Kolkata**
- **Pune**
- **Mumbai**

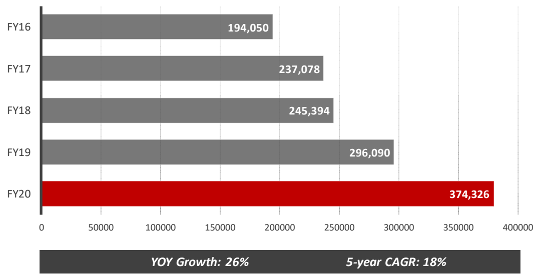
Operational Highlights

Our key acquisition this year has been GAPbuster Limited (GBW), the Melbourne headquartered company that has been amongst pioneers in the CX domain serving renowned brands globally for nearly thirty years. We are now able to offer a one-stop-shop with the CX solution offering to go with the IP's .

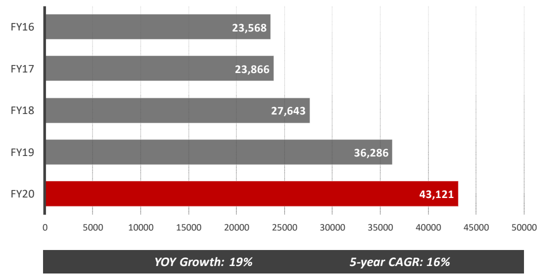
Sonata makes a strategic investment in SemiCab. SemiCab is an Atlanta based start-up in the fleet management services ecosystem that aims to bring about digital disruption in the long-haul trucking space by going after the problem of "Empty Miles", essentially minimizing the distances Trucks travel with empty payloads before/after it completes a particular delivery. The problem of "empty miles" has not just implications for the cost of freight, but also Carbon footprint in an increasingly sustainability solution conscious world.

Financial Highlights

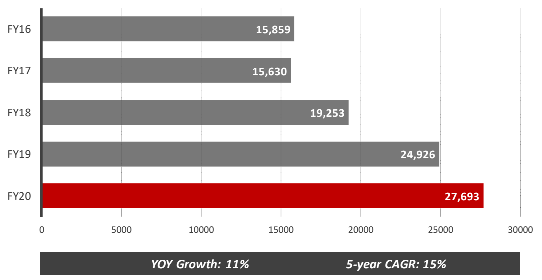
Net Sales (₹ in Lakhs)



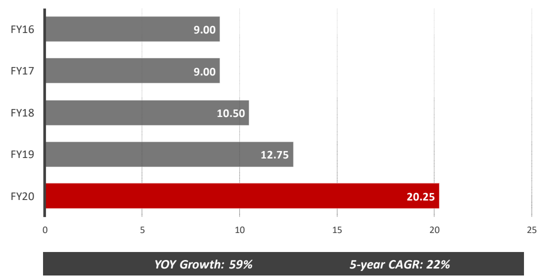
EBITDA (₹ in Lakhs)



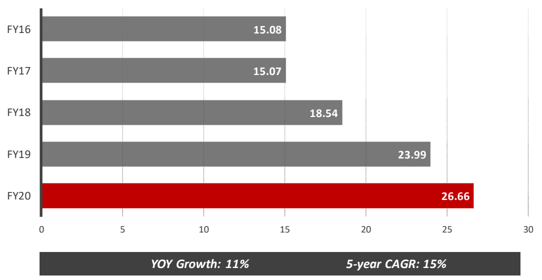
PAT (₹ in Lakhs)



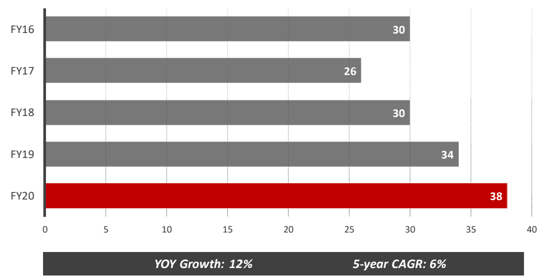
Dividend Per Share (₹)



Earning Per Share (₹)



Return on Capital Employed (%)



Successfully undertook ISO 9001-2015 recertification for SITL. Recertified for ISO 27001- 2013 certification which pertains to Information Security norms & standards

CTRM as an IP/solution and Platformation™ as a service is co-sell ready in Microsoft OCP Catalog, which enables Sonata to reach out to newer markets and prospects

Won first Oracle Cloud ERP Support and Application Enhancements Project at a world's leading ETL and Enterprise Cloud Data Management Company

Launched state-of-the-art facility 'Crawford Center of Digital Excellence (CoDE)'

Zinnov Zones 2019 rated Sonata Software as a Leader in Engineering R&D Services in Enterprise Software and Consumer Software categories

Sonata positioned as an Aspirant by Everest Group in "Application Transformation Services PEAK Matrix™ Assessment 2020" report

₹ in Lakhs

Key Financials	FY20	FY19	FY18	FY17	FY16
Net Sales	374,326	296,090	245,394	237,078	194,050
EBITDA	43,121	36,286	27,643	23,866	23,568
PAT	27,693	24,926	19,253	15,630	15,859
Net Worth	66,967	76,286	65,326	59,075	47,099
Debt	8,600	1,562	3,373	5,522	17,603
Debtors	70,000	81,111	39,644	51,991	35,443
Cash	31,149	33,608	54,318	38,097	34,749
Per Share Ratio (₹)					
EPS	26.66	23.99	18.54	15.07	15.08
DPS	20.25	12.75	10.50	9.00	9.00
BVPS	63.66	73.06	62.12	56.18	44.78
Margin Ratio (%)					
EBITDA Margin	12	12	11	10	12
Net Profit Margin	7	8	8	7	8
RoE	39	35	31	29	35
RoCE	38	34	30	26	30

Sonata Software at a Glance

Sonata is a global technology company, that enables successful platform-based digital transformation initiatives for enterprises, to create businesses that are connected, open, intelligent and scalable. Sonata's Platformation™ methodology brings together industry expertise, platform technology excellence, design thinking-led innovation and strategic engagement models to deliver sustained long-term value to customers. A trusted partner of world leaders in the Retail, Manufacturing , Distribution, Travel, Services and Software industries, Sonata's solution portfolio includes its own digital platforms such as Brick & Click Retail Platform©, Modern Distribution Platform©, Rezopia Digital Travel Platform©, Kartopia E-commerce Platform©, Halosys Enterprise Development Automation Platform©, CTRM (Commodity Trading and Risk Management) Platform©, KODO - (an AI-powered Customer Experience (CX) Platform). Sonata's Platformation™ realization services have been specifically designed so that implementation of services on Microsoft Dynamics 365, Microsoft Azure, AWS, Cloud Engineering, Managed Services as well as on new digital technologies like IoT, Artificial Intelligence, Machine Learning, Robotic Process Automation, Chatbots, Blockchain and Cybersecurity, deliver on the Platformation™ promise. Sonata's people and systems are nurtured to bring together the depth of thought leadership, customer commitment and execution excellence to make a difference to business with technology.

Vision

To become a world-class firm that is a benchmark for catalyzing business transformation for our clients, fulfilling employee aspirations and caring for our wider community, through depth of thought leadership, customer centricity and execution excellence.

The Company	**30+ YEARS** as an IT Solutions Provider	**$537+ M REVENUE** 16% 3 Yr. CAGR	**4000+ TEAM** across the US, EU, Asia & ANZ	**SEI CMMI L5, ITIL & ISO-Certified**
Industry Focus	**RETAIL** Apparel, Hard Goods, Grocery, Hypermarket	**CPG & MANUFACTURING** Consumer Goods, Industrial Goods, Wholesale	**TRAVEL** TO, OTA, Airline, Rail, Hotel, Cruise	**SOFTWARE VENDORS** ERP, SCM, Retail, Travel
Solutions Portfolio	**DIGITAL** Omnichannel, Mobility & IoT, Analytics, Cloud	**Modern APPLICATION LIFE CYCLE SOLUTIONS** DevOps, RPA, Automated Validation, Cloud Management	**PLATFORM IP** Brick & Click Retail, Rezopia Digital Travel, Modern Distribution, Commodity CTRM	**DIGITAL TECHNOLOGY INFRASTRUCTURE SOLUTIONS** Software, Cloud, Server & Storage, Systems Integration
Credentials	**CUSTOMERS** Global Top 5 – Leisure Travel Co, Grocery Retailer, F&B CPG Co, Software Co	**TECHNOLOGY PARTNERS** Microsoft, SAP, Oracle, Symantec, VMware	**STRATEGIC ACQUISITIONS AND INVESTMENTS** IBIS, Halosys, Rezopia, Sopris, Scalable, GBW	**FINANCIAL** Public Limited Company-Listed on National Stock Exchange of India and BSE Ltd

SUSTAINABILITY AT SONATA

WE MAKE DEEP IMPACT AND TRANSFORM LIVES

Our vision for Sustainability, 'Make a Deep Impact and Transform Lives', is an extension of our corporate vision of 'Go Deeper. Transform Business with IT'

SONATA and SUSTAINABILITY

We are committed to achieve the Sustainable Development Goals (SDGs) of the United Nations Development Programme (UNDP) that aim to eliminate poverty and hunger and combat climate change by 2030. And we're proud to contribute to these in creating a resounding impact.

OUR PHILOSOPHY OF CHANGE

It takes a strong ecosystem of committed individuals to change the world for the better. That's why we work closely with all our stakeholders and local communities to make a difference in ways both big and small. And today, we're pacing towards our sustainability goals with our proven, three-pronged approach for:

- Economic Growth
- Environmental Protection
- Social Development

Sustainability Goals

THE GOALS WE'VE SET OUT TO ACHIEVE

Our Key Programs

Our Sustainability initiatives are designed to impact several areas of development. And we leverage our technological prowess to the advantage of communities and the environment - shaping a promising future for all. Here's a look at our unique approach to Sustainability:

- We offer our IT expertise to beneficiary organizations, as opposed to grants, to accelerate socio-economic growth. This allows our people to apply their vast experience and skills and participate directly in our efforts
- We work in neglected areas to enable:
  - The promotion and development of arts and handicrafts
  - The development of education infrastructure

Here is a roundup of some our key initiatives.

SDG 4 - Quality Education

Making quality education available, far and wide

Sonata is committed to making education accessible to all- helping people lead fuller and better lives.

Our Initiatives:

1. **Imparting technological assistance for hands-on science education in rural schools**

   Agastya International Foundation is a charitable education trust that runs the world's largest mobile hands-on science education program. These cater to economically disadvantaged children and teachers. With its diverse courses, Agastya has reached over 10 million children and 2,50,000 teachers across 19 states in India.

   We support Agastya with two mobile science labs that help their Lab on Road Program. We also offer technology assistance for building the knowledge repository. This is accessible through Agastya's app-based learning platform called Lab on Tab. This allows rural students to explore science and mathematical experiments with ease.

2. **The Indian Institute of Science, Bangalore (IISc) is renowned for its science and engineering courses.**

   And we funded IISc's Computer Science and Automation (CSA) Department to encourage the brightest minds and provide them with the best classroom facilities and research challenges. The initiative aims to boost research activities in cutting-edge areas of computer science that are of relevance to both the industry and academia.

Outreach Programs:

Swagatham

This initiative drives some of the best and brightest high school students to consider IISc for their graduate studies.

Summer Internships

Under these programs, students interested in computer sciences are personally mentored by faculty members.

Research on Robust Machines

CSA's faculty and doctoral students conduct cutting-edge research on Machine Learning and Data Analytics, Neuromorphic Computing, Artificial Intelligence (AI) approaches for social good, Big Data Engineering, and Testing.

SDG 5 - Gender Equality

Empowering women through skills training and capacity building

Kriti Social Initiatives — an Indian not-for-profit organization (Public Charitable Trust) and a social enterprise — was established in August 2009 with a vision to alleviate the poverty of the urban poor. It paves a path for economic independence of women and children in the urban slums of Hyderabad by giving them better quality of life.

Kriti's areas of focus are:

- Education of children
- Empowerment of women

Our partnership with Kriti is an attempt to empower women through skills training and capacity building such as tailoring and basket making. Our collective efforts help women become confident individuals who are equipped to make better choices for themselves and their families.

SDG 8 - Decent Work and Economic Growth

Delivering A Digital Museum Experience — Museum of Art & Photography (MAP)

The Museum of Art & Photography (MAP) is a project of the Art & Photography Foundation, a non-profit organization that's dedicated to furthering the awareness, education, and conservation of Indian art and heritage. The MAP building in Bengaluru is going to be India's first major private art museum. The project is expected to open to the public in 2020.

The Sonata-MAP Partnership-With a commitment to widening the community's access to art and culture, we've offered MAP a grant, and are also developing their website and mobile app. By using these digital platforms, anybody can book tickets for MAP's various events. This digital repository also helps MAP host digitized versions of prominent artifacts.

SDG 13 & 15 - Climate Action and Life on Land

Saving the planet, one tree at a time

We bring together our resources to plant, protect and restore life on land to its former glory. We work to enable people to reforest public land.

Our Initiatives for SDG 13 and SDG 15

We've partnered with Grow-Trees.com, an online platform that offers individuals and organizations the opportunity to plant trees. Their projects across cities enable people to care for the cause and to reforest public land. This social enterprise has so far planted 5,016,308 trees in partnership with several corporates and individuals.

The difference we've made

With the help of Grow-Trees.com, we plant 5 trees every time an individual has completed 5 years in our organization. They also receive a certificate from us and Grow-Trees.com as a recognition for their commitment to the cause and to the organization.

SONATA
SONATA SOFTWARE

Corporate Information

BOARD OF DIRECTORS

Pradip P Shah
Chairman

S B Ghia
Director

Viren Raheja
Director

P Srikar Reddy
Managing Director & CEO

Radhika Rajan
Director

Sanjay K Asher
Director

COMMITTEES OF THE BOARD

Audit Committee
Pradip P Shah, Chairman
S B Ghia
Radhika Rajan
Sanjay K Asher

Stakeholders Relationship Committee
S B Ghia, Chairman
P Srikar Reddy
Radhika Rajan

Nomination & Remuneration Committee
Sanjay K Asher, Chairman
Viren Raheja
S B Ghia
Pradip P Shah

Corporate Social Responsibility Committee
S B Ghia, Chairman
P Srikar Reddy
Radhika Rajan

Risk Management Committee
Pradip P Shah, Chairman
Viren Raheja
P Srikar Reddy

SOLICITORS

M/s Dua & Associates
M/s Fladgate LLP
M/s K & S Partners
M/s B C Prabhakar Associates
M/s Chugh LLP
M/s Magnah Law Partners
M/s Desai Law Offices

AUDITORS

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BNP Paribas
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BOARD'S REPORT

To the Members,

Your Directors have pleasure in presenting before you the Twenty-Fifth (25th) Annual Report of your Company together with the Audited Standalone and Consolidated Financial Statements for the Financial Year ended 31st March, 2020.

FINANCIAL RESULTS

(₹ in Lakhs)

Description	Standalone		Consolidated	
	Financial Year ended 31.03.2020	Financial Year ended 31.03.2019	**Financial Year ended 31.03.2020**	Financial Year ended 31.03.2019
Total Income	**97,397**	84,701	**380,166**	298,815
Total Expenditure	**67,372**	60,192	**337,045**	262,529
EBITDA	**30,025**	24,509	**43,121**	36,286
Depreciation and Amortization Expense	**2,060**	613	**3,654**	1,274
Finance Cost	**1,090**	8	**1,518**	339
Profit before Tax & Exceptional Items	**26,875**	23,888	**37,949**	34,673
Exceptional (Income)/Expenses	-	(49)	-	(276)
Provision for Tax (Net)	**5,749**	6,694	**10,256**	10,061
PAT before non-controlling interest	**21,126**	17,243	**27,693**	24,888
Non-controlling interest			-	38
PAT after non-controlling interest			**27,693**	24,926
Basic Earnings Per Share (in ₹)	**20.33**	16.59	**26.66**	23.99

BUSINESS PERFORMANCE

Your Company is primarily engaged in the business of delivering IT services and software solutions to its customers across the globe including the US, Europe, Middle-East, Asia - Pacific, Australia and New Zealand. Besides, the Company also distributes and re-sells products from global technology companies present in India. The Company's consolidated results comprises operations of Indian and Overseas Subsidiaries and operates under two distinct heads International IT services (IITS) and Domestic Products and Services (DPS).

During the Financial Year, your Company continued to focus on Platformation™ led solutions for its customers across its focus verticals of Retail, Travel, Distribution and ISVs. This has enabled the Company to continue to demonstrate steady growth in both revenues as well as margins. Revenues of the Company grew 27% over the previous year, and PAT was 11% higher than previous year.

Your Company continued its investments in IP, technology, people and process, The acquisitions made in the previous year Scalable and Sopris has given access to new industries like services and commodities which should stand the Company in good stead.

Your Company continued to strengthen its alliance with Microsoft and focused on delivering high quality services to its clients which increased the stickiness of the business. Investments made in IP and creating new technology competencies aligned to Platformation™ has helped the Company's position itself better in the digital transformation opportunity space.

A key component of Sonata's Platformation™ strategy is IP. Your Company continued its sharp focus on acquiring and improving its IP. Towards the end of the financial year, the Company signed definitive agreements for the acquisition of GAPbuster Limited (GBW), a Company with very strong IP led solutions in the exciting and growing customer experience space. The IP will add a significant platform led customer experience offering to Sonata's current solutions, creating substantial value for its customers in providing a more comprehensive suite of solutions that enable digital transformation. This makes Sonata quite unique in its ability to offer such a unified experience across the customer life cycle. The acquisition also helps Sonata further penetrate markets in Australia, in addition to gaining a foothold in newer markets in Japan and South East Asia while consolidating in Europe and US.

These acquisitions and investments further consolidate our position of being digital transformation partners of choice for our customers.

Here are some of the key achievements of the year summarized:

- Acquired Melbourne headquartered GBW, strengthening Sonata's footprint in Australia and opening up new geographies in South East Asia & Europe.
- Sonata is positioned as a Major Player in the IDC MarketScape for "Microsoft Dynamics 365 implementation services for Asia/ Pacific (excluding Japan)".
- Zinnov Zones 2019 rates Sonata Software as a Leader in Engineering R&D Services in enterprise software and consumer software categories.
- Highlighted and positioned as an Aspirant by Everest Group in its recently released report titled, "Application Transformation Services PEAK Matrix™ Assessment 2020".
- As per Microsoft, Sonata's platform Rezopia is among the first 15 Transactable Applications on the Azure Marketplace.
- Commodity Trade and Risk Management as an IP/solution and Platformation™ as a service is co-sell ready in Microsoft OCP Catalog, which enables Sonata to reach out to newer markets and prospects.
- Sonata's thought leadership continued in the form of whitepapers and articles published with the World Economic Forum.
- Partnered with NASSCOM for Tech-series event - "Data is the new Oil".

Your Company further strengthened its Senior Leadership with rich talent. Mr Rajat Sinha joined Sonata as Sr Vice President – Platform Monetisation. Mr Jagannathan CN joined the Company as the Chief Financial Officer (CFO). Your Company also made key additions to its Sales teams in the US and UK.

Coming to the results, both on a Standalone and Consolidated basis, your Company has shown growth and placed itself well to handle its increasing scale of operation.

A detailed analysis of Company's operations in terms of performance in markets, manufacturing activities, business outlook, risks and concerns forms part of the Management Discussion and Analysis, a separate section of this Annual Report.

In the wake of COVID-19 outbreak across globe and lockdowns, your Company acted very fast and took various precautionary measures to ensure the safety and health of Sonatians across offices in India and overseas we operate. 100% of Sonatians are working remotely and delivering several services to customers more effectively without any disruption. The pandemic has unprecedented impacts on our personal and professional lives. This situation is forcing organisations across the globe to rethink their business strategies. The rapidly evolving situation is forcing organisations to speed up and implement new digital transformation initiatives. With our Platformation™ led solutions, recent acquisitions and investment, Sonata is well positioned to come out strongly through these unprecedented times to take advantage of newer rising opportunities post Covid-19 crisis.

Standalone Financials

Total Income has shown a growth of 15%. The Earnings before Interest, taxes, Depreciation and Amortization (EBITDA) stood at 31% of total income and Net Profit at 22% of total income with Earnings per share at ₹ 20.33.

Consolidated financials

Total income has shown a growth of 27%. The Earnings before Interest, taxes, Depreciation and Amortization (EBITDA) stood at 11% of total income and Net Profit at 7% of total income with Earnings per share at ₹ 26.66.

Analyzing your Company's consolidated results by the two segments it operates in, International IT services contributed 34% of total revenues and 77% of PAT while Domestic products and services contributed to 66% of the total revenues and 23% of PAT.

International IT Services total revenue is ₹ 1,27,233 lakhs, growth of 14% and $ 181 million in US $ terms with a growth of 12% in revenues. Your Company has managed to declare good results consistently because of its focus on serving and growing its existing customers, new customer additions of 29 throughout the Financial Year, and maintaining resource utilization at 87% over the Financial Year under review.

Domestic products and services has showed growth of 39% in PAT. The focus in this business has always been to manage Return on Capital Employed (ROCE), which was approximately 33% for the year under review.

Your Company during the Financial Year under review had a stronger consolidated Balance Sheet and has approximately ₹ 31,149 Lakhs of cash and cash equivalents, showing Return on Capital employed (ROCE) of its 38% and Earnings per share at ₹ 26.66 per share.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion and Analysis Report as required under Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) is disclosed separately in this Annual Report.

DIVIDEND / TRANSFER TO RESERVES

Considering the better liquidity position of your Company, the Board of Directors of your Company had declared interim dividend of **₹** 5.75/- per equity share and second interim dividend of **₹** 14.5/- per equity share adds upto a total dividend of ₹ 20.25/- per equity share for Financial Year 2019-20.

Your Company has not transferred any amounts to reserve for the Financial Year ended 31st March, 2020.

The paid up share capital of your Company is ₹ 105,159,306 divided into 105,159,306 equity shares of ₹ 1/- each. Your Company has not come out with any issue (public, rights or preferential) during the Financial Year under review.

BOARD MEETINGS

During the year under review, the Board of Directors met five times. The Meetings were held on 30th May, 2019, 7th August, 2019, 30th October, 2019, 24th January, 2020 and 26th February, 2020.

DIRECTORS AND KEY MANANGERIAL PERSONNEL

Mr. S B Ghia (DIN: 00005264) Director, retires by rotation and being eligible, offers himself for re-appointment at the ensuing Annual General Meeting (AGM). Brief profile of Mr. S B Ghia is provided in the notes to the Notice of the ensuing AGM.

During the Financial Year under review, Mr. Prasanna Oke, Chief Financial Officer, resigned from the services of the Company with effect from 30th June, 2019.

During the year under review, Mr. B K Syngal and Mr. S N Talwar ceased to be the Directors with effect from August 11, 2019 upon completion of their term as Independent Directors. The Board places on record its appreciation for their invaluable contribution and guidance.

During the Financial Year under review, Ms. Mangal Kulkarni, was appointed as a Company Secretary and Compliance Officer was designated as a Key Managerial Personnel of your Company with effect from 7th August, 2019. Ms. Mangal Kulkarni is a B.Com, LLB graduate and a member of the Institute of Company Secretaries of India, New Delhi and is a qualified member of ICSA, UK, with over 24 years of rich experience in Compliance, Corporate Governance, Secretarial and Legal functions. Her last assignment was with Hinduja Global Solutions Limited as Associate Vice-President in Secretarial and Legal division. Over the span of 24 years she has served in India's biggest private sector conglomerate and other organizations engaged in manufacturing, infrastructure, ITes sector.

During the Financial Year under review, Mr. Sanjay K Asher, was appointed as an Additional Director designated as an Independent Director effective from 8th August, 2019 for a period of 5 (Five) years subject to the approval of shareholders at ensuing Annual General Meeting. Mr. Asher is a qualified Chartered Accountant, a Commerce and a Law Graduate. He is a Solicitor admitted to Bombay Incorporated Law Society. He is a Senior Partner at the law firm M/s. Crawford Bayley & Company. He specializes in corporate and commercial law, mergers and acquisitions, private equity and capital markets.

During the Financial Year under review, Mr. Jagannathan Chakravarthi, was appointed as the Chief Financial Officer of the Company w.e.f. 30th October, 2019. Mr. Jagannathan is a graduate from University of Madras. He is a qualified Chartered Accountant and a Cost Accountant and has 23 years of rich experience in the field of finance. In his previous role Mr. Jagannathan was the Chief Financial Officer of Carborundum Universal Limited, a listed manufacturing company part of the Murugappa Group. He was responsible for Finance, Business strategy, Business Finance, Global Taxation, Treasury, Investor Relations, Internal Audit and was also responsible for the IT function. Prior to Carborundum Universal Limited, Mr. Jagannathan has served as the Chief Financial Officer at Mindtree Ltd for three years. He was responsible for Finance, Business, Company Secretarial compliances, Enterprise Risk Management, Procurement, Travel & Immigration operations and compliance, Global Regulatory Compliance. Apart from this he was also associated with HCL Technologies Limited, Hindustan Powerplus Limited and Ashok Leyland Limited.

INDEPENDENT DIRECTORS

Your Company has laid down procedures to be followed for familiarizing the Independent Directors with your Company, their roles, rights, responsibilities in your Company and to impart the required information and training to enable them contribute significantly to your Company.

All the Independent Directors of the Company have given declarations that they meet the criteria of independence as laid down in section 149(6) of the Act and Regulation 16(1)(b) of Listing Regulations. The Independent Directors have also confirmed that they have complied with the Company's Code of Conduct.

DIRECTOR'S RESPONSIBILITY STATEMENT

In pursuance of Section 134(3)(c) read with 134(5) of the Companies Act, 2013, the Directors hereby confirm that:

a) in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;

b) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial Year and of the profit and loss of the Company for that period;

c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

d) the Directors have prepared the Annual Accounts on a going concern basis;

e) the Directors, have laid down Internal Financial Controls to be followed by the Company and that such Internal Financial Controls are adequate and were operating effectively; and

f) the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

MATERIAL CHANGES AND COMMITMENTS

There has been no material change and commitment affecting financial position of your Company between the end of the Financial Year under review and date of this Report.

AUDIT COMMITTEE

The Audit Committee of the Board has been reconstituted at the Board Meeting held on 7th August, 2019 by appointing Mr. Sanjay Asher as a member of the Committee. Further Mr. B K Syngal and Mr. S N Talwar ceased to be Chairman and member respectively of this Committee consequent to the completion of their term as Independent Directors. The Audit Committee currently comprises of Mr. Pradip P Shah (Chairman), Mr. S B Ghia, Ms. Radhika Rajan and Mr. Sanjay Asher as its Members. The Committee met four times during the year under review and all its recommendations were accepted by the Board.

Your Company has established Vigil Mechanism which provides for direct access to the Chairperson of the Audit Committee in cases that require reporting about the unethical behaviour, actual or suspected fraud or violation of code of conduct laid down by your Company. This mechanism is governed by Vigil Mechanism Policy which covers unethical behaviour, actual or suspected fraud, theft, bribery, misappropriation of Company's funds, financial reporting violations, misuse of intellectual property, mismanagement, significant environmental, safety or product quality issues, discrimination or harassment including sexual harassment, Insider Trading, actual or potential conflicts of interest, violation of Company's rules, Company's Policies or violation of Code of Conduct of the Company.

NOMINATION AND REMUNERATION COMMITTEE & STAKEHOLDERS RELATIONSHIP COMMITTEE

The Nomination and Remuneration Committee of the Board has been reconstituted at the Board Meeting held on 7th August, 2019 by appointing Mr. Sanjay Asher as a Chairman of the Committee and Mr. Pradip P Shah as a member of the Committee. Further Mr. B K Syngal and Mr. S N Talwar ceased to be a member and Chairman respectively of said Committee consequent to the completion of their term as Independent Directors.

The Nomination and Remuneration Committee currently comprises of Mr. Sanjay Asher (Chairman), Mr. Viren Raheja, Mr. S B Ghia and Mr. Pradip P Shah as its members. The Committee has laid down a policy for remuneration of Directors, KMP and other Employees. A copy of the Policy forms part of this Report, and is available on the website of the Company https://www.sonata-software.com/about-us/investor-relations/corporate-governance.

The Stakeholders Relationship Committee comprises of Mr. S B Ghia (Chairman), Mr. P Srikar Reddy and Ms. Radhika Rajan as its members.

DIVIDEND DISTRIBUTION POLICY

As required under Listing Regulations, your Company has established Dividend Distribution Policy with effect from 3rd February, 2017. The Dividend Distribution Policy is available on the website of the Company https://www.sonata-software.com/about-us/investor-relations/corporate-governance.

SUBSIDIARY COMPANIES

The Consolidated Financial Statements of your Company and its Subsidiaries viz., Sonata Information Technology Limited, India, Sonata Software Solutions Limited, India, Sonata Software North America Inc., USA (formerly known as Offshore Digital Services Inc), Sonata Software GmbH, Germany, Sonata Europe Limited, UK, Sonata Software FZ LLC, Dubai, Sonata Software (Qatar) LLC, Interactive Business Information Systems Inc., USA, Scalable Data Systems Pty Ltd., Australia and Sopris Systems LLC., USA duly audited are presented as part of this Report in accordance with the Companies Act, 2013, Ind AS 110 and the Listing Regulations, wherever applicable. The statement pursuant to the section 129(3) of the Companies Act, 2013, containing salient features of the Financial Statements of the Company's Subsidiaries in Form AOC-1 is given in **ANNEXURE I**.

During the Financial Year under review your Company incorporated an wholly-owned subsidiary company named Sonata Software Solutions Limited in India. The Company also entered into an agreement with SemiCab, Inc. a US based Company to acquire upto 17% stake through Sonata Software North America Inc., a wholly-owned Subsidiary of the Company. The Company also acquired GAPbuster Ltd, a UK registered Company through Sonata Europe Limited, a wholly-owned Subsidiary of the Company. The Financial Statements of the Subsidiaries shall be placed on your Company's website at www.sonata-software.com.

Your Company has a "Policy for determining Material Subsidiaries", so that your Company could identify such Subsidiaries and set out a governance framework for them. The Policy is put up on the website at https://www.sonata-software.com/about-us/investor-relations/corporate-governance.

EMPLOYEE STOCK OPTION PLAN "ESOP"

Your Company has an Employee Stock Option Plan, 2013 (Plan) in accordance with the SEBI (Share Based Employee Benefits) Regulations, 2014. The principal objectives of this Plan are to:

- Attract, retain and motivate talented and critical Employees;
- Encourage Employees to align individual performance with the Group's objectives;
- Reward Employee performance with ownership in proportion to their contribution; and
- Align Employee interest with those of the Group.

Mr Prasanna Oke, Ex-CFO was granted Options to purchase equivalent shares under the Plan, had during the Financial Year under review, exercised 30,000 Options of your Company at an Exercise Price of ₹ 165.75 per share, which were vested on him as on 19th May, 2019, Further Mr Vikas Gurugunti, Ex-Chief Operating Officer was granted Options to purchase equivalent shares under the Plan had during the Financial Year under review, exercised 18,750 Options of your Company at an Exercise Price of ₹ 191.95 per share, which were vested on him as on 12th November, 2018.

Pursuant to the requirements of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, a certificate has been issued by the Statutory Auditors of the Company confirming that the Plan has been implemented in accordance with the said Regulations and in accordance with the resolution of the Company in the General Meeting.

As required under the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, the applicable disclosures as on 31st March, 2020 are uploaded on the website of the Company www.sonata-software.com.

SECRETARIAL AUDIT

The Board had appointed Mr. Vijayakrishna K T, Practising Company Secretary as the Secretarial Auditor for the Financial Year 2019-20. The Secretarial Audit Report for the Financial Year ended 31st March, 2020 is annexed to this Report as **ANNEXURE II.** The report does not contain any qualification, reservation or adverse remark.

COST AUDIT

The provisions of Companies (Cost Records and Audit) Rules, 2014 are not applicable to your Company.

QUALIFICATIONS IN AUDIT REPORTS

Your Company confirms that there are no qualifications in the Statutory Auditor's Report and the Secretarial Audit Report for the year under review.

STATUTORY AUDITORS

Messrs Deloitte Haskins & Sells, LLP, Chartered Accountants, Bengaluru, (Firm Registration No. 117366W/W-100018) were appointed as Statutory Auditors of the Company from the conclusion of Twenty Second (22nd) Annual General Meeting (AGM) till conclusion of Twenty Seventh (27th) AGM subject to ratification of their appointment at every Annual General Meeting by the members. However the members may note that pursuant to the Companies (Amendment) Act, 2017 the requirement of ratification of the appointment of the Statutory Auditors in every Annual General Meeting has been omitted, and therefore the Company is not seeking ratification.

SECRETARIAL STANDARDS

Your Company has complied with the provisions of the Secretarial Standard 1 & 2 issued by the Institute of Company Secretaries of India.

EXTRACT OF ANNUAL RETURN

As required pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014, an extract of Annual Return in form MGT 9 is annexed to this Report as **ANNEXURE III.**

RECOGNITION

During the year under review, your Company was felicitated with following recognitions:

- Zinnov Zones 2019 rates Sonata Software as a Leader in Engineering R&D Services in enterprise software and consumer software categories.
- Sonata Software has been highlighted and positioned as an Aspirant by Everest Group in its recently released report titled, "Application Transformation Services PEAK Matrix™ Assessment 2020".
- ISO 9001-2015 annual surveillance audit for SSL was also successfully completed in the first quarter.

QUALITY

Your Company continues to focus on customer satisfaction and operational effectiveness through world class processes.

During the year under review, your Company successfully completed recertification audits of its Quality Management System aligning to ISO 27001 (information security), and also the annual surveillance audit for ISO 9001-2015 (overall quality management system) ISO 20000-1 (IT service management). Your Company is also in the process of completing the re-appraisal for CMMI Level 5 for Development v1.3 by end April 2020.

Your Company continues to enhance the effectiveness of its delivery to all customers. We continue to drive towards achieving world class practices and processes for world class delivery.

In terms of customer satisfaction, your Company has been able to achieve an overall aggregated score of 4.2 out of a possible top score of 5 this year, from key delivery project customers.

The year under review saw continued focus on the Platformation™ framework and methodology, to leverage this framework for all our existing as well as new clients. Platformation™ is Sonata's unique approach to digital transformation with the overall objective of transforming our client's businesses through this framework.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE OUTGO

(A) Conservation of energy

Though your Company does not have energy intensive operations being in the services sector, your Company has always been on the lookout for energy efficient measures for operation, and value conservation of energy through utilization of newer technologies & innovation for improving productivity and quality of products and services. Every endeavour has been made to ensure the optimal usage of energy, avoid wastage and conserve energy. As an ongoing process your Company continued to undertake the following energy conservation measures to minimize the usage of energy:

- Deployment of energy-efficient computers and sophisticated office automation and management equipment with the latest technologies, which optimizes conservation of energy and create an environmentally friendly work environment;
- Installing LED lights which reduces electricity consumption;

- Installation of sensors at work space area resulting in lights automatically getting switched off in areas not in use;
- Continuous monitoring of floor areas after normal working hours and switching off lights;
- Turning off air conditioners during non-peak hours and on weekends;
- Installing of Energy Meters for closed monitoring of AHU run hours on daily basis;
- Regular UPS and AC plant maintenance to ensure efficient working of the equipment.

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:

- Replacing the CFL based lighting in our Bengaluru Global Village facility to LED based lighting in phases which has given immense savings in Electricity consumption;
- Air-conditioning staggered mode of operation resulting in reduction in fuel consumption;
- Replacing old monitors with energy efficient monitors which leads to significant reduction in energy consumption;
- Migration of in-house computing infrastructure to cloud lead to significant energy and cost savings;

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.

(B) Technology absorption

During the Financial Year under review, your Company focused its efforts and built competencies in areas of new technologies like RPA, Chatbots, Machine learning & strengthened other competencies like Mobility, Omni Channel Commerce, Analytics and Cloud. Dedicated Competency teams were setup for each of these. Your Company has progressed well with its proprietary model of achieving digital transformation called Platformation™. Your Company continued to invest in differentiated IP and platforms across industry verticals of Travel, Retail, Distribution and software solutions.

(C) Foreign exchange earnings and Outgo

During the Financial Year under review, 91% of the revenue came from exports of developed software and related services to clients in USA, UK, Australia, Germany, UAE, Japan, Singapore, Denmark and Europe.

Foreign Exchange outgo on account of travelling, professional and legal charges, subsistence/living costs, overseas salaries, capital goods, etc. was ₹ 13,265 Lakhs and Foreign Exchange inflow on account of export of software services (net), goods and other operating revenues was ₹ 80,824 Lakhs.

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.

PUBLIC DEPOSITS

Your Company has not accepted any deposits from the public under Chapter V of the Companies Act, 2013 during the year under review.

HUMAN RESOURCES MANAGEMENT

During the Financial Year under review, your Company and its employees were part of the following activities:

- Sonatians participated in the TechGig Code Gladiator Coding contest, putting up their coding prowess and problem-solving skills to test and benchmarking themselves against the best coders in India. We are happy to announce that 15 Sonatians qualified for the Semi-finals. 3 Sonatians faced off with some of the best at the Finale in Mumbai. 1 Sonatian was adjudged one of the top 10 in the Finals that happened in Mumbai in June 2019.
- Session on "Having Development Conversations" were conducted from June-August'19 for all managers in the organization.
- Swagatham is an outreach program intended to create awareness about higher education and research among the top undergraduate students in India at the IISc, Bangalore. The 4th Swagatham was organized by CSA department, IISc in April 2019 with an inaugural session which was attended by executives from Sonata Software along with CSA faculty, as part of our commitment to IISc.
- Sonata's Industry-Academia partnership with IIIT-B has facilitated students from IIIT-B to take up their internships on Industry Problems and Current Technologies and Business Trends. This year, Sonata has offered a dedicated internship program, starting in June, in areas of Application Building for Platforms & Application Development and enhanced Code Generation Platforms. This internship program will help the students to learn problem solving skills and exposure to cutting edge research.
- To engage Sonatians in the managerial cadre, an initiative called The Leader's Ideation Forum was launched during the year. The Leaders Ideation Forum was conducted starting August in Sonata locations in India. Participants of these include Middle & Senior Managers. These monthly sessions are designed to help enhance communication, ideate on solutions and innovations, solve problems locally and make consensus-based decisions.
- Over 100 Sonatians got a chance to visit the Customer Experience Center (CEC) at our Global Village facility in Bangalore in the last quarter. The objective was to enhance the Sonatian experience for them. A greater sense of belonging and a deeper understanding of what we stand for, goes a long way in building trust and pride in the organization. This is what we believe was achieved through these initiatives.
- Representing an internationally shared global agenda for sustainability, Sustainable Development Goals (SDGs) are a collection of 17 global goals set by the United Nations General Assembly in 2015 for the year 2030. Globally, businesses are in the process of aligning themselves and their activities to these goals and at this time, in different stages of their sustainability journeys. With many of our initiatives and ongoing programs under CSR, we have been working towards many of these goals ourselves. Industry, Innovation and Infrastructure, reducing inequalities, responsible consumption and production, meaningful partnerships to attain these goals, gender equality are some of the SDGs we are already working for at Sonata and will consciously continue to do. We took up this topic of 'Sustainability - Business Impact and RoI" for our latest session of Sonata Café. We had the most passionate, insightful and uniquely different views from Sonatians. Our invited guest, Mr. Ashok Pamidi, CEO, NASSCOM Foundation, presented a bird's eye view of the various sustainability related statistics from around the world, along with prevalent practices from inside the IT industry in India.

- 'Bring your Child to Work 2019' was organized for various Sonata locations in the quarter. It was wonderful to see the enthusiasm with which Sonatians participated in the event. No stone was unturned to make the event lively and entertaining both by the organizers and the audience.
- SJBIT Engineering Student's Industrial visit to Sonata's facility in November 2019 was part of a new initiative to foster better engagement between Sonata and the education institutions we are associated with. Students found the experience at Sonata as "excellent, informative and one of the best in their academic program till date".
- As part of our on-going partnership with Agastya International Foundation, we funded the Agastya Summer camp in April 2019 at GHPS Kuragall, which sought to explain basic principles of science through puzzles, games and low-cost model making to children. The Camp engaged 800 rural children and 21 teachers in 25 day's time. Sonata's work with Agastya Foundation, in bringing hands-on science education to underprivileged rural children, has benefited over 12 different communities in the last three months. Hundreds of children and adults participate in activities like meditation, craft-work, and story-writing – exploring and having fun! Glad to report that we have been able to positively impact 8 schools, in 26 sessions, 895 children and 18 teachers in all. The First Mobile Science Lab was launched in August 2019 in Kuppam and we inaugurated the second one in December in GHPS Shivalli, Dharwad.
- Sonata Software partners with Smt. Kamala & Sri. Venkappa M Agadi College of Engineering & Technology (SKSVMA), Gadag, to provide scholarships to economically challenged girl students, enabling them to gain technical knowledge, skill and capability to pursue a career in Industry. Six girl students from the departments of Information Science, Computer Science and Electronics & Communication from the 5th and 7th semesters were selected for their outstanding scholastic performance as well as achievements in extracurricular activities last quarter for the scholarships.

Further, every year your Company organizes an Annual Communications Meet "ACM" where:

- Your Managing Director along with his Leadership team shared the Company strategy, plans & key focus areas. Like all years the telecast this year too was widely viewed across the locations.
- The ACM enabled employees to develop a sense of purpose, vision and helped them align and give a deep sense of belonging to the organization's strategy, plans & objectives.

DISCLOSURES AS REQUIRED UNDER SECTION 22 OF SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

Your Company is committed to provide a healthy environment to all employees that enables them to work without the fear of prejudice and gender bias. Your Company has in place a gender neutral Prevention of Sexual Harassment (POSH) Policy in line with the requirements of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

Your Company through this Policy has constituted a committee and has established a grievance procedure for protection against victimization. The Policy is available on intranet for the employees to access as and when required. No complaints were received under this Policy during the Financial Year 2019-20.

DETAILS OF ADEQUACY OF INTERNAL FINANCIAL CONTROLS

Internal Financial Controls are an integrated part of the risk management process, addressing financial and financial reporting risks. It is commensurate with its size and the nature of its operations. The internal financial controls have been embedded in the business processes.

Assurance on the effectiveness of internal financial controls is done through management reviews and review by internal auditors during the course of their audits. We believe that these systems provide reasonable assurance that our internal financial controls are designed effectively. The Audit Committee reviews the reports submitted by internal auditors. Suggestions for improvement are considered and the corrective action are undertaken.

SIGNIFICANT & MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNAL

During the year under review, there were no significant and material orders passed by the Regulators or Courts or Tribunals impacting the going concern status of your Company and its future operations.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

During the Financial Year under review, your Company had given Inter Corporate Deposits at prevailing bank lending rate to its wholly owned subsidiary, Sonata Information Technology Ltd., Scalable Data Systems Pty. Ltd. and Sonata Software Solutions Limited for meeting its working capital requirements. The balance outstanding as on 31st March, 2020 is ₹ 220 Lakhs. The maximum amount outstanding at any point of time during the Financial Year has been ₹ 23,465 Lakhs.

Also, your Company has given Corporate Guarantees on behalf of Subsidiaries for facilitating its business needs. The outstanding amount as on 31st March, 2020 is as below:

Name of the Subsidiary	₹ in Lakhs
Sonata Software North America Inc., USA	8,323
Sonata Information Technology Limited, India	11,849

RISK MANAGEMENT

Your Company's Risk Management practice seeks to sustain the long-term vision and mission of your Company. It continuously evaluates the various risks surrounding the business and seeks to review and upgrade its risk management process. To further endeavour, your Board constantly formulates strategies directed at mitigating these risks which get implemented at the Executive Management level and a regular update is provided to the Board.

CORPORATE SOCIAL RESPONSIBILTY (CSR)

During the Financial Year, your Company has spent ₹ 335 lakhs towards CSR activities.

Your Company has a Policy on CSR and as part of its implementation program, identified and participated in the following initiatives:

- Sonata Software in partnership with Agastya International Foundation is supporting them to take Science and Mathematical experiments to the Rural schools in the Country. We have supported them with the Program Lab On Tab which help Rural students to get access to Science and Maths experiments at their doorstep in Rural schools. Sonata also developed the App based learning platform for Agastya's –Lab on Tab.

- The partnership with Kriti Social Initiatives is to help empower the Women in slums with skill development. This Partnership supports various women empowerment programs to empower women through skills training and capacity building, promote livelihoods for women and ensuring education of children in slums of Hyderabad. Sonata has also created a Technology Platform for Kriti to market the Products manufactured by the Women artisans.
- Sonata's partnership with IIIT-B encompasses research, internships and knowledge sharing between academia and industry to foster innovation at IIIT-B. The program funds research fellowships, advocating technology for digital transformation through workshops/structured courses, framework & course content creation for a Course on Platformation, talks, training sessions.
- Sonata Software in partnership with Industree Crafts Foundation is developing a Co Create app for Artisans. The app would have a Master Bank to capture the details of Artisans and their artworks across India. This app will also help Artisans across the country to register themselves and display their crafts.
- Sonata Software in partnership with Women Weave has designed a customer facing platform with multi-currency functionality that allows weavers to showcase their design collections to prospective customers. This platform also enables weavers to receive orders and customization requests with regards to colors, design themes and yardage.
- Sonata Software with Wildlife Conservation Trust (WCT) has leveraged our technology expertise and created a digital learning platform which provides collaboration tools between the Teachers and Students in and around Primary and Secondary schools around the Forest buffer zones.
- Sonata partnered with The Kishkinda Trust (TKT) to develop an E-Commerce platform to co-exist with their existing website with Multi-Functionality so that the retail and wholesale buyers will be able to place orders online from artisans.
- Scholarships for economically challenged engineering students – We partner with SKSVMA Trust to support technical education for economically challenged students in the backward districts of Karnataka. We are also supporting them with grant for infrastructure support to create Project labs.
- Sonata's commitment to sustainability is not recent & we have been working on a number of Initiatives in the Company to create a safe Planet for all of us. Sonata Software in association with Grow Trees, planted trees on behalf of the Sonata Employees which allows individuals and companies to contribute to the environment leaving a habitable and hospitable world for future generations.
- Sonata Software in partnership with Sense International India (SII) has leveraged technical expertise from Sonata in revamping their existing website with new functionalities and fund-raising module to help their Programs.
- Sonata Software in association with Compassion Unlimited Plus Action (CUPA) has supported Animal Welfare as part of CSR. We have supported CUPA in their project to develop the Second Chance Adoption Center for relief to thousands of injured, ill and needy street animals in Bangalore.

The Annual Report on CSR in the prescribed format is enclosed to this Report as **ANNEXURE IV.**

BUSINESS RESPONSIBILITY REPORT

The SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, mandates inclusion of the Business Responsibility Report (BRR) as part of the Annual Report for top 1000 listed entities based on market capitalization. In compliance with the Regulations, BRR forms part of the Annual Report and it is available on the Company's website at www.sonata-software.com. The BRR contains a detailed report on Business Responsibilities vis-a-vis the nine principles of the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business framed by the Union Ministry of Corporate Affairs.

RELATED PARTY TRANSACTIONS

The policy on related party transactions is available on the Company's website at https://www.sonata-software.com/about-us/investor-relations/corporate-governance.

Particulars of the Contracts or Arrangements with related parties referred to in Section 188(1) in the format specified as Form AOC- 2 forms part of this Report as **ANNEXURE – V.**

JUSTIFICATION FOR ENTERING INTO RELATED PARTY TRANSACTIONS

All the Related Party Transactions entered into by your Company with the Related Parties including rendering of services, sharing of expenses, providing of inter-corporate loans and guarantees to its subsidiaries are in the ordinary course of business and are carried out at arm's length pricing.

FORMAL ANNUAL EVALUATION

During the Financial Year under review, as mandated by the Companies Act, 2013, your Company conducted an exercise to evaluate the performance of the Board, Committees of the Board, Chairman of the Board, Individual Directors and the Independent Directors. As part of the evaluation process, individual criteria for each of the exercise was formulated. From these, formal questionnaire listing various parameters on which each of the categories were required to be evaluated was shared with each member of the Board / Committee / Director. They were then required to rate individually on each of the parameters pursuant to provision of Companies Act, 2013 and Listing Regulations.

REMUNERATION TO DIRECTOR AND EMPLOYEES

Details / Disclosures of ratio of Remuneration to each Director to the median employee's remuneration and details of remuneration paid to Employees is given as **ANNEXURE – VI**.

A statement comprising the names of top 10 employees in terms of remuneration drawn and every person employed throughout the year, who were in receipt of remuneration in terms of Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, forms an integral part of this Report. However the same is not being sent along with this Annual Report to the Members of the Company in line with the provision of Section 136 of the Companies Act, 2013. Members who are interested in obtaining these particulars may write to investor@sonata-software.com and these documents will be made available for inspection electronically from the date of circulation of this Annual Report upto the date of AGM i.e, 11th August, 2020.

LISTING WITH STOCK EXCHANGES

Your Company confirms that it has paid the Annual Listing Fees for the year 2019-20 to NSE and BSE where your Company's Shares are listed.

CORPORATE GOVERNANCE

Your Company has taken adequate steps to adhere to all the stipulations laid down in SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015. A report on Corporate Governance is provided in this Annual Report.

A Certificate from Mr. Parameshwar G. Bhat, a practising Company Secretary, confirming the compliance with the conditions of Corporate Governance as stipulated under the said Regulations is attached to this report.

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: 11 May, 2020

PRADIP P SHAH
CHAIRMAN

Annexure I

Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014 - Form AOC-I)

PART "A": SUBSIDIARIES

(₹ in Lakhs)

Sl. No.	Name of the subsidiary	Sonata Information Technology Ltd.	Sonata Software North America Inc. (Refer Note 3)	Sonata Software FZ LLC	Sonata Software GmbH	Sonata Europe Ltd., UK	Sonata Software (Qatar) LLC	Interactive Business Information Systems Inc.	Scalable Data Systems Pty. Limited	Sopris Systems LLC	Sonata Software Solutions Ltd.(Refer Note 4)
1	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	Same Reporting Period	Same Reporting Period	Same Reporting Period	Same Reporting Period	Same Reporting Period	Same Reporting Period	Same Reporting Period	Same Reporting Period	Same Reporting Period	Same Reporting Period
2	Reporting currency	INR	USD	USD	EURO	GBP	USD	USD	AUD	USD	INR
3	Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	-	USD = ₹ 75.66	USD = ₹ 75.66	Euro = ₹ 82.78	GBP = ₹ 93.46	USD = ₹ 75.66	USD = ₹ 75.66	AUD = ₹ 46.07	USD = ₹ 75.66	-
4	Share capital	338	227	103	21	2,299	42	378	*-	*-	1
5	Reserves and surplus	19,994	6,874	(808)	157	8,018	(518)	1,278	253	(1,153)	(28)
6	Total assets	73,882	31,904	1,190	276	13,605	115	1,970	1,146	1,071	214
7	Total Liabilities	53,550	24,804	1,896	98	3,288	591	314	892	2,224	241
8	Investments	-	12,836	-	-	-	-	-	-	-	-
9	Turnover	249,224	59,820	482	543	12,748	114	6,067	3,137	4,615	7
10	Profit / (Loss) before taxation	8,889	6,238	(173)	(143)	2,693	(39)	1,704	613	(399)	(28)
11	Provision for taxation	2,450	1,689	-	30	515	-	-	184	-	-
12	Profit / (Loss) after taxation	6,439	4,549	(173)	(173)	2,178	(39)	1,704	429	(399)	(28)
13	% of shareholding	100	100	100	100	100	49	100	100	100	100

*Share Capital as at March 31, 2020 for Scalable Data Systems Pty. Ltd. is ₹.92 and Sopris Systems LLC. is ₹ 151

Notes:

1) In the details given above, the reporting currency has been converted to ₹ at the closing exchange rate as on 31st March, 2020.
2) Proposed dividend from any of the subsidiary is "NIL".
3) Rezopia Inc. and Halosys Technologies Inc. merged with Sonata Software North America (SSNA) w.e.f June 14, 2019.
4) Sonata Software Solutions Limited, a wholly- owned subsidiary was incorporated on February 24, 2020.

Part "B": Associates and Joint Ventures

Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures.

There are no associate companies and joint ventures during the current Financial Year.

FOR AND ON BEHALF OF THE BOARD

PRADIP P SHAH
Chairman
Place : Mumbai

P SRIKAR REDDY
Managing Director & CEO
Place: Bengaluru

JAGANNATHAN C N
Chief Financial Officer
Place: Bengaluru

R SATHYANARAYANA
VP - Finance & Accounts
Place: Bengaluru

MANGAL KULKARNI
Company Secretary
Place: Bengaluru

Date : 11 May, 2020

Annexure II

Form No. MR-3

SECRETARIAL AUDIT REPORT

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2020

To,
The Members
Sonata Software Limited
Mumbai

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Sonata Software Limited (CIN: L72200MH1994PLC082110) (hereinafter called 'the Company'). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2020 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by Sonata Software Limited for the financial year ended on 31st March, 2020 according to the provisions of:

(i). The Companies Act, 2013 (the Act) and the rules made there under;

(ii). The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;

(iii). The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;

(iv). Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

(v). The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):

   (a) Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;

   (b) Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;

   (c) Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

   (d) Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018;

   (e) Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;

   (f) Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;

   (g) Securities and Exchange Board of India (Issue and Listing of Non-Convertible and Redeemable Preference Shares) Regulations,2013;

   (h) Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

   (i) Circulars/Guidelines issued thereunder;

(vi) The Industry specific laws applicable to the Company are as follows:

- The Information Technology Act, 2000
- The Special Economic Zone Act, 2005
- Policy relating to Software Technology Parks of India and its Regulations
- The Indian Copyright Act, 1957
- The Patents Act, 1970
- The Trade Marks Act, 1999

(vii) The other general laws as may be applicable to the Company including the following:

- The Karnataka and Maharashtra Shops & Commercial Establishment Act & Rules
- The ESI Act & General Regulations
- The Employees Provident Funds & Miscellaneous Provisions Act
- The Minimum Wages Act & Rules
- The Payment of Wages Act & Rules
- The Payment of Gratuity Act & Rules
- The Payment of Bonus Act & Rules
- The Maternity Benefit Act
- The Equal Remuneration Act
- The Employment Exchanges (CNV) Act & Rules
- The Karnataka and Maharashtra Labour Welfare Fund Act & Rules
- Industrial Employment Standing Orders Act
- The Karnataka and Maharashtra (National & Festival) Holidays Act &Rules
- The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act
- For majority of Central Labour Laws, the States have introduced Rules [names of each of the Rules is not included here]
- The Competition Act, 2002
- The Indian Contract Act, 1872
- The Sales of Goods Act, 1930
- The Indian Stamp Act, 1899
- The Transfer of Property Act, 1882

I have also examined compliances with the applicable clauses of Secretarial Standards issued by the Institute of Company Secretaries of India (ICSI) on the Board and General Meeting i.e. SS-1 and SS-2.

During the period under review, the Company has complied with the provisions of the Acts, Rules, Regulations, Guidelines, Standards, etc. mentioned above. Certain non material findings made during the course of the audit relating to Company Law and Labour Laws were addressed suitably by the Management.

I report that with regard to financial and taxation matters, I have relied on the draft Audit Report, Limited Review Report and the Internal Audit Report provided by the Statutory/Internal Auditor as the case may be.

I further report that the Board of Directors of the Company is duly constituted with proper balance of Non-Executive Directors and Independent Directors.

Adequate notice is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance (in certain instances, detailed notes on agenda were sent within seven days, with the consent of Directors), and a system exists for seeking and obtaining further information and clarifications on the agenda items before the Meeting and for meaningful participation at the Meeting.

Majority decision is carried through while the dissenting member's views are captured and recorded as part of the minutes as per the practice followed. However, during the period under report, there was no such case instance.

I further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that I could not physically verify few documents/registers/returns due to Lockdown situation in relation to outbreak of Pandemic Covid-19 and I have relied up on the soft copies/information shared with me.

Place: Bengaluru
Date: 11 May, 2020

Vijayakrishna K T
FCS No.: 1788
C P No.: 980
UDIN: F001788B000226364

Note: This report is to be read with my letter of even date which is annexed as Annexure and forms an integral part of this report.

'Annexure'

My report of even date is to be read along with this letter:

1. Maintenance of secretarial record is the responsibility of the management of the Company. My responsibility is to express an opinion on these secretarial records based on our audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of Secretarial Records. The verification was done on test basis to ensure that correct facts are reflected in the secretarial records. I believe that the processes and practices, I have followed provide a reasonable basis for our opinion.
3. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company including records under Income Tax Act, Customs Act, Goods and Service Tax Act.
4. Where ever required, the Company has represented about the compliance of laws, rules and regulations and happening of events etc. as applicable from time to time.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of Management. My examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit Report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the Management has conducted the affairs of the Company.

Place: Bengaluru
Date: 11 May, 2020

Vijayakrishna K T
FCS No.: 1788
C P No.: 980

SONATA SOFTWARE

Annexure III

EXTRACT OF ANNUAL RETURN

For the Financial Year ended on 31.03.2020

Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management & Administration) Rules, 2014.

I REGISTRATION & OTHER DETAILS:

i	CIN	L72200MH1994PLC082110
ii	Registration Date	18th October 1994
iii	Name of the Company	SONATA SOFTWARE LIMITED
iv	Category/Sub-category of the Company	Public Limited Company
v	Address of the Registered office & contact details	No 208 T V Industrial Estate, 2nd Floor, S K Ahire Marg, Worli, Mumbai - 400030 Email: info@sonata-software.com
vi	Whether listed company	Yes. Listed on National Stock Exchange of India Limited and BSE Limited.
vii	Name , Address & contact details of the Registrar & Transfer Agent, if any.	KFin Technologies Pvt Ltd (formerly known as Karvy Fintech Private Limited) Registrars and Share Transfer Agents Karvy Selenium-Tower B, Plot No.31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad - 500 032, India Tel : (040) 67161591 Fax: (040) 23420814

II PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the Company shall be stated

Sl. No.	Name & Description of main products/services	NIC Code of the Product /service	% to total turnover of the Company
1	Other Information Technology and Computer Services activities	62099	100%

III PARTICULARS OF HOLDING , SUBSIDIARY & ASSOCIATE COMPANIES

Sl. No	Name & Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	Sonata Information Technology Limited	U72300MH2000PLC127476	Subsidiary	100	2(87)(ii)
2	Sonata Software Solutions Limited	U72900MH2020PLC338150	Subsidiary	100	2(87)(ii)
3	Sonata Software North America (Inc.)	Not Applicable	Subsidiary	100	2(87)(ii)
4	Sonata Europe Limited	Not Applicable	Subsidiary	100	2(87)(ii)
5	Sonata Software GmbH	Not Applicable	Subsidiary	100	2(87)(ii)
6	Sonata Software FZ-LLC, Dubai	Not Applicable	Subsidiary	100	2(87)(ii)
7	Sonata Software (Qatar) LLC, Qatar	Not Applicable	Subsidiary	49	2(87)(i)
8	Interactive Business Information Systems Inc.	Not Applicable	Subsidiary	100% held by Sonata Software North America Inc.	Expln(a) to Section 2(87)
9	Scalable Data Systems Pty Ltd	Not Applicable	Subsidiary	100	2(87)(ii)
10	Sopris Systems LLC	Not Applicable	Subsidiary	100% held by Sonata Software North America Inc.	Expln(a) to Section 2(87)

IV. SHAREHOLDING PATTERN (Equity Share capital Break up as % to total equity)

(i) Category-wise shareholding

Category of Shareholders	No. of Shares held at the beginning of the year (as on 1st April 2019)				No. of Shares held at the end of the year (as on 31st March 2020)				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters and Promoter Group									
(1) Indian									
a) Individual/HUF	28187450	0	28187450	26.80	28187450	0	28187450	26.80	0.00
b) Central Govt.or State Govt.	0	0	0	0.00	0	0	0	0.00	0.00
c) Bodies Corporates	1436000	0	1436000	1.37	1436000	0	1436000	1.37	0.00
d) Bank/FI	0	0	0	0.00	0	0	0	0.00	0.00
e) Any other	0	0	0	0.00	0	0	0	0.00	0.00
SUB TOTAL (A) (1)	**29623450**	**0**	**29623450**	**28.17**	**29623450**	**0**	**29623450**	**28.17**	**0.00**
(2) Foreign									
a) NRI- Individuals	0	0	0	0	0	0	0	0	0
b) Other Individuals	0	0	0	0	0	0	0	0	0
c) Bodies Corp.	0	0	0	0	0	0	0	0	0
d) Banks/FI	0	0	0	0	0	0	0	0	0
e) Qualified Foreign Investor	0	0	0	0	0	0	0	0	0
f) Any other...	0	0	0	0	0	0	0	0	0
SUB TOTAL (A) (2)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total Shareholding of Promoter (A)= (A)(1)+(A)(2)	**29623450**	**0**	**29623450**	**28.17**	**29623450**	**0**	**29623450**	**28.17**	**0.00**
B. PUBLIC SHAREHOLDING									
(1) Institutions									
a) Mutual Funds/UTI	10245854	0	10245854	9.74	13467988	0	13467988	12.81	3.06
b) Banks/FI	125726	0	125726	0.12	540409	0	540409	0.51	0.39
c) Central govt	0	0	0	0.00	0	0	0	0.00	0.00
d) State Govt.	0	0	0	0.00	0	0	0	0.00	0.00
e) Venture Capital Fund	0	0	0	0.00	0	0	0	0.00	0.00
f) Insurance Companies	0	0	0	0.00	0	0	0	0.00	0.00
g) Foreign Institutional Investors	14546986	0	14546986	13.83	12264067	0	12264067	11.66	-2.17
h) Foreign Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
i) Qualified Foreign Investor	0	0	0	0.00	0	0	0	0.00	0.00
j) Others (specify)	0	0	0	0.00	331253	0	331253	0.32	0.32
SUB TOTAL (B)(1)	**24918566**	**0**	**24918566**	**23.70**	**26603717**	**0**	**26603717**	**25.30**	**1.60**
(2) Non Institutions									
a) Bodies corporates	6819592	6000	6825592	6.49	5053648	6000	5059648	4.81	-1.68
b) Individuals									0.00
i) Individual shareholders holding nominal share capital upto ₹1 Lakhs	17919129	931481	18850610	17.93	19409159	816281	20225440	19.23	1.31
ii) Individuals shareholders holding nominal share capital in excess of ₹ 1 Lakhs	20708386	0	20708386	19.69	19254594	0	19254594	18.31	-1.38

SONATA
SONATA SOFTWARE

Category of Shareholders	No. of Shares held at the beginning of the year (as on 1st April 2019)				No. of Shares held at the end of the year (as on 31st March 2020)				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
c) Others (specify)									
Directors	1256500	0	1256500	1.19	1256500	0	1256500	1.19	0.00
Clearing members	105501	0	105501	0.10	134471	0	134471	0.13	0.03
Directors and their relatives	200000	0	200000	0.19	200000	0	200000	0.19	0.00
IEPF	224930	0	224930	0.21	249372	0	249372	0.24	0.02
NBFC	35880	0	35880	0.03	3425		3425	0.00	-0.03
Non Resident Indians	517528	0	517528	0.49	514275	0	514275	0.49	0.00
NRI NON-REPATRIATION	590488	0	590488	0.56	768430	0	768430	0.73	0.17
Trusts	1301875	0	1301875	1.24	1265984	0	1265984	1.20	-0.03
Qualified Foreign Investor	0	0	0	0.00	0	0	0	0.00	0.00
SUB TOTAL (B)(2):	**49679809**	**937481**	**50617290**	**48.13**	**48109858**	**822281**	**48932139**	**46.53**	**-1.60**
Total Public Shareholding (B)= (B)(1)+(B)(2)	**74598375**	**937481**	**75535856**	**71.83**	**74713575**	**822281**	**75535856**	**71.83**	**0.00**
C. Shares held by Custodian for GDR & ADR	0	0	0	0	0	0	0	0	0
Grand Total (A+B+C)	**104221825**	**937481**	**105159306**	**100.00**	**104337025**	**822281**	**105159306**	**100.00**	

(ii) Shareholding of Promoters

Sl No.	Shareholders Name	Shareholding at the beginning of the year (1st April, 2019)			Shareholding at the end of the year (31st March, 2020)			% change in shareholding during the year
		No of shares	% of total shares of the Company	% of shares pledged encumbered to total shares	No of shares	% of total shares of the Company	% of shares pledged encumbered to total shares	
1	VIREN RAJAN RAHEJA	8250000	7.85	0	8250000	7.85	0	0
2	AKSHAY RAJAN RAHEJA	8250000	7.85	0	8250000	7.85	0	0
3	SUMAN RAHEJA	6900000	6.56	0	6900000	6.56	0	0
4	RAJAN B RAHEJA	4787450	4.55	0	4787450	4.55	0	0
5	EXCELSIOR CONSTRUCTION COMPANY PRIVATE LIMITED	1150000	1.09	0	1150000	1.09	0	0
6	TROPHY INVESTMENT & FINANCE PRIVATE LIMITED	143000	0.14	0	143000	0.14	0	0
7	GSTAAD INVESTMENT & FINANCE PRIVATE LIMITED	143000	0.14	0	143000	0.14	0	0
	Total	**29623450**	**28.17**	**0**	**29623450**	**28.17**	**0.00**	**0.00**

(iii) Change in Promoter's Shareholding

Sl. No.	Name of the shareholder	Shareholding		Cumulative Shareholding during the year	
		No of shares	% of total shares of the Company	No of shares	% of total shares of the Company
	At the beginning of the year	NIL	NIL	NIL	NIL
	Sale of shares	NIL	NIL	NIL	NIL
	At the end of the year	NIL	NIL	NIL	NIL

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters & Holders of GDRs & ADRs)

Sl. No	For Each of the Top 10 Shareholders	Shareholding at end of the year		Date	Increase/ Decrease in Shareholding	Reason	Cumulative Shareholding during the year (1st April 2019 to 31st March 2020)	
		No. of Shares at the beginning (1st April 2019)/end of the year 31st March 2019	% of total shares of the company				No of shares	% of total shares of the company
1	**HEMENDRA M KOTHARI**	10660026	10.14	01/04/2019	-	Nil movement during the year		
				31/03/2020			10660026	10.14
2	**HDFC SMALL CAP FUND^**	7963557	7.57	01/04/2019				
				10/05/2019	40600	Transfer	8004157	7.61
				17/05/2019	35200	Transfer	8039357	7.64
				12/07/2019	81176	Transfer	8120533	7.72
				19/07/2019	28000	Transfer	8148533	7.75
				26/07/2019	39000	Transfer	8187533	7.79
				02/08/2019	52000	Transfer	8239533	7.84
				09/08/2019	22000	Transfer	8261533	7.86
				16/08/2019	182700	Transfer	8444233	8.03
				23/08/2019	242000	Transfer	8686233	8.26
				30/08/2019	564000	Transfer	9250233	8.80
				06/09/2019	25300	Transfer	9275533	8.82
				13/09/2019	68200	Transfer	9343733	8.89
				20/09/2019	138200	Transfer	9481933	9.02
				27/09/2019	151400	Transfer	9633333	9.16
				30/09/2019	6000	Transfer	9639333	9.17
				11/10/2019	46394	Transfer	9685727	9.21
				06/12/2019	35000	Transfer	9720727	9.24
				31/01/2020	5873	Transfer	9726600	9.25
				31/03/2020			9726600	9.25
3	**GOLDMAN SACHS INDIA LIMITED**	2873769	2.73	01/04/2019				
				13/12/2019	-109644	Transfer	2764125	2.63
				28/02/2020	-60187	Transfer	2703938	2.57
				06/03/2020	-32484	Transfer	2671454	2.54
				13/03/2020	-45693	Transfer	2625761	2.50
				20/03/2020	-89048	Transfer	2536713	2.41
				27/03/2020	-31852	Transfer	2504861	2.38
				31/03/2020			2504861	2.38
4	**ORANGE MAURITIUS INVESTMENTS LIMITED**	1844171	1.75	01/04/2019				
				20/12/2019	-120200	Transfer	1723971	1.64
				31/03/2020			1723971	1.64

Sl. No	For Each of the Top 10 Shareholders	Shareholding at end of the year		Date	Increase/ Decrease in Shareholding	Reason	Cumulative Shareholding during the year (1st April 2019 to 31st March 2020)	
		No. of Shares at the beginning (1st April 2019)/end of the year 31st March 2019	% of total shares of the company				No of shares	% of total shares of the company
5	L&T MUTUAL FUND TRUSTEE LIMITED-L&T EMERGING BUSINESS FUND	1819750	1.73	01/04/2019				
				10/05/2019	25000	Transfer	1844750	1.75
				09/08/2019	1007	Transfer	1845757	1.76
				16/08/2019	18342	Transfer	1864099	1.77
				23/08/2019	5651	Transfer	1869750	1.78
				30/08/2019	32257	Transfer	1902007	1.81
				06/09/2019	33743	Transfer	1935750	1.84
				03/01/2020	4204	Transfer	1939954	1.84
				10/01/2020	6111	Transfer	1946065	1.85
				31/01/2020	75232	Transfer	2021297	1.92
				07/02/2020	18212	Transfer	2039509	1.94
				14/02/2020	587094	Transfer	2626603	2.50
				31/03/2020			2626603	2.50
6	BHUPATI INVESTMENTS AND FINANCE PRIVATE LIMITED	1553100	1.48	01/04/2019				
				14/06/2019	-100000	Transfer	1453100	1.38
				21/06/2019	-29653	Transfer	1423447	1.35
				28/06/2019	-65647	Transfer	1357800	1.29
				05/07/2019	-4700	Transfer	1353100	1.29
				02/08/2019	-16590	Transfer	1336510	1.27
				23/08/2019	-200000	Transfer	1136510	1.08
				20/09/2019	-50000	Transfer	1086510	1.03
				27/09/2019	-49280	Transfer	1037230	0.99
				04/10/2019	-30500	Transfer	1006730	0.96
				01/11/2019	-11525	Transfer	995205	0.95
				17/01/2020	-50000	Transfer	945205	0.90
				24/01/2020	-50000	Transfer	895205	0.85
				31/01/2020	-31000	Transfer	864205	0.82
				31/03/2020			864205	0.82
7	SANKARAN RAMACHANDRAN (SSLEW TRUST)	1299875	1.24	01/04/2019				
				24/05/2019	-30000	Transfer	1269875	1.21
				13/12/2019	-18750	Transfer	1251125	1.19
				31/03/2020			1251125	1.19
8	SHOBITA SAIGAL	1040655	0.99	01/04/2019				
				12/04/2019	200	Transfer	1040855	0.99
				26/04/2019	300	Transfer	1041155	0.99
				17/05/2019	-300	Transfer	1040855	0.99
				24/05/2019	-200	Transfer	1040655	0.99
				07/06/2019	-100	Transfer	1040555	0.99
				14/06/2019	300	Transfer	1040855	0.99
				21/06/2019	100	Transfer	1040955	0.99
				28/06/2019	200	Transfer	1041155	0.99
				11/10/2019	-200	Transfer	1040955	0.99
				18/10/2019	-343	Transfer	1040612	0.99
				25/10/2019	-157	Transfer	1040455	0.99
				01/11/2019	-1200	Transfer	1039255	0.99
				08/11/2019	500	Transfer	1039755	0.99
				15/11/2019	-1406	Transfer	1038349	0.99
				29/11/2019	-594	Transfer	1037755	0.99
				13/12/2019	-295	Transfer	1037460	0.99

Sl. No	For Each of the Top 10 Shareholders	Shareholding at end of the year		Date	Increase/ Decrease in Shareholding	Reason	Cumulative Shareholding during the year (1st April 2019 to 31st March 2020)	
		No. of Shares at the beginning (1st April 2019)/end of the year 31st March 2019	% of total shares of the company				No of shares	% of total shares of the company
				31/01/2020	1745	Transfer	1039205	0.99
				07/02/2020	250	Transfer	1039455	0.99
				14/02/2020	-1000	Transfer	1038455	0.99
				21/02/2020	-1000	Transfer	1037455	0.99
				06/03/2020	1000	Transfer	1038455	0.99
				13/03/2020	583	Transfer	1039038	0.99
				20/03/2020	-1083	Transfer	1037955	0.99
				27/03/2020	400	Transfer	1038355	0.99
				31/03/2020	1100	Transfer	1039455	0.99
				31/03/2020			1039455	0.99
9	**MUKUND D DALAL**	1036260	0.99	01/04/2019				
				05/07/2019	-200000	Transfer	836260	0.80
				12/07/2019	10000	Transfer	846260	0.80
				12/07/2019	-10000	Transfer	836260	0.80
				02/08/2019	826260	Transfer	1662520	1.58
				02/08/2019	-826260	Transfer	836260	0.80
				24/01/2020	-40000	Transfer	796260	0.76
				20/03/2020	-90000	Transfer	706260	0.67
				27/03/2020	-100847	Transfer	605413	0.58
				31/03/2020			605413	0.58
10	**OPTIMUM STOCK TRADING CO. PVT LTD**	1000000	0.95	01/04/2019	-	Nil movement during the year		
				31/03/2020			1000000	0.95
11	**CREDIT SUISSE (SINGAPORE) LIMITED***	963649	0.92	01/04/2019				
				05/04/2019	-19835	Transfer	943814	0.90
				12/04/2019	-21812	Transfer	922002	0.88
				03/05/2019	-9383	Transfer	912619	0.87
				10/05/2019	-7181	Transfer	905438	0.86
				17/05/2019	-11302	Transfer	894136	0.85
				24/05/2019	-20496	Transfer	873640	0.83
				31/05/2019	-34833	Transfer	838807	0.80
				07/06/2019	-8055	Transfer	830752	0.79
				14/06/2019	-34728	Transfer	796024	0.76
				21/06/2019	-25745	Transfer	770279	0.73
				28/06/2019	-16018	Transfer	754261	0.72
				05/07/2019	-24031	Transfer	730230	0.69
				12/07/2019	-7585	Transfer	722645	0.69
				19/07/2019	-23471	Transfer	699174	0.66
				26/07/2019	-18320	Transfer	680854	0.65
				02/08/2019	-8492	Transfer	672362	0.64
				09/08/2019	-4869	Transfer	667493	0.63
				16/08/2019	-8435	Transfer	659058	0.63
				23/08/2019	-2824	Transfer	656234	0.62
				30/08/2019	-1562	Transfer	654672	0.62
				06/09/2019	-1879	Transfer	652793	0.62
				13/09/2019	-45062	Transfer	607731	0.58
				20/09/2019	-28626	Transfer	579105	0.55
				18/10/2019	-686	Transfer	578419	0.55
				25/10/2019	-20519	Transfer	557900	0.53
				01/11/2019	-8352	Transfer	549548	0.52
				24/01/2020	-7067	Transfer	542481	0.52

Sl. No	For Each of the Top 10 Shareholders	Shareholding at end of the year		Date	Increase/ Decrease in Shareholding	Reason	Cumulative Shareholding during the year (1st April 2019 to 31st March 2020)	
		No. of Shares at the beginning (1st April 2019)/end of the year 31st March 2019	% of total shares of the company				No of shares	% of total shares of the company
				31/01/2020	542481	Transfer	1084962	1.03
				31/01/2020	-542481	Transfer	542481	0.52
				14/02/2020	-8296	Transfer	534185	0.51
				28/02/2020	-2123	Transfer	532062	0.51
				31/03/2020			532062	0.51
12	**REETH PROPERTIES LLP ***	865000	0.82	01/04/2019				
				30/08/2019	-356661	Transfer	508339	0.48
				20/09/2019	-50340	Transfer	457999	0.44
				27/09/2019	-7999	Transfer	450000	0.43
				13/03/2020	-10000	Transfer	440000	0.42
				27/03/2020	-440000	Transfer	0	0.00
				31/03/2020			0	0.00
13	**GARONDA REAL ESTATE LLP ***	801998	0.76	01/04/2019				
				05/04/2019	-998	Transfer	801000	0.76
				30/08/2019	-200000	Transfer	601000	0.57
				27/03/2020	-601000	Transfer	0	0.00
				31/03/2020			0	0.00

^ Shareholding is consolidated based on PAN irrespective of schemes/sub-accounts

* Ceased to be in the list of top 10 shareholders as on 31/03/2020. The same is reflected above since the shareholder was one of the top 10 shareholders as on 01/04/2019.

(v) Shareholding of Directors & KMP

Sl. No	For Each of the Directors & KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No.of shares	% of total shares of the Company	No.of shares	% of total shares of the Company
1	**VIREN RAJAN RAHEJA**				
	At the beginning of the year	8250000	7.85	8250000	7.85
	Increase/decrease in Shareholding during the year	0	0.00	0	0.00
	At the end of the year (or on the date of separation, if separated during the year)	8250000	7.85	8250000	7.85
2	**SHYAM BHUPATIRAI GHIA**				
	At the beginning of the year	5000	0.00	5000	0.00
	Increase/decrease in Shareholding during the year	0	0.00	0	0.00
	At the end of the year (or on the date of separation, if separated during the year)	5000	0.00	5000	0.00
3	**SRIKAR PALEM REDDY**				
	At the beginning of the year	1201500	1.14	1201500	1.14
	Increase/decrease in Shareholding during the year	0	0.00	0	0.00
	At the end of the year (or on the date of separation, if separated during the year)	1201500	1.14	1201500	1.14
4	**JAGANNATHAN CHAKRAVARTHI NARASIMHAN**				
	At the beginning of the year	10	0.00	10	0.00
	Increase/decrease in Shareholding during the year	0	0.00	10	0.00
	At the end of the year (or on the date of separation, if separated during the year)	10	0.00	10	0.00

V INDEBTEDNESS

(₹ in Lakhs)

Indebtedness of the Company including interest outstanding/accrued but not due for payment	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the Financial Year 01.04.2019				
i) Principal Amount	-	-	-	-
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	**-**	**-**	**-**	**-**
Change in Indebtedness during the Financial Year				
Additions	Nil	-	-	Nil
Reduction	Nil	-	-	Nil
Net Change	-	-	-	Nil
Indebtedness at the end of the financial year				
i) Principal Amount	Nil	Nil	-	Nil
ii) Interest due but not paid	Nil	Nil	-	Nil
iii) Interest accrued but not due	Nil	Nil	-	Nil
Total (i+ii+iii)	**-**	**-**	**-**	**-**

VI REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole time director and/or Manager:

₹ in Lakhs

Sl. No	Particulars of Remuneration	Name of the MD/ WTD/Manager	Total Amount
		Mr. P Srikar Reddy	
1	**Gross salary**		
	(a) Salary as per provisions contained in section 17(1) of the Income Tax. 1961.	255	255
	(b) Value of perquisites u/s 17(2) of the Income tax Act, 1961	-	-
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	-	-
2	Stock option	-	-
3	Sweat Equity	-	-
4	Commission as % of profit	142	142
	others (specify)	-	-
5	Others, please specify	-	-
	Total (A)	**397**	**397**
	Ceiling as per the Act		**1,354**

B. Remuneration to other directors:

(₹ in Lakhs)

Sl. No	Particulars of Remuneration	Name of the Directors					Total Amount
1	**Independent Directors**	**Mr. Pradip P Shah**	**Mr.B K Syngal***	**Mr. S N Talwar***	**Ms. Radhika Rajan**	**Mr. Sanjay Asher#**	
	(a) Fee for attending board committee meetings	3	1	1	3	2	10
	(b) Commission	20	7	7	20	13	67
	(c) Others, please specify						
	Total (1)	**23**	**8**	**8**	**23**	**15**	**77**
2	**Other Non Executive Directors**	**Mr. Viren Raheja**	**Mr. S B Ghia**				
	(a) Fee for attending board committee meetings	2	4				6
	(b) Commission	-	20				20
	(c) Others, please specify.						-
	Total (2)	**2**	**24**				**26**
	Total (B)=(1+2)						**103**
	Total Managerial Remuneration (A+B)						**500**
	Overall Ceiling as per the Act.						**2978**

* upto 10th August, 2019

w.e.f 8th August, 2019

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD

(₹ in Lakhs)

Sl. No.	Particulars of Remuneration	Key Managerial Personnel			
1	**Gross Salary**	**CEO**	**Company Secretary (Ms. Mangal Kulkarni)***	**CFO (Mr. Jagannathan C N)#**	**Total**
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961.	Already stated above	38	36	74
	(b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961		-	-	
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961		-	-	
2	Stock Option		-	-	
3	Sweat Equity		-	-	
4	Commission as % of profit		-	-	
	others, specify		-	-	
5	Others, please specify		-	-	
	Total		**38**	**36**	**74**

* w.e.f. 1st July, 2019

w.e.f. 30th October, 2019

VII PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES

There were no penalties/punishment/compounding of offences for the year ending 31st March, 2020

FOR AND ON BEHALF OF THE BOARD

Place: Mumbai
Date: 11 May, 2020

PRADIP P SHAH
CHAIRMAN

Annexure IV

ANNUAL REPORT ON CSR

1. The CSR policy lays down the vision statement for the Company which through its CSR initiatives will enhance value creation in the society and in the community in which it operates, through its services, conduct & initiatives, so as to promote sustained growth in the society and community around it along with environmental concern. The objective of the Company's CSR policy is to operate its business in an economically, socially & environmentally sustainable manner, while recognizing the interests of all its stakeholders and other objects of the Company.

   Further, initiatives are focused towards those programmes which directly or indirectly benefit the community and society at large by enhancing the quality of life and economic well-being of the local populace through continuous efforts.

2. The CSR Committee comprises of the following Members-

   i. S B Ghia (Chairman)

   ii. P Srikar Reddy

   iii. Radhika Rajan

3. Average net profits of the Company for the last three Financial Years is ₹ 17,420 lakhs.

4. Prescribed CSR Expenditure (two per cent of the amount as in item 3 above) is ₹ 348 lakhs.

5. Details of CSR spend during the Financial Year 2019-20:

   a) Total amount spent for the Financial Year 2019-20 was ₹ 335 lakhs.

   b) Amount unspent was ₹ 13 lakhs.

   c) Manner in which the amount spent during the Financial Year 2019-20 is detailed below -

(₹ in Lakhs)

Sl. No	CSR Project or activity identified	Sector in which the project is covered	Projects or programs (1)Local area or other (2) Specify the state and district where projects or programs was undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs Sub Heads: (1) Direct expenditure on projects or programs. (2) Overheads	Cumulative expenditure upto the reporting period.	Amount spent: Direct or through implementing agency
1	Creation of ecommerce platform with multi functionality for wholesalers and retailers	Traditional Arts, Textiles and Handicrafts	Maheshwar, Madhya Pradesh	59	(1) 55 (2) 3	58	Direct
2	Technology enabled platform for primary schools around Buffer zones	Education and the Environment	Bandipur, Tamil Nadu	42	(1) 39 (2) 2	41	Direct
3	Creation of ecommerce platform with multi functionality and multi-currency for Artisans	Traditional Arts, Textiles and Handicrafts	Anegundi, Karnataka	30	(1) 22 (2) 1	23	Direct
4	Developing an Android Application for learning Platform of Agastya (Lab on Tab)	Education and the Environment	Bengaluru, Karnataka	58	(1) 55 (2) 3	58	Direct
5	Support Evangelization of Technology for Digital Transformation and Research	Education and the Environment	Bengaluru, Karnataka	35	(1) 35 (2) 2	37	IIIT Bengaluru

(₹ in Lakhs)

Sl. No	CSR Project or activity identified	Sector in which the project is covered	Projects or programs (1)Local area or other (2) Specify the state and district where projects or programs was undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs Sub Heads: (1) Direct expenditure on projects or programs. (2) Overheads	Cumulative expenditure upto the reporting period.	Amount spent: Direct or through implementing agency
6	Developing an online repository for Artisans to store designs & products of Artisans	Traditional Arts, Textiles and Handicrafts	Bangalore, Karnataka	14	(1) 13 (1) 1	14	Direct
7	Developed a responsive website for various women empowerment programs	Education and the Environment	Hyderabad, Telangana	16	(1) 15 (2) 1	16	Direct
8	Scholarship for technical education for economically challenged students and Project lab	Education and the Environment	Gadag, Karnataka	7	(1) 7	7	SKSVMA Charitable Trust
9	Planted trees on behalf of the Sonata Employees as Sustainability initiative for employees who had stayed above 5 years in the organization	Education and the Environment	Mumbai, Maharashtra	6	(1) 6	6	Grow Trees
10	Revamping the existing website into a new responsive website for persons with deaf blindness and multi-sensory impairments	Education and the Environment	Ahmedabad, Gujarat	22	(1) 17 (2) 1	18	Direct
11	Support of Animal Welfare Activities	Others	Bangalore, Karnataka	15	(1) 15	15	Compassion Unlimited Plus Action (CUPA)
12	Application & Hosting Support for developed Applications	All	India	44	(1) 42	42	CEDI-NITT, DHF, ICF, INTACH, KRITI, RIVER, TKT & WW
			TOTAL	**348**		**335**	

6. In alignment with the vision, the Company has strived consistently to create value to the society and community in which it operates and is committed to promote sustainable growth. The Company has undertaken multi-year projects which are implemented in a phased manner. The amount spent on CSR projects by the Company along with the subsidiary Company Sonata Information Technology Limited is in excess of the budgeted amounts. Further the spend has also increased as compared to the previous year and the Company will continue its efforts towards channelizing the funds allocated for this purpose.

7. The CSR Committee hereby confirms that the implementation and monitoring of CSR Policy is in compliance with CSR objectives and Policy of the Company.

P. Srikar Reddy
Managing Director and CEO
Place: Bengaluru

Date: 11 May, 2020

S. B. Ghia
Chairman of CSR Committee
Place: Mumbai

Date: 11 May, 2020

ANNEXURE V

Particulars of Contracts / Arrangements made with Related Parties

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014 - Form AOC-2)

Form for disclosure of particulars of contracts/arrangements entered into by the Company with Related Parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm’s length transactions under third proviso thereto

1. Details of contracts or arrangements or transactions not at arm’s length basis:

   There were no contracts / arrangements / transactions entered into during the year ended 31st March 2020, which were not at arm's length basis.

2. Details of material contracts or arrangement or transactions at arm’s length basis:

(₹ in Lakhs)

Name of the related party	Sonata Information Technology Ltd.	Sonata Software North America Inc.	Sonata Software FZ LLC	Sonata Europe Ltd., UK	Sonata Software (Qatar) LLC	Rezopia Inc.	Scalable Data Systems Pty Ltd	Interactive Business Information Systems Inc.	Sopris Systems LLC	Sonata Software Solutions Ltd
Nature of relationship	Wholly owned subsidiary	Wholly owned subsidiary	Wholly owned subsidiary	Wholly owned subsidiary	Subsidiary with 49% holding	Wholly owned subsidiary	Wholly owned subsidiary	Wholly owned subsidiary	Wholly owned subsidiary	Wholly owned subsidiary
Nature of contracts/ arrangements/ transactions:										
Rendering of services	1,681	32,727	136	7,929	-	15	345	1,218	139	-
Software license fees paid	6,647	-	-	-	106	-	-	38	18	-
Service charges recovered	474	-	-	-	-	-	-	-	-	-
Inter corporate deposits given	23,245	-	-	-	-	-	-	-	-	220
Inter corporate deposits recovered	23,245	-	-	-	-	-	-	-	-	-
Interest received on inter corporate deposits	66	-	-	-	-	-	5	-	-	2
Recovery of rent	81								-	-
Dividend received	5,506	-	-	-	-	-	-	-	-	-
Commission received on guarantees given on behalf of Subsidiary	56	10	-	-	-	-	-	-	-	-

Notes:

1) Duration of the above Contracts / Arrangements / transactions with subsidiaries are all ongoing contracts.
2) Salient terms of the contracts or arrangements or transactions above mentioned are all based on transfer pricing guidelines.
3) Appropriate approvals have been taken for these Related Party Transactions.
4) Advances paid have been adjusted against billings, wherever applicable.
5) Rezopia Inc. and Halosys Technologies Inc. merged with Sonata Software North America (SSNA) w.e.f June 14, 2019.
6) Sonata Software Solutions Limited, a wholly- owned subsidiary was incorporated on February 24, 2020.

FOR AND ON BEHALF OF THE BOARD

Place: Mumbai
Date: 11 May, 2020

PRADIP P SHAH
CHAIRMAN

Annexure VI

Information as per Rule 5(1) of Chapter XIII, Companies (Appointment and Remuneration of Managerial Personnel), Rules, 2014

(i) The ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the Financial Year 2019-20:

Name of Person	Designation	% of increase compared to previous year	Ratio to Median remuneration of employees	% of Revenues	% of Profits after tax
Pradip Panalal Shah	Director	-47.75%	2.93	0.03%	0.11%
Srikar Palem Reddy	MD & CEO	-18.84%	51.56	0.45%	1.88%
Shyam Bhupatirai Ghia	Director	-46.94%	3.09	0.03%	0.11%
Viren Rajan Raheja	Director	-95.33%	0.26	-	0.01%
Radhika Rajan	Director	-47.55%	2.99	0.03%	0.11%
Sanjay Khatau Asher**	Director	-	1.89	0.02%	0.07%
Suresh Narsappa Talwar*	Director	-80.62%	1.11	0.01%	0.04%
Brijendra Kumar Syngal*	Director	-81.47%	1.04	0.01%	0.04%

* upto 10th August 2019

** w.e.f 8th August,2019

(ii) The percentage increase in remuneration of Chief Financial Officer & Company Secretary, in the Financial Year 2019-20:

Name of Person	Designation	% of increase compared to previous year	% of Revenues	% of Profits after tax
Mr. Jagannathan C N *	Chief Financial Officer	-	0.04%	0.17%
Mangal Krishnarao Kulkarni **	Company Secretary	-	0.04%	0.18%
Prasanna Oke***	Chief Financial Officer	-	0.08%	0.33%

* w.e.f 30th Oct 2019
** w.e.f 1st July 2019
*** upto 5th July 2019

(iii) The percentage decrease in the median remuneration of employees in the Financial Year 2019-20:

The percentage decrease in the median remuneration of Sonata during the Financial Year under review is 9%. This has been arrived at by comparing the median remuneration of the cost-to-the Company as on 31st March, 2020 as compared to previous year 31st March, 2019.

(iv) The number of permanent employees on the rolls of Company:

The total employee strength as on 31st March, 2020 is 3,802 as against 3,606 as on 31st March, 2019.

(v) Average percentage increase already made in the salaries of employees other than the Managerial Personnel in the last Financial Year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration:

The Average increase in remuneration of the employees other than managerial personnel was 5% as compared to the average decrease in the managerial remuneration of 34%.

(xii) Affirmation that the remuneration is as per the remuneration policy of the Company:

Your company affirms that the remuneration is as per the remuneration policy of the Company.

FOR AND ON BEHALF OF THE BOARD

Place: Mumbai
Date : 11 May, 2020

PRADIP P SHAH
CHAIRMAN

Management Discussion and Analysis - Annual Report FY2020

Sonata Software

The following discussion and analysis should be read in conjunction with the Company's financial statements included herein and the notes hitherto. The financial statements have been prepared in accordance with the Generally Accepted Accounting Principles in India (GAAP) to comply with the Accounting Standards specified under Section 133 of and other relevant provisions of the Companies Act, 2013 as applicable. The Company's management accepts responsibility for the integrity and objectivity of these financial statements, as well as for various estimates and judgments used therein. The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, in order that the financial statements reflect in a true and fair manner the form and substance of transactions, and reasonably present the Company's state of affairs and profits for the year. Investors are cautioned that this discussion contains forward looking statements that involve risks and uncertainties. When used in this discussion, words like 'will', 'shall', 'anticipate', 'believe', 'estimate', 'intend', 'expect' and other similar expressions as they relate to the Company or its business are intended to identify such statements. The Company undertakes no obligations to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Actual results, performances or achievements could differ materially from those expressed or implied in such statements. Readers are cautioned not to place undue reliance on the forward-looking statements as they speak only as on their date of statement. Information provided in this Management Discussion and Analysis (MD&A) pertains to Sonata Software Limited (the Company) and its subsidiaries on a consolidated basis, unless otherwise stated.

GLOBAL ECONOMIC REVIEW 2019-20

In early 2019, the economic activity begun to improve across sectors. However, by the end of fiscal year, the global economy got a major blow due to the coronavirus pandemic. The spread of the disease sent financial markets into a tailspin despite some of the biggest emergency stimulus measures announced by central banks across Europe, the Americas, Asia, and Australia. Economists are of the opinion that coronavirus will have far reaching economic and social consequences across globe with strong cross-border spill over effects through trade, tourism, and financial linkages.

INDIAN ECONOMIC OVERVIEW

The coronavirus pandemic came at a time when India's economy was already slowing down due to persistent financial sector weaknesses. The severe disruption of economic activities caused by virus, both through demand and supply shocks, has overtaken the incipient recovery in the Indian economy. IMF's World Economic Outlook of April 2020 slashed India's GDP growth forecast from 4.2% in FY2020 to 1.9% in FY2021 from 5.8% projected earlier in January 2020 report.

While experts have compared this pandemic to the financial crisis of 2008, this current shock is deeper and broader and impacts almost the entire real economy. It is a larger stop sign across areas like consumption, demand, manufacturing, supply chain and capital.

The Government of India stepped in with an objective to take the soft-landed economy and reboot and restart it in as smooth a manner as possible without diluting the healthcare and pandemic surveillance and management. The ₹ 20 lakh crore package that the government announced was designed to restart the Economy and business, protect jobs and at the same time extend the support to those vulnerable and poor and informal sectors.

GLOBAL IT INDUSTRY

According to Gartner report, the worldwide IT spending is forecasted to total USD 3.4 trillion in 2020, a decline of 8% from 2019. The coronavirus pandemic and effects of the global economic recession are causing CIOs to prioritize spending on technology and services that are deemed "mission-critical" over initiatives aimed at growth or transformation.

Worldwide IT Spending Forecast (USD Billions)				
	2019 Spending	2019 Growth(%)	2020 Spending	2020 Growth(%)
Data Center Systems	212	0.7	191	-9.7
Enterprise Software	458	8.8	426	-6.9
Devices	698	-2.2	590	-15.5
IT Services	1,032	3.8	952	-7.7
Communications Services	1,357	-1.6	1,297	-4.5
Overall IT	**3,757**	**1.0**	**3,456**	**-8.0**
Source: Gartner (May 2020)				

All segments will see a decline in 2020, with Devices and Data center systems experiencing the largest drops in spending. However, as the pandemic continues to spur remote working, sub segments such as public cloud services, which falls into several categories, is expected to grow by 19% in 2020. Cloud-based telephony and messaging and cloud-based conferencing will also see high levels of spending growing 8.9% and 24.3%, respectively. The IT spending recovery will be slow through 2020, with the hardest hit industries, such as Entertainment, Aviation and heavy industry, taking over three years to come back to 2019 IT spending levels, as per Gartner's recent release.

The only silver lining of the pandemic is the effort towards more digital transformation. The importance of digital channels, products and operations became immediately obvious to most of organisations in early 2020 with the outbreak of coronavirus. Organisations have now started shifting to invest in digital platforms and technology capacity to master future challenges. Sonata software is continuously integrating new technologies in its portfolio to offer platform led digital transformation.

INDIAN IT INDUSTRY

India continues to be a preferred destination for IT services owing to strong digital execution capabilities, cost advantages, favorable talent landscape and increased government focus on IT infrastructure. In mid-2019, the Indian government introduced corporate tax cuts, along with policies that were aimed at reviving the economy and bolstering consumer spending. As a result, corporate spending in software and services saw an uptick and organizations continued to invest in cloud, analytics, digital and automation. According to Gartner, India's IT spending is estimated to total USD 94.3 billion in 2020, a growth of 6.6% over 2019 primarily driven by spending in software.

KEY SECTORS FOR SONATA

Digital & Platform

Digital Transformation is a journey taken by organizations to fundamentally change the way they offer their products and services leveraging technology. Uber, Amazon, Airbnb are all examples of companies that have their entire businesses run on a technology backbone – these companies are "born digital". Digital Transformation is the path incumbents choose, to be able to scale up, increase reach, increase revenues, reduce cost, and deliver far greater stakeholder value, and to compete in an ecosystem where there is an increasing number of "born digital" challengers.

Sonata with its Platformation™ strategy, is very well placed to enable the digital transformation of its customers. It is all about transforming a business model, operations, and customer experience by leveraging the power of digital technologies. Sonata's repository of IP, its structured approach that includes evaluation of a Customer Digital Agenda, market specific solution architecture "MARCHITECTURE SONATA SOFTWARE" and a digital library of processes with in depth points of view of critical processes enables Sonatas clients to fast track their digital transformation initiatives.

Sonata believes that while the Coronavirus Pandemic does pose immediate challenges, organizations across industry verticals will be driven to rapidly adopt digital transformation to meet the current customer interfacing challenges, supply chain disruptions, to serve changing customer preferences, increase operational efficiency, reduce costs and importantly to sustain their existing positions in a highly competitive market.

The growing preference of organizations for developing customer oriented strategies to deliver enhanced customer engagement is expected to drive the growth. Due to confluence of factors such as digital transformation and disruption, many organizations are now fundamentally reengineering their business practices to be extremely customer centric. The cloud segment is expected to gain traction in near future owing to the growing preference for cloud based platforms due to the rapid deployment capability and less investments in physical infrastructure.

Customer Experience

The demand for customer experience management systems is rising across various industries and its market is expected to gain significant traction owing to the recent technological advancements.

Sonata recently acquired GAPbuster Limited, a specialized company in the Customer Experience Management space. GAPbusters' proprietary customer experience platform leverages advanced AI and ML capabilities to deliver actionable recommendations that help brands deepen customer loyalty and improve satisfaction. This acquisition is aligned with Sonata's Platformation™ strategy providing additional capabilities for solutions to our customers in retail, distribution, CPG and travel verticals while opening up newer geographies like Japan and far east, apart from strengthening its presence in Europe, US and Australia.

Sonatas focus has been on the following industry verticals:

- ISVs (Independent Software Vendors)
- Travel and Tourism
- Retail
- Consumer Packaged Goods (CPG), Distribution and Manufacturing
- Agri Commodity Business (added via Scalable Data Systems Acquisition)
- Service Industries – Energy & Utilities (added via Sopris Systems Acquisition)

Despite industries like Travel, Tourism and Retail that have been very badly affected by the pandemic, Sonatas strategic acquisitions made in the past years - Sopris, Scalable and GBW will enable it to have new avenues of growth which will offset the slowdown in the above sectors.

ISVs (Independent Software Vendors)

According to Transparency Market Research, the global ISVs market is estimated to touch USD 4,077.7 billion by 2027 from USD 1,573.3 billion in 2019, expanding at a CAGR of 13% during the period of 2019 to 2027 mainly driven by emergence and increasing adoption of cloud-based solutions among end users.

Software as a Service (SaaS) is one of the major cloud computing models expected to gain traction over conventional on-premise software licensing models in the near future. COVID-19 has accelerated the need for flexible, cost-effective, and robust cloud computing solutions and thus, creating new opportunities for independent software vendors (ISVs).

With the SaaS based ecosystem widely adopted by enterprises for their digital needs, ISVs need to focus on how they can rebuild their legacy products into modern business platforms. Sonatas Platform engineering DNA built on our proprietary Platformation™ methodology, helps ISVs modernize their legacy business applications in all aspects –infrastructure, Data, Applications, processes and user experience, enabling a seamless digital ecosystem that elevates the performance of product and product portfolio.

Travel and Tourism

Travel & tourism industry is estimated to fall by 35% in 2020 to USD 450bn as compared to expected USD 712 bn in pre-COVID-19 era. According to the World Tourism Organization's (UNWTO) release of March 2020, the number of international tourist arrivals are expected to decline by 20% to 30% in 2020 as compared to 2019 arrivals which would lead to an estimated loss of USD 300 - 450 billion in international tourism receipts, almost one third of the USD 1.5 trillion generated in 2019. Seeing the fast-evolving nature of crisis, it is extremely challenging to estimate the impact of virus on tourism industry and the given estimates could change in future depending on the magnitude, volatility, and nature of this crisis.

Travelers are moving away from traditional modes of travel planning to digital channels. Delivering a superior online experience is thus imperative for customer retention, and to capture a bigger slice of the market. Innovation is key for travel companies, whether it is for enhancing user experience, driving business performance or improving service delivery. Technology trends such as consumerization of IT, augmented reality, wearables, iBeacons, IoT, chat, mobility, analytics and social media are increasingly making customers demand a seamless experience through their entire journey of experiencing holidays - from searching to sharing.

Sonata powers some of the largest players in the tour operator, corporate travel, online travel, rail and airline segments across the globe. We capitalize on technologies such as Mobility, Analytics and Cloud to offer solutions in the ERP and Omni-Channel Commerce space, and deliver benefits such as enhanced customer engagement, increased operational efficiency, and higher return on IT investments. Sonata's pre-built end-to-end Travel Experience Management platforms offer businesses the critical advantages of a full suite of high quality solutions. Spanning front, mid and backoffice operations, these travel solutions can be customized and deployed quickly.

Retail

The retail industry has been hard hit by the pandemic. Moody's has revised Outlook for US retail sector to negative and expects department stores, apparel & footwear retailers to be worst hit. US online retailers will absorb only a fraction of lost sales from store closures arising from COVID-19 outbreak. Many US department stores are expected to declare bankruptcy and some expected to reduce number of stores. The situation is the same in other parts of the world too in varying degrees.

Against this backdrop, crafting a personalized experience has become a significant differentiator for retailers. Today, customers expect retailers to go a step further and create a seamless experience across digital and physical spaces. The opportunity for retailers is, therefore, to redefine the boundaries of engagement with customers across their journey, from home to store to social-media.

Though the core principles of digital transformation are common across retailers, each market segment has its specific needs and priorities. Sonata's solutions are customized to cater to the key drivers of each industry segment – Fashion & Apparel, Groceries & FMCG, and Hard Goods. With Sonata's expertise in developing and implementing digital solutions and enterprise applications across multiple segments, retailers can chart and implement solutions that help converge the digital and physical realms, thus redefining the boundaries of digital retail.

Sonata's expertise in the leading Retail, Distribution, Travel and transportation customers along with its range of IP-led platform solutions, such as Brick & Click Retail, Kartopia, Modern Distribution and Halosys makes the Company a strong contender to take advantage when the recover happens post covid.

Consumer Packaged Goods (CPG), Distribution, Manufacturing

CPG companies are realizing that in current situation it is imperative to invest in new emerging technologies and digital tools, especially in ecommerce, to improve supply chain management, collaborate digitally with various channel distributors, stay relevant, become more efficient and cost effective. They are looking to craft a unified omnichannel approach to sell through both traditional and digital channels. CPG companies are getting ready for post Covid-19 world and are reimagining the end-to-end consumer experience. In coming years, we are likely to see a major shift in focus among CPG companies as they transition toward a more insight-driven business environment. Success will require speed, scale, fortitude, a culture of rapid change and collaborative execution will greater customer connect and insights.

Distribution industry has also been affected throwing the supply chain under severe stress. However, this has also opened opportunities for companies to reshape their logistics operating model to increase effectiveness, efficiency, and resilience. Several realistic steps can help companies respond to the immediate challenges of distributing products and adapt to the new normal.

Factory shut down due to virus has impacted manufacturing industry as well. The sector is also facing concerns regarding the availability of raw material and production operational challenges due to restricted movements. Long lockdowns and working restrictions has disrupted supply chain and demand environment. Post Covid, some manufacturers are planning to increase shifting, relocating, or diversifying their production lines to meet demand. In coming days, the new normal is going to demand increased operational efficiency and cost effectiveness than pre-covid days.

Operational efficiency is a critical business driver for manufacturers and distributors to stay ahead in the current digital age. An agile supply chain, with real-time visibility and insights into the entire distribution network from sourcing to storage to delivery, is a key enabler of efficient operations.

At Sonata, we believe that platform-oriented approach and new digital technologies will provide distributor and manufacturers the desired agility in the supply chain ecosystem consisting of different players. With Sonata's offerings, manufacturers and distributors can now establish an adaptive distribution network that can withstand the changing market dynamics and new distribution models.

Agri Commodity Business

Commodity trading companies today are operating in a highly volatile, competitive, and dynamic environment where change is one of the few constant factors. Although remote trading has become commonplace for many commodity trading organizations, the shift of related functions such as risk oversight, compliance, and accounting to a remote model has brought new challenges for commodity traders.

Maintaining adequate visibility, transparency, and accountability across the commodity transacting lifecycle in this new reality will require immediate attention to three main areas - governance, operations, and technology. Given the overnight paradigm shift, technology has become paramount in the execution of the risk monitoring and oversight of a commodity trading business.

Sonata entered the Agri Commodity business with the acquisition of Scalable Data Systems. Scalable Data Systems designs digital platforms that can scale up or down as business demands, powered by Microsoft Dynamics, Sonata Software's Platformation™ and a suite of natively built assets.

Scalable's IP for Commodity Trading "CTRM" has now earned market-leading reputation globally with due recognition accorded to the company as a Microsoft Gold and an ISV Partner. Developed to meet the demands of trading and manufacturing in Softs, Stockfeed, Grains and Oilseeds, Bio-Energy, Metals and Scrap and Food and Beverages, Scalable Commodity CTRM offers a complete, end-to-end cloud-based commodity trading solution. It gives access to all contract and financial information in one place, visible to everyone in the organization. It provides real-time updating of all actions to improve data sharing between departments and streamline internal communications. The Commodity IP has extended Sonatas supply chain capabilities focused on manufacturing, distribution, and commodity trading industries.

Service Industries

Sonata has spent around 3 decades working with services companies, professional services firms and a wide variety of field services and project-centric companies. Last year, with the acquisition of Sopris Systems, which specialises in helping project-centric and field services companies, Sonata got an access to enter utilities services industries.

As half of the population globally is working remotely, customers are likely to face more issues than usual and might need far more support. For example, most of them are using streaming services extensively and running into problems with settings. There is also a huge load on infrastructure, putting a massive strain on ISPs. Simultaneously, a company's SLA (Service-level-agreements) commitments remain in force. Failure to meet agreements leaves companies open to the possibility of litigation. In today's scenario, maintaining service is crucial. Brands that fail to deliver in these crisis can be significantly harmed in the long run.

Due to the pandemic, field service organizations are finding new ways to face new reality. Many are accepting the work from home model as they are looking to reduce site visits to minimize human-to-human contact, especially in high-density, high-risk/containment areas. It is a paradigm shift in field service delivery and a huge psychological change. Most of the organisation are also working with limited resources as some technicians are sick or in isolation, while others face severe travel restrictions. Hence, organizations need to update many of their procedures which requires fast implementation of new technologies and digital tools. Technologies that would have taken several months to be adopted are now implemented within days or even hours. The lessons companies learn and the tools they implement now could radically change how they do business in coming years.

Services companies across the globe, from professional services to field services are transforming to a modern cloud platform capable of improving the customers experience, streamlining operations and creating competitive edge. From comprehensive digital transformation to integrated cloud ERP, CRM, Field Service and Project Automation, Sonata has expertise to help to modernize operations and enhance customers experience.

Summary

Sonata Software has a unique leadership position in helping customers accelerate their enterprise transformation through Platformation™. In alignment with this strategy, we continue to strengthen, cocreate and innovate our Platformation™ offering in collaboration with our customers, partners, and strategic ecosystem in our focus markets. Our strategy has been well complemented through our strategic investments and acquisitions. We have invested in platform technology Companies, that bring in unique IPs, assets and help add industry, technology & services alignment to enhance differentiation and create unique value propositions to accelerate enterprise transformation.

COMPANY OVERVIEW

Sonata, through its unique Platformation™ approach, enables digital transformation initiatives for enterprises, to create businesses that are connected, open, intelligent and scalable. With a suite of specialised IP, Sonata's Platformation™ methodology brings together industry expertise, platform technology excellence, design thinking-led innovation and strategic engagement models to deliver sustained long term value to customers. Sonata's solution portfolio includes its own digital platforms such as Brick & Click Retail Platform©, Modern Distribution Platform©, Rezopia Digital Travel Platform©, RAPID DevOps Platform©, Kartopia E-commerce Platform©, Halosys Mobility Platform©, and Commodity CTRM Platform©, best-in-class capabilities on ISV digital technology platforms such as Microsoft Dynamics 365, Microsoft Azure, SAP Hybris, Cloud Engineering and Managed Services, as well as new digital applications like IoT, Artificial Intelligence, Machine Learning, Robotic Process Automation, Blockchain, and Cybersecurity. Sonata's people and systems are nurtured to bring together the depth of thought leadership, customer commitment and execution excellence to make a difference to business with technology.

Highlights 2019-20

- Sonata is positioned as a Major Player in the IDC MarketScape for "Microsoft Dynamics 365 implementation services for Asia/ Pacific (excluding Japan)".
- CTRM as an IP/solution and Platformation™ as a service is co-sell ready in Microsoft OCP Catalog, which enables Sonata to reach out to newer markets and prospects.
- Acquired GAPbuster Limited (GBW), headquartered in Melbourne, a leading global player in the Customer Experience (CX) domain serving renowned brands for nearly thirty years.
- Made strategic investment in SemiCab, an Atlanta based start-up in the fleet management services ecosystem
- Successfully completed ISO 9001-2015 recertification for Sonata India Business (Sonata Information Technology Limited). The scope covers sales, marketing and delivery of software licenses as well as providing infrastructure and cloud management services. The ISO 9001-2015 annual surveillance audit for SSL was also successfully completed
- Recertified for ISO 27001- 2013 certification which pertains to Information Security norms & standards
- Sonata's thought leadership continued in the form of whitepapers and articles published with the World Economic Forum.
- Partnered with NASSCOM for Tech-series event - "Data is the new Oil"
- Some of our key new engagements are listed below:

Customer	Product and Solution
A large manufacturer of mechanical control cables	Implementation of Kartopia solution using the Sonata Ready Platformation™ approach
A large Australian clothing apparel chain store with over 215 stores across Australia & New Zealand	Support, eCommerce platform, Data & Analytics as part of a larger engagement; part of D365 upgrade project
A large Valet and Parking company	Dynamics 365 F&O 950 users, Financials, Projects, Procurement, BI360 for budgeting
One of the client engaged in an International agri-business activities in Europe	Implement CTRM
One of the world's best-known recreation and lifestyle brands in the marine, fitness and billiards industries in UK	Implement Dynamics 365
Leading Finance and Asset management company in India	10K CRM license and implementation
Leading wholesaler and distributor of IT accessories, home appliances and consumer electronics in Europe	Modern distribution, implementation, licenses of MD and D365
A US-based biopharmaceutical company focused on the discovery, development & commercialization of organ-selective medicines	Upgrade, Assessment & Support for MS Dynamics
One of the Retail chain and a new age gaming company in ANZ region	Upgrade MS Dynamics

Awards and Recognition

The Company's customer focused service won a fair share of rewards and recognition as mentioned below –

- Zinnov Zones 2019 rates Sonata Software as a Leader in Engineering R&D Services in Enterprise Software and Consumer Software categories
- Positioned as an Aspirant by Everest Group in "Application Transformation Services PEAK Matrix™ Assessment 2020" report
- Won Oracle's Best Partner Awards in two different categories – "Best Partner for Oracle Digital Prime(ODP)" and "Best Partner for Oracle Engineered Systems"
- Won second place in the Lean-Agile Transformation Conclave Experience & Awards contest for 2019, organized by BSPIN (Bangalore Software Process Improvement Network)

INVESTMENT IN PEOPLE

To fuel its growth strategies, Sonata continued to make key investments in people at all levels in the company. The total headcount of the company stood at 4,211 of whom 3,791 are technology professionals. The FY20 also witnessed the following key addition of senior leaders:

- Mr. Jagannathan CN joined as the Chief Financial Officer of the Company

- Mr. Rajat Sinha joined the company as Sr. VP, Platform Monetization
- Mr. Srinivasan Venkatarajan joined the company as Client Engagement Partner in the U.S

Trainings and Workshops

Sonata continued with various training programs – both internal and external, for its personnel at all levels. Additionally, there were some key initiatives for new campus hires as well as our women professionals.

The Launch Pad program at Sonata is designed to train new campus recruits in excellence in behavioural competencies, communication and other vital areas. These skills will equip them in having a greater impact with the customers and other interactions in their corporate lives.

WOMEN WIZARDS RULE TECH (W2RT) in partnership with NASSCOM, is a unique program designed exclusively for Women Professionals in Core Technologies. The program aims to nurture women leaders for tomorrow and ensure they excel in their chosen domains. The course helps in familiarizing women with new technology, applications, and exciting opportunities they offer and empower women.

CORPORATE SOCIAL RESPONSIBILITIES (CSR)

- As part of CSR initiatives, Sonata Software partnered with Agastya International Foundation in supporting them by offering Technology Assistance for building the knowledge repository which can be accessible by an android app-based learning platform of Agastya – Lab on Tab and also provided two Mobile Science Labs which will help the rural students to get access to science and mathematical experiments on the Tab at remote locations.
- Sonata Software has engaged with the Art & Photography Foundation, by providing a grant for Supporting MAP's Mission to exhibit, interpret and preserve a growing collection of art and cultural artefacts and to provide Technology Support for building Technology solutions for the Museum in Bangalore.
- Sonata Software under its CSR umbrella is helping Women Weave charitable trust by developing a customer facing digital platform with multi-currency functionality that allows Weavers from handloom school to showcase their design collections to prospective customers. This platform also enables weavers to receive orders and customization requests with regards to colors, design themes and yardage.
- Sonata Software in partnership with Kriti Social Initiatives has developed a Technology Platform for various Women Empowerment Programs in an attempt to empower women through skills training and capacity building, promote livelihoods for women and also provided a grant in order to ensure education of children in slums of Hyderabad.
- Sense International India works with various Civil Society Organizations to provide need based educational and rehabilitation services to persons with deaf blindness and multi-sensory impairments. Sonata has partnered with Sense international India mainly to promote education to the impaired children and funds the 'From Isolation to Inclusion' initiative — a project conducted in and around Bangalore for the deafblind and MSI children. Sonata Software also leveraged technical expertise in revamping their existing website with new functionalities and fund-raising facilities.
- Sonata Software in partnership with IIIT-B encompasses research, internships and knowledge sharing between academia and industry to foster innovation at IIIT-B. The program funds research fellowships, advocating technology for digital transformation through workshops/structured courses, framework & course content creation, talks and training sessions. Currently there is a course on Platformation being offered to students in the Institute as part of the Course.
- Sonata Software in partnership with Industree Crafts Foundation is developing a Co Create app for Artisans, Designers & Buyers. The app would have a Master Bank to capture the details of Artisans and their artworks across India. This app will also help Artisans across the country to register themselves and display their crafts.

OPERATIONAL REVIEW

The Company added 29 new clients and enhanced its delivery center and customer service presence globally.

1. Platformation™ Led Services:

Platformation™ continues to be our unique approach to digital, which is helping customers in their digital transformation journey. Our Platformation™ strategy has been well complemented through our strategic investments in IPs, solutions and inorganic initiatives.

To add to our Platformation™ solution portfolio, we continued our investments in platform technology Companies that bring in unique IP, assets. Sonata acquired Melbourne-based GAPbusters for USD 4.8 million that has been amongst pioneers in the Customer Experience (CX) domain serving renowned brands globally for almost thirty years. This acquisition is a reaffirmation of Sonata's Platformation led approach to digital transformation adding a major platform led customer experience offering to current solutions, creating substantial value to existing and prospective clients by providing a more comprehensive digital transformation offering covering 360 degrees of the customer journey, possibly making Sonata very unique in its ability to offer such a unified experience across the customer life cycle. The Company continues to further evaluate several such inorganic opportunities across geographies.

During the year, Sonata also made strategic investment by acquiring 17% stake in SemiCab Inc., a Atlanta-based startup that offers technology platforms to logistics providers. SemiCab Platform facilitates interactions between shippers (retailers, manufacturers and wholesalers who need their freight moved) and carriers (large trucking companies, independent contractors, owner operators who transport the freight), bringing down costs for shippers, while increasing the earnings for truck drivers, truck companies and movers. Sonata will invest USD 1.4 million for the stake and will also spend an additional USD 300K for SemiCab's services over the next one year. The deal is in line with Sonata's strategy to invest in companies that are digitally transforming their customers businesses. It will also help the company to provide services to customers in the CPG, modern distribution, Commodities & Retail verticals and are amongst the largest movers of Freight through this solution.

2. Delivery Process Excellence:

The ISO 9001-2015 recertification for the Sonata India Business (SITL) was successfully completed this year. The scope covers sales, marketing and delivery of software licenses as well as providing infrastructure and cloud management services. The ISO 9001-2015 annual surveillance audit for SSL was also successfully undertook this year.

The company is successfully recertified for ISO 27001- 2013. This certification pertains to Information Security norms and standards and is a confirmation of Sonata's capability to continue service delivery to its clients in a secure, complaint manner.

ISO 20000-1 Surveillance audit was also successfully completed during the year. This audit is for Service Management and Service delivery processes.

The Company continues to remain focused on improving its capabilities from a technical and domain perspective with respect to architecture, technical competence, domain knowledge, refining methodologies, reusability and automation. It aims to take each of these competencies to World Class level. In line with this, each of these competencies have started to align themselves to the Sonata Platformation™ principles.

3. **Marketing Initiatives:**

The Company continued to undertake strategic brand enhancing initiatives during the year. Some of these include:

- "3 key talents for a successful digital transformation" – World Economic Forum published the article co-authored by Mr. Srikar Reddy, CEO & MD, Sonata Software in collaboration with Jean-Claude Monney, a Digital Transformation and Knowledge Management Coach who has worked previously with Microsoft and was a faculty member at the Columbia University
- Held flagship customer event 'Sonata Spark' along with Scalable Data Systems in Melbourne in April 2019, was successful in bringing together Sonata's customers, prospects and partners to discuss and brainstorm on topics related to Platform based digital transformation and future of business & technology
- Two successful events conducted in collaboration with Sonata's alliance partners, Microsoft – ComRisk 2019 and the Retail Innovation Summit
- Attended the Google Cloud Platform (GCP) organized in Mumbai. Sonata being a GCP selling partner for Google, has been part of their go-to-market strategy
- Participated in AXUG event's Northern California chapter on September 2019

SEGMENT-WISE PERFORMANCE

The Company is engaged in business providing IT Services and Solutions to its customers in the US, Europe, Middle East, Asia Pacific and Distribution of Software Products in India. The Company's consolidated operations include Indian and Overseas subsidiaries under the two distinct segments:

- International IT Services contributed with 34% of total revenues and 77% of PAT
- Domestic Products and Services with 66% of the total revenues and 23% of PAT

During the year, the International IT services revenues stood at ₹ 127,233 Lakhs (USD 181 million) a growth of 14% on Y-o-Y basis. Domestic products and services stood at ₹ 249,224 lakhs. The total consolidated revenue stood at ₹ 374,326 lakhs a growth of 26% on Y-o-Y basis.

The Company added 29 new logos during the year across verticals, regions in the International Services segment.

From a geographical perspective, USA contributed 54% to our services revenues, followed by Europe (including UK) contributing 30% and Rest of the World (RoW) delivering the balance. The onsite revenue contributed 43% while the balance was from offshore activities.

From a vertical perspective, Travel & Tourism contributed to 25% in the revenues, OPD contributed 27%, Retail Distribution contributed 27% while the balance came from other services.

From a competency perspective, 27% of our revenue was from AX business, 26% was contributed by Application Development and Maintenance while the balance came from ERP and other services. Overall 37% of our business came from Digital.

All the above highlights are a reflection of Sonata's journey to reposition itself as a unique technology solutions provider that is committed to develop an emerging breed of platforms enabling its customers to gain a competitive advantage through Company's future ready digital transformation initiatives.

FINANCIAL OVERVIEW

Consolidated Financial Highlights:

	2019-20 (₹ in Lakhs)	2018 – 19 (₹ in Lakhs)	YoY Growth
Total Income	380,166	298,815	27%
EBIDTA	43,121	36,286	19%
Interest & Depreciation	5,172	1,613	
PAT After Non-Controlling Interest	27,693	24,926	11%
EPS	26.66	23.99	11%

1. **Total Income**

Total income increased 27% from ₹ 298,815 lakhs in 2018-19 to ₹ 380,166 lakhs in 2019-20 largely owing to increase in revenue from international IT services and domestic products & services.

2. **EBITDA**

The EBIDTA margin is 12% in 2019-20.

3. **Profit after Tax After Non - Controlling Interest**

The Net Profit margin is 7% in 2019-20..

4. **Interest and Borrowings**

During the year the Company has incurred ₹ 1,518 lakhs as interest cost. The Company had a Net Cash balance of ₹ 31,149 lakhs (including investment in Mutual Funds and net of bank borrowing).

Current year interest expense includes ₹ 1,158 lakhs towards interest on lease liability on account of adoption of Ind AS 116 (Refer Note 36).

5. **Capital Employed**

The Capital Employed is ₹ 75,567 lakhs in 2019-20. The Return on Average Capital Employed (ROCE) for the year ended 31st March, 2020 was reported at 38%.

6. **Net Worth**

The Net Worth is ₹ 66,967 lakhs in 2019-20.The Return on Average Net Worth (RONW) for the year ended 31st March, 2020 was reported at 39%.

7. **Fixed Assets**

The Company's fixed assets which includes property, plant, equipment, goodwill and other intangible assets increased from ₹ 23,761 lakhs in 2018-19 to ₹ 25,755 lakhs in 2019-20 owing to addition of ₹ 913 lakhs. Depreciation and amortization increased from ₹ 1,274 lakhs in 2018-19 to ₹1,733 lakhs in 2019-20.

8. **Working Capital Management**

Days sales outstanding for international IT services increased from 41 Days in 2018-19 to 47 days in 2019-20.

Standalone Financial Highlights:

	2019-20 (₹ in Lakhs)	2018 -19 (₹ in Lakhs)	YoY Growth
Total Income	97,397	84,701	15%
EBIDTA	30,025	24,509	23%
Interest & Depreciation	3,150	621	
PAT	21,126	17,243	23%
EPS	20.33	16.59	23%

1. **Total Income**

Income increased 15% from ₹ 84,701 lakhs in 2018-19 to ₹ 97,397 lakhs in 2019-20 largely owing to increase in revenue from existing as well as new customers.

2. **EBITDA**

EBIDTA increased 23% from ₹ 24,509 lakhs in 2018-19 to ₹ 30,025 lakhs in 2019-20.

3. **Profit after Tax**

Profit after Tax increased 23% from ₹ 17,243 lakhs in 2018-19 to ₹ 21,126 lakhs in 2019-20.

4. **Interest and Borrowings**

During the year the Company has incurred ₹ 1,090 lakhs as interest cost. The Company had a Net Cash balance of ₹ 16,098 lakhs (including investment in Mutual Funds).

Current year interest expense includes ₹ 1,040 lakhs towards interest on lease liability on account of adoption of Ind AS 116 (Refer Note 39)

5. **Capital Employed**

The Capital Employed is ₹ 37,328 lakhs in 2019-20. The Return on Average Capital Employed (ROCE) for the year ended 31st March, 2020 was reported at 49%.

6. **Net Worth**

The Net Worth is ₹ 37,328 lakhs in 2019-20. The Return on Average Net worth (RONW) for the year ended 31st March, 2020 was reported at 47%.

7. **Fixed Assets**

The Company's fixed assets which includes property, plant, equipment and goodwill increased from ₹ 3,360 lakhs in 2018-19 to ₹ 3,712 lakhs in 2019-20 owing to addition of ₹ 777 lakhs. As a result, depreciation increased from ₹ 613 lakhs in 2018-19 to ₹ 630 lakhs in 2019-20.

OUTLOOK

As highlighted in the economic and industry review, external factors led by Coronavirus and the consequent uncertainty and geopolitical instability is likely to impact overall global economy growth next year.

In relation to IT industry, if the past decade (2009-2019) was one of unparalleled digital disruption that impacted both businesses and societies at large, the decade of the 2020s is expected to be one of individualism and hyper-personalisation. Today everything is digital; technologies are deeply interwoven into every industry and across verticals & geographies. 2020 and beyond will be years of some reckoning for digital transformation initiatives.

The IT services industry continue to transform driven by emerging technologies thus muting growth in traditional business while creating new, digital and cloud based opportunities. Organizations are speedily adapting the changes and increasing their investments in new technologies to stay pertinent in the competitive market.

Sonata in fiscal 2020 witnessed good growth in both the segments it operates in – International IT Services and Domestic Products and Services. The acquisitions and strategic investments done over last two years has given additional capability in the service industry and a strong fillip to sonata's strategy to be a global leader in the Microsoft Dynamics 365 partner eco system with IPs across industries. The GAPbusters (GBW) acquisition has not just strengthened Sonata's footprint in Australia but it has also opened up new geographies in South East Asia & Europe where GBW has large clients in the QSR, retail, automotive and oil & gas space.

The engines that will drive Sonata's growth and value going forward are:

- Penetrating existing client accounts with opportunities through cross sell and up sell
- Acquiring new clients for Platformation™ led Digital Transformation across verticals –Distribution, Retail, Travel, and ISVs
- Synergistically leveraging technology alliance partners, led by our very strong and deep Microsoft Alliance
- Grow IP & proprietary platform revenues through own and channel partners
- Continue to focus on digital infrastructure partnership
- Invest in new growth areas – cloud, security, sonata IP
- Continue to leverage internal operational efficiencies and cost reduction programs.

The company is consistently building traction around Platformation™ led business consulting, Platformation-led technology consulting and Platformation aligned services around RPA, Platform Engineering, Data and Analytics, Cloud transformation with many of its marquee clients and prospects. Each of these tracks is supported today with a structured approach, methods, assets, tools, and metrics to measure outcomes.

Sonata is well positioned to take advantage of the opportunities to support its new and existing customers. The company will continue to focus on its strategy to be the digital transformation partner across core verticals based on its IPs and specialized services around digital technologies like analytics, cloud, social, omni-channel commerce and mobility. It will continue to focus on enhancing its capabilities and invest in new innovative growth platform going forward.

RISK & CONCERN

Nature of Risk	Risk Explanation	Risk Mitigation
Economic Risk	The Company's business may be adversely impacted by unforeseen economic reforms and events in the country it serves in.	Coronavirus Pandemic has impacted the whole world, regardless of the size of economy or its diversity. The Company has a diversified geographical presence, and has always maintained healthy and long - standing relationship with its clients in partnering them as their IT solution provider and adding value to their businesses. These have resulted in minimal impact to the overall business of the company, and these mitigation strategies will endure
Foreign Currency Risk	Unfavourable currency fluctuations may adversely impact Company's earnings.	The Company uses foreign currency forward contracts to hedge risks involving foreign currency fluctuation. There is a periodic evaluation and consultation with appropriate professionals to validate the company's hedging strategies.
Concentration Risk	The regional concentration as well as vertical concentration can adversely impact Company's business in case of a slowdown.	The Company continues to further diversify its business in terms of regional and vertical exposure on ongoing basis.
Competition Risk	The Company operates in a competitive business environment. A loss of client can impact the regular cash flows.	The company seeks to differentiate itself from its competitors with the following strong differentiated strategies: - Platformation™ approach which includes proprietary IP, frameworks, industry specific trademark solution architecture components (MARCHITECTURE SONATA SOFTWARE), and digital library of processes - A strong and multidimensional alliance with Microsoft - Robust Financial structure The combination of IP, relationships, and financials create significant competition differentiators
Attrition Risk	Human capital plays a significant role in the IT services; attrition can lead to service and delivery failures.	The Company deploys best-in-class HR principles and practices to maintain a strong bonding between the Management and the employees. Employee engagement is high, with periodic engagement programs across levels within the organisation. Sonata's emphasis on its DNA (Deep Nurtured Attributes) coupled with exciting rewards and recognition, binds employees to the company, keeping our attrition rates well within Industry averages.
Regulatory Risk	The Company operates across several nations viz. UK and US. Any change in law, regulations and taxation framework may affect the business operations. Further legislation in various countries in which the Company operates may impose restrictions on companies in those countries from outsourcing work to us, or may implement stricter immigration laws, or may limit our ability to send our employees to certain client sites.	The Company has a professional team in and outside India to mitigate this risk on a continuous basis. 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 is 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.

MATERIAL DEVELOPMENT IN HUMAN RESOURCE

Sonata is a people-focused and talent conscious enterprise, operating in a competitive business environment. It considers its employees to have a competitive edge. To achieve leadership and scalable growth, the Company has aligned competencies of its human capital with technology enablement. The Company significantly invests in professional development and providing career development opportunities for its employees. A robust training and development framework, rewards and recognition systems, is aligned to the business to help them excel in their work.

The Company ended the year with a headcount of 4,211 which was an increase by 4% compared to the previous year's headcount of 4,042.

INTERNAL CONTROL SYSTEM

The Company has set up a proper and adequate and sound internal control system to safeguard the Group's assets and to enhance shareholders' investment, as well as reviewing its adequacy and effectiveness of the said system.

The duty of reviewing the adequacy and effectiveness of the internal control system has been assigned to the Audit Committee ("AC"), to seek assurance on the adequacy and effectiveness of the internal control system through reports it receives from independent reviews conducted by the Internal Auditor.

The Company constantly reviews its processes and the systems with an aim to remain competitive and 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 external auditors as well as the internal auditors periodically review the internal control systems, policies and procedures for their adequacy, effectiveness and continuous operation for addressing risk management and mitigation strategies.

REPORT ON CORPORATE GOVERNANCE

Your Company is in compliance with the requirements of the guidelines on Corporate Governance stipulated under Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") and hereby presents the following Corporate Governance Report for the Financial Year 2019-20 based on the said requirements.

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

Sonata Software Limited ("the Company") is committed to good Corporate Governance. The fundamental objective of the Company'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 compliances of any laws and regulations."

II. BOARD OF DIRECTORS

Your Company's Board of Directors comprises of an optimum combination of professionals with expertise, diversity and independence. The Board of Directors of your Company as on 31st March, 2020 comprised of six Directors of whom one is a Non-Executive Promoter Director, one is a Non-Executive Director, one is an Executive Director and three are Independent Directors. The composition of the Board is in conformity with Regulation 17 of the Listing Regulations read with Section 149 of the Companies Act, 2013 ("the Act"). The Chairman of the Board is an Independent Director.

None of the Directors on the Board holds directorships in more than seven listed companies or ten public companies. Further, none of them is a member of more than ten committees or Chairman of more than five committees across all the public companies in which he or she is a Director. None of the Directors are related to each other.

Independent Directors are Non-Executive Directors as defined under Regulation 16(1)(b) of the Listing Regulations read with Section 149(6) of the Act. The maximum tenure of each Independent Director is in compliance with the Act. All the Independent Directors have confirmed that they meet the criteria as mentioned under Regulation 16(1)(b) of the Listing Regulations read with Section 149(6) of the Act.

The Board is of the opinion that all the Independent Directors of the Company fulfill the conditions specified under Listing Regulations and are independent of the management of the Company. Further, all the Directors have confirmed that they are neither debarred nor disqualified from being appointed or continuing as Director by the Securities and Exchange Board of India /the Ministry of Corporate Affairs (MCA) or any such statutory authority. In the opinion of the board, the Independent Directors fulfill the conditions specified in the applicable regulations and are independent of the management. The Company has obtained a Certificate to this effect from Mr. Vijayakrishna KT, Practising Company Secretary (CoP No: 980), Bengaluru, as mandated under Schedule V, Part C, Clause 10(i) of SEBI (Listing Obligations and Disclosure Requirement) (Amendment) Regulations, 2018.

Mr. B K Syngal and Mr. S N Talwar retired from the Company as Independent Directors w.e.f. 11th August 2019 post completion of their tenure.

During the Financial Year 2019-20, five meetings of the Board were held with a time gap of not more than one hundred and twenty days between two consecutive meetings. These meetings were held on 30th May, 2019, 7th August, 2019, 30th October, 2019, 24th January, 2020 and 26th February, 2020. The necessary quorum was present at all the meetings. The video-conferencing facilities were arranged for Directors for participating in Board and Committee Meetings, in consonance with the applicable Laws and Regulations.

During the Financial Year 2019-20, information as mentioned in Schedule II Part A of the Listing Regulations has been placed before the Board for its consideration. The Board obtains declarations from the respective functional heads confirming all the applicable Laws were complied with during the Financial Year under review.

In accordance with Section 149 read with Schedule IV to the Act, and Listing Regulations, a meeting of the Independent Directors was held during the Financial Year 2019-20 without the attendance of the Non-Independent Directors and members of the management.

During the year under review, familiarisation programme was imparted to all the Directors of the Board. Details of the familiarisation programme is available on the Company's website at https://www.sonata-software.com/about-us/investor-relations/corporate-governance.

The names, designation, categories of the Directors and their shareholdings in the Company as on 31st March, 2020 are furnished below:

Name of the Director	Designation	Category	Equity shareholdings in the Company
Mr. Pradip P Shah (DIN: 00066242)	Chairman	Independent Director	Nil
Mr. S B Ghia (DIN: 00005264)	Director	Non-executive Director	5,000
Mr. Viren Raheja (DIN: 00037592)	Director	Promoter, Non-Executive Director	82,50,000
Mr. P Srikar Reddy (DIN: 00001401)	Managing Director & CEO	Executive Director	12,01,500
Ms. Radhika Rajan (DIN: 00499485)	Director	Independent Director	Nil
Mr. Sanjay K Asher# (DIN:00008221)	Director	Independent Director	Nil

Mr. Sanjay K Asher was appointed as an Independent Director with effect from August 8, 2019.

Details of Directors attendance during the Financial Year 2019-20 and at the last Annual General Meeting, number of Directorships in other Indian companies and committee memberships/Chairmanship held by them in Indian public companies as on 31st March, 2020 are furnished below:

Name of the Director	No. of Board Meetings held during the tenure	No. of Board Meetings attended	Attendance at last AGM held on 7th August, 2019	No. of Directorships held in other Indian Companies	No. of Committee Memberships/ Chairmanship held in other Indian Public companies*	
					As Chairman	As Member
Mr. Pradip P Shah	5	5	Yes	15	2	6
Mr. S B Ghia	5	5	Yes	2	1	4
Mr. Viren Raheja	5	5	Yes	19	0	3
Mr. P Srikar Reddy	5	5	Yes	2	0	1
Mr. S N Talwar#	2	2	Yes	-	-	-
Mr. B K Syngal#	2	2	No^	-	-	-
Ms. Radhika Rajan	5	5	Yes	2	1	3
Mr. Sanjay K Asher$	3	3	NA	12	4	7

Note: *Includes only Committee Membership/Chairmanship of Audit Committee and Stakeholders Relationship Committee

Mr. S N Talwar and Mr. B K Syngal, Independent Directors retired from the Board with effect from August 11, 2019, upon completion of their tenure.

$ Mr. Sanjay K Asher was appointed as an Independent Director with effect from August 8, 2019.

^ Mr. B. K. Syngal, Chairman of the Audit Committee Meeting had requested leave of absence. Mr. Pradip Shah who was appointed as the Chairperson of the Audit Committee attended the AGM.

List of Directorship held in other listed companies and category of Directorship:

Name of the Director	Directorship in other listed entities	Category of Directorship
Mr. Pradip P Shah	Kansai Nerolac Paints Limited	Non-Executive - Independent Director, Chairperson
	Pfizer Limited	Non-Executive - Independent Director
	KSB Limited	Non-Executive - Independent Director
	BASF India Limited	Non-Executive - Independent Director
	Bajaj Auto Limited	Non-Executive - Independent Director
	Bajaj Holdings &Investment Limited	Non-Executive - Independent Director
Mr. S B Ghia	Futura Polyesters Limited	Managing Director
	Alkyl Amines Chemicals Limited	Non-Executive - Independent Director
Mr. Viren Raheja	Hathway Cable And Datacom Limited	Non-Executive - Non Independent Director
Mr. P Srikar Reddy	Visaka Industries Limited	Non-Executive - Independent Director
Ms. Radhika Rajan	3M India Limited	Non-Executive - Independent Director
Mr. Sanjay K Asher	Repro India Limited	Non-Executive - Independent Director
	Deepak Nitrite Limited	Non-Executive - Independent Director
	Sudarshan Chemical Industries Limited	Non-Executive - Independent Director
	Tribhovandas Bhimji Zaveri Limited	Non-Executive - Independent Director
	Ashok Leyland Limited	Non-Executive - Independent Director
	IndusInd Bank Limited	Non-Executive - Independent Director

Board Skill Matrix

Your Board had cautiously considered and identified an optimised mix of the Skills, Expertise, Competencies essentially required by the Company in the context of its sector. This was so done to ensure functioning of the business effectively and it has been confirmed that the Board has the required skills defined in the matrix provided below.

These attributes primarily and broadly are:

i. General Management of Corporate Affairs, Corporate Governance;

ii. General Information Technology and related fields; General IT Knowledge

iii. Law, Taxation, Finance related;

iv. Behavioural science;

v. Strategy Management;

vi. Leadership abilities.

In the table below, the specific areas of focus or expertise of individual Board members have been highlighted. However, the absence of a mark against a member's name does not necessarily mean the member does not possess the corresponding qualification or skill. Profile of all Directors available on the company website at www.sonata-software.com.

Director	Area of expertise / skills /competence					
	Corporate Governance	General IT knowledge	Law/Tax/ Finance	Behavioural Science	Strategy management	Leadership abilities
Mr. Pradip P Shah	✓	✓	✓	✓	✓	✓
Mr. S B Ghia	✓	✓	✓	✓	✓	✓
Mr. Viren Raheja	✓	✓	✓	✓	✓	✓
Mr. P Srikar Reddy	✓	✓	✓	✓	✓	✓
Ms. Radhika Rajan	✓	✓	✓	✓	✓	✓
Mr. Sanjay K Asher	✓	✓	✓	✓	✓	✓

III. AUDIT COMMITTEE

The Audit Committee was constituted in accordance with the requirements of the statutes.

- **Terms of Reference**

The roles, responsibilities and the terms of reference of the Audit Committee *inter-alia* include the following:

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
2. Recommendation for appointment, remuneration and terms of appointment of auditors of the Company;
3. Approval of payment to Statutory Auditors for any other services rendered by the Statutory Auditors;
4. Reviewing the utilization of loans and/ or advances from/investment by the holding company in the subsidiary exceeding rupees 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments existing as on the date of coming into force of this provision;
5. Review compliance with the provisions of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 at least once in a financial year and shall verify that the systems for internal control are adequate and are operating effectively;
6. Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the Board for approval, with particular reference to:
   a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of Section 134 of the Companies Act, 2013;
   b. Changes, if any, in accounting policies and practices and reasons for the same;
   c. Major accounting entries involving estimates based on the exercise of judgment by Management;
   d. Significant adjustments made in the financial statements arising out of audit findings;
   e. Compliance with listing and other legal requirements relating to financial statements;
   f. Disclosure of any related party transactions;
   g. Qualifications in the draft audit report.
7. Reviewing, with the management the quarterly financial statements before submission to the Board for approval;
8. Reviewing, with the management the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/ notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
9. Review and monitor the auditor's independence and performance, and effectiveness of audit process;
10. Approval or any subsequent modification of transactions of the Company with related parties;
11. Scrutiny of inter-corporate loans and investments;
12. Valuation of undertakings or assets of the Company, wherever it is necessary;
13. Evaluation of internal financial controls and risk management systems;
14. Reviewing, with the management performance of statutory and internal auditors, adequacy of the internal control systems;
15. Reviewing, the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
16. Discussion with internal auditors of any significant findings and follow up there-on;
17. Review the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal

control systems of a material nature and reporting the matter to the Board;

18. Discussion with Statutory Auditors before the audit commences about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;

19. To Look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;

20. To Review the functioning of the Whistle Blower mechanism;

21. Approval of appointment of CFO (i.e., Chief Financial Officer or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;

22. Review the financial statements, internal audit reports, related party transactions and such other information as required under the Act or the Listing Regulations.

In addition to the above, the Audit Committee discharges all such other duties and functions generally indicated under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Companies Act, 2013 and the Rules made thereunder.

During the Financial Year under review, the Audit Committee met Four times on 30th May, 2019, 7th August, 2019, 30th October, 2019, and 24th January, 2020.

The Audit Committee generally invites the Chief Financial Officer, VP-Finance & Accounts and representatives of the Statutory Auditors and Internal Auditors to the meetings of the Audit Committee. The Company Secretary acts as Secretary to the Committee.

Details of Composition and Attendance of the Audit Committee Meetings:

Name of the Director	Category	Position	Number of Audit Committee Meetings	
			Held during the tenure	Attended
Mr. B K Syngal*	Independent Director	Chairman	2	1
Mr. S B Ghia	Non-executive Director	Member	4	4
Mr. Pradip P Shah	Independent Director	Chairman	4	4
Mr. S N Talwar*	Independent Director	Member	2	2
Ms. Radhika Rajan	Independent Director	Member	4	4
Mr. Sanjay Asher#	Independent Director	Member	2	2

* Ceased to be a member effective from August 8, 2019

Appointed as a member effective from August 8, 2019

IV. NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee was constituted in accordance with the requirements of the statutes.

- **Terms of Reference**

The roles, responsibilities and the terms of reference of the Nomination and Remuneration Committee *inter-alia* include the following:

1. Formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board of Directors a policy relating to the remuneration of the directors, key managerial personnel and other employees;
2. Formulation of criteria for evaluation of performance of independent directors and the Board of Directors;
3. Devising a policy on diversity of Board of Directors;
4. Identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board of Directors their appointment and removal and shall carry out evaluation of every directors' performance;
5. Recommend to the Board, all remuneration, in whatever form, payable to senior management.
6. Whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.

In addition to the above, Nomination and Remuneration Committee discharges such duties and functions generally indicated under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, Companies Act, 2013 and Rules made thereunder.

During the Financial Year under review, the Nomination and Remuneration Committee met four times on 30th May, 2019, 7th August, 2019, 30th October, 2019 and 24th January, 2020.

Details of Composition and Attendance of the Nomination and Remuneration Committee Meetings

Name of the Director	Category	Position	Number of Nomination and Remuneration Committee Meetings	
			Held during the tenure	Attended
Mr. S N Talwar*	Independent Director	Chairman	2	2
Mr. S B Ghia	Non-Executive Director	Member	4	4
Mr. B K Syngal*	Independent Director	Member	2	1
Mr. Viren Raheja	Promoter, Non-Executive Director	Member	4	4
Mr. Sanjay Asher#	Independent Director	Chairman	2	2
Mr. Pradip P Shah#	Independent Director	Member	2	2

* Ceased to be a member effective from August 8, 2019

Appointed as a member effective from August 8, 2019

- **Performance evaluation criteria**

  The Performance evaluation criteria of Independent Directors are determined by the Nomination and Remuneration Committee and the details of the same is provided in the Board's Report.

- **Details of remuneration paid/payable to all the Directors during the Financial Year ended 31st March, 2020**

(₹ in Lakhs)

Name	Salary & Perquisites	Commission & Sitting fees	Shares issued under ESOP	Details of service contracts, notice period & severance fees
Mr. Pradip P Shah	Nil	23	Nil	-
Mr. P Srikar Reddy	255	142	Nil#	The previous contract effective from 14.02.2017 was for a period of three years. Further a new contract dated 25.11.2019 has been signed effective 14.02.2020 for a period of three years subject to approval of the shareholders. Further the notice period is of six month's and severance fees of ₹ 102 Lakhs spread over a period of 1 year 6 months.
Mr. S B Ghia	Nil	24	Nil	-
Mr. Viren Raheja	Nil	2	Nil	-
Ms. Radhika Rajan	Nil	23	Nil	-
Mr. Sanjay Asher**	Nil	15	Nil	-
Mr. B K Syngal*	Nil	8	Nil	-
Mr. S N Talwar*	Nil	8	Nil	-

* Mr. S N Talwar and Mr. B K Syngal, Independent Directors retired from the Board effective from August 11, 2019, upon completion of their tenure.

The ESOPs will be granted as per the employment agreement dated 25.11.2019

**Mr. Sanjay Asher joined w.e.f 8 August, 2019.

- **Criteria for making payments to Non-Executive Directors**

  The Shareholders at their meeting held on 13th August, 2018 had, by way of Special Resolution authorised the Board of Directors of the Company 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 14th February 2012, all Non-Executive Directors are also being paid a sitting fee of ₹ 20,000/- for each meeting of the Board and Committee attended by them from Financial Year 2012-13 onwards.

V. STAKEHOLDERS RELATIONSHIP COMMITTEE

The Stakeholders Relationship Committee was constituted in accordance with the requirements of the statutes.

- **Terms of Reference**

  The roles, responsibilities and the terms of reference of the Stakeholders' Relationship Committee *inter-alia* include the following:

  1. Resolve the grievances of the security holders of the listed entity including complaints related to transfer/ transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/ duplicate certificates, general meetings etc.
  2. Review of measures taken for effective exercise of voting rights by shareholders.
  3. Review of adherence to the service standards adopted by the listed entity in respect of various services being rendered by the Registrar & Share Transfer Agent.
  4. Review of the various measures and initiatives taken by the listed entity for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the Company.

  During the Financial Year under review, the Stakeholders' Relationship Committee met four times on 30th May, 2019, 7th August, 2019, 30th October, 2019 and 24th January, 2020.

- **Details of Composition and Attendance of the Stakeholders Relationship Committee Meetings**

Name of the Director	Category	Position	Number of Stakeholders Relationship Committee Meetings	
			Held during the tenure	Attended
Mr. S B Ghia	Non-executive Director	Chairman	4	4
Mr. P Srikar Reddy	Executive Director	Member	4	4
Ms. Radhika Rajan	Independent Director	Member	4	4

- Ms. Rashmi Shirke, Assistant Company Secretary resigned as a Compliance Officer w.e.f. 7th August, 2019 and Ms. Mangal Kulkarni, Company Secretary was appointed as the Company's Compliance Officer w.e.f. 7th August, 2019.
- During the Financial Year under review 77 investor grievances were received and all of them were successfully resolved.

VI. CORPORATE SOCIAL RESPONSIBILITY "CSR" COMMITTEE

The CSR Committee was constituted in accordance with the requirements of the statutes.

- **Terms of Reference**

The roles, responsibilities and the terms of reference of the CSR Committee *inter-alia* include the following:

1. Formulate and recommend to the Board, Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013.
2. Recommend the amount of expenditure to be incurred on the activities referred to in clause (1) above.
3. Monitor the Corporate Social Responsibility Policy of the Company from time to time by setting-up a transparent monitoring mechanism for implementation of CSR projects or programs or activities undertaken by the Company.

The CSR Committee met two times during the Financial Year 2019-20 i.e. on 30th May, 2019 and 24th January, 2020.

- **Details of Composition and Attendance of the CSR Committee Meetings**

Name of the Director	Category	Position	Number of Corporate Social Responsibility Committee Meetings	
			Held during the tenure	Attended
Mr. S B Ghia	Non-executive Director	Chairman	2	2
Mr. S N Talwar*	Independent Director	Member	1	1
Mr. P Srikar Reddy	Executive Director	Member	2	2
Ms. Radhika Rajan#	Independent Director	Member	1	1

* Ceased to be a member effective from August 8, 2019

\# Appointed as a member effective from August 8, 2019

VII. RISK MANAGEMENT COMMITTEE

Pursuant to Regulation 21 of the Listing Regulations, the Board of Directors has constituted the Risk Management Committee on 13th August, 2018. The composition of the Committee is in conformity with the Listing Regulations, with majority of members being Directors of the Company.

- **Terms of Reference**

The roles, responsibilities and the terms of reference of the Risk Management Committee *inter-alia* include the following:

1. To assess the Company's risk profile and key areas of risk in particular;
2. To articulate the Company's policy for the oversight and management of business risks;
3. To evaluate risk management procedures including risk recognition, assessment and minimization of risk;
4. To examine and determine the sufficiency of the Company's internal processes for reporting on and managing key risk areas;
5. To ensure that the Company is taking appropriate measures to achieve prudent balance between risk and reward in both ongoing and new business activities;
6. To review management's response to the Company's auditors recommendations and those are adopted;
7. To review Cyber security measures taken by the Company;
8. Any other matter as delegated by the Board of Directors.

The Risk Management Committee met once during the Financial Year 2019-20 i.e. on 24th January, 2020.

- **Details of Composition and Attendance of the Risk Management Committee Meetings**

Name of the Director	Category	Position	Number of Risk Management Committee Meetings	
			Held during the tenure	Attended
Mr. Pradip P Shah	Independent Director	Chairman	1	1
Mr. S N Talwar*	Independent Director	Member	NA	NA
Mr. Viren Raheja	Promoter, Non- Executive Director	Member	1	1
Mr. P Srikar Reddy	Executive Director	Member	1	1

* Ceased to be a member effective from August 11, 2019

VIII. SHAREHOLDERS MEETINGS

- **Details of last three AGMs held:**

Financial Year	Date	Venue	Time
2016-17	**14.08.2017**	M.C. Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikhushru Dubash Marg, Mumbai – 400 001	4.00 p.m.
2017-18	**13.08.2018**	M.C. Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikhushru Dubash Marg, Mumbai – 400 001	4.00 p.m.
2018-19	**07.08.2019**	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**

a) Financial year 2016-17 – No special resolution was passed at the AGM.

b) Financial year 2017-18 – Yes, following Special Resolutions were passed:

i. Approve payment of commission to the Non-executive Directors of the Company.

ii. Approve delivery of documents through a specific mode on request by the member upon payment of a requisite fee.

iii. Approve reclassification of the status of promoter's shareholding into public shareholding.

c) Financial year 2018-19 – Yes, following Special Resolutions were passed for:

i. Approval of appointment of Mr. Pradip P Shah as an Independent Director for second term.

ii. Approval of appointment of Ms. Radhika Rajan as an Independent Director for second term.

- None of the items to be transacted at the ensuing meeting is required to be passed by postal ballot.

IX. MEANS OF COMMUNICATION

- Quarterly results / other information
- The half yearly/ 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 presentations made to analysts/institutional investors are posted on Company's website http://www.sonata-software.com.
- Presentations made to the institutional investors and financial analysts on the Company's financial results are uploaded on the Company's website.

X. GENERAL SHAREHOLDER INFORMATION

1. Annual General Meeting

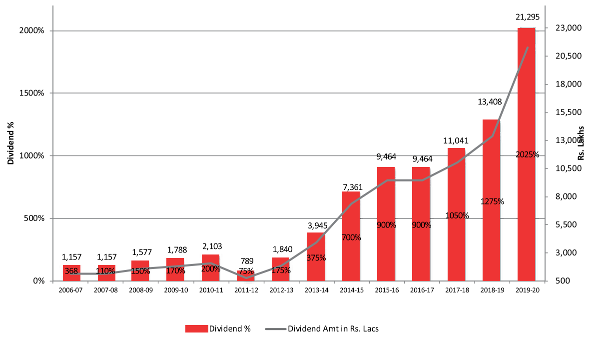
The ensuing Annual General Meeting of the Company will be held on Tuesday, 11th day of August, 2020 at 4:00 p.m. through Video Conferencing (VC) /Other Audio Visual Means (OAVM). Pursuant to the MCA Circular dated May 5, 2020 and SEBI Circular dated May 12, 2020 which dispensed the requirement to conduct AGM at a venue for meetings scheduled in the calendar year 2020. For details of VC/ OAVM please refer to the Notice of this AGM.

2. Financial Year

The financial year of the Company is from 1st April to 31st March every year.

3. Payment of Dividend

The Company paid interim dividend of ₹ 5.75/- per equity share (575%) on 13th November, 2019 and second interim dividend of ₹ 14.5/- per equity share (1450%) on 12th March, 2020.



4. Listing on Stock Exchanges & Stock Code

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

BSE Limited (BSE)	National Stock Exchange of India Ltd (NSE)
Phiroze Jeejeebhoy Towers Dalal Street, Fort Mumbai – 400 001 Stock Code: 532221	Exchange Plaza, 5th Floor, Plot No. C/1 G Block, Bandra-Kurla Complex, Bandra (E) Mumbai – 400 051 Stock Code: SONATSOFTW

(b) Listing fees for the financial year 2019-20 has been paid to the above-mentioned stock exchanges.

(c) As on 31st March, 2020 your Company had 47,436 shareholders.

5. Stock Market Data

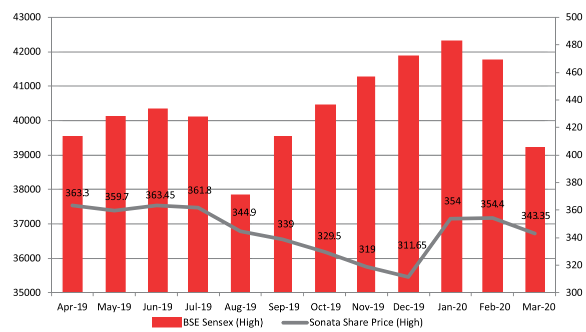
(a) Market Capitalization as on 31st March, 2020:
₹ 1,733.55 Crores (Based on closing price in BSE)

(b) Number of shares traded during FY 2019-20:
BSE: 36 Lakhs & NSE: 243 Lakhs

(c) The monthly high and low quotations of shares traded at BSE and NSE during financial year 2019-20 and performance in comparison with BSE Sensex are as given below

(Amount in ₹)

Month	BSE		NSE		BSE Sensex	
	High (₹)	Low (₹)	High (₹)	Low (₹)	High	Low
Apr-19	363.3	326	364.1	325.35	39487.45	38460.25
May-19	359.7	321	360	321.55	40124.96	36956.1
Jun-19	363.45	341.9	360	341	40312.07	38870.96
Jul-19	361.8	307.45	362	307.2	40032.41	37128.26
Aug-19	344.9	304.5	345	303	37807.55	36102.35
Sep-19	339	290.35	339	290.1	39441.12	35987.8
Oct-19	329.5	282.5	330.6	285	40392.22	37415.83
Nov-19	319	296.3	318.5	296.05	41163.79	40014.23
Dec-19	311.65	293	312	292.65	41809.96	40135.37
Jan-20	354	305.5	354.4	305	42273.87	40476.55
Feb-20	354.4	326	354.95	325	41709.3	38219.97
Mar-20	343.35	148.1	343.25	147.25	39083.17	25638.9



6. 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.

A Practicing Company Secretary reviews on quarterly basis the Reconciliation of Share Capital as prescribed by SEBI and such Report is placed before the Board and submitted to the Stock Exchanges also.

The Securities and Exchange Board of India has specified that the shares of the Company would be traded only in demat form effective 29 November 1999. Further, the Securities Exchange Board of India, had vide its notification No. SEBI/LAD-NRO/ GN/2018/24 dated 8 June 2018 and a press release dated 3 December 2018, have restricted transfer of shares in physical form effective 1 April 2019.

Details of complaints received and resolved from 1st April, 2019 to 31st March, 2020:

Complaints	Received	Attended to	Pending
Non-receipt of dividend	72	72	0
Non-receipt of Annual Report	1	1	0
Others	4	4	0
Total	**77**	**77**	**0**

7. **Distribution of shareholding**

(a) **Distribution Schedule**

Range of equity shares held	As on 31st March, 2020				As on 31st March, 2019			
	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	42288	87.18	4044928	3.85	35042	86.31	3632728	3.45
501-1000	3022	6.23	2520075	2.40	2750	6.77	2322829	2.21
1001-5000	2391	4.93	5302897	5.04	2054	5.06	4668985	4.44
5001-10000	321	0.66	2342308	2.23	307	0.76	2253060	2.14
Over 10001	483	1.00	90949098	86.49	445	1.10	92281704	87.75
Total	**48505**	**100.00**	**105159306**	**100.00**	**40598**	**100.00**	**105159306**	**100.00**

(b) **Shareholding Pattern**

Category	As on 31st March, 2020				As on 31st March, 2019			
	No.of share holders	% to total holders	No. of shares	% to total holders	No. of share holders	% to total holders	No. of shares	% to total holders
Promoters	7	0.01	29623450	28.17	7	0.01	29623450	28.17
Bodies Corporate	369	0.78	5059648	4.81	421	1.04	6825592	6.49
FIIs / NRIs	1446	3.05	13547847	12.88	1145	2.82	15655002	14.89
IFIs/Mutual Funds/ Banks	15	0.03	14343075	13.64	16	0.04	10407460	9.90
Trusts	4	0.01	1265984	1.20	3	0.01	1301875	1.24
Clearing Members	71	0.15	134471	0.13	77	0.19	105501	0.10
Public	45524	95.97	41184831	39.16	38929	95.89	41240426	39.22
Total	**47436**	**100.00**	**105159306**	**100.00**	**40598**	**100.00**	**105159306**	**100.00**

8. **Dematerialization of shares and liquidity**

Your Company's shares are tradable only in electronic form. The Company has established connectivity with both the depositories viz., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) through Registrars and Share Transfer Agent KFin Technologies 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 31st March, 2020		As on 31st March, 2019	
	No. of Shares	% of holding	No. of Shares	% of holding
Physical	822281	0.78	937481	0.89
Electronic	104337025	99.22	104221825	99.11
Total	**105159306**	**100.00**	**105159306**	**100.00**

Number of Shares dematerialized during FY 2019-20: 1,08,750 Shares.

Number of Shares rematerialized during FY 2019-20: NIL

9. **The Company does not have any outstanding GDRs/ ADRs/ Warrants or any Convertible Instruments.**

10. **Office Locations**

    The addresses and contact details of offices/locations are given elsewhere in the Annual Report.

11. **Credit Rating**

    Your Company has obtained Credit Rating from CRISIL during the Financial Year ended 31st March, 2020 for the Working Capital Facility of ₹ 50 Cr. CRISIL has upgraded its rating from 'CRISIL A+/Positive' to 'CRISIL A+/Stable'.

12. **Tentative financial calendar for FY 2020-21**

Financial results for the first quarter ending 30th June, 2020	August, 2020
Financial results for the second quarter ending 30th September, 2020	October, 2020
Financial results for the third quarter ending 31st December, 2020	January, 2021
Financial results for the financial year ending 31stMarch, 2021	May, 2021
Annual General Meeting for the year ending 31st March, 2021	August, 2021

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

Company Secretary	**KFin Technologies Private Limited**
Sonata Software Limited APS Trust Building, Bull Temple Road N R Colony, Bangalore - 560 004, India Tel: (080) 67782669, Email: investor@sonata-software.com Website: www.sonata–software.com	(formerly known as Karvy Fintech Private Limited) Registrars and Share Transfer Agents Karvy Selenium Tower B, Plot No.31-32 Gachibowli, Financial District Nanakramguda, Hyderabad - 500 032, India Tel: (040) 67161591 Fax: (040) 23420814 Email: einward.ris@kfintech.com Website: https://www.kfintech.com

XI. OTHER DISCLOSURES

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

   None

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

   None.

C. **Vigil Mechanism**

   The Company has established and put in place a Vigil Mechanism which has been approved by the Board at its meeting held on 26th May, 2014 and subsequently revised by the Board at its meeting held on 9th February, 2016. This policy provides a secure framework to report genuine concerns about unethical behaviour, actual or suspected fraud, theft, bribery, misappropriation of Company funds, financial reporting violations, misuse of intellectual property, mismanagement, significant environmental, safety or product quality issues, discrimination or harassment including sexual harassment, insider trading, actual or potential conflicts of interest, violation of Company's rules, Company's policies or violation of Code of Conduct of the Company.

   The said policy has been communicated to the employees and is also available on the Company's website.

   https://www.sonata-software.com/about-us/investor-relations/corporate-governance

   The Company affirms that no employee has been denied access to the Audit Committee during the Financial Year 2019-20.

D. **Mandatory/Non-Mandatory Requirements**

   During the Financial Year 2019-20, the Company –

   (a) has duly complied with all mandatory requirements of Listing Regulations.

   (b) has adopted the following non-mandatory requirements of Listing Regulations.

   - he Company has appointed separate persons to the post of Chairman and Managing Director. The Chairman of the Company is an Independent Director.
   - The Company follows a direct reporting of Internal Auditor to the Audit Committee.

E. **Web Link where Policy for Determining 'Material' Subsidiaries is given Below-**

   The Policy for determining 'material' subsidiaries is posted on Company's website https://www.sonata-software.com/sites/default/files/financial-reports/2019-09/policy-on-determining-material-subsidiaries.pdf

F. **Web Link where Policy on dealing with Related Party Transactions is given Below-**

   The Policy on dealing with related party transactions is posted on Company's website https://www.sonata-software.com/sites/default/files/financial-reports/2019-09/related-party-transaction-policy.pdf

G. **Disclosure of Commodity Price Risk and Commodity Hedging Activities**

   Your Company does not have commodity price risk being in the IT sector and hence no commodity hedging is done.

H. **Details of Utilisation of Fund**

   During the year your Company has not raised any fund through preferential allotment or qualified institutions placement as specified under Regulation 32 (7A) SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018..

I. **Certificate from Company Secretary in Practice**

   The Company has obtained a certificate from Mr. Vijayakrishna K. T. a Company Secretary in practice, as required under Schedule V, Part C, Clause 10(i) of SEBI (Listing Obligations and Disclosure Requirement) (Amendment) Regulations, 2018, that none of the Directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as directors of companies by the Board/ Ministry of Corporate Affairs or any such statutory authority. A certificate to this effect, duly signed by the Practising Company Secretary is annexed to this Report.

J. **Where the Board had not accepted any recommendations of any committee of the board which is mandatorily required, in the relevant financial year:**

None.

K. **Auditors Remuneration :**

The particulars of the payment of Statutory Auditors fee, on consolidated basis is given below:

₹ in Lakhs

	Amount
Remuneration for audit of the Company and its subsidiaries	106
Remuneration for other services	32
Re-imbursement of out- of pocket expenses	3
Total	**141**

L. **Disclosures in relation to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013:**

a. number of complaints filed during the financial year: Nil

b. number of complaints disposed of during the financial year: Nil

c. number of complaints pending as on end of the financial year: Nil

XII. NON-COMPLIANCE OF ANY REQUIREMENT OF THE CORPORATE GOVERNANCE REPORT OF SUB- PARAS (2) TO (10) OF PART C OF SCHEDULE V OF LISTING REGULATIONS, WITH REASONS SHALL BE DISCLOSED

The Company has complied with all the requirements of the Corporate Governance report of sub- paras (2) to (10) of part C of Schedule V of Listing Regulations.

XIII. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODES

The Company has complied with the Corporate Governance requirements specified in regulation 17 to 27 and clauses (b) to (i) of sub-regulation (2) of regulation 46 of Listing Regulations.

XIV. DECLARATION

I, P Srikar Reddy, Managing Director & CEO (DIN: 00001401) of Sonata Software Ltd, to the best of my knowledge and belief, hereby declare that all the Directors on the Boards and Senior Management Personnel have affirmed compliance with the Code of Conduct for the Financial Year ended 31st March, 2020.

XV. TRANSFER OF UNCLAIMED / UNPAID AMOUNTS TO THE INVESTOR EDUCATION AND PROTECTION FUND ("IEPF")

Pursuant to the applicable provisions of the Companies Act, 2013 read with the IEPF Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ('the Rules'), all unpaid or unclaimed dividends are required to be transferred by the Company to the IEPF established by the Central Government, after the completion of seven years. Further, according to the Rules, the shares in respect of which dividend has not been paid or claimed by the shareholders for seven consecutive years or more shall also require to be transferred to the demat account created by the IEPF Authority. Accordingly, the Company has transferred the unclaimed and unpaid dividends. Further, the corresponding shares are transferred as per the requirement of the rules, details of which are provided on our website, at www.sonata-software.com. Members who have not yet encashed their dividend warrant(s) pertaining to the final dividend for the financial year 2012-13 and onwards are requested to make their claims without any delay.

Pursuant to Section 124(6) of the Companies Act, 2013, read with the Investor Education and Protection Fund Authority (Accounting Audit Transfer and Refund) Rules 2016 as amended by the Ministry of Corporate Affairs with effect from 28th February, 2017 ("the Rules"), in case the beneficial owner has not encashed dividend warrant(s) during the last seven years, shares pertaining to such beneficial owners shall be required to be transferred to the Fund established by the Authority. Shareholders are therefore requested to contact Kfin Technologies Private Limited, Registrar and Share Transfer Agent with respect to their unclaimed dividends.

CEO/CFO Certification

To
The Board of Directors
Sonata Software Limited
Mumbai

We, P Srikar Reddy, Managing Director & CEO and Jagannathan C N, CFO of Sonata Software Limited, 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 31st March, 2020 and:

  (i) These Financial Statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

  (ii) These Financial 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) There is, to the best of our knowledge and belief, no transaction entered into by the Company during the year ended 31st March, 2020 which is fraudulent, illegal or violative of the Company's code of conduct.

(c) We accept responsibility for establishing and maintaining Internal Controls for financial reporting and that we have evaluated the effectiveness of Internal Control Systems of the Company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such Internal Controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

(d) We have indicated to the Auditors and Audit committee that for the year ended 31st March, 2020, there were;

  (i) No significant changes in internal control over financial reporting during the year;

  (ii) No significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and

  (iii) No instances of significant fraud of which we have become aware and there has been no involvement therein of the management or an employee having a significant role in the Company's Internal Control System over financial reporting.

P Srikar Reddy
Managing Director & CEO
DIN: 00001401

Jagannathan C N
Chief Financial Officer

Place: Bengaluru
Date: 11 May, 2020

Corporate Governance Compliance Certificate

To
The members of
Sonata Software Limited

I have examined the compliance of conditions of Corporate Governance by Sonata Software Limited (CIN: L72200MH1994PLC082110) (hereinafter called 'the Company'), for the Financial Year ended March 31, 2020, as stipulated in Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The compliance of conditions of Corporate Governance is the responsibility of the management. My examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion of the financial statements of the Company.

In my opinion and to the best of the information and according to the explanations given to me and the representations made by the Directors and the Management, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Regulations.

I 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.

Parameshwar G. Bhat
Company Secretary in Practice
Membership No.: FCS 8860
CoP No.: 11004
UDIN: F008860B000226451

Place: Bengaluru
Date: 11 May, 2020

Certificate of Non-Disqualification of Directors

(pursuant to Regulation 34(3) and Schedule V Para C clause (10)(i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)

To
The Members
Sonata Software Limited
208 T V Indl Estate, 2nd Floor,
S. K. Ahire Marg, Worli,
Mumbai-400 030

I have examined the relevant registers, records, forms, returns and disclosures received from the Directors of **SONATA SOFTWARE LIMITED** having CIN **L72200MH1994PLC082110** and having registered office at 208 T V Indl Estate, 2nd Floor, S. K. Ahire Marg, Worli Mumbai-400 030 (hereinafter referred to as 'the Company'), produced before me by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C Sub clause 10(i) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In my opinion and to the best of my information and according to the verifications (including Directors Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and explanations furnished to me by the Company & its officers, I hereby certify that none of the Directors on the Board of the Company as stated below for the Financial Year ended on 31st March, 2020 has been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs or any such other Statutory Authority.

Sr. No.	Name of Director	DIN	Date of appointment in Company
1	Mr. Srikar Palem Reddy	00001401	20/10/1999
2	Mr. Shyam Bhupatirai Ghia	00005264	26/05/1997
3	Mr. Sanjay Khatau Asher	00008221	08/08/2019
4	Mr. Viren Rajan Raheja	00037592	17/04/2008
5	Mr. Pradip Panalal Shah	00066242	14/07/1998
6	Ms. Radhika Govind Rajan	00499485	12/08/2014

Ensuring the eligibility of for the appointment/continuity of every Director on the Board is the responsibility of the Management of the Company. My responsibility is to express an opinion on these based on my verification. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

Place: Bengaluru
Date: 11 May, 2020

Vijayakrishna K T
Company Secretary in Practice
Membership No.: FCS 1788
Co. P. No.: 11004
UDIN: F008860B000226451

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SONATA SOFTWARE LIMITED

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the accompanying standalone financial statements of Sonata Software Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2020, and the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, and its profit, total comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibility for the Audit of the Standalone Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

S. No.	Key Audit Matter	Auditor's Response
1	**Uncertain Tax Positions** Management uses significant judgment in determining the provision for income taxes including the amount expected to be paid/ recovered for uncertain tax positions Refer to Notes 2.1(c) (i) and 23 to the standalone financial statements.	**Principal audit procedures performed:** 1. We obtained an understanding of the uncertain tax positions for the major tax jurisdictions. 2. We obtained details of completed tax assessments/demands till the year and performed procedures to verify completeness and accuracy of the claims. 3. We reviewed the recent judgements / proceedings/ precedence's /rulings etc. relating to the matters under dispute and assessed reasonableness of the position taken by the Company. 4. We evaluated the design and operating effectiveness of controls over Company's process to evaluate uncertain tax positions. 5. We involved our tax specialists in reviewing such tax positions. 6. We reviewed the outstanding litigation position and ensured that the entity has evaluated these position in line with the requirements of the new Appendix C to the Ind AS 12 Income taxes and all the required adjustments and disclosures have been considered in preparing the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

- The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Board's report, Management discussion and analysis and Report on corporate governance, but does not include the consolidated financial statements, standalone financial statements and our auditor's report thereon.
- Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
- In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.
- If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management's Responsibility for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the Ind AS and other accounting principles generally accepted in India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the standalone financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the standalone financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the standalone financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit, we report that:

a) We have sought and 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 including Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.

d) In our opinion, the aforesaid standalone financial statements comply with the Ind AS specified under Section 133 of the Act.

e) On the basis of the written representations received from the directors as on March 31, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164(2) of the Act.

f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.

g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended,

In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of section 197 of the Act.

h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:

i. The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements.

ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

For **Deloitte Haskins and Sells LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Gurvinder Singh
Partner
(Membership No. 110128)
UDIN: 20110128AAAABD7390

Place: Bengaluru
Date: May 11, 2020

ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT

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

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of **Sonata Software Limited** ("the Company") as of March 31, 2020 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting of the Company based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2020, based on the criteria for internal financial control over financial reporting established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **Deloitte Haskins and Sells LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Gurvinder Singh
Partner
(Membership No. 110128)
UDIN: 20110128AAAABD7390

Place: Bengaluru
Date: May 11, 2020

ANNEXURE B TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of 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) According to the information and explanations given to us and the records examined by us and based on the examination of the conveyance deed provided to us, we report that, the title deeds, comprising all the immovable properties of buildings which are freehold, are held in the name of the Company as at the balance sheet date. In respect of immovable properties of land that have been taken on lease and disclosed as part of Right of Use Assets in the standalone financial statements, the lease agreements are in the name of the Company, where the Company is the lessee in the agreement.

(ii) The Company does not have any inventory and hence reporting under clause 3(ii) of the Order is not applicable to the Company.

(iii) The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013.

(iv) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 185 and 186 of the Companies Act, 2013 in respect of grant of loans, making investments and providing guarantees and securities, as applicable.

(v) According to the information and explanations given to us, the Company has not accepted any deposit during the year and does not have any unclaimed deposits and hence reporting under clause 3(v) of the Order is not applicable.

(vi) The maintenance of cost records has not been specified by the Central Government under section 148(1) of the Companies Act, 2013 for the business activities carried out by the Company. Thus reporting under clause 3(vi) of the Order is not applicable to the Company.

(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 statutory dues, including Provident Fund, Employees' State Insurance, Income-tax, Goods and Service Tax, Customs 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, Employees' State Insurance, Income-tax, Goods and Service Tax, Customs Duty, cess and other material statutory dues in arrears as at March 31, 2020 for a period of more than six months from the date they became payable.

(c) Details of dues of Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, and Value Added Tax which have not been deposited as on March 31, 2020 on account of disputes are given below:

Name of Statute	Nature of Dues	Forum where Dispute is Pending	Period to which the Amount Relates	Amount Involved (₹ in lakhs)
Income Tax Act, 1961	Income Tax	Supreme Court	AY 2000-01 to 2002-03	2,842
		High Court	AY 1995-96, 2002-03 to 2007-08, 2011-12	7,255
		Appellate Authority upto ITAT Level	AY 2008-09 to 2012-13, 2014-15	3,457
Finance Act, 1994	Service Tax, Penalty and Interest thereon	Central Excise and Service Tax Appellate Tribunal	FY 2005-06 to 2009-10	1,028

(viii) The Company has not taken any loans or borrowings from financial institutions, banks and government or has not issued any debentures. Hence reporting under clause (viii) of CARO 2016 is not applicable to the Company.

(ix) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under clause 3(ix) of the Order is not applicable.

(x) 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 by its officers or employees has been noticed or reported during the year.

(xi) In our opinion and according to the information and explanations given to us, the Company has paid / provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.

(xii) The Company is not a Nidhi Company and hence reporting under clause 3(xii) of the Order is not applicable.

(xiii) In our opinion and according to the information and explanations given to us the Company is in compliance with Section 177 and 188 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the standalone financial statements as required by the applicable accounting standards.

(xiv) During the year the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause 3(xiv) of Order is not applicable to the Company.

(xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or persons connected with him and hence provisions of section 192 of the Companies Act, 2013 are not applicable to the Company.

(xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For **Deloitte Haskins and Sells LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Gurvinder Singh
Partner
(Membership No. 110128)
UDIN: 20110128AAAABD7390

Place: Bengaluru
Date: May 11, 2020

SONATA SONATA SOFTWARE

BALANCE SHEET as at March 31, 2020

₹ in Lakhs

	Note No.	As at March 31, 2020	As at March 31, 2019
ASSETS			
Non-current assets			
Property, plant and equipment	3	1,621	1,711
Right-of-use assets	39	8,387	-
Capital work-in-progress		-	3
Goodwill		282	282
Financial assets	4		
Investments	4.1	5,108	5,034
Other financial assets	4.2	1,805	1,474
Deferred tax assets (net)	17	1,998	1,124
Other non-current assets	5	3,722	2,801
Total non-current assets		**22,923**	**12,429**
Current assets			
Financial assets	6		
Investments	6.1	480	9,899
Trade receivables	6.2	23,009	28,860
Cash and cash equivalents	6.3	13,762	7,174
Bank balances other than above	6.4	1,856	1,436
Loans	6.5	220	245
Other financial assets	6.6	2,095	4,807
Other current assets	7	890	842
Total current assets		**42,312**	**53,263**
Total assets		**65,235**	**65,692**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	8	1,039	1,039
Other equity	9	36,289	52,276
Total Equity		**37,328**	**53,315**
LIABILITIES			
Non-current liabilities			
Financial liabilities			
Other financial liabilities	10	7,382	914
Other non-current liabilities	11	-	858
Total non-current liabilities		**7,382**	**1,772**
Current liabilities			
Financial liabilities			
Trade payables	12		
Total outstanding dues of micro enterprises and small enterprises	25	14	43
Total outstanding dues of creditors other than micro enterprises and small enterprises		7,789	5,117
Other financial liabilities	13	5,669	421
Other current liabilities	14	3,384	1,637
Provisions	15	1,598	1,228
Current tax liabilities (net)	16	2,071	2,159
Total current liabilities		**20,525**	**10,605**
Total equity and liabilities		**65,235**	**65,692**

See accompanying notes to the financial statements

As per our report of even date attached
For Deloitte Haskins & Sells LLP
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Gurvinder Singh
Partner
(Membership No. 110128)

Place : Bengaluru
Date : May 11, 2020

For and on behalf of the Board

Pradip P Shah
Chairman
Mumbai

P Srikar Reddy
Managing Director & Chief Executive Officer
Bengaluru

Jagannathan Chakravarthi
Chief Financial Officer
Bengaluru

R Sathyanarayana
VP - Finance & Accounts
Bengaluru

Mangal Krishnarao Kulkarni
Company Secretary
Bengaluru

STATEMENT OF PROFIT & LOSS for the year ended March 31, 2020

₹ in Lakhs

	Note No.	For the year ended March 31, 2020	For the year ended March 31, 2019
REVENUE			
Revenue from operations	18.1	87,684	82,933
Other income	18.2	9,713	1,768
Total revenue		**97,397**	**84,701**
EXPENSES			
Purchase of stock-in-trade (traded goods)		6,352	4,651
Employee benefit expense	19	46,706	40,466
Finance costs	20	1,090	8
Depreciation and amortization expense	3	2,060	613
Other expenses	21	14,314	15,075
Total expenses		**70,522**	**60,813**
Profit before exceptional item and tax		**26,875**	**23,888**
Add : Exceptional item (Interest income on income tax refund)		-	49
Profit before tax		**26,875**	**23,937**
Tax expense			
Current tax	16	6,001	7,210
Deferred tax	17	(252)	(516)
Profit for the year		**21,126**	**17,243**
Other Comprehensive Income			
1 (a) Items that will not be reclassified to profit/(loss)		(846)	(22)
(b) Income tax relating to items that will not be reclassified to profit/(loss)		180	6
		(666)	**(16)**
2 Items that will be reclassified to profit/(loss)			
(a) Exchange differences in translating the financial statements of foreign operations		34	(99)
(b) Exchange differences on forward cover		(3,513)	1,721
(c) Income tax relating to Items that will be reclassified to profit/(loss)		741	(454)
		(2,738)	**1,168**
Total		**(3,404)**	**1,152**
Total Comprehensive Income		**17,722**	**18,395**
Earnings per share (on ₹ 1 per share)	35		
Basic (₹)		20.33	16.59
Diluted (₹)		20.33	16.58

See accompanying notes to the financial statements

As per our report of even date attached

For Deloitte Haskins & Sells LLP

Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Gurvinder Singh
Partner
(Membership No. 110128)

Place : Bengaluru
Date : May 11, 2020

For and on behalf of the Board

Pradip P Shah
Chairman
Mumbai

P Srikar Reddy
Managing Director & Chief Executive Officer
Bengaluru

Jagannathan Chakravarthi
Chief Financial Officer
Bengaluru

R Sathyanarayana
VP - Finance & Accounts
Bengaluru

Mangal Krishnarao Kulkarni
Company Secretary
Bengaluru

CASH FLOW STATEMENT for the year ended March 31, 2020

₹ in Lakhs

	For the year ended March 31, 2020	For the year ended March 31, 2019
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax	**26,875**	**23,937**
Adjustments for :		
Depreciation and amortization expense	2,060	613
Finance costs	1,081	2
Impairment loss recognised on trade receivables and bad debts written off	(90)	75
Interest on financial assets at amortized cost	(59)	(17)
Interest from fixed deposits/margin money with banks	(432)	(290)
Interest from inter-corporate deposits	(75)	(107)
Interest on income-tax refund	-	(49)
Dividend income from current investments	-	(236)
Dividend income from long-term investments in subsidiaries	(5,506)	(338)
Net (gain) / loss on sale of property, plant and equipment / scrapped	1	15
Net gain on investments carried at fair value through profit and loss	(267)	(637)
Unwinding of interest on rental deposits	-	(13)
Expenses on employee stock based compensation	58	57
Exchange (gain)/loss on revaluation of investments	(72)	43
Net unrealized foreign exchange (gain) / loss	(790)	(1,818)
Changes in operating assets and liabilities:		
Decrease/(increase) in trade receivables	7,889	(9,325)
Decrease/(increase) in other financial assets-current	510	(472)
Decrease/(increase) in other financial assets non-current	14	(220)
Decrease/(increase) in other non-current assets	(64)	34
Decrease/(increase) in other current assets	(48)	(328)
(Decrease)/increase in other financial liabilities non-current	(57)	-
(Decrease)/increase in trade payables	2,807	(586)
(Decrease)/increase in other financial liabilities	17	48
(Decrease)/increase in other current liabilities	901	304
(Decrease)/increase in other non-current liabilities	-	85
(Decrease)/increase in provisions	370	238
Net cash flow from operating activities before taxes	**35,123**	**11,015**
Income taxes paid, net of refunds	(7,000)	(7,303)
Net cash flow from operating activities (A)	**28,123**	**3,712**

CASH FLOW STATEMENT for the year ended March 31, 2020

₹ in Lakhs

		For the year ended March 31, 2020	For the year ended March 31, 2019
B. CASH FLOW FROM INVESTING ACTIVITIES			
Expenditure on property, plant and equipment		(756)	(642)
Proceeds from disposal of property, plant and equipment		3	1
Investment in subsidiary		(1)	-
Acquisition of subsidiary		-	(1,324)
Purchase of current investments		(24,400)	(42,204)
Proceeds from sale of current investments		34,087	50,250
Bank balances not considered as Cash and cash equivalents		(420)	(496)
Interest received		522	394
Dividend received from subsidiary		5,506	338
Inter corporate deposit to subsidiary (net)		25	(245)
Net cash flow from investing activities	**(B)**	**14,566**	**6,072**
C. CASH FLOW FROM FINANCING ACTIVITIES			
Payment of lease liabilities		(1,759)	-
Payment of dividend		(29,303)	(11,804)
Payment of taxes on dividend		(4,975)	(2,470)
Proceeds received from issue of equity shares		-	1
Finance costs		-	(2)
Net cash flow used in financing activities	**(C)**	**(36,037)**	**(14,275)**
Net increase/(decrease) in Cash and cash equivalents	**(A+B+C)**	**6,652**	**(4,491)**
Opening Cash and cash equivalents		7,174	11,627
Exchange difference on translation of foreign currency Cash and cash equivalents		(64)	38
Closing Cash and cash equivalents		**13,762**	**7,174**
Cash and cash equivalents at the end of the year comprises:			
In current accounts		2,095	2,165
In EEFC accounts		8,543	89
In demand deposit accounts		3,124	4,920
		13,762	**7,174**

See accompanying notes to the financial statements

As per our report of even date attached
For Deloitte Haskins & Sells LLP
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Gurvinder Singh
Partner
(Membership No. 110128)

Place : Bengaluru
Date : May 11, 2020

For and on behalf of the Board

Pradip P Shah
Chairman
Mumbai

P Srikar Reddy
Managing Director & Chief Executive Officer
Bengaluru

Jagannathan Chakravarthi
Chief Financial Officer
Bengaluru

R Sathyanarayana
VP - Finance & Accounts
Bengaluru

Mangal Krishnarao Kulkarni
Company Secretary
Bengaluru

STATEMENT OF CHANGES IN EQUITY

for the year ended March 31, 2020

(a) Equity share capital

₹ in Lakhs

Balance as at April 1, 2018	**1,038**
Add: Shares issued on exercise of employee stock options	1
Balance as at March 31, 2019	**1,039**
Balance as at April 1, 2019	**1,039**
Add: Shares issued on exercise of employee stock options	-
Balance as at March 31, 2020	**1,039**

(b) Other equity

₹ in Lakhs

	Reserves and Surplus (Refer note 9)				Items of Other Comprehensive Income (Refer note 9)			Total Other Equity
	Securities premium Reserve	General reserve	ESOP Reserve	Retained Earnings	Remeasurement of the defined benefit plans	Effective Portion of cash flow hedges	Foreign Currency translation reserve	
Balance as at April 1, 2018	4,493	8,292	168	35,486	(72)	(236)	(26)	48,105
Profit for the year				17,243				17,243
Other comprehensive income, (net of tax)					(16)	1,240	(72)	1,152
Total comprehensive income for the year				**17,243**	**(16)**	**1,240**	**(72)**	**18,395**
Amount transferred to initial amount of hedged item (net of tax)						129		129
Employee share based payments			57					57
Payment of cash dividends				(11,940)				(11,940)
Dividend distribution tax				(2,470)				(2,470)
Balance as at March 31, 2019	**4,493**	**8,292**	**225**	**38,319**	**(88)**	**1,133**	**(98)**	**52,276**
Balance as at April 1, 2019	4,493	8,292	225	38,319	(88)	1,133	(98)	52,276
Profit for the year				21,126				21,126
Other comprehensive income (net of tax)					(666)	(2,765)	27	(3,404)
Total comprehensive income for the year				**21,126**	**(666)**	**(2,765)**	**27**	**17,722**
Impact on account of adoption of Ind AS 116 (Refer note 39)				558				558
Employee share based payments			59					59
Payment of cash dividends				(29,351)				(29,351)
Dividend distribution tax				(4,975)				(4,975)
Balance as at March 31, 2020	**4,493**	**8,292**	**284**	**25,677**	**(754)**	**(1,632)**	**(71)**	**36,289**

See accompanying notes to the financial statements

As per our report of even date attached
For Deloitte Haskins & Sells LLP
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Gurvinder Singh
Partner
(Membership No. 110128)

Place : Bengaluru
Date : May 11, 2020

For and on behalf of the Board

Pradip P Shah
Chairman
Mumbai

P Srikar Reddy
Managing Director & Chief Executive Officer
Bengaluru

Jagannathan Chakravarthi
Chief Financial Officer
Bengaluru

R Sathyanarayana
VP - Finance & Accounts
Bengaluru

Mangal Krishnarao Kulkarni
Company Secretary
Bengaluru

Notes forming part of financial statements

1 COMPANY OVERVIEW

Sonata Software Limited ("SSL" or the "Company") is a Company primarily engaged in the business of providing Information Technology Services and Solutions to its customers in the United States of America, Europe, Middle East, Australia and India.

The Company is a public limited company incorporated and domiciled in India with its registered office at Mumbai and operationally headquartered at Bengaluru. The Company is listed on The National Stock Exchange of India Limited and BSE Limited. The financial statements are approved for issue by the Company's Board of Directors on May 11, 2020.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION & PRESENTATION OF FINANCIAL STATEMENTS

a. Statement of compliance

These financial statements have been prepared in accordance with Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and relevant amendment rules issued thereafter.

Except for the changes below, the Company has consistently applied accounting policies to all periods.

The Company has adopted Ind AS 116 'Leases' with the date of initial application being April 1, 2019. Ind AS 116 replaces Ind AS 17 – Leases and related interpretation and guidance. The standard sets out principles for recognition, measurement, presentation and disclosure of leases for both parties to a contract i.e., the lessee and the lessor.

Ind AS 116 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The Company has applied Ind AS 116 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at April 1, 2019. As a result, the comparative information has not been restated. Refer Note 39 for further details.

b. Basis of measurement

The financial statements have been prepared on a historical cost convention and on an accrual basis, except for certain financial instruments which are measured at fair value at end of the each reporting period, as explained in the accounting policies below.

c. Use of judgement, estimates and assumptions

The preparation of the financial statements in conformity with Ind AS requires the management to make judgements, estimates and assumptions considered in the reported amounts of assets and liabilities and disclosure relating to contingent liabilities as at the date of financial statement and the reported amounts of income and expenditure during the reported year. Estimates and underlying assumptions are reviewed on a periodic basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

i) Income taxes

The Company's major tax jurisdictions is India. Significant judgments are involved in determining the provision for income taxes, including amount expected to be paid/recovered for uncertain tax positions. In assessing the realizability of deferred income tax assets, management considers whether some portion or all of the deferred income tax assets will not be realized. The realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the scheduled reversals of deferred income tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based on the level of historical taxable income and projections for future taxable income over the periods in which the deferred income tax assets are deductible, management believes that the company will realize the benefits of those deductible differences. The amount of the deferred income tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry forward period are reduced.

ii) Liability towards acquisition of businesses

The Contingent consideration representing liability towards acquisition of business is reassessed at every reporting date. Any increase or decrease in the probability of achievement of financial targets would impact the measurement of the liability. Appropriate changes in estimates are made when the management becomes aware of the circumstances surrounding such estimates.

iii) Impairment testing

Investments in subsidiaries, goodwill and intangible assets are tested for impairment annually and when events occur or changes in circumstances indicate that the recoverable amount of the asset or cash generating units to which these pertain is less than its carrying value. The recoverable amount of cash generating units is higher of value-in-use and fair value less cost to dispose. The calculation of value in use of a cash generating unit involves use of significant estimates and assumptions which includes turnover and earnings multiples, growth rates and net margins used to calculate projected future cash flows, risk-adjusted discount rate, future economic and market conditions.

iv) **Depreciation and amortisation**

Depreciation and amortisation is based on management estimates of the future useful lives of certain class of property, plant and equipment and intangible assets. Estimates may change due to technological developments, competition, changes in market conditions and other factors and may result in changes in the estimated useful life and in the depreciation and amortisation charges.

v) **Other estimates**

The preparation of financial statements involves estimates and assumptions that affect the reported amount of assets, liabilities, disclosure of contingent liabilities at the date of financial statements and the reported amount of revenues and expenses for the reporting period. Specifically, the Company estimates the probability of collection of accounts receivable by analyzing historical payment patterns, customer concentrations, customer credit worthiness and current economic trends. If the financial condition of a customer deteriorates, additional allowances may be required.

The stock compensation expense is determined based on the Company's estimate of equity instruments that will eventually vest.

Fair valuation of derivative hedging instruments designated as cash flow hedges involves significant estimates relating to the occurrence of forecast transaction.

vi) **Estimation of uncertainties relating to the global health pandemic COVID-19:**

The management has considered the possible effects, if any, that may result from the pandemic relating to Covid 19 on the carrying amounts of receivables. In making the assumptions and estimates relating to the uncertainties as at the Balance sheet date in relation to recoverable amounts of these assets, the management has considered the global economic conditions prevailing at the date of approval of these financial statements and has used internal and external sources of Information to the extent determined by it. The actual outcome of these assumptions and estimates may vary in the future due to the impact of the pandemic.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. **Functional and presentation currency**

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (i.e. the "functional currency"). The financial statements are presented in Indian Rupee, the national currency of India, which is the functional currency of the Company. The functional currency of its Branches is as per its respective domicile currency.

b. **Investment in subsidiaries**

Investment in subsidiaries is measured at cost. Dividend income from subsidiaries is recognised when its right to receive the dividend is established.

c. **Property, plant and equipment**

Property, plant and equipment are measured at cost or its deemed cost less accumulated depreciation and impairment losses, if any. Cost includes expenditures directly attributable to the acquisition of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Subsequent expenditure relating to property, plant and equipment is capitalized only when it is probable that future economic benefits associated with these will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance costs are recognized in the statement of profit and loss when incurred.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the Statement of Profit and Loss.

d. **Capital work-in-progress**

Amounts paid towards the acquisition of property, plant and equipment outstanding as of each reporting date and the cost of property, plant and equipment not ready for intended use before such date are disclosed under capital advances and capital work-in-progress respectively.

e. **Depreciation/ Amortisation**

Depreciable amount for assets is the cost of asset less its estimated residual value.

Depreciation has been provided on buildings and plant and equipments on the straight line method and on furniture and fixtures, vehicles and office equipments on the written down method, as per the useful life prescribed in Schedule II of the Companies Act, 2013.

Leasehold land and leasehold improvements are amortized over primary lease period.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate. The Company assesses at each Balance Sheet date whether there is objective evidence that a asset or a group of assets is impaired. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

f. Leases

The Company's lease asset classes primarily consist of leases for land and buildings. The Company, at the inception of a contract, assesses whether the contract is a lease or not lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a time in exchange for a consideration. This policy has been applied to contracts existing and entered into on or after April 1, 2019.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets (assets of less than ₹ 500,000 in value). The Company recognises the lease payments associated with these leases as an expense over the lease term.

In the comparative period, leases under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. When acquired, such assets are capitalized at fair value or present value of the minimum lease payments at the inception of the lease, whichever is lower. Lease payments and receipts under operating leases are recognised as an expense and income respectively, on a straight line basis in the statement of profit and loss over the lease term except where the lease payments are structured to increase in line with expected general inflation.

g. Financial Instruments

All financial instruments are recognised initially at fair value. Transaction costs that are attributable to the acquisition of the financial asset (other than financial assets recorded at fair value through profit or loss) are included in the fair value of the financial assets. Purchase or sale of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trade) are recognised on trade date. While, loans and borrowings and payables are recognised net of directly attributable transaction costs.

For the purpose of subsequent measurement, financial instruments of the Company are classified in the following categories: non-derivative financial assets comprising amortised cost, debt instruments at fair value through other comprehensive income (FVTOCI), equity instruments at FVTOCI or fair value through profit and loss account (FVTPL), non derivative financial liabilities at amortised cost or FVTPL and derivative financial instruments (under the category of financial assets or financial liabilities) at FVTPL.

The classification of financial instruments depends on the objective of the business model for which it is held. Management determines the classification of its financial instruments at initial recognition.

Non-derivative financial assets

i. Financial assets at amortised cost

A financial asset shall be measured at amortised cost if both of the following conditions are met:

(a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

They are presented as current assets, except for those maturing later than 12 months after the reporting date which are presented as non-current assets. Financial assets are measured initially at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest rate method, less any impairment loss.

Financial assets at amortised cost are represented by trade receivables, security deposits, cash and cash equivalents, employee and other advances and eligible current and non-current assets.

Cash and cash equivalents comprise cash on hand and in banks and demand deposits with banks which can be withdrawn at any time without prior notice or penalty on the principal.

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand, in banks and demand deposits with banks, net of outstanding bank overdrafts that are repayable on demand, book overdraft and are considered part of the Company's cash management system.

ii. Financial Assets at Fair Value through Other Comprehensive Income (FVTOCI)

For assets, if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and where the company has exercised the option to classify the equity investment as at FVTOCI, all fair value changes on the investment are recognised in OCI. The accumulated gains or losses on such investments are not recycled to the Statement of Profit and Loss even on sale of such investment.

iii. Financial assets at Fair Value through Profit and loss (FVTPL) -

Financial assets which is not classified in any of the above category is measured at FVTPL. These include surplus funds invested in mutual funds etc.

Financial assets included within the FVTPL category are measured at fair values with all changes recorded in the statement of profit and loss.

Non-derivative financial liabilities

Financial liabilities at amortised cost

Financial liabilities at amortised cost represented by borrowings, trade and other payables are initially recognized at fair value, and subsequently carried at amortized cost using the effective interest rate method. For trade and other payable maturing within one year from the Balance Sheet date, the carrying value approximates fair value due to short maturity.

Financial liabilities at FVTPL

Financial liabilities at FVTPL represented by contingent consideration are measured at fair value with all changes recognised in the statement of profit and loss.

Derivative financial instruments and hedging activities

A derivative is a financial instrument which changes value in response to changes in an underlying asset and is settled at a future date. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Company enters into derivative contracts to hedge the risks asserted with currency fluctuations relating to firm commitments and highly probable transactions. The Company does not use derivative instruments for speculative purposes.

The Company documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an on-going basis, of whether the derivatives that are used in hedging transactions are effective in offsetting changes in cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in Other Comprehensive Income. The ineffective portion of changes in the fair value of the derivative is recognised in the Statement of Profit and Loss.

Amounts accumulated in hedging reserve are reclassified to the Statement of Profit and Loss in the periods when the hedged item affects the Statement of Profit and Loss.

The full fair value of a hedging derivative is classified as a current/ non-current, asset or liability based on the remaining maturity of the hedged item.

When a hedging instrument expires, swapped or unwound, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in Statement of Changes in Equity is recognised in the Statement of Profit and Loss.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Fair value measurement

The Company classifies the fair value of its financial instruments in the following hierarchy, based on the inputs used in their valuation:

i) Level 1 - The fair value of financial instruments quoted in active markets is based on their quoted closing price at the Balance Sheet date.

ii) Level 2 - The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques using observable market data. Such valuation techniques include discounted cash flows, standard valuation models based on market parameters for interest rates, yield curves or foreign exchange rates, dealer quotes for similar instruments and use of comparable arm's length transactions.

iii) Level 3 - The fair value of financial instruments that are measured on the basis of entity specific valuations using inputs that are not based on observable market data (unobservable inputs). When the fair value of unquoted instruments cannot be measured with sufficient reliability, the Company carries such instruments at cost less impairment, if applicable.

h. Employee Benefits

The Company participates in various employee benefit plans. Post-employment benefits are classified as either defined contribution plans or defined benefit plans. Under a defined contribution plan, the Company's only obligation is to pay a fixed amount with no obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits. The related actuarial and investment risks fall on the employee. The expenditure for defined contribution plans is recognized as expense during the period when the employee provides service. Under a defined benefit plan, it is the Company's obligation to provide agreed benefits to the employees. The related actuarial and investment risks fall on the Company. The present value of the defined benefit obligations is calculated using the projected unit credit method.

Provident Fund: Employees receive benefits from a provident fund, which is a defined benefit plan. The employer and employees each make periodic contributions to the plan. A portion of the contribution is made to the approved provident fund trust managed by the Trustees of Sonata Software Limited Provident Fund while the remainder of the contribution is made to the government administered pension fund. The rate at which the annual interest is payable to the beneficiaries by the trust is being administered by the Government. The Company has an obligation to make good the shortfall, if any, between the return from the investments of the Trust and the notified interest rate.

Gratuity: The Company provides for Gratuity, a defined benefit plan covering the eligible employees. The Gratuity plan provides a lump-sum payment to vested employees at retirement, death or termination of employment, of an amount based on the respective employee's salary and tenure of the employment with the Company.

Liabilities with regard to the Gratuity plan are determined by actuarial valuation, performed by an independent actuary, at each Balance Sheet date using projected unit method. The Company fully contributes all ascertained liabilities to the trust managed by the Trustees of Sonata Software Limited Gratuity Fund. The Trustees administers the contributions made to the Trust. The fund's investments are managed by certain insurance companies as per the mandate provided to them by the trustees and the asset allocation is within the permissible limits prescribed in the insurance regulations.

The Company recognizes the net obligation of a defined benefit plan in its Balance Sheet as an asset or liability. Gains and losses through re-measurements of the net defined benefit liability/(asset) are recognized in other comprehensive income and are not reclassified to profit or loss in subsequent periods. The actual return of the portfolio of plan assets, in excess of the yields computed by applying the discount rate used to measure the defined benefit obligation is recognized in other comprehensive income. The effect of any plan amendments are recognized in net profit in the statement of Profit and Loss.

Superannuation Fund: Certain employees of the Company are participants in a defined contribution plan of superannuation. The Company has no further obligations to the plan beyond its monthly contributions which are periodically contributed to the Sonata Software Limited Superannuation Fund , the corpus of which is invested with the Life Insurance Company.

Short-term employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service.

The cost of short-term compensated absences is accounted as under :

(a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and

(b) in case of non-accumulating compensated absences, when the absences occur.

Long-term employee benefits

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related service are recognised as a liability at the present value of the defined benefit obligation as at the Balance Sheet date less the fair value of the plan assets out of which the obligations are expected to be settled.

i. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset, if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions for onerous contracts are recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. Provisions for onerous contracts are measured at the present value of lower of the expected net cost of fulfilling the contract and the expected cost of terminating the contract.

j. Income Taxes

Income tax comprises current and deferred tax. Income tax expense is recognized in the Statement of Profit and Loss except to the extent it relates to items directly recognized in equity or in other comprehensive income.

a) **Current income tax -** Current income tax liability/ (asset) for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the taxable income for the year. The tax rates and tax laws used to compute the current tax amount are those that are enacted or substantively enacted by the reporting date and applicable for the year. The Company off sets current tax assets and current tax liabilities, where it has a legally enforceable right to set off the recognized amounts and where it intends either to settle on a net basis or to realize the asset and liability simultaneously.

b) **Deferred tax -** Deferred income tax is recognized using the Balance Sheet approach. Deferred income tax assets and liabilities are recognized for deductible and taxable temporary differences arising between the tax base of assets and liabilities and their carrying amount in financial statements, except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profits or loss at the time of the transaction.

Deferred income tax asset is recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized. Deferred income tax liabilities are recognized for all taxable temporary differences.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

k. Cash flow Statement:

Cash flows are reported using the indirect method, whereby profit for the period is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipt or payments and item of income or expense associated with investing or financing cash-flows. The cash flow from operating, investing and financing activities of the Company are segregated.

l. Revenue Recognition

The Company derives revenue primarily from Information Technology Services and Solutions. The Company recognizes revenue when it transfers control over a product or a service to a customer. The method for recognizing revenues and costs depends on the nature of the services rendered.

a) Time and materials contracts

Revenues from contracts priced on a time and material basis are recognised as the related services are performed and related costs are incurred.

b) Fixed-price contracts

Revenues from fixed-price contracts are recognized using the "percentage-of-completion" method. Percentage of completion is determined based on project costs incurred to date as a percentage of total estimated project costs required to complete the project. The cost expended (or input) method has been used to measure progress towards completion as there is a direct relationship between input and productivity.

If the Company does not have a sufficient basis to measure the progress of completion or to estimate the total contract revenues and costs, revenue is recognized only to the extent of contract cost incurred for which recoverability is probable.

When total cost estimates exceed revenues in an arrangement, the estimated losses are recognized in the statement of profit and loss in the period in which such losses become probable based on the current contract estimates.

c) Hardware/software products and licenses

Revenues from sale of product and licenses are recognised when customer obtains control of the specified asset. In case of customization the same is 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.

When another party is involved in providing goods or services to the customer, the entity determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the entity is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the entity is an agent). The entity determines whether it is a principal or an agent for each specified good or service promised to the customer. A specified good or service is a distinct good or service (or a distinct bundle of goods or services) to be provided to the customer. Company recognises revenue in the gross amount of consideration to which it expects to be entitled in exchange for the specified good or service transferred. Company recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

d) Maintenance Contracts

Revenue from maintenance contracts is recognized ratably over the period of the contract using the "percentage-of-completion" method. When services are performed through an indefinite number of repetitive acts over a specified period of time, revenue is recognized on a straight line basis over the specified period or under some other method that better represents the stage of completion.

'Unbilled revenues' represent cost and earnings in excess of billings as at the end of the reporting period.

'Unearned revenues' represent billing in excess of revenue recognized. Advance payments received from customers for which no services are rendered are presented as 'Advance from customers.

Revenues are reported net of GST and applicable discounts and allowances.

m. Dividend and dividend distribution tax:

Final dividends on shares are recorded as a liability on the date of approval by the shareholders and interim dividends are recorded as a liability on the date of declaration by the Company's Board of Directors. The Company declares and pays dividends in Indian rupees and are subject to applicable distribution taxes. The applicable distribution taxes are treated as an appropriation of profits.

n. Foreign Currency transactions and translations

Transactions in foreign currency are translated into the respective functional currencies using the exchange rates prevailing at the dates of the respective transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the exchange rates prevailing at reporting date of monetary assets and liabilities denominated in foreign currencies are recognized in the Statement of Profit and Loss and reported within foreign exchange gains/ (losses).

Non-monetary assets and liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

Foreign currency gains and losses are reported on a net basis. This includes changes in the fair value of foreign exchange derivative instruments, which are accounted at fair value through profit or loss.

o. Finance Income and expense

Finance income consists of interest income on funds invested, dividend income and fair value gains on the FVTPL financial assets. Interest income is recognized as it accrues in the statement of profit and loss, using the effective interest method.

Dividend income is recognized in the statement of profit and loss on the date that the Company's right to receive payment is established.

Finance expenses consist of interest expense on loans and borrowings. Borrowing costs are recognized in the Statement of Profit and Loss using the effective interest method.

p. Share based payments

Employees of the Company receive remuneration in the form of cash settled share based transaction, for rendering services over a defined vesting period. Equity instruments granted are measured by reference to the fair value of the instrument at the date of grant. The equity instruments are granted by the Employee Welfare Trust.

The expense is recognized in the Statement of Profit and Loss with a corresponding increase to the share based payment reserve, a component of equity.

The equity instruments generally vest in a graded manner over the vesting period. The fair value determined at the grant date is expensed over the vesting period of the respective tranches of such grants (accelerated amortization).

The fair value of the amount payable to the employees in respect of Stock Appreciation Rights (SAR), which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the SAR plan. Any changes in the liability are recognized in Statement of Profit and Loss.

q. Impairment

a) Financial assets

In accordance with Ind AS 109, the Company applies Expected Credit Loss (ECL) model for measurement and recognition of impairment loss.

The Company assesses at each Balance Sheet date whether a financial asset or a group of financial assets is impaired. The Company follows 'simplified approach' for recognition of impairment loss allowance on trade receivable and unbilled revenue. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognizes impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition. The Company recognizes lifetime expected credit losses for all trade receivables and/or other contract assets that do not constitute a financing transaction. For all other financial assets, expected credit losses are measured at an amount equal to the 12 month expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.

ECL allowance (or reversal) is recognised as income / expense in the Statement of Profit and Loss.

b) **Non-financial assets**

The Company assesses at each reporting date whether there is any objective evidence that a non financial asset or a group of non financial assets is impaired. If any such indication exists, the Company estimates the amount of impairment loss.

An impairment loss is calculated as the difference between an asset's carrying amount and recoverable amount. Losses are recognised in Statement of Profit and Loss and reflected in an allowance account. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through Statement of Profit and Loss.

The carrying amount of the asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net off any accumulated depreciation/amortisation) had no impairment loss been recognised for the asset in prior years.

The recoverable amount of an asset or cash-generating unit (as defined below) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

r. **Earnings per share**

Basic earnings per equity share is computed by dividing the net profit attributable to the equity holders of the Company by the weighted average number of equity shares outstanding during the period.

Diluted earnings per equity share is computed by dividing the net profit attributable to the equity holders of the Company by the weighted average number of equity shares considered for deriving basic earnings per equity share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares. The dilutive potential equity shares are adjusted for the proceeds receivable had the equity shares been actually issued at fair value(i.e. the average market value of the outstanding equity shares). Dilutive potential equity shares are deemed converted as at the beginning of the period, unless issued at a later date. Dilutive potential equity shares are determined independently for each period presented.

s. **Contingent Liabilities**

Contingent liabilities exist when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or nonoccurrence of one or more uncertain future events not wholly within the control of the Company, or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required or the amount cannot be reliably estimated. Contingent liabilities are appropriately disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

t. **Contingent Assets**

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. The Company does not recognize a contingent asset.

u. **Events after the reporting period**

Adjusting events are events that provide further evidence of conditions that existed at the end of the reporting period. The financial statements are adjusted for such events before authorisation for issue.

Non-adjusting events are events that are indicative of conditions that arose after the end of the reporting period. Non-adjusting events after the reporting date are not accounted, but disclosed.

Notes forming part of financial statements

3. Property, Plant and Equipment

₹ in Lakhs

	Land leasehold	Buildings	Office equipments	Leasehold improvements	Furniture and fixtures	Plant and equipments	Vehicles	Total
Gross carrying value (Deemed cost)								
As at April 1, 2018	276	115	317	540	295	940	175	2,658
Additions	-	-	88	80	24	387	-	579
Disposals	-	-	(18)	-	(19)	(128)	-	(165)
Translation adjustments	-	-	1	-	-	5	-	6
As at March 31, 2019	**276**	**115**	**388**	**620**	**300**	**1,204**	**175**	**3,078**
As at April 1, 2019	**276**	**115**	**388**	**620**	**300**	**1,204**	**175**	**3,078**
Additions	-	-	45	22	17	693	-	777
Disposals	-	-	-	-	(3)	(149)	(7)	(159)
Translation adjustments	-	-	1	-	-	9	-	10
Reclassified on account of adoption of Ind AS 116 (Refer note 39)	(276)	-	-	-	-	-	-	(276)
As at March 31, 2020	**-**	**115**	**434**	**642**	**314**	**1,757**	**168**	**3,430**
Accumulated Depreciation								
As at April 1, 2018	21	4	151	267	106	325	27	901
Charge for the year	13	3	74	143	45	289	46	613
Depreciation on disposals	-	-	(16)	-	(19)	(114)	-	(149)
Translation adjustments	-	-	1	-	-	1	-	2
As at April 1, 2019	**34**	**7**	**210**	**410**	**132**	**501**	**73**	**1,367**
Charge for the year	-	2	73	120	40	363	32	630
Depreciation on disposals	-	-	-	-	(3)	(144)	(6)	(153)
Translation adjustments	-	-	(1)	-	-	-	-	(1)
Reclassified on account of adoption of Ind AS 116 (Refer note 39)	(34)	-	-	-	-	-	-	(34)
As at March 31, 2020	**-**	**9**	**282**	**530**	**169**	**720**	**99**	**1,809**
Net carrying value								
As at March 31, 2019	**242**	**108**	**178**	**210**	**168**	**703**	**102**	**1,711**
As at March 31, 2020	**-**	**106**	**152**	**112**	**145**	**1,037**	**69**	**1,621**

4.1. Investments

₹ in Lakhs

	As at March 31, 2020	As at March 31, 2019
Trade, Long-term, unquoted and at cost		
In subsidiary companies		
Investment in equity instruments (Unquoted)		
3,375,394 Equity shares of ₹ 10/- each in Sonata Information Technology Limited (fully paid)	338	338
(As at March 31, 2019 - 3,375,394 Equity shares of ₹ 10/- each (fully paid))		
300,000 Equity shares of 1 US Dollar each in Sonata Software North America Inc., (fully paid)	122	122
(As at March 31, 2019 - 300,000 Equity shares of 1 US Dollar each - (fully paid))		
2 Equity shares of Euro 12,500 each in Sonata Software GmbH, (fully paid)	32	32
(As at March 31, 2019 - 2 Equity shares of Euro 12,500 each (fully paid))		
800 Equity shares of 1 Pound each in Sonata Europe Limited, (fully paid)	1	1
(As at March 31, 2019 - 800 Equity shares of 1 Pound each (fully paid))		
500 Equity shares in Sonata Software FZ LLC of 1,000 AED each (fully paid)	66	66
(As at March 31, 2019 - 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)	12	12
(As at March 31, 2019 - 98 Equity shares of 1,000 QAR each (fully paid))		

₹ in Lakhs

	As at March 31, 2020	As at March 31, 2019
2 Equity shares in Scalable Data Systems Pty. Ltd. of 1 AUD each (fully paid)	2,237	2,237
(As at March 31, 2019 - 2 Equity shares of 1 AUD each (fully paid))		
On December 21, 2018, Sonata Software Limited acquired 100% of voting interests in Scalable Data Systems Pty Ltd for a total consideration of upto AUD 4.63 million (₹ 2,237 lakhs), comprising of cash consideration of AUD 2.63 million (₹ 1,309 lakhs), contingent consideration of upto AUD 2 million (₹ 928 lakhs).		
10,000 Equity shares in Sonata Software Solutions Ltd. of 10 INR each	1	-
Incorporated w.e.f. February 24, 2020		
Investment in preference shares (Unquoted)		
2,459,560 - 2% non-cumulative convertible redeemable preference	2,299	2,226
shares of 1 Pound each in Sonata Europe Limited, UK (fully paid)		
(As at March 31, 2019 - 2,459,560 shares of 1 Pound each (fully paid))		
Total	**5,108**	**5,034**
Aggregate carrying amount of unquoted investments	5,108	5,034
Investments carried at cost	2,809	2,808
Investments carried at fair value through profit & loss	2,299	2,226

4.2. Other financial assets

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Security deposits	1,482	1,459
Net investment in Sub-lease of ROU asset (Refer note 39)	322	-
Balance held as margin money or security against guarantees	1	15
Total	**1,805**	**1,474**

5. Other non-current assets

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Unsecured, considered good unless otherwise stated		
Capital advances	-	1
Lease pre-payments (Refer note 39)	-	52
Other deposits	132	146
Prepaid expenses	89	10
Advance Tax	3,498	2,587
Other recoverables	3	5
Total	**3,722**	**2,801**

6.1 Investments

Other current investments

Non-trade

Investments in Mutual Fund (Quoted)

	As at March 31, 2020		As at March 31, 2019	
	No. of units	₹ in Lakhs	No. of units	₹ in Lakhs
Aditya Birla Sunlife Money Manager Fund - growth Regular *	-	-	541,322	1,356
Aditya Birla Sunlife Liquid Fund - Growth Direct	-	-	369,957	1,111
ICICI Prudential Short term Fund - Growth *	1,137,375	480	1,137,375	439
ICICI Prudential Liquid Fund -Direct Plan Growth	-	-	254,568	704
ICICI Prudential Liquid Fund - Growth *	-	-	451,552	1,243
Tata Liquid Fund - Direct Plan Growth	-	-	85,788	2,526
DSP BlackRock Liquidity Fund - Direct Plan - growth	-	-	94,278	2,520
Total		**480**		**9,899**
(* As at March 31, 2019 - The investments were on lien for guarantee given againts loan borrowed by Sonata Software North America Inc. During the year 2019-20, the investments were released from lien on repayment of the loan)				
Aggregate amount of quoted investments		480		9,899
Market value of quoted investments		480		9,899
Investments carried at fair value though profit or loss		480		9,899

6.2. Trade receivables

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Unsecured		
Considered good*	23,009	28,860
Considered doubtful	323	452
	23,332	**29,312**
Less : Allowances for credit losses	323	452
Total	**23,009**	**28,860**

* Include dues from related parties (Refer note 38)

Movement in expected credit loss allowance

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Balance at the beginning of the year	452	345
Movement in expected credit loss allowance on Trade Receivables calculated at lifetime Expected Credit Loss	(129)	107
Provision at the end of the year	**323**	**452**

6.3. Cash and cash equivalents

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Balances with banks		
In current accounts	2,095	2,165
In EEFC accounts	8,543	89
In demand deposit accounts	3,124	4,920
Total	**13,762**	**7,174**

6.4. Bank balances other than above

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
In fixed deposit accounts	1,418	1,061
In earmarked accounts		
Unpaid dividend accounts	375	328
Balance held as margin money or security against borrowings	63	47
Total	**1,856**	**1,436**

6.5. Loans

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Loans receivables considered good - Unsecured		
Inter-corporate deposits (Refer note 38)	220	245
Total	**220**	**245**

6.6. Other financial assets

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Advances recoverable from related parties (Refer note 38)	762	685
Security deposits	14	14
Interest accrued but not due on bank deposits/margin money	1	18
Interest accrued on inter-corporate deposit (Refer note 38)	3	1
Unbilled revenue	1,315	1,902
Fair value of forward contracts	-	2,187
Total	**2,095**	**4,807**

7. Other current assets

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Loans and advances to employees	63	50
Prepaid expenses	379	323
Balances with Government authorities		
VAT credit receivable	9	6
GST credit receivable	295	253
Other recoverables	144	210
Total	**890**	**842**

8. Equity share capital

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Authorised		
150,000,000 equity shares of face value ₹ 1/- each	**1,500**	**1,500**
(As at March 31, 2019 - 150,000,000 equity shares of face value ₹ 1/- each)		
Issued		
105,159,306 equity shares of face value ₹ 1/- each fully paid-up	**1,052**	**1,052**
(As at March 31, 2019 - 105,159,306 equity shares of face value ₹ 1/- each)		
Subscribed and paid-up		
103,908,181 equity shares of face value ₹ 1/- each fully paid-up	**1,039**	**1,039**
(As at March 31, 2019 - 103,859,431 equity shares of face value ₹ 1/- each)		
Out of issued capital, 1,251,125 (As at March 31, 2019 - 1,299,875) shares are held by Sonata Software Limited Employee Welfare Trust		
1,251,125 equity shares held by trust of face value ₹ 1/- each	13	13
(As at March 31, 2019 - 1,299,875 equity shares of face value ₹ 1/- each)		
Total	**1,039**	**1,039**
Refer notes (i) to (v) below		

Notes :

		As at March 31, 2020	As at March 31, 2019
i)	**Reconciliation of number of shares and amount outstanding at the beginning and at the end of the reporting year**		
	Equity shares with voting rights		
	Number of shares outstanding at the beginning of the year	103,859,431	103,779,431
	Add: Share issued on exercise of employee stock options	48,750	80,000
		103,908,181	103,859,431
	Add: Number of shares held by Sonata Software Limited Employee Welfare Trust (Shares issued for consideration other than cash)	1,251,125	1,299,875
	Number of shares outstanding at the end of the year	**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, other than shares issued to Sonata Employee Welfare Trust, is entitled to 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 2013, 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**	March 31, 2020		March 31, 2019	
		No. of shares	% of holding	No. of shares	% of holding
	Hemendra M Kothari	10,660,026	10	10,660,026	10
	Akshay Rajan Raheja	8,250,000	8	8,250,000	8
	Viren Rajan Raheja	8,250,000	8	8,250,000	8
	Suman R Raheja	6,900,000	7	6,900,000	7
	HDFC Trustee Company Limited - A/C HDFC Multi-Asset Fund	9,726,600	9	7,963,557	8

			₹ in Lakhs		₹ in Lakhs
(iv)	1,251,125 equity shares held by trust of face value ₹ 1/- each		13		13
	(As at March 31, 2019 : 1,299,875 equity shares of face value ₹ 1/- each)				

(v) During the year ended March 31, 2020 on account of final dividend for fiscal 2019 and interim dividend for the fiscal year 2020 the Company has incurred a net cash outflow of ₹ 34,326 lakhs inclusive of dividend distribution tax.

9. Other equity

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Securities premium reserve	**4,493**	**4,493**
Amount received on issue of shares in excess of the par value has been classified as security premium, net of utilisation.		
General reserve	**8,292**	**8,292**
This represent appropriation of profit by the company.		
Employee Stock option reserve	**284**	**225**
This represents value of equity-settled share based payment transaction with employees.		
Retained earnings		
Opening balance	38,319	35,486
Adjustments during the year		
Impact on account of adoption of Ind AS 116 (Refer note 39)	558	-
Profit for the year	21,126	17,243
Less :		
Dividend paid	29,351	11,940
Tax on dividend	5,044	2,539
Set-off of tax on dividend paid by subsidiary	(69)	(69)
Closing balance	**25,677**	**38,319**
Retained earnings comprises of the amounts that can be distributed by the company as dividends to its equity share holders.		
Other Comprehensive Income		
Remeasurement of the defined benefit plans		
Opening balance	(88)	(72)
For the year (net of tax)	(666)	(16)
Closing balance	**(754)**	**(88)**
Actuarial gain or (losses) on gratuity benefit are recognised in other comprehensive income.		
Effective portion of cash flow hedges		
Opening balance	1,133	(236)
Exchange differences on cash flow hedges, (net of tax)	(2,765)	1,240
Less : Transferred to Statement of Profit and Loss	-	(129)
Closing balance	**(1,632)**	**1,133**
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income.		
Exchange difference on foreign currency translation		
Opening balance	(98)	(26)
For the year (net of tax)	27	(72)
Closing balance	**(71)**	**(98)**
Exchange difference relating to the translation of the results and net assets of the company's foreign operations from their functional currencies to the company's presentation currency are recognised directly in other comprehensive income and accumulated in foreign currency translation reserve.		
Total	**36,289**	**52,276**

10. Other financial liabilities

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Lease Liability (Refer note 39)	7,382	-
Payable for Purchase of Investment - Contingent consideration	-	914
Total	**7,382**	**914**

11. Other non-current liabilities

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Lease rent equalization (Refer note 39)	-	858
Total	**-**	**858**

12. Trade payables

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Total outstanding dues of micro enterprises and small enterprises (Refer note 25)	14	43
Total outstanding dues of creditors other than micro enterprises and small enterprises *	7,789	5,117
Total	**7,803**	**5,160**

* Include dues from related parties (Refer note 38)

13. Other financial liabilities

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Lease Liability (Refer note 39)	1,709	-
Unpaid dividends	375	328
Payable on acquisition of Property,Plant and Equipment	52	35
Other liabilities	2	3
Reimbursable expenses payable to related party (Refer note 38)	73	55
Fair value of forward contracts (Refer note 27)	2,560	-
Payable for acquisition of business - contingent consideration	898	-
Total	**5,669**	**421**

14. Other current liabilities

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Income received in advance (Unearned revenue)	-	104
Gratuity payable (net) (Refer note 30)	737	26
Other payables		
Statutory remittances	1,139	1,054
Advances from customers	24	9
Other liabilities	1,484	444
Total	**3,384**	**1,637**

15. Provisions

(₹in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Provision for employee benefits - Compensated absences	1,598	1,228
Total	**1,598**	**1,228**

16. Current tax liabilities (net)

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Provision for tax	2,071	2,159
Total	**2,071**	**2,159**

16. Income Tax

(₹ in Lakhs)

		For the year ended March 31, 2020	For the year ended March 31, 2019
(a)	**Income tax expense in the statement of profit and loss consists of:**		
	Current Tax:		
	In respect of current year	6,001	7,210
	Deferred Tax:		
	In respect of current year	(252)	(516)
	Total Income tax expense recognised in the statement of profit and loss	**5,749**	**6,694**
(b)	**Income tax recognised in other Comprehensive income**		
	Deferred tax related to items recognised in other comprehensive income during the year:		
	Net loss / (gain) on measurement of defined benefit plan	(180)	(6)
	Net loss / (gain) on measurement of Effective portion of cash flow hedges	(748)	481
	Net loss / (gain) on measurement on other items	7	(27)
	Total	**(921)**	**448**
	The reconciliation between the provision of income tax of the Company and amounts computed by applying the Indian statutory income tax rate to profit before taxes is as follows:		
	Profit before tax	26,875	23,937
	Enacted income tax rate in India	25.17%	34.94%
	Computed expected tax expense	6,764	8,365
	Effect of:		
	Unbilled Revenue	-	(40)
	Income exempt from tax	(1,404)	(1,373)
	Expenses that are not deductible in determining taxable profit	87	138
	Items that are deductible in determining taxable profit	(45)	(30)
	Tax Provisions (reversals)	393	(350)
	Effect of Income taxable at differential rate	-	(50)
	Others	(46)	34
	Income tax expense recognised in the statement of profit and loss	**5,749**	**6,694**

The applicable Indian corporate statutory tax rate for the year ended March 31, 2020 and March 31, 2019 is 25.17% and 34.94% respectively.

On September 20, 2019, the Government of India, vide the Taxation Laws (Amendment) Ordinance 2019, inserted Section 115BAA in the Income Tax Act, 1961, which provides domestic companies an option to pay Corporate Tax at reduced rate effective April 1, 2019, subject to certain conditions. The Company has completed it's evaluation and has opted to pay tax at the reduced rate.

The Company is having units in Bengaluru registered as Special Economic Zone (SEZ) units, which were entitled to a tax holiday under Section 10AA of the Income Tax Act, 1961 in the previous year. Since the company has opted for paying corporate tax rate at reduced rate, tax holiday under Section 10AA of the Income Tax Act, 1961 won't be available to the company.

Dividend income from certain category of investments is exempt from tax. The difference between the reported income tax expense and income tax computed at statutory tax rate is primarily attributable to income exempt from tax.

The Company is also subject to tax on income attributable to its permanent establishments in foreign jurisdictions due to operation of its foreign branches.

17. Deferred Tax

Deferred Tax assets / (liabilities) as at March 31, 2020 in relation to:

(₹ in Lakhs)

	As on April 1, 2019	Recognised in Profit & Loss	Recognised in Other Comprehensive Income	As on March 31, 2020
Property, plant and equipment	587	(155)	-	432
Intangible assets	(24)	17	-	(7)
Allowances for credit losses	157	(76)	-	81
Disallowance u/s 40(a)	114	(5)	-	109
Disallowance u/s 43B	431	(29)	-	402
Net gain or loss on Fair value of Mutual Funds	(31)	87	-	56
Fair Value through Other Comprehensive Income	(334)	-	921	587
Impairment loss recognised on investments of PF Trust	140	220	-	360
Others*	84	193	(299)	(22)
Total	**1,124**	**252**	**622**	**1,998**

*Deferred tax assets of ₹ 299 has been reversed through retained earnings on account of adoption of Ind AS 116. Please refer Note No. 39 for details.

Deferred Tax assets / (liabilities) as at March 31, 2019 in relation to: (₹ in Lakhs)

	As on April 1, 2018	Recognised in Profit & Loss	Recognised in Other Comprehensive Income	As on March 31, 2019
Property, plant and equipment	515	72	-	587
Intangible Assets	(16)	(8)	-	(24)
Allowances for credit losses	131	26	-	157
Disallowance u/s 40(a)	114	-	-	114
Disallowance u/s 43B	356	75	-	431
Net gain or loss on Fair value of Mutual Funds	(384)	353	-	(31)
Fair Value through Other Comprehensive Income	114	-	(448)	(334)
Others	226	(2)	-	224
Total	**1,056**	**516**	**(448)**	**1,124**

Deferred tax assets has not been recognised on accumulated long term capital loss of ₹ 4,015 and ₹ 5,292 as at March 31, 2020 and March 31, 2019 respectively as it is probable that taxable profit will not be available against which the unused tax losses can be utilised in foreseeable future.

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Unused tax losses (long term capital loss) which expire in:		
-AY 2020-21	-	1,277
-AY 2021-22	438	438
-AY 2022-23	2,154	2,154
-AY 2024-25	461	461
-AY 2025-26	962	962
Total	**4,015**	**5,292**

18.1. Revenue from operations

(₹ in Lakhs)

	For the year ended March 31, 2020	For the year ended March 31, 2019
Revenue from software services (Refer note 22)	80,958	77,977
Revenue from software product and licenses	6,599	4,842
Other operating revenues	127	114
Total	**87,684**	**82,933**

18.2. Other income

(₹ in Lakhs)

	For the year ended March 31, 2020	For the year ended March 31, 2019
Interest		
from fixed deposits/margin money with banks	432	290
from inter corporate deposits (Refer note 38)	75	107
from unwinding of rent deposits discounted	23	17
from rent sub lease (Refer note 39)	36	-
Dividend income		
from current investments	-	236
from long-term investments in subsidiaries (Refer note 38)	5,506	338
Net gain on investments carried at fair value through profit and loss	267	637
Net gain on foreign currency transactions and translations	3,217	34
Other non-operating income		
Commission (Refer note 38)	66	83
Miscellaneous income	91	26
Total	**9,713**	**1,768**

19. Employee benefit expense

(₹ in Lakhs)

	For the year ended March 31, 2020	For the year ended March 31, 2019
Salaries including bonus	42,770	37,134
Contributions to provident and other funds	3,466	2,820
Share based payments to employees (Refer note 31)	176	265
Staff welfare expenses	687	605
	47,099	**40,824**
Less: Deputation cost/Service charges recovered from subsidiary (Refer note 38)	393	358
Total	**46,706**	**40,466**

20. Finance costs

(₹ in Lakhs)

	For the year ended March 31, 2020	For the year ended March 31, 2019
Interest expense on:		
Borrowings	-	1
Others	9	6
Lease liability (Refer note 39)	1,040	-
Unwinding of contingent consideration	41	-
Other borrowing costs	-	1
Total	**1,090**	**8**

21. Other expenses

(₹ in Lakhs)

	For the year ended March 31, 2020	For the year ended March 31, 2019
Power and fuel	563	568
Rent (includes related parties - refer note 38)	928	2,572
Repairs and maintenance - Buildings	7	32
Repairs and maintenance - Machinery	97	145
Insurance	502	393
Rates and taxes	185	14
Communication cost	394	352
Facility maintenance	631	577
Travelling and conveyance expenses	3,358	3,707
Sales commission	15	-
Professional and technical fees	1,488	1,084
Software project fees	192	196
Legal fees	25	59
Insourcing professional fees	1,901	3,033
Software license fees	523	597
Expenditure on Corporate Social Responsibility (Refer note 34)	335	287
Payments to auditors	110	86
Net loss on property, plant and equipment sold / scrapped	1	15
Impairment loss recognised on trade receivables and bad debts written off	(90)	75
Impairment loss recognised on investments of PF Trust	2,224	400
Miscellaneous expenses	1,007	978
	14,396	**15,170**
Less: Service charges recovered from subsidiary (Refer note 38)	82	95
Total	**14,314**	**15,075**
Note - Payments to auditors comprises (net of input tax credit):		
Statutory audit	80	80
Other services	27	4
Reimbursement of expenses	3	2
	110	**86**

22. Revenue from software services

Disaggregate revenue information

The table below presents disaggregated revenues from contracts with customers for the year ended March 31, 2020 by contract type. The Company believes that this disaggregation best depicts how the nature, amount, timing and uncertainity of our revenues and cashflows are affected by industry, market and other economic factors.

(₹ in Lakhs)

	For the year ended March 31, 2020	For the year ended March 31, 2019
Time & Material	71,474	75,030
Fixed Price	9,484	2,947
	80,958	**77,977**

The Company has evaluated the impact of COVID–19 resulting from (i) the possibility of constraints to render services which may require revision of estimations of costs to complete the contract because of additional efforts; (ii) onerous obligations; (iii) penalties relating to breaches of service level agreements ,and (iv) termination or deferment of contracts by customers. The Company has concluded that the impact of COVID–19 is not material based on these estimates. Due to the nature of the pandemic, the Company will continue to monitor developments to identify significant uncertainties relating to revenue in future periods.

Trade receivables and Contract Balances

The company classifies the right to consideration in exchange for deliverables as either a receivable or as unbilled revenue.

A receivable is a right to consideration that is unconditional upon passage of time. Revenue for time and material contracts are recognized as related service are performed. Revenue for fixed price maintenance contracts is recognized on a straightline basis over the period of the contract. Revenues in excess of billings is recorded as unbilled revenue and is classified as a financial asset for these cases as right to consideration is unconditional upon passage of time.

Revenues from fixed-price contracts are recognized using the “percentage-of-completion” method. Invoicing to the clients is based on milestones as defined in the contract. This would result in the timing of revenue recognition being different from the timing of billing the customers. Unbilled revenue for fixed price contracts is classified as non financial asset as the contractual right to consideration is dependent on completion of contractual milestones.

Invoicing in excess of earnings are classified as unearned revenue.

Trade receivable and unbilled revenues are presented net of impairment in the Balance Sheet.

During the year ended March 31, 2020, ₹ 1,902 Lakhs of unbilled revenue as of April 1, 2019 has been reclassified to Trade receivables upon billing to customers on completion of milestones.

During the year ended March 31, 2020, the company recognized revenue of ₹ 104 Lakhs arising from opening unearned revenue as of April 1, 2019.

Performance obligations and remaining performance obligations

The remaining performance obligation disclosure provides the aggregate amount of the transaction price yet to be recognized as at the end of the reporting period and an explanation as to when the Company expects to recognize these amounts in revenue. Applying the practical expedient as given in Ind AS 115, the Company has not disclosed the remaining performance obligation related disclosures for contracts where the revenue recognized corresponds directly with the value to the customer of the entity's performance completed to date, typically those contracts where invoicing is on time and material basis. Remaining performance obligation estimates are subject to change and are affected by several factors, including terminations, changes in the scope of contracts, periodic revalidations, adjustment for revenue that has not materialized and adjustments for currency.

The aggregate value of performance obligations that are completely or partially unsatisfied as at March 31, 2020, other than those meeting the exclusion criteria mentioned above, is ₹ 781 Lakhs. The Company expects to recognize the revenue within the next one year. This includes contracts that can be terminated for convenience without a substantive penalty since, based on current assessment, the occurrence of the same is expected to be remote.

23. Contingent Liabilities

(₹ in Lakhs)

		As at March 31, 2020	As at March 31, 2019
a)	**Guarantees**		
	The Company has given corporate guarantees to certain suppliers of Sonata Information Technology Limited (SITL) and Sonata Software North America (SSNA), its wholly owned subsidiaries.	20,172	13,350
b)	**Disputed demand of Service tax**		
	(i) The Company renders Information Technology related services to some of its clients in India. The Service Tax department had classified these services as 'Manpower Recruitment or Supply Agency Services'. The Company had contested this re-classification and had preferred an appeal before the Central Excise and Service Tax Appellate Tribunal (CESTAT). One of the clients of the Company had indemnified the Company for any demands that may arise on account of service tax liability up to an amount of ₹ 237. The amount included as disputed demand is excluding the amount indemnified by the client. Disputed demand of service taxes has been settled through Sabka Vishwas Scheme, 2019 during the current year.	-	677
	(ii) The demand for payment of service tax for the period from FY 2006-07 to FY 2012-13 on services received and consumed by UK branch of the company and a subsidiary company at USA, treating it as import of service, wrong availment of cenvat credit and usage of software services provided to subsidiary. The company had filed appeal before the Commissioner of Appeals and is confident of getting favorable outcome based on legal precedents which support its stand.	1,028	1,028
c)	**Other claims against the Company not acknowledged as debt**	**2,799**	**2,799**
d)	**Disputed demands of Income-tax**	**13,554**	**18,488**

Details of disputed demands of Income-tax primarily relate to: (₹ in Lakhs)

(i) 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 of the Act to the multiple undertakings of the Company on the ground that they were in fact one single unit and thus the benefits claimed were in excess of permissible limits, and had raised a demand of Nil, (As at March 31, 2019 - ₹ 5,001) for financial years 2007-08 to 2009-10. The company received favourable order from ITAT and the Department has preferred an appeal before Mumbai High Court for financial Year 2007-08 and 2008-09 which is in pre admission stage.

For the financial year 2005-06 and 2006-07 ₹ 4,570 (As at March 31, 2019 - ₹ 4,570), the Company has received favorable order from Income-tax Appellate Tribunal (ITAT) and the Department has preferred an appeal before the Honorable High Court of Mumbai.

For the financial year 2001-02, ITAT had given a favorable order on the ground of income accrued under Section 10A of the Act against which the department had filed an appeal before the Honorable High Court of Mumbai ₹ 149 (As at March 31, 2019 - ₹ 149).

For the financial year 2013-14, ₹ 43 (As at March 31, 2019 - 43), the Company has preferred an appeal before Commissioner of Income-tax (Appeals) on the ground of income accrued under Section 10A of the Act.

For financial year 2010-11 ₹ 2,275 (As at March 31,2019 2,275), Assessing Officer has re-opened the Assessment under section 148 of the Act and disallowed 10A benefit. The company has preferred an appeal before Commissioner of Income-tax (Appeals).

For the financial year 2015-16, ₹ 67 (As at March 31, 2019 - Nil), the Company has preferred an appeal before Commissioner of Income-tax (Appeals) on the ground of income accrued under Section 10A of the Act.

(ii) 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 benefits under Section 10A of the Income Tax Act on such support services and assessed the same as normal business income and raised demand of ₹ 2,337 (As at March 31, 2019 - ₹ 2,337) for financial years 2001-02 to 2004-05. The Company had received favorable orders from ITAT. However, the department preferred an appeal on the said orders before the Honorable High Court of Mumbai.

₹ 116 (As at March 31, 2019- ₹ 116) for the financial year 2010-11. The Company had filed an appeal before the Commissioner of Income-tax (Appeals). The Company has received favorable orders and the Department had preferred an appeal before ITAT which was heard during the previous year and dismissed. Department has filed appeal before High Court. High Court has admitted the appeal pending hearing.

(iii) Transfer Pricing Adjustment

₹ 1,072 (As at March 31, 2019 – ₹ 1,072) for the financial year 2011-12 and financial year 2013-14. The Income-tax department has recommended the upward adjustment in the value of Investment in subsidiary and sale of services to associated enterprises as Transfer Pricing Adjustment in the International transactions in order to consider them to be at arm's length price. The Company had preferred an appeal before Commissioner of Income-tax (Appeals) heard and partly allowed. For the financial year 2011-12, the Company has preferred an appeal before Income-tax Appellate Tribunal (ITAT) and for the financial year 2013-14, the company has preferred an appeal before Commissioner of Income-tax (Appeals).

(iv) 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 Income Tax Act and had raised demand of ₹ 2,842 (As at March 31, 2019- ₹ 2,842) for the financial years 1999-00, 2000-01 and 2001-02. 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 ITAT which were reversed by the Honorable High Court of Karnataka. The Company had preferred a Special Leave Petition Appeal on the said order to the Honorable Supreme Court of India, which had been admitted. However, for these years one of the principal suppliers of software to the Company had paid taxes of ₹ 879 out of the above demand. The amount included as disputed demand is excluding the amount paid by the supplier.

(v) Deductions claimed under Section 80 O

Prior to the enactment of Section 10A of the Act, the Company claimed deduction for exports made, under Section 80 O of the Act. The department had 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 ₹ 83 (As at March 31, 2019 - ₹ 83) for the financial year 1994-95. The Company had received favorable orders from Income-tax Appellate Tribunal. The department had preferred an appeal on the said order before the Honorable High Court of Mumbai.

e) In addition, the Company in the ordinary course of business receives various claims from its customers and other business partners. Based on review of such matters and the information available at this time, the Company does not anticipate that any of these will result in a settlement that will have a material impact on its financial statements.

24. Commitments

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Estimated amount of contracts remaining to be executed on capital account and not provided for	19	21

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

(₹ in Lakhs)

		As at March 31, 2020	As at March 31, 2019
(i)	Principal amount remaining unpaid to any supplier as at the end of the accounting year	14	43
(ii)	Interest due thereon remaining unpaid to any supplier as at the end of the accounting year	-	-
(iii)	The amount of interest paid along with the amounts of the payment made to the supplier beyond the appointed day	-	-
(iv)	The amount of interest due and payable for the year	-	-
(v)	The amount of interest accrued and remaining unpaid at the end of the accounting year	-	-
(vi)	The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid	-	-

Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors.

26. Financial instruments

The carrying value and fair value of financial instruments by categories as at March 31, 2020 and March 31, 2019 is as follows:

(₹ in Lakhs)

	Note No.	Carrying Value		Fair Value	
		As at March 31, 2020	As at March 31, 2019	As at March 31, 2020	As at March 31, 2019
Financial assets					
Amortised Cost					
Loans - Inter-corporate deposits	6.5	220	245	220	245
Security Deposits	4.2 & 6.6	1,496	1,473	1,496	1,473
Trade receivable	6.2	23,009	28,860	23,009	28,860
Cash and cash equivalents	6.3	13,762	7,174	13,762	7,174
Bank balances other than Cash & cash equivalents	6.4	1,856	1,436	1,856	1,436
Other financial assets	4.2 & 6.6	2,404	2,621	2,404	2,621
FVTPL					
Investment in Mutual Fund (quoted)	6.1	480	9,899	480	9,899
Forward Contracts	6.6	-	208	-	208
Investment in Preference Shares (unquoted)	4.1	2,299	2,226	2,299	2,226
FVTOCI					
Forward Contracts	6.6	-	1,979	-	1,979
Total Assets		**45,526**	**56,121**	**45,526**	**56,121**
Financial liabilities					
Amortised Cost					
Trade payables	12	7,803	5,160	7,803	5,160
Other financial liabilities	13	502	421	502	421
FVTPL					
Forward Contracts	13	627	-	627	-
Payable for acquisition of business - contingent consideration	13	898	914	898	914
FVTOCI					
Forward Contracts	13	1,933	-	1,933	-
Total Liabilities		**11,763**	**6,495**	**11,763**	**6,495**

The management assessed that fair value of cash and short-term deposits, trade receivables, trade payables, inter corporate deposits and other current assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

1. The fair value of the quoted mutual funds are based on price quotations at reporting date. The fair value of other financial liabilities and other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. In addition to being sensitive to a reasonably possible change in the forecast cash flows or discount rate, the fair value of the equity instruments is also sensitive to a reasonably possible change in the growth rates.

2. The fair values of the unquoted equity and preference shares have been estimated using a discounted cash flow model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, discount rate, credit risk and volatility, the probabilities of the various estimates whose range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

3. The Company enters into derivative financial instruments with Banks. Foreign exchange forward contracts are valued using valuation techniques, which employs the use of market observable inputs. The most frequently applied valuation techniques include forward pricing model, using present value calculations. The models incorporate various inputs including the credit quality of banks, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves etc. As at March 31, 2020, the marked-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative bank default risk. The changes in bank credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationship and other financial instruments recognised at fair value.

27. Fair value hierarchy

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The following table presents the fair value measurement hierarchy of financial assets and liabilities measured at fair value on recurring basis as at March 31, 2020 and March 31, 2019.

(i) Quantitative disclosures of fair value measurement hierarchy for financial assets and financial liabilities are as under:

(₹ in Lakhs)

	Fair value as at		Fair value hierarchy	Valuation technique and Key inputs
	As at March 31, 2020	As at March 31, 2019		
Investment in Mutual funds	480	9,899	Level 1	Fair value is determined based on the Net asset value published by respective funds.
Foreign currency forward contracts	2,560	2,187	Level 2	The fair value of forward foreign contracts are determined using forward exchange rates at the reporting date.
Other financial liabilities	898	914	Level 3	Payable for acquisition of subsidiary is a financial liability.

There have been no transfers among Level 1, Level 2 and Level 3 during the year.

(ii) Reconciliation of fair value measurement of investment in unquoted preference shares classified as FVTPL (Level 3):

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Opening balance	2,226	2,269
Remeasurement recognised	73	(43)
Purchases	-	-
Sales	-	-
Closing balance	2,299	2,226

Derivative financial instruments

The Company is exposed to foreign currency fluctuations on foreign currency assets/ liabilities and forecasted cash flows denominated in foreign currency. The Company uses derivatives to hedge foreign currency assets/ liabilities and foreign currency forecasted cash flows. The counter party in these derivative instruments is a bank and the Company considers the risks of non-performance by the counterparty as non-material.

For movement in cash flow hedge reserve gain or loss - Refer note 9

The following table presents the aggregate contracted principal amounts of the Company's derivative contracts outstanding:

(Amount in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Designated derivative instruments (Sell):		
In USD	735	615
in GBP	151	127
in EUR	43	33

The foreign exchange forward contracts mature anywhere between 0-1.5 year. The table below analyzes the derivative financial instruments into relevant maturity groupings based on the remaining period as at the reporting date:

(Amount in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Designated derivative instruments (Sell):		
Less than 3 months		
In USD	153	147
in GBP	29	30
in EUR	8	8
More than 3 months		
In USD	582	468
in GBP	122	97
in EUR	35	25

Average rate of coverage

	As at March 31, 2020		As at March 31, 2019	
	Amount in Lakhs	Weighted Average Rate (₹)	Amount in Lakhs	Weighted Average Rate (₹)
USD	735	74.29	615	73.21
GBP	151	94.98	127	98.03
EUR	43	84.52	33	86.42

28. Financial risk management

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, foreign currency risk and interest rate risk. The Company's primary focus is to foresee the unpredictability of financial markets and seek to minimize potential adverse effects on its financial performance. The primary market risk to the Company is foreign exchange risk. The Company uses derivative financial instruments to mitigate foreign exchange related risk exposures. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Company's policy that no trading in derivative for speculative purposes may be undertaken.

The Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below:

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities. Credit risk arises from cash held with banks and financial institutions, as well as credit exposure to clients, including outstanding accounts receivable. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer, including the default risk of the industry and country in which the customer operates, also has an influence on credit risk assessment.

The following table gives details in respect of revenues generated from top customer and top 5 customers (excluding Inter-company):

(₹ in Lakhs)

	For the year ended	
	March 31, 2020	March 31, 2019
Revenue from top customer	21,275	20,833
Revenue from top 5 customers	30,731	28,648

One customer accounted for more than 10% of the revenue for the year ended March 31, 2020 and two of the customer accounted for more than 10% of the receivables for the year ended March 31, 2020. One customer accounted for more than 10% of the revenue for the year ended March 31, 2019 and one of the customer accounted for more than 10% of the receivables for the year ended March 31, 2019.

Investments

The Company limits its exposure to credit risk by generally investing in liquid securities and only with counterparties that have a good credit rating. The Company does not expect any losses from non-performance by these counterparties, and does not have any significant concentration of exposures to specific industry sectors.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by ensuring, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. Also, the Company has unutilized credit limits with banks.

The Company's corporate treasury department is responsible for liquidity, funding as well as settlement management. In addition, processes and policies related to such risks are overseen by senior management.

The working capital position of the Company is given below:

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Cash and cash equivalents	13,762	7,174
Bank balances other than Cash & cash equivalents	1,418	1,061
Investments in mutual funds (quoted)	480	6,861
Inter Corporate deposits with subsidiary	220	245
Trade receivables	23,009	28,860
Other financial assets	2,095	4,807
Other current assets	890	842

The table below provides details regarding the contractual maturities of significant financial liabilities as at March 31, 2020 and March 31, 2019:

	As at March 31, 2020		
	Less than 1 year	1-2 years	2 years & above
Trade payables	7,803	-	-
Other financial liabilities	1,400	-	-
Lease liabilities	1,709	1,608	5,774

	As at March 31, 2019		
	Less than 1 year	1-2 years	2 years & above
Trade payables	5,160	-	-
Other financial liabilities	421	-	914

Foreign Currency risk

The Company's exchange risk arises from its foreign operations, foreign currency revenues and expenses, (primarily in U.S. Dollar, British pound sterling and Euro). A significant portion of the Company's revenues are in these foreign currencies, while a significant portion of its costs are in Indian rupees. As a result, if the value of the Indian rupee appreciates relative to these foreign currencies, the Company's revenues measured in rupees may decrease. The exchange rate between the Indian rupee and these foreign currencies has changed substantially in recent periods and may continue to fluctuate substantially in the future. The Company reviews on a periodic basis to formulate the strategy for foreign currency risk management.

Consequently, the Company uses derivative financial instruments, such as foreign exchange forward contracts, to mitigate the risk of changes in foreign currency exchange rates in respect of its forecasted cash flows and trade receivables.

The details in respect of the outstanding foreign exchange forward contracts are given under the derivative financial instruments section.

In respect of the Company's forward contracts, a 1% decrease/ increase in the respective exchange rates of each of the currencies underlying such contracts would have resulted in:

a) an approximately ₹ 270 lakhs increase and decrease in the Company's net profit as at March 31, 2020;

b) an approximately ₹ 195 lakhs increase and decrease in the Company's net profit as at March 31, 2019.

The following table presents foreign currency risk from non-derivative financial instruments as of March 31, 2020 and March 31, 2019.

(₹ in Lakhs)

	USD	GBP	EUR	Other Currencies*
As at March 31, 2020				
Assets				
Trade receivables	15,124	5,530	1,492	179
Cash and Cash equivalents	9,077	774	14	195
Other assets	46	236	14	(1)
Liabilities				
Trade Payable	3,224	81	32	127
Other financial liabilities	-	-	-	915
Net assets/liabilities	**27,471**	**6,621**	**1,552**	**1,415**
As at March 31, 2019				
Assets				
Trade receivables	3,729	3,182	530	729
Cash and Cash equivalents	462	1,306	92	621
Other non-current assets	454	742	365	34
Liabilities				
Trade Payable	(411)	(497)	(6)	(111)
Other non-current liabilities	-	-	-	(977)
Net assets/liabilities	**4,234**	**4,733**	**981**	**296**

*Others include currencies such as Singapore Dollar, Australian Dollar, Swiss Franc, etc.

For the year ended March 31, 2020, every 1% increase/decrease of the respective foreign currencies compared to functional currency of the Company would impact operating margins by 0.41%/ (0.41)%. For the year ended March 31, 2019, the impact on operating margins would be 0.12%/ (0.12)%.

29. Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company monitors the return on capital as well as the level of dividends on its equity shares. The Company's objective when managing capital is to maintain an optimal structure so as to maximize shareholder value.

The capital structure of the company consists of the following:

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Total equity attributable to the equity share holders of the Company	37,328	53,315
As percentage of total capital	100%	100%
Current borrowings	-	-
As a percentage of total capital	-	-
Total capital (borrowings and equity)	**37,328**	**53,315**

The Company is predominantly equity financed which is evident from the capital structure table. Further, the Company has generally been a net cash Company with cash and bank balances along with investment which is predominantly investment in liquid and short term mutual funds.

30. Employee benefit plans

i) Defined contribution plans

Provident fund

a) Eligible employees of Sonata Software Limited receive benefits from a provident fund, which is a defined benefit plan. Both the eligible employee and the Company make monthly contributions to the provident fund plan equal to a specified percentage of the covered employee's salary. The Company contributes a portion to the Sonata Software Provident Fund. The trust invests in specific designated instruments as permitted by Indian law. The remaining portion is contributed to the government administered pension fund. The rate at which the annual interest is payable to the beneficiaries by the trust is being administered by the Government. The Company has an obligation to make good the shortfall, if any, between the return from the investments of the Trust and the notified interest rate.

   Provident fund contributions amounting to ₹ 1,571 lakhs (for the year ended March 31, 2019 ₹ 1,292 lakhs) has been charged to the Statement of Profit and Loss (as part of Contribution to Provident Fund and other Funds in Note 19 Employee benefits expense).

b) During the year the Company has recognised the following amounts in the Statement of Profit and Loss towards Employers contribution to:

(₹ in Lakhs)

	Year ended March 31, 2020	Year ended March 31, 2019
Employee's State Insurance (as part of Staff welfare expenses in Note 19 Employee benefits expense)	16	17
Superannuation (as part of Contribution to Provident Fund and other Funds in Note 19 Employee benefits expense)	792	642
National Pension Scheme (as part of Contribution to Provident Fund and other Funds in Note 19 Employee benefits expense)	43	29
National Insurance Contribution (as part of Contribution to Provident Fund and other Funds in Note 19 Employee benefits expense)	598	471

ii) Defined benefit plans - Gratuity

The principal assumptions used for the purposes of the actuarial valuations were as follows.

	March 31, 2020	March 31, 2019
Discount rate(s)	6.82%	7.94%
Expected rate(s) of salary increase	5.00%	5.00%
Mortality Rate	Indian Assured Lives Mortality 2006-08	Indian Assured Lives Mortality 2006-08

Amounts recognised in Statement of Profit and Loss in respect of these defined benefit plans are as follows:

(₹ in Lakhs)

	Year ended March 31, 2020	Year ended March 31, 2019
Service Cost:		
Current Service Cost	457	380
Net Interest Expense	2	6
Components of defined benefit costs recognised in profit or loss	**459**	**386**
Remeasurement on the net defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	291	(27)
Actuarial (gains) / losses arising from changes in financial assumptions	478	(24)
Actuarial (gains) / losses arising from experience adjustments	77	73
Components of defined benefit costs recognised in other comprehensive income	**846**	**22**

The current service cost and the net interest expense for the year are included in the 'Employee benefit expense' line item in the Statement of Profit and Loss.

The remeasurement of the net defined benefit liability is included in other comprehensive income.

The amount included in the balance sheet arising from the entity's obligation in respect of its defined benefit plans is as follows:

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Present value of funded defined benefit obligation	(4,136)	(3,176)
Fair value of plan assets	3,399	3,150
Net (liability) / Assets arising from defined benefit obligation	**(737)**	**(26)**
Movements in the present value of the defined benefit obligation are as follows		
Opening defined benefit obligation	3,176	2,709
Current service cost	457	380
Interest cost	252	213
Remeasurement (gains)/losses:		
Actuarial gains and losses arising from changes in financial assumptions	478	(24)
Actuarial gains and losses arising from experience adjustments	77	73
Benefits paid	(304)	(175)
Closing defined benefit obligation	**4,136**	**3,176**
Movements in the fair value of the plan assets are as follows		
Opening fair value of plan assets	3,150	2,628
Interest income	250	207
Return on plan assets (excluding amounts included in net interest expense)	(291)	27
Contributions from the employer	594	463
Benefits paid	(305)	(175)
Closing fair value of plan assets	**3,399**	**3,150**

The major categories of plan assets as a percentage of total plan

	As at March 31, 2020	As at March 31, 2019
Insurer Managed Funds	100%	100%
Category of funds :		
Secure Fund	16.08%	9.23%
Defensive Fund	39.88%	43.78%
Balanced Fund	43.92%	46.86%
Stable Fund	0.12%	0.13%

Sensitivity analysis for significant actuarial assumptions is computed to show the movement in defined benefit obligation by 1%.

(₹ in Lakhs)

	As at March 31, 2020		As at March 31, 2019	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	516	431	367	308
Future salary growth (1% movement)	521	442	374	319

The Company expects to contribute ₹ 1,183 lakhs to its defined benefit plans during the next fiscal year.

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 optimize 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 (₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018	As at March 31, 2017	As at March 31, 2016
Present value of defined benefit obligation	4,136	3,176	2,709	2,320	1,881
Fair value of plan assets	3,399	3,150	2,628	2,488	1,818
Surplus / (deficit)	(737)	(26)	(81)	168	(63)
Experience adjustments on plan liabilities - (gain)/losses	77	73	145	(74)	(9)
Experience adjustments on plan assets - (losses)/gain	(291)	27	(15)	91	(96)

Maturity profile of defined benefit obligation: (₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Within 1 year	422	377
1-2 years	122	115
2-3 years	162	164
3-4 years	150	148
4-5 years	152	135
5 years and Above	9,882	8,538

The Company has established an income tax approved irrevocable trust fund to which it regularly contributes to finance liabilities of the plan. The fund's investments are managed by insurance company as per the mandate provided to them by the trustees and the asset allocation is within the permissible limits prescribed in the insurance regulations.

31. Share-based payments

a) Employee share option plan of the Company

i) Details of the employee share option plan of the Company

The Company has a stock option plan for employees of the Company and its subsidiaries, authorized by the nomination and remuneration committee . In accordance with the terms of the plan, as approved by shareholders at its annual general meeting dated August 19, 2014. Eligible employees are granted to get stock option with graded vesting period of four years. The quantum of stock option is decided by the Nomination and Remuneration Committee. The shares are transferred to employees from the Sonata Software Ltd Employee Welfare Trust based on approval.

Each vested stock option shall convert into one equity share of the Company upon exercise. The exercise price of the stock option shall be the closing market price of the share on National Stock Exchange of India Ltd on the trading day immediately preceding the date of the grant . The stock options carry neither rights to dividends nor voting rights unless the transfer of shares from the Sonata Software Ltd Employee Welfare Trust to the employee is duly registered by the company . Options may be exercised at any time from the date of vesting to the date of their expiry.

The following share-based payment arrangements were in existence during the current and prior years:

Number of Shares	Grant date	Expiry date	Exercise price (₹)	Fair Value at grant date (₹)
375,000	April 1, 2012	April 1, 2017	18.10	4.45 - 6.55
120,000	May 20, 2015	May 20, 2020	165.75	53.35 - 68.45
160,000	August 8, 2016	August 9, 2021	154.45	55.21 - 68.60
60,000	May 29, 2017	May 29, 2022	149.65	43.49 - 55.86
75,000	November 13, 2017	November 14, 2022	191.95	54.78 - 79.62
120,000	May 31, 2019	May 30, 2024	354.50	115.54-137.75

ii) **Fair value of share options outstanding at the year end**

Options are priced using Black - Scholes pricing model.

Inputs into the model

Grant date	April 1, 2012	May 20, 2015	August 8, 2016	May 29, 2017	November 13, 2017	May 31, 2019
Grant date share price (₹)	13.74	148.98	150.09	142.17	188.51	356.70
Exercise price (₹)	18.10	165.75	154.45	149.65	191.95	354.50
Expected volatility (%)	49.84 - 51.82	46.52 - 47.05	43.18 - 44.24	36.47 - 40.61	31.78 - 40.86	53-26
Option life (in years)	5.00	5.00	5.00	5.00	5.00	5.00
Dividend yield (%)	-	-	-	-	-	2.50
Risk-free interest rate (%)	8.18 - 8.60	7.79 - 7.86	6.91 - 7.08	6.66 - 6.79	6.52 - 6.81	6.71 - 7.03

iii) **Movements in share options during the year**

The following reconciles the share options outstanding at the beginning and end of the year:

	For the year ended March 31, 2020		For the year ended March 31, 2019	
	Number of Options	Weighted average exercise price (₹)	Number of Options	Weighted average exercise price (₹)
Balance at beginning of year	305,000	164.15	385,000	163.65
Granted during the year	120,000	354.50	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	48,750	175.83	80,000	161.73
Expired during the year	56,250	191.95	-	-
Balance at end of year	**320,000**	**228.87**	**305,000**	**164.15**
Exercisable at the end of the year	140,000	153.76	98,750	161.57

Weighted average remaining contractual life of share options is 1.98 years (as at March 31, 2019 2.35 years)

iv) **Stock options exercised during the year**

The following share options were exercised during the year:

Granted on	Number Exercised	Exercised Date	Share price at exercise Date (₹)
May 20, 2015	30,000	May 20, 2019	332.45
November 13, 2017	18,750	August 1, 2019	321.05
Total	**48,750**		

The following share options were exercised during the financial year 2018-19:

Granted on	Number Exercised	Exercised Date	Share price at exercise Date (₹)
May 20, 2015	30,000	June 6, 2018	309.10
May 20, 2015	30,000	September 20, 2018	413.40
October 25, 2018	20,000	October 25, 2018	269.65
Total	**80,000**		

v) **Share options outstanding at the end of the year**

The share options outstanding at the end of the year had a weighted average exercise price of ₹ 228.87 (as at March 31, 2019 ₹ 164.15)

During the year, the amount recognised as expense for Employee Stock Options is ₹ 58 lakhs

b) **Other Stock Based Compensation Arrangements**

Stock Appreciation Rights Plan provides the certain employee with the right to receive cash that is equal to the increase in the value of the company's shares from the date the right was granted and the right was exercised. They are not entitled to any shares or dividend. Plan 1 and 2 of 2018 has been approved by the Board vide Board Meeting dated May 29, 2017 subsequently amended dated August 13, 2018. Plan of 2019 has been approved by the Board vide Board meeting dated August 13, 2018..

The Company has also granted stock appreciation rights plan to certain employees during the year which is subject to certain vesting conditions. Details of the grant/issue as at March 31, 2020 are given below:

	For the year ended March 31, 2020					
	As per plan 1 (2018)	As per plan 2(2018)	As per plan1 (2019)	As per plan 3 (2018)	As per plan 4 (2018)	As per plan 2(2019)
Outstanding units as at the beginning of the year	230,000	348,000	101,500	-	-	-
Number of units granted under letter of intent during the year		-		144,000	180,000	93,000
Exercised units	5,000	-	39,500			-
Lapsed units	-	-	-	-	-	-
Forfeited units	-	-	-	-	-	-
Cancelled units		-	-	-	-	-
Outstanding units as at the end of the year	225,000	348,000	62,000	144,000	180,000	93,000
Contractual life (in years)	3	3	1	3	3	1
Date of grant	May 29, 2017	December 18, 2018	September 30, 2018	May 31, 2019	October 30, 2019	October 1, 2019
Grant price per unit (₹)	149.65	315.30	200.00	354.50	317.40	224.00
Number of units exercisable at the end of the year	145,000	116,000	62,000	-	-	-
Weighted average remaining contractual life (in years)	2.09	3.72	2.50	4.17	4.59	2.50
Weighted average exercise price (₹)	161.28	354.65	200.00	398.74	357.01	224.00
Weighted average exercise price for options exercisable at the end of the year (₹)	148.00	315.30	200.00	-	-	-

	For the year ended March 31, 2019		
	As per plan 1 (2018)	As per plan 2(2018)	As per plan1 (2019)
Outstanding units as at the beginning of the year	270,000		-
Number of units granted under letter of intent during the year		348,000	101,500
Vested units	20,000	-	-
Lapsed units	-	-	-
Forfeited units	-	-	-
Cancelled units	20,000	-	-
Outstanding units as at the end of the year	230,000	348,000	101,500
Contractual life (in years)	3	3	1
Date of grant	May 29, 2017	December 18, 2018	September 30, 2018
Grant price per unit (₹)	149.65	315.30	200.00
Number of units exercisable at the end of the year	70,000	-	-
Weighted average remaining contractual life (in years)	3.07	4.72	3.51
Weighted average exercise price (₹)	161.85	354.65	200.00
Weighted average exercise price for options exercisable at the end of the year (₹)	149.45	-	-

The weighted average fair value of each unit for the above mentioned stock appreciation rights plan has been calculated using the Black - Scholes pricing model with the following assumptions:

	For the year ended March 31, 2020					
	As per plan 1 (2018)	As per plan 2(2018)	As per plan1 (2019)	As per plan 3 (2018)	As per plan 4 (2018)	As per plan 2(2019)
Grant date	May 29, 2017	December 18, 2018	September 30, 2018	May 31, 2019	October 30, 2019	October 1, 2019
Exercise price (₹)	163.34-177.71	86.02-94.65	149.42	354.5-444.68	317.4-398.15	224.00
Dividend yield	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Expected life (in years)	3	3	1	3	3	1
Risk free interest rate	4.87-5.76%	4.87-5.76%	4.87-5.76%	4.87-5.76%	4.87-5.76%	4.87-5.76%
Volatility	45%	45%	45%	45%	45%	45%

	For the year ended March 31, 2019		
	As per plan 1 (2018)	As per plan 2(2018)	As per plan1 (2019)
Grant date	May 29, 2017	December 18, 2018	September 30, 2018
Exercise price (₹)	163.34-177.71	86.02-94.65	149.42
Dividend yield	2.50%	2.50%	2.50%
Expected life (in years)	3	3	1
Risk free interest rate	4.87-5.76%	4.87-5.76%	4.87-5.76%
Volatility	45%	45%	45%

During the year, the expense recognised for Stock appreciation rights is ₹ 176 lakhs and the related liability accounted is ₹ 570 lakhs.

32. Segment reporting

The Company publishes this financial statement along with the consolidated financial statements. In accordance with Ind AS 108, Operating Segments, the Company has disclosed the segment information in the consolidated financial statements.

33. Consolidation of Employee Welfare Trust

Ind AS 110 – Consolidated financial statements defines control and establishes control as the main basis for consolidating the entities. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee, in view of which the company has consolidated Sonata employee welfare trust accounts.

34. Corporate Social Responsibility

As per Section 135 of Companies Act, 2013 a company meeting the applicability threshold, needs to spend atleast 2% of its average net profit of the immediately preceding three financial years on Corporate Social Responsibility (CSR) activities. A CSR committee has been formed by the Company as per the Companies Act, 2013. The CSR initiatives are focused towards those programme directly or indirectly, benefit the community and society at large.

(i) Gross amount required to be spent by the Company during the year is ₹ 348 lakhs (Previous year is ₹ 277 lakhs).

(ii) Amount spent during the year is ₹ 335 lakhs (Previous year is ₹ 287 lakhs).

(₹ in Lakhs)

	In Cash	Yet to be paid in Cash	Total
1. Construction / acquisition of any asset	-	-	-
2. On purposes other than (1) above	-	335	335
Total	**-**	**335**	**335**

(iii) Amount unspent is ₹ 13 lakhs (Previous year is Nil).

35. Earnings Per Share

Reconciliation of number of equity shares used in the computation of basic and diluted earnings per share is set out below:

	For the year ended March 31, 2020		For the year ended March 31, 2019	
	Basic EPS	Diluted EPS	Basic EPS	Diluted EPS
Weighted average number of equity shares outstanding during the period	105,110,556	105,110,556	105,159,306	105,159,306
Weighted average number of Potential equity shares exercised by Sonata Employee Welfare Trust	(1,251,125)	(1,251,125)	(1,299,875)	(1,299,875)
Weighted average number of equity shares resulting from assumed exercise of employee stock options	31,654	31,654	49,096	141,979
Weighted average number of equity shares for calculation of earning per share	103,891,085	103,891,085	103,908,527	104,001,410

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

37. Distributions made and proposed :

The Board of Directors at their meeting held on October 30, 2019 had declared an interim dividend of 575% (₹ 5.75 per equity share of par value of ₹ 1 each). Further, the Board of Directors at its meeting held on Feb 26, 2020 have recommended a second interim dividend of 1450% (₹ 14.5 per equity share of par value ₹ 1 each) .

The Board of Directors at their meeting held on November 02, 2018 had declared an interim dividend of 475% (₹ 4.75 per equity share of par value of ₹ 1 each). Further, the Board of Directors at its meeting held on May 30, 2019 have recommended a final dividend of 800% (₹ 8 per equity share of par value ₹ 1 each) which is subject to approval of shareholders. The proposal was approved by shareholders at the Annual General Meeting held on August 7, 2019, this has resulted in a cash outflow of ₹ 10,142 lakhs, inclusive of dividend distribution tax .

38. Related party disclosure

i) Details of related parties :

Description of relationship	Names of related parties
a) Wholly Owned Subsidiaries (WOS)	Sonata Information Technology Limited
	Sonata Software Solutions Limited*
	Sonata Software North America Inc.**
	Sonata Software GmbH
	Sonata Europe Limited
	Sonata Software FZ LLC
	Interactive Business Information Systems Inc. (subsidiary of Sonata Software North America Inc.)
	Scalable Data Systems Pty Ltd.
	Sopris Systems LLC (subsidiary of Sonata Software North America Inc.)
(b) Subsidiary	Sonata Software (Qatar) LLC
(c) Post-employment benefit plan (Refer Note 30)	Sonata Software Limited Gratuity Fund
	Sonata Software Officers' Superannuation Fund
	Sonata Software Provident Fund
(d) Key Management Personnel (KMP)	Mr. P Srikar Reddy, Managing Director & Chief Executive Officer
	Mr. Pradip P Shah, Chairman & Independent Director
	Mr. B K Syngal, Independent Director (upto August 10, 2019)
	Mr. S N Talwar, Independent Director (upto August 10, 2019)
	Ms. Radhika Rajan, Independent Director
	Mr. Viren Raheja, Non Executive Director
	Mr. S B Ghia, Non Executive Director
	Mr. Sanjay K Asher - (w.e.f. August 8, 2019)
	Mr. Prasanna Oke, Chief Financial Officer (upto June 30, 2019)
	Mr. Jagannathan CN, Chief Financial Officer (w.e.f. October 30, 2019)

ii) Transactions with related parties :

(₹ in Lakhs)

	WOS and Subsidiary		KMP	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Rendering of services				
Sonata Software North America Inc.	32,727	32,524		
Sonata Europe Limited	7,929	7,090		
Sonata Software FZ LLC	136	362		
Rezopia Inc.	15	61		
Sonata Information Technology Limited	1,681	1,630		
Interactive Business Information Systems Inc.	1,218	1,140		
Scalable Data Systems Pty Ltd	345	-		
Sopris Systems LLC	139	-		
Purchase of Software products and licenses				
Sonata Information Technology Limited	6,647	786		
Interactive Business Information Systems Inc.	38	6		
Sonata Software (Qatar) LLC	106	190		
Sopris Systems LLC	18	-		

(₹ in Lakhs)

	WOS and Subsidiary		KMP	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Service charges recovered				
Sonata Information Technology Limited	474	453		
Inter corporate deposits given				
Sonata Information Technology Limited	23,245	16,356		
Sonata Software Solutions Limited	220	-		
Scalable Data Systems Pty Ltd	-	448		
Inter corporate deposits recovered				
Sonata Information Technology Limited	23,245	16,356		
Scalable Data Systems Pty Ltd	-	196		
Interest income on inter corporate deposits				
Sonata Information Technology Limited	66	106		
Scalable Data Systems Pty Ltd	5	1		
Sonata Software Solutions Limited	2	-		
Interest income from rent on sub lease				
Sonata Information Technology Limited	36	-		
Recovery of rent				
Sonata Information Technology Limited	81	54		
Dividend received				
Sonata Information Technology Limited	5,506	338		
Commission received on guarantees given on behalf of subsidiary				
Sonata Information Technology Limited	56	55		
Sonata Software North America Inc.	10	28		
Compensation of key management personnel of the Company				
Short-term employee benefits***			327	444
Share-based payment transactions			153	217
Others			245	387
Total compensation paid to key management personnel			**725**	**1,048**
Balances outstanding at the end of the year				
Inter corporate deposit				
Scalable Data Systems Pty Ltd	-	245		
Sonata Software Solutions Limited	220	-		
Interest acrrued on Inter corporate deposit				
Scalable Data Systems Pty Ltd	-	1		
Sonata Software Solutions Limited	2	-		
Trade receivables				
Sonata Software North America Inc.	9,500	17,291		
Sonata Europe Limited	1,965	2,217		
Sonata Software FZ LLC	45	187		

(₹ in Lakhs)

	WOS and Subsidiary		KMP	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Interactive Business Information Systems Inc.	157	44		
Sonata Information Technology Limited	246	75		
Sopris Systems, LLC	148	-		
Scalable Data Systems Pty Ltd	24	-		
Advances recoverable				
Sonata Information Technology Limited	631	659		
Sonata Europe Limited	72	18		
Sonata Software North America Inc.	46	5		
Sonata Software GmbH	10	1		
Sonata Software (Qatar) LLC	-	2		
Sonata Software Solutions Limited	2	-		
Unbilled revenue				
Sonata Information Technology Limited	-	60		
Sonata Europe Limited	-	548		
Sonata Software North America Inc.	-	95		
Trade payables				
Sonata Information Technology Limited	3,169	244		
Sonata Software (Qatar) LLC	37	131		
Scalable Data Systems Pty Ltd	40	-		
Sopris Systems, LLC	19	-		
Reimbursement of expenses payable				
Sonata Software North America Inc.	45	44		
Sonata Europe Limited	28	11		
Guarantees given on behalf of Subsidiary				
Sonata Software North America Inc.	8,323	2,478		
Sonata Information Technology Limited	11,849	10,873		
Payable to key management personnel of the Company				
Short-term employee benefits***			100	170
Share-based payment transactions			218	255
Others			230	125

*Incorporated on February 24, 2020

**Rezopia Inc. and Halosys Technologies Inc. merged with Sonata Software North America (SSNA) w.e.f. June 14, 2019.

*** The above employment benefits excludes gratuity and compensated absences which cannot be separately identified from the composite amount advised by the actuary.

39. Leases

The Company has adopted Ind AS 116 'Leases' with the date of initial application being April 1, 2019. Ind AS 116 replaces Ind AS 17 – Leases and related interpretation and guidance. The Company has applied Ind AS 116 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at April 1, 2019. As a result, the comparative information has not been restated.

In adopting Ind AS 116, the Company has applied the below practical expedients :

a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics

b) leases of low value assets (assets of less than ₹ 500,000 in value) has not been considered for application of Ind AS 116

c) exclusion of the initial direct costs from measurement of the right-of-use asset at the date of transition

d) application of hindsight, in determining the lease term if the contract contains options to extend or terminate the lease.

e) applied the practical expedient to grandfather the assessment of which transactions are leases. Accordingly, Ind AS 116 is applied only to contracts that were previously identified as leases under Ind AS 17.

On transition to Ind AS 116, the Company recognised right-of-use assets amounting to ₹ 10,030, lease liabilities amounting to ₹ 10,081 and ₹ 558 (credit) in retained earnings as at April 1, 2019.

	(₹ in Lakhs)
Impact of adoption of Ind AS 116 on retained earnings	
Reversal of deferred rent liability as at March 31, 2019	858
Less: Reversal of deferred tax asset on deferred rent liability (Refer Note No. 17)	(299)
Impact on retained earnings as at April 1, 2019	**559**

	For the year ended March 31, 2020
Impact of adoption of Ind AS 116 on the statement of profit and loss	
Interest on lease liabilities	1,040
Interest Income from rent sub lease	(36)
Depreciation of Right-of-use assets	1,431
Deferred tax (credit)	(176)
Impact on the statement of profit and loss for the year	**2,259**

The aggregate depreciation expense of ₹ 1,431 lakhs on ROU assets is included under depreciation and amortization expense in the statement of Profit and Loss.

Following are the changes in the carrying value of right of use assets for the year ended March 31, 2020:

(₹ in Lakhs)

	Category of ROU Asset		
	Land	**Buildings**	**Total**
Balance as at April 1, 2019	-	9,789	9,789
Reclassified on account of adoption of Ind AS 116	241	-	241
Additions	-	-	-
Deletion	-	(213)	(213)
Depreciation	(13)	(1,418)	(1,431)
Translation difference	-	1	1
Balance as at March 31, 2020	**228**	**8,159**	**8,387**

Rental expense recorded for short-term leases was ₹ 928 lakhs for the year ended March 31, 2020.

The following is the movement in lease liabilities during the year ended March 31, 2020:

	For the year ended March 31, 2020
Balance at the beginning of the year	10,081
Additions	-
Finance cost accrued during the year	1,040
Deletions	(213)
Payment of lease liabilities	(1,818)
Translation Difference	1
Balance at the end of the year	**9,091**

The following is the break-up of lease liabilities as at March 31, 2020 based on their maturities:

(₹ in Lakhs)

	As at March 31, 2020
Current lease liabilities	1,709
Non-current lease liabilities	7,382
Total	**9,091**

The following is the movement in the net investment in sublease in ROU asset during the year ended March 31, 2020

	For the year ended March 31, 2020
Balance at the beginning of the year	345
Interest income accrued during the year	36
Lease receipts	(59)
Balance at the end of the year	**322**

Contractual maturities of lease liabilities

The table below provides details regarding the contractual maturities of lease liabilities as at March 31, 2020 on an undiscounted basis:

(₹ in Lakhs)

	As at March 31, 2020
Not later than one year	1,810
Later than one year and not later than 5 years	7,806
Later than 5 years	3,486
Total	**13,102**

The table below provides details regarding the contractual maturities of net investment in sublease of ROU asset as at March 31, 2020 on an undiscounted basis:

	As at March 31, 2020
Not later than one year	66
Later than one year and not later than 5 years	265
Later than 5 years	127
Total	**458**

40. Acquisition of Scalable Data Systems Pty Ltd ('Scalable')

On December 21, 2018, Sonata Software Limited acquired 100% of voting interests in Scalable Data Systems Pty Ltd, a Australian -based Microsoft Dynamics 365 Value Added Reseller (VAR) and Independent Software Vendor (ISV) focused on Microsoft Dynamics AX (EPR) for a total consideration of upto AUD 4.49 million (₹ 2,237 lakhs), comprising of cash consideration of AUD 2.63 million (₹ 1,310 lakhs), contingent consideration of upto AUD 1.86 million (₹ 927 lakhs). The fair value of contingent consideration is determined at AUD 1.86 million (₹ 898 lakhs as on March 31, 2020 and ₹ 914 lakhs as on March 31, 2019). The payment of contingent consideration is dependent upon the achievement of certain financial targets by Scalable Data Systems Pty Ltd.

For and on behalf of the Board of Directors

Pradip P Shah
Chairman
Mumbai

P Srikar Reddy
Managing Director & Chief Executive Officer
Bengaluru

Jagannathan Chakravarthi
Chief Financial Officer
Bengaluru

R Sathyanarayana
VP - Finance & Accounts
Bengaluru

Mangal Krishnarao Kulkarni
Company Secretary
Bengaluru

Date : May 11, 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SONATA SOFTWARE LIMITED

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of SONATA SOFTWARE LIMITED ("the Company") and its subsidiaries, (the Company and its subsidiaries together referred to as "the Group"), which comprise the Consolidated Balance Sheet as at March 31, 2020, and the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements).

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended ('Ind AS'), and other accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at March 31, 2020, and their consolidated profit, their consolidated total comprehensive income, their consolidated cash flows and their consolidated changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the consolidated financial statements in accordance with the Standards on Auditing specified under section 143 (10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibility for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the consolidated financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

S. No.	Key Audit Matter	Auditor's Response
1	**Evaluation of Impairment Assessment of Goodwill** As at March 31, 2020 Goodwill of ₹ 15,296 lakhs pertains to businesses acquired by the Company. Goodwill is tested by management for impairment at least on an annual basis and whenever there is an indication that goodwill maybe impaired. The recoverable amount of the CGU is determined based on value in use calculations. Value in use is the present value of future cash flows expected to be derived from the CGU. The key inputs used in the present value calculations includes the expected future growth in operating revenues and margins in the forecast period, long term growth rates and discount rates which are based on significant management assumptions and judgements. Refer to Notes 2.1(c)(iii), 2.2(q)(b) and 4 to the Consolidated Financial Statements.	**Principal audit procedure performed** 1. Obtained an understanding of and assessed the impairment testing process implemented by Management. 2. Evaluated and tested the design, implementation and operating effectiveness of the controls implemented around the impairment testing process. 3. Verified the appropriateness of the model used to calculate value in use. 4. Evaluated key assumptions relating to business projections and other inputs used in computing the value in use to determine the recoverable amounts. 5. Took the assistance of Internal valuation experts on the valuation assumptions used by the management to assess its reasonableness. 6. Considered the sensitivity of value in use to a change in the key assumptions and inputs used by Management

S. No.	Key Audit Matter	Auditor's Response
2	**Uncertain Tax Positions** Management uses significant judgment in determining the provision for income taxes including the amount expected to be paid/ recovered for uncertain tax positions Refer to Notes 2.1(c) (i) and 24 of the Consolidated Financial Statements.	**Principal Audit Procedures performed** 1. We obtained an understanding of the uncertain tax positions for the major tax jurisdictions. 2. We obtained details of completed tax assessments/ demands till the year and performed procedures to verify completeness and accuracy of the claims. 3. We reviewed the recent judgements / proceedings/ precedence's /rulings etc. relating to the matters under dispute and assessed reasonableness of the position taken by the Company. 4. We evaluated the design and operating effectiveness of controls over Company's process to evaluate uncertain tax positions. 5. We involved our tax specialists in reviewing such tax positions. 6. We reviewed the outstanding litigation position and ensured that the entity has evaluated these position in line with the requirements of the new Appendix C to the Ind AS 12 Income taxes and all the required adjustments and disclosures have been considered in preparing the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

- The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Board's report, Management discussion and analysis and Report on corporate governance, but does not include the consolidated financial statements, standalone financial statements and our auditor's report thereon.
- Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
- In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.
- If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management's Responsibility for the Consolidated Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated changes in equity of the Group in accordance with the Ind AS and other accounting principles generally accepted in India. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Company, as aforesaid.

In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the respective entities to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the respective Board of Directors either intends to liquidate their respective entities or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group are also responsible for overseeing the financial reporting process of the Group.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal financial control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors.

Materiality is the magnitude of misstatements in the consolidated financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the consolidated financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the consolidated financial statements.

We communicate with those charged with governance of the Company and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit we report that:

    a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.

    b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.

    c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss including Other Comprehensive Income, the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.

    d) In our opinion, the aforesaid consolidated financial statements comply with the Ind AS specified under Section 133 of the Act.

    e) On the basis of the written representations received from the directors of the Company as on March 31, 2020 taken on record by the Board of Directors of the Company and the report of the statutory auditor of its subsidiary company incorporated in India, none of the directors of the Group companies incorporated in India is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164 (2) of the Act.

    f) With respect to the adequacy of the internal financial controls over financial reporting and the operating effectiveness of such controls, refer to our separate Report in "Annexure A" which is based on the auditors' reports of the Company and its subsidiary company incorporated in India. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of internal financial controls over financial reporting of those companies.

    g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended:

       In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of section 197 of the Act.

    h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014,as amended in our opinion and to the best of our information and according to the explanations given to us:

       i) The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group.

       ii) The Group did not have any material foreseeable losses on long-term contracts including derivative contracts.

       iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company and its subsidiary company incorporated in India.

For **Deloitte Haskins and Sells LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Gurvinder Singh
Partner
(Membership No. 110128)
UDIN: 20110128AAAABC7378

Place: Bengaluru
Date: May 11, 2020

ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT

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

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

In conjunction with our audit of the consolidated Ind AS financial statements of the Company as of and for the year ended March 31, 2020, we have audited the internal financial controls over financial reporting of Sonata Software Limited (hereinafter referred to as "the Company") and its subsidiary company, which is a company incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Company and its subsidiary company, which is a company incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the respective Companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the internal financial controls over financial reporting of the Company and its subsidiary company, which is a company incorporated in India, based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing, prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting of the Company and its subsidiary company which is a company incorporated in India.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion to the best of our information and according to the explanations given to us, the Company and its subsidiary Company, which is a company incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2020, based on the criteria for internal financial control over financial reporting established by the respective companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **Deloitte Haskins and Sells LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Gurvinder Singh
Partner
(Membership No. 110128)
UDIN: 20110128AAAABC7378

Place: Bengaluru
Date: May 11, 2020

SONATA SONATA SOFTWARE

CONSOLIDATED BALANCE SHEET as at March 31, 2020

₹ in Lakhs

	Note No.	As at March 31, 2020	As at March 31, 2019
ASSETS			
Non-current assets			
Property, plant and equipment	3	2,130	2,203
Right-of-use assets	36	9,729	-
Capital work-in-progress		-	55
Goodwill	4	15,578	14,519
Other intangible assets	5	2,377	3,220
Financial assets	6		
Investments	6.1	873	621
Other financial assets	6.2	3,655	1,912
Deferred tax assets (net)	18	2,439	1,190
Other non-current assets	7	5,906	4,412
Total non-current assets		**42,687**	**28,132**
Current assets			
Financial assets			
Investments	8.1	480	14,015
Trade receivables	8.2	70,000	81,111
Cash and cash equivalents	8.3	37,220	17,432
Bank balances other than above	8.4	2,424	2,489
Other financial assets	8.5	4,326	6,854
Other current assets	9	4,509	2,775
Total current assets		**118,959**	**124,676**
Total assets		**161,646**	**152,808**
EQUITY AND LIABILITIES			
Equity			
Equity Share capital	10	1,039	1,039
Other equity	11	65,928	75,787
Total Equity		**66,967**	**76,826**
LIABILITIES			
Non-current liabilities			
Financial liabilities			
Other financial liabilities	12	10,676	3,284
Other non-current liabilities	13	-	1,066
Total non-current liabilities		**10,676**	**4,350**
Current liabilities			
Financial liabilities	14		
Borrowings	14.1	8,600	1,562
Trade payables		56,186	58,733
Other financial liabilities	14.2	6,498	388
Other current liabilities	15	6,833	4,842
Provisions	16	2,293	1,850
Current tax liabilities (net)	17	3,593	4,257
Total current liabilities		**84,003**	**71,632**
Total equity and liabilities		**161,646**	**152,808**

See accompanying notes to the consolidated financial statements

As per our report of even date attached
For Deloitte Haskins & Sells LLP
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Gurvinder Singh
Partner
(Membership No. 110128)

Place : Bengaluru
Date : May 11, 2020

For and on behalf of the Board

Pradip P Shah
Chairman
Mumbai

P Srikar Reddy
Managing Director & Chief Executive Officer
Bengaluru

Jagannathan Chakravarthi
Chief Financial Officer
Bengaluru

R Sathyanarayana
VP - Finance & Accounts
Bengaluru

Mangal Krishnarao Kulkarni
Company Secretary
Bengaluru

CONSOLIDATED STATEMENT OF PROFIT AND LOSS for the year ended March 31, 2020

₹ in Lakhs

	Note No.	For the year ended March 31, 2020	For the year ended March 31, 2019
REVENUE			
Revenue from operations	19.1	374,326	296,090
Other income	19.2	5,840	2,725
Total revenue		**380,166**	**298,815**
EXPENSES			
Purchase of stock-in-trade (traded goods)	20	241,579	178,036
Employee benefit expense	21	66,031	56,886
Finance costs	22	1,518	339
Depreciation and amortization expense	3	3,654	1,274
Other expenses	23	29,435	27,607
Total expenses		**342,217**	**264,142**
Profit before exceptional item and tax		**37,949**	**34,673**
Add : Exceptional item (Interest income on income tax refund)		-	276
Profit before tax		**37,949**	**34,949**
Tax Expense			
Current tax	17	10,590	11,045
Short/(excess) provision for tax relating to prior years	17	13	-
Deferred tax	18	(347)	(984)
Profit for the period		**27,693**	**24,888**
Other Comprehensive Income			
1 (a) Items that will not be reclassified to profit/(loss)		(865)	(22)
(b) Income tax relating to Items that will not be reclassified to profit/(loss)		232	11
		(633)	**(11)**
2 Items that will be reclassified to profit/(loss)			
(a) Exchange differences in translating the financial statements of foreign operations		323	(76)
(b) Exchange differences on forward cover		(3,511)	1,665
(c) Income tax relating to Items that will be reclassified to profit/(loss)		854	(348)
		(2,334)	**1,241**
Total		**(2,967)**	**1,230**
Total Comprehensive Income for the period		**24,726**	**26,118**
Profit for the period attributable to:			
Owners of the company		27,693	24,926
Non - controlling interest		-	(38)
		27,693	**24,888**
Other Comprehensive Income for the period attributable to:			
Owners of the company		(2,967)	1,230
Non - controlling interest		-	-
		(2,967)	**1,230**
Earnings per share (on ₹ 1 per share)	41		
Basic (₹)		26.66	23.99
Diluted (₹)		26.66	23.97

See accompanying notes to the consolidated financial statements

As per our report of even date attached
For Deloitte Haskins & Sells LLP
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Gurvinder Singh
Partner
(Membership No. 110128)

Place : Bengaluru
Date : May 11, 2020

For and on behalf of the Board

Pradip P Shah
Chairman
Mumbai

P Srikar Reddy
Managing Director & Chief Executive Officer
Bengaluru

Jagannathan Chakravarthi
Chief Financial Officer
Bengaluru

R Sathyanarayana
VP - Finance & Accounts
Bengaluru

Mangal Krishnarao Kulkarni
Company Secretary
Bengaluru

SONATA
SONATA SOFTWARE

CONSOLIDATED CASH FLOW STATEMENT for the year ended March 31, 2020

₹ in Lakhs

		For the year ended March 31, 2020	For the year ended March 31, 2019
A. CASH FLOW FROM OPERATING ACTIVITIES:			
Net profit before tax		**37,949**	**34,949**
Adjustments for :			
Depreciation and amortization expense		3,654	1,274
Finance costs		1,491	304
Impairment loss recognised on trade receivables and bad debts written off		871	226
Interest from unwinding of rent deposits discounted		(25)	(19)
Interest from fixed deposits/margin money with banks		(850)	(483)
Interest on income-tax refund		-	(276)
Dividend income from current investments		-	(387)
Net (gain) / loss on sale of property, plant and equipment / scrapped		2	20
Net gain on investments carried at fair value through profit and loss		(541)	(832)
Unwinding of interest on rental deposits		60	(20)
Expenses on employee stock based compensation		58	57
Net unrealized foreign exchange (gain) / loss		(2,683)	(2,612)
Changes in operating assets and liabilities:			
Decrease/(Increase) in trade receivables		13,680	(39,867)
Decrease/(increase) in other financial assets non-current		(1,717)	224
Decrease/(increase) in other financial assets-current		236	(353)
Decrease/(increase) in other non-current assets		(56)	121
Decrease/(increase) in other current assets		(1,730)	869
(Decrease)/Increase in trade payables		(2,435)	14,146
(Decrease)/increase in other financial liabilities non-current		162	(63)
(Decrease)/increase in other financial liabilities		(1)	-
(Decrease)/increase in other current liabilities		1,181	480
(Decrease)/increase in other non-current liabilities		-	41
(Decrease)/increase in provisions		443	249
Net cash flow from operating activities before taxes		49,749	8,048
Income taxes paid, net of refunds		(12,893)	(8,668)
Net cash flow from / (used in) operating activities	**(A)**	**36,856**	**(620)**

CONSOLIDATED CASH FLOW STATEMENT for the year ended March 31, 2020

₹ in Lakhs

		For the year ended March 31, 2020	For the year ended March 31, 2019
B. CASH FLOW FROM INVESTING ACTIVITIES			
Expenditure on property, plant and equipment		(847)	(803)
Proceeds from disposal of property, plant and equipment		3	18
Purchase of current investments		(88,447)	(118,603)
Purchase of non-current investments		(246)	(553)
Cash outflow on acquisition of subsidiary		-	(3,826)
Proceeds from sale of current investments		102,511	125,581
Bank balances not considered as Cash and cash equivalents		65	(1,160)
Interest received		868	480
Net cash flow from investing activities	**(B)**	**13,907**	**1,134**
C. CASH FLOW FROM FINANCING ACTIVITIES			
Payment of lease liabilities		(2,389)	-
Proceeds/(repayment) from/(of) short-term borrowings (net)		7,039	(1,953)
Payment of dividend		(29,304)	(11,804)
Payment of taxes on dividend		(6,107)	(2,539)
Proceeds received from issue of equity shares		-	1
Finance costs		(221)	(309)
Net cash flow used in financing activities	**(C)**	**(30,982)**	**(16,604)**
Net increase/(decrease) in cash and cash equivalents	**(A+B+C)**	**19,781**	**(16,090)**
Opening cash and cash equivalents		17,432	33,406
Exchange difference on translation of foreign currency cash and cash equivalents		7	116
Closing Cash and cash equivalents		**37,220**	**17,432**
Cash and cash equivalents at the end of the year comprises:			
Cash on hand		1	1
Balances with banks			
In Current accounts		6,366	6,295
In EEFC accounts		8,979	304
In demand deposit accounts		21,874	10,832
		37,220	**17,432**

See accompanying notes to the consolidated financial statements

As per our report of even date attached
For Deloitte Haskins & Sells LLP
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Gurvinder Singh
Partner
(Membership No. 110128)

Place : Bengaluru
Date : May 11, 2020

For and on behalf of the Board

Pradip P Shah
Chairman
Mumbai

P Srikar Reddy
Managing Director & Chief Executive Officer
Bengaluru

Jagannathan Chakravarthi
Chief Financial Officer
Bengaluru

R Sathyanarayana
VP - Finance & Accounts
Bengaluru

Mangal Krishnarao Kulkarni
Company Secretary
Bengaluru

SONATA SONATA SOFTWARE

STATEMENT OF CHANGES IN EQUITY

for the year ended March 31, 2020

(a) Equity share capital	₹ in Lakhs
Balance as at April 1, 2018	1,038
Add: Shares issued on exercise of employee stock options	1
Balance as at March 31, 2019	**1,039**
Balance as at April 1, 2019	1,039
Add: Shares issued on exercise of employee stock options	-
Balance as at March 31, 2020	**1,039**

(b) Other equity

₹ in Lakhs

	Reserves and Surplus (Refer Note 11)					Items of Other Comprehensive Income (Refer Note 11)			Total Other Equity
	Securities premium Reserve	Capital Redemption Reserve	General reserve	ESOP Reserve	Retained Earnings	Remeasurement of the defined benefit plans	Effective Portion of cash flow hedges	Foreign Currency translation reserve	
Balance as at April 1, 2018	4,493	2,787	8,742	168	48,820	(86)	(80)	(551)	64,293
Profit for the year					24,926				24,926
Other comprehensive income, (net of tax)						(11)	1,186	55	1,230
Total comprehensive income for the year					**24,926**	**(11)**	**1,186**	**55**	**26,156**
Amount transferred to initial amount of hedged item (net of tax)							14		14
Adjustment of additional investment in subsidiary					(254)				(254)
Employee share based payments				57					57
Payment of Cash dividends					(11,940)				(11,940)
Dividend distribution tax					(2,539)				(2,539)
Balance as at March 31, 2019	**4,493**	**2,787**	**8,742**	**225**	**59,013**	**(97)**	**1,120**	**(496)**	**75,787**
Balance as at April 1, 2019	4,493	2,787	8,742	225	59,013	(97)	1,120	(496)	75,787
Profit for the year					27,693				27,693
Other comprehensive income, (net of tax)						(633)	(2,571)	237	(2,967)
Total comprehensive income for the year					**27,693**	**(633)**	**(2,571)**	**237**	**24,726**
Impact on account of adoption of Ind AS 116 (Refer note 36)					814				814
Employee share based payments				59					59
Payment of Cash dividends					(29,352)				(29,352)
Dividend distribution tax					(6,106)				(6,106)
Balance as at March 31, 2020	**4,493**	**2,787**	**8,742**	**284**	**52,062**	**(730)**	**(1,451)**	**(259)**	**65,928**

See accompanying notes to the consolidated financial statements

As per our report of even date attached
For Deloitte Haskins & Sells LLP
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Gurvinder Singh
Partner
(Membership No. 110128)

Place : Bengaluru
Date : May 11, 2020

For and on behalf of the Board

Pradip P Shah
Chairman
Mumbai

P Srikar Reddy
Managing Director & Chief Executive Officer
Bengaluru

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Chief Financial Officer
Bengaluru

R Sathyanarayana
VP - Finance & Accounts
Bengaluru

Mangal Krishnarao Kulkarni
Company Secretary
Bengaluru

Notes forming part of Consolidated financial statements

1 COMPANY OVERVIEW

The Consolidated financial statements of Sonata Software Limited ("Sonata" or the "Company") is made up of the Sonata Software Limited together with its subsidiaries Sonata Information Technology Limited, Sonata Software Solutions Limited, Sonata Software North America Inc., Sonata Software GmbH, Sonata Europe Limited, Sonata Software FZ-LLC, Sonata Software (Qatar) LLC, Interactive Business Information Systems, Inc, Scalable Data Systems Pty Ltd. and Sopris Systems LLC (collectively referred to as the "Group").

The Company is primarily engaged in the business of providing Information Technology Services and Solutions to its customers in the United States of America, Europe, Middle East, Australia and India. The Company is a public limited company incorporated and domiciled in India with its registered office at Mumbai and operationally headquartered at Bengaluru. The Company is listed on The National Stock Exchange of India Limited and BSE Limited. The financial statements were approved for issue by the Company's Board of Directors on May 11, 2020.

Material subsidiaries of the Company are:

a) Sonata Information Technology Limited, in India through which it delivers both software development and consulting services and re-selling of product licenses of leading international software companies such as Microsoft, IBM, Oracle etc.; and

b) Sonata Software North America Inc., in USA through which it delivers software development and consulting services to its clients in North America.

c) Sonata Europe Limited, in UK through which it delivers software development and consulting services to its clients in Europe.

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION & PRESENTATION OF FINANCIAL STATEMENTS

a. Statement of compliance

These Consolidated financial statements have been prepared in accordance with Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and relevant amendment rules issued thereafter.

Except for the changes below, the group has consistently applied accounting policies to all periods.

The Group has adopted Ind AS 116 'Leases' with the date of initial application being April 1, 2019. Ind AS 116 replaces Ind AS 17 – Leases and related interpretation and guidance. The standard sets out principles for recognition, measurement, presentation and disclosure of leases for both parties to a contract i.e., the lessee and the lessor.

Ind AS 116 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The Company has applied Ind AS 116 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at April 1, 2019. As a result, the comparative information has not been restated. Refer Note 36 for further details.

b. Basis of measurement

The consolidated financial statements have been prepared on a historical cost convention and on an accrual basis, except for certain financial instruments which are measured at fair value at end of the each reporting period, as explained in the accounting policies below.

c. Use of judgement, estimates and assumptions

The preparation of the Consolidated financial statements in conformity with Ind AS requires the management to make judgements, estimates and assumptions considered in the reported amounts of assets and liabilities and disclosure relating to contingent liabilities as at the date of Consolidated financial statement and the reported amounts of income and expenditure during the reported year. Estimates and underlying assumptions are reviewed on a periodic basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the Consolidated financial statements is included in the following notes:

i) Income taxes

The Group's major tax jurisdictions is India. Significant judgments are involved in determining the provision for income taxes, including amount expected to be paid/recovered for uncertain tax positions. In assessing the realizability of deferred income tax assets, management considers whether some portion or all of the deferred income tax assets will not be realized. The realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the scheduled reversals of deferred income tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based on the level of historical taxable income and projections for future taxable income over the periods in which the deferred income tax assets are deductible, management believes that the company will realize the benefits of those deductible differences. The amount of the deferred income tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry forward period are reduced.

ii) Liability towards acquisition of businesses

The Contingent consideration representing liability towards acquisition of business is reassessed at every reporting date. Any increase or decrease in the probability of achievement of financial targets would impact the measurement of the liability. Appropriate changes in estimates are made when the Management becomes aware of the circumstances surrounding such estimates.

iii) Impairment testing

Investments in goodwill and intangible assets are tested for impairment annually and when events occur or changes in circumstances indicate that the recoverable amount of the asset or cash generating units to which these pertain is less than its carrying value. The recoverable amount of cash generating units is higher of value-in-use and fair value less cost to dispose. The calculation of value in use of a cash generating unit involves use of significant estimates and assumptions which includes turnover and earnings multiples, growth rates and net margins used to calculate projected future cash flows, risk-adjusted discount rate, future economic and market conditions.

iv) Depreciation and amortisation

Depreciation and amortisation is based on management estimates of the future useful lives of certain class of property, plant and equipment and intangible assets. Estimates may change due to technological developments, competition, changes in market conditions and other factors and may result in changes in the estimated useful life and in the depreciation and amortisation charges.

v) Other estimates

The preparation of Consolidated financial statements involves estimates and assumptions that affect the reported amount of assets, liabilities, disclosure of contingent liabilities at the date of Consolidated financial statements and the reported amount of revenues and expenses for the reporting period. Specifically, the Company estimates the probability of collection of accounts receivable by analyzing historical payment patterns, customer concentrations, customer credit worthiness and current economic trends. If the financial condition of a customer deteriorates, additional allowances may be required.

The stock compensation expense is determined based on the Company's estimate of equity instruments that will eventually vest.

Fair valuation of derivative hedging instruments designated as cash flow hedges involves significant estimates relating to the occurrence of forecast transaction.

vi) Estimation of uncertainties relating to the global health pandemic COVID-19:

The management has considered the possible effects, if any, that may result from the pandemic relating to Covid 19 on the carrying amounts of receivables, goodwill and intangible assets. In making the assumptions and estimates relating to the uncertainties as at the Balance sheet date in relation to recoverable amounts of these assets, the management has considered the global economic conditions prevailing at the date of approval of these financial statements and has used internal and external sources of Information to the extent determined by it. The actual outcome of these assumptions and estimates may vary in the future due to the impact of the pandemic.

2.2 BASIS OF CONSOLIDATION

Sonata consolidates entities which it owns or controls. The consolidated financial statements comprise the financial statements of the Company, its controlled trusts and its group companies. Control exists when the parent has power over the entity, is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns by using its power over the entity. Power is demonstrated through existing rights that give the ability to direct relevant activities, those which significantly affect the entity's returns. Subsidiaries are consolidated from the date control commences until the date control ceases.

The financial statements of the Group Companies are consolidated on a line-by-line basis and intra group balances and transactions including unrealized gain/loss from such transactions are eliminated upon consolidation. These Consolidated financial statements are prepared by applying uniform accounting policies in use at the Group. On controlling interests which represent part of the net profit or loss and net assets of subsidiaries that are not, directly or indirectly, owned or controlled by the Company, are excluded.

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 March 31, 2020	% of ownership held as on March 31, 2019
Sonata Information Technology Limited	India	100%	100%
Sonata Software Solutions Limited (Refer Note ii below)	India	100%	100%
Sonata Software North America Inc. (Refer Note iii below)	USA	100%	100%
Sonata Europe Limited	UK	100%	100%
Sonata Software GmbH	Germany	100%	100%

Name of the Entity	Country of Incorporation	% of ownership held as on March 31, 2020	% of ownership held as on March 31, 2019
Sonata Software FZ LLC	UAE	100%	100%
Sonata Software (Qatar) LLC	Qatar	49%	49%
Interactive Business Information Systems Inc.	USA	100%	100%
Scalable Data Systems Pty Ltd	Australia	100%	100%
Sopris Systems LLC	USA	100%	100%

Notes:

i) 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.

ii) Sonata Software Solutions Limited, a wholly- owned subsidiary was incorporated on February 24, 2020.

iii) Rezopia Inc. and Halosys Technologies Inc. merged with Sonata Software North America (SSNA) w.e.f June 14, 2019.

iv) Sonata Europe Limited on March 4, 2020 has signed definitive agreements for acquisition of GAPbuster Ltd. Please refer note 37 for details.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Functional and presentation currency

Items included in the Consolidated financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (i.e. the "functional currency"). The financial statements are presented in Indian Rupee, the national currency of India, which is the functional currency of the Company. The functional currency of its branches and subsidiaries is as per its respective domicile currency.

b. Property, plant and equipment

Property, plant and equipment are measured at cost or its deemed cost less accumulated depreciation and impairment losses, if any. Cost includes expenditures directly attributable to the acquisition of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Subsequent expenditure relating to property, plant and equipment is capitalized only when it is probable that future economic benefits associated with these will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance costs are recognized in the statement of profit and loss when incurred.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the Statement of Profit and Loss.

c. Capital work-in-progress

Amounts paid towards the acquisition of property, plant and equipment outstanding as of each reporting date and the cost of property, plant and equipment not ready for intended use before such date are disclosed under capital advances and capital work- in-progress respectively.

d. Depreciation/ Amortisation

Depreciable amount for assets is the cost of asset less its estimated residual value.

Depreciation has been provided on buildings and plant and equipments on the straight line method and on furniture and fixtures, vehicles and office equipments on the written down method, as per the useful life prescribed in Schedule II of the Companies Act, 2013.

Leasehold land and leasehold improvements are amortized over primary lease period.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate. The Company assesses at each Balance Sheet date whether there is objective evidence that a asset or a group of assets is impaired. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

e. Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment. Intangible assets are amortized over their respective estimated useful lives on a straightline basis, from the date that they are available for use. The estimated useful life of an identifiable intangible asset is based on a number of factors including the effects of obsolescence, demand, competition and other economic factors (such as the stability of the industry and known technological advances) and the level of maintenance expenditures required to obtain the expected future cash flows from the asset.

The estimated useful lives of intangible assets for the current and comparative period are as follows:

Category	Useful Life
Computer Software	3 years
Internally generated software	2 years
Intellectual property acquired through business combinations	5 years
Non Compete	4 years
Vendor relation	7 years
Customer Relation	7 years

f. **Financial Instruments**

All financial instruments are recognised initially at fair value. Transaction costs that are attributable to the acquisition of the financial asset (other than financial assets recorded at fair value through profit or loss) are included in the fair value of the financial assets. Purchase or sale of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trade) are recognised on trade date. While, loans and borrowings and payables are recognised net of directly attributable transaction costs.

For the purpose of subsequent measurement, financial instruments of the Group are classified in the following categories: non-derivative financial assets comprising amortised cost, debt instruments at fair value through other comprehensive income (FVTOCI), equity instruments at FVTOCI or fair value through profit and loss account (FVTPL), non derivative financial liabilities at amortised cost or FVTPL and derivative financial instruments (under the category of financial assets or financial liabilities) at FVTPL.

The classification of financial instruments depends on the objective of the business model for which it is held. Management determines the classification of its financial instruments at initial recognition.

Non-derivative financial assets

i. **Financial assets at amortised cost**

A financial asset shall be measured at amortised cost if both of the following conditions are met:

(a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

They are presented as current assets, except for those maturing later than 12 months after the reporting date which are presented as non-current assets. Financial assets are measured initially at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest rate method, less any impairment loss.

Financial assets at amortised cost are represented by trade receivables, security deposits, cash and cash equivalents, employee and other advances and eligible current and non-current assets.

Cash and cash equivalents comprise cash on hand and in banks and demand deposits with banks which can be withdrawn at any time without prior notice or penalty on the principal.

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand, in banks and demand deposits with banks, net of outstanding bank overdrafts that are repayable on demand, book overdraft and are considered part of the Company's cash management system.

ii. **Financial Assets at Fair Value through Other Comprehensive Income (FVTOCI)**

For assets, if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and where the company has exercised the option to classify the equity investment as at FVTOCI, all fair value changes on the investment are recognised in OCI. The accumulated gains or losses on such investments are not recycled to the Statement of Profit and Loss even on sale of such investment.

iii. **Financial assets at Fair Value through Profit and loss (FVTPL) -**

Financial assets which is not classified in any of the above category is measured at FVTPL. These include surplus funds invested in mutual funds etc.

Financial assets included within the FVTPL category are measured at fair values with all changes recorded in the statement of profit and loss.

Non-derivative financial liabilities

Financial liabilities at amortised cost

Financial liabilities at amortised cost represented by borrowings, trade and other payables are initially recognized at fair value, and subsequently carried at amortized cost using the effective interest rate method. For trade and other payable maturing within one year from the Balance Sheet date, the carrying value approximates fair value due to short maturity.

Financial liabilities at FVTPL

Financial liabilities at FVTPL represented by contingent consideration are measured at fair value with all changes recognised in the statement of profit and loss.

Derivative financial instruments and hedging activities

A derivative is a financial instrument which changes value in response to changes in an underlying asset and is settled at a future date. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group enters into derivative contracts to hedge the risks asserted with currency fluctuations relating to firm commitments and highly probable transactions. The Group does not use derivative instruments for speculative purposes.

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an on-going basis, of whether the derivatives that are used in hedging transactions are effective in offsetting changes in cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in Other Comprehensive Income. The ineffective portion of changes in the fair value of the derivative is recognised in the Consolidated Statement of Profit and Loss.

Amounts accumulated in hedging reserve are reclassified to the Consolidated Statement of Profit and Loss in the periods when the hedged item affects the Consolidated Statement of Profit and Loss.

The full fair value of a hedging derivative is classified as a current/ non-current, asset or liability based on the remaining maturity of the hedged item.

When a hedging instrument expires, swapped or unwound, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in Consolidated Statement of Changes in Equity is recognised in the Consolidated Statement of Profit and Loss.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Consolidated Balance Sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Fair value measurement

The Group classifies the fair value of its financial instruments in the following hierarchy, based on the inputs used in their valuation:

i) Level 1 - The fair value of financial instruments quoted in active markets is based on their quoted closing price at the Balance Sheet date.

ii) Level 2 - The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques using observable market data. Such valuation techniques include discounted cash flows, standard valuation models based on market parameters for interest rates, yield curves or foreign exchange rates, dealer quotes for similar instruments and use of comparable arm's length transactions.

iii) Level 3 - The fair value of financial instruments that are measured on the basis of entity specific valuations using inputs that are not based on observable market data (unobservable inputs). When the fair value of unquoted instruments cannot be measured with sufficient reliability, the Company carries such instruments at cost less impairment, if applicable.

g. Employee Benefits

The Group participates in various employee benefit plans. Post-employment benefits are classified as either defined contribution plans or defined benefit plans. Under a defined contribution plan, the Group's only obligation is to pay a fixed amount with no obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits. The related actuarial and investment risks fall on the employee. The expenditure for defined contribution plans is recognized as expense during the period when the employee provides service. Under a defined benefit plan, it is the Group's obligation to provide agreed benefits to the employees. The related actuarial and investment risks fall on the Group. The present value of the defined benefit obligations is calculated using the projected unit credit method.

Provident Fund: Employees receive benefits from a provident fund, which is a defined benefit plan. The employer and employees each make periodic contributions to the plan. A portion of the contribution is made to the approved provident fund trust managed by the Trustees of Sonata Software Limited Provident Fund while the remainder of the contribution is made to the government administered pension fund. The rate at which the annual interest is payable to the beneficiaries by the trust is being administered by the Government. The Group has an obligation to make good the shortfall, if any, between the return from the investments of the Trust and the notified interest rate.

Gratuity: The Group provides for Gratuity, a defined benefit plan covering the eligible employees. The Gratuity plan provides a lump-sum payment to vested employees at retirement, death or termination of employment, of an amount based on the respective employee's salary and tenure of the employment with the Group.

Liabilities with regard to the Gratuity plan are determined by actuarial valuation , performed by an independent actuary, at each Balance Sheet date using projected unit method. The Group fully contributes all ascertained liabilities to the trust managed by the Trustees of Sonata Software Limited Gratuity Fund. The Trustees administers the contributions made to the Trust. The fund's investments are managed by certain insurance companies as per the mandate provided to them by the trustees and the asset allocation is within the permissible limits prescribed in the insurance regulations.

The Group recognizes the net obligation of a defined benefit plan in its Balance Sheet as an asset or liability. Gains and losses through re-measurements of the net defined benefit liability/(asset) are recognized in other comprehensive income and are not reclassified to profit or loss in subsequent periods. The actual return of the portfolio of plan assets, in excess of the yields computed by applying the discount rate used to measure the defined benefit obligation is recognized in other comprehensive income. The effect of any plan amendments are recognized in net profit in the Consolidated statement of Profit and Loss.

Superannuation Fund: Certain employees of the Group are participants in a defined contribution plan of superannuation. The Group has no further obligations to the plan beyond its monthly contributions which are periodically contributed to the Sonata Software Limited Superannuation Fund , the corpus of which is invested with the Life Insurance Company.

- **Short-term employee benefits**

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service.

The cost of short-term compensated absences is accounted as under :

(a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and

(b) in case of non-accumulating compensated absences, when the absences occur.

Long-term employee benefits

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related service are recognised as a liability at the present value of the defined benefit obligation as at the Balance Sheet date less the fair value of the plan assets out of which the obligations are expected to be settled.

h. Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset, if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions for onerous contracts are recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. Provisions for onerous contracts are measured at the present value of lower of the expected net cost of fulfilling the contract and the expected cost of terminating the contract.

i. Income Taxes

Income tax comprises current and deferred tax. Income tax expense is recognized in the Consolidated Statement of Profit and Loss except to the extent it relates to items directly recognized in equity or in other comprehensive income.

a) Current income tax - Current income tax liability/ (asset) for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the taxable income for the year. The tax rates and tax laws used to compute the current tax amount are those that are enacted or substantively enacted by the reporting date and applicable for the year. The Group off sets current tax assets and current tax liabilities, where it has a legally enforceable right to set off the recognized amounts and where it intends either to settle on a net basis or to realize the asset and liability simultaneously.

b) Deferred tax - Deferred income tax is recognized using the Balance Sheet approach. Deferred income tax assets and liabilities are recognized for deductible and taxable temporary differences arising between the tax base of assets and liabilities and their carrying amount in financial statements, except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profits or loss at the time of the transaction.

Deferred income tax asset is recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized. Deferred income tax liabilities are recognized for all taxable temporary differences.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

j. Leases

The Group's lease asset classes primarily consist of leases for land and buildings. The Company, at the inception of a contract, assesses whether the contract is a lease or not lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a time in exchange for a consideration. This policy has been applied to contracts existing and entered into on or after April 1, 2019.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets (assets of less than ₹ 500,000 in value). The Company recognises the lease payments associated with these leases as an expense over the lease term.

In the comparative period, leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. When acquired, such assets are capitalized at fair value or present value of the minimum lease payments at the inception of the lease, whichever is lower. Lease payments and receipts under operating leases are recognised as an expense and income respectively, on a straight line basis in the statement of profit and loss over the lease term except where the lease payments are structured to increase in line with expected general inflation.

k. Cash flow Statement:

Cash flows are reported using the indirect method, whereby profit for the period is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipt or payments and item of income or expense associated with investing or financing cash-flows. The cash flow from operating, investing and financing activities of the Group are segregated.

l. Revenue Recognition

The Group derives revenue primarily from Information Technology Services and Solutions. The Group recognizes revenue when it transfers control over a product or a service to a customer. The method for recognizing revenues and costs depends on the nature of the services rendered.

a) Time and materials contracts

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

b) Fixed-price contracts

Revenues from fixed-price contracts are recognized using the "percentage-of-completion" method. Percentage of completion is determined based on project costs incurred to date as a percentage of total estimated project costs required to complete the project. The cost expended (or input) method has been used to measure progress towards completion as there is a direct relationship between input and productivity.

If the Group does not have a sufficient basis to measure the progress of completion or to estimate the total contract revenues and costs, revenue is recognized only to the extent of contract cost incurred for which recoverability is probable.

When total cost estimates exceed revenues in an arrangement, the estimated losses are recognized in the Consolidated statement of profit and loss in the period in which such losses become probable based on the current contract estimates.

c) Hardware/software products and licenses

Revenues from sale of product and licenses are recognised when customer obtains control of the specified asset. In case of customization the same is 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.

When another party is involved in providing goods or services to the customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the entity is a principal) or to arrange for those goods or services to be provided by the other party (ie the entity is an agent). The Group determines whether it is a principal or an agent for each specified good or service promised to the customer. A specified good or service is a distinct good or service (or a distinct bundle of goods or services) to be provided to the customer. Group recognises revenue in the gross amount of consideration to which it expects to be entitled in exchange for the specified good or service transferred. Group recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

d) Maintenance Contracts

Revenue from maintenance contracts is recognized ratably over the period of the contract using the "percentage-of-completion" method. When services are performed through an indefinite number of repetitive acts over a specified period of time, revenue is recognized on a straight line basis over the specified period or under some other method that better represents the stage of completion.

'Unbilled revenues' represent cost and earnings in excess of billings as at the end of the reporting period.

'Unearned revenues' represent billing in excess of revenue recognized. Advance payments received from customers for which no services are rendered are presented as 'Advance from customers'.

Revenues are reported net of GST and applicable discounts and allowances.

m. Dividend and dividend distribution tax:

Final dividends on shares are recorded as a liability on the date of approval by the shareholders and interim dividends are recorded as a liability on the date of declaration by the Company's Board of Directors. The Company declares and pays dividends in Indian rupees and are subject to applicable distribution taxes. The applicable distribution taxes are treated as an appropriation of profits.

n. Foreign Currency transactions and translations

Transactions in foreign currency are translated into the respective functional currencies using the exchange rates prevailing at the dates of the respective transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the exchange rates prevailing at reporting date of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of profit and loss and reported within foreign exchange gains/ (losses).

Non-monetary assets and liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

For the purposes of presenting the consolidated financial statements assets and liabilities of Group's foreign operations with functional currency different from the Company are translated into Company's functional currency i.e. INR using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used.

Exchange differences arising, if any are recognised in other comprehensive income and accumulated in equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rate in effect at the balance sheet date.

Foreign currency gains and losses are reported on a net basis. This includes changes in the fair value of foreign exchange derivative instruments, which are accounted at fair value through profit or loss.

o. Finance Income and expense

Finance income consists of interest income on funds invested, dividend income and fair value gains on the FVTPL financial assets. Interest income is recognized as it accrues in the statement of profit and loss, using the effective interest method.

Dividend income is recognized in the Consolidated statement of profit and loss on the date that the Group's right to receive payment is established.

Finance expenses consist of interest expense on loans and borrowings. Borrowing costs are recognized in the Consolidated Statement of Profit and Loss using the effective interest method.

p. Share based payments

Employees of the Group receive remuneration in the form of cash and equity settled instruments, for rendering services over a defined vesting period. Equity instruments granted are measured by reference to the fair value of the instrument at the date of grant. The equity instruments are granted by the Employee Welfare Trust.

The expense is recognized in the Consolidated Statement of Profit and Loss with a corresponding increase to the share based payment reserve, a component of equity.

The equity instruments generally vest in a graded manner over the vesting period. The fair value determined at the grant date is expensed over the vesting period of the respective tranches of such grants (accelerated amortization).

The fair value of the amount payable to the employees in respect of Stock Appreciation Rights (SAR), which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the SAR plan. Any changes in the liability are recognized in Consolidated Statement of Profit and Loss.

q. **Impairment**

a) **Financial assets**

In accordance with Ind AS 109, the Group applies Expected Credit Loss (ECL) model for measurement and recognition of impairment loss.

The Group assesses at each Balance Sheet date whether a financial asset or a group of financial assets is impaired. The Group follows 'simplified approach' for recognition of impairment loss allowance on trade receivable and unbilled revenue. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognizes impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition. The Group recognizes lifetime expected credit losses for all trade receivables and/or other contract assets that do not constitute a financing transaction. For all other financial assets, expected credit losses are measured at an amount equal to the 12 month expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.

ECL allowance (or reversal) is recognised as income / expense in the Consolidated Statement of Profit and Loss.

b) **Non-financial assets**

The Group assesses at each reporting date whether there is any objective evidence that a non financial asset or a group of non financial assets is impaired. If any such indication exists, the Company estimates the amount of impairment loss.

An impairment loss is calculated as the difference between an asset's carrying amount and recoverable amount. Losses are recognised in profit or loss and reflected in an allowance account. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

The recoverable amount of an asset or cash-generating unit (as defined below) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

r. **Business combination, Goodwill and Intangible assets**

Business combinations other than through common control transactions are accounted for using the purchase (acquisition) method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The cost of acquisition also includes the fair value of any contingent consideration. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value on the date of acquisition.

Business combinations through common control transactions are accounted on a pooling of interests method.

Transaction costs incurred in connection with a business combination are expensed as incurred.

i) **Goodwill**

The excess of the cost of acquisition over the Company's share in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities is recognized as goodwill. If the excess is negative, it is considered as a bargain purchase gain and included under capital reserve.

ii) **Intangible assets**

Ind AS 103 requires the identifiable intangible assets and contingent consideration to be fair valued in order to ascertain the net fair value of identifiable assets, liabilities and contingent liabilities of the acquiree. Significant estimates are required to be made in determining the value of contingent consideration and intangible assets. These valuations are conducted by independent valuation experts.

s. **Earnings per share**

Basic earnings per equity share is computed by dividing the net profit attributable to the equity holders of the Company by the weighted average number of equity shares outstanding during the period.

Diluted earnings per equity share is computed by dividing the net profit attributable to the equity holders of the Company by the weighted average number of equity shares considered for deriving basic earnings per equity share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares. The dilutive potential equity shares are adjusted for the proceeds receivable had the equity shares been actually issued at fair value(i.e. the average market value of the outstanding equity shares). Dilutive potential equity shares are deemed converted as at the beginning of the period, unless issued at a later date. Dilutive potential equity shares are determined independently for each period presented.

t. **Contingent Liabilities**

Contingent liabilities exist when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or nonoccurrence of one or more uncertain future events not wholly within the control of the Group, or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required or the amount cannot be reliably estimated. Contingent liabilities are appropriately disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

u. Contingent Assets

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. The Group does not recognize a contingent asset.

v. Events after the reporting period

Adjusting events are events that provide further evidence of conditions that existed at the end of the reporting period. The financial statements are adjusted for such events before authorisation for issue.

Non-adjusting events are events that are indicative of conditions that arose after the end of the reporting period. Non-adjusting events after the reporting date are not accounted, but disclosed.

Notes forming part of financial statements

3. Property, Plant and Equipment

₹ in Lakhs

	Tangible Assets							
	Lease hold Land	Buildings	Office equipments	Leasehold improvements	Furniture and fixtures	Plant and equipments	Vehicles	Total
Gross carrying value (Deemed cost)								
As at April 1, 2018	276	115	387	1,084	439	1,363	204	3,868
Acquisitions through business combinations	-	-	65	-	116	106	-	287
Additions	-	-	94	88	24	483	-	689
Disposals	-	-	(23)	-	(30)	(130)	(29)	(212)
Translation adjustment	-	-	12	11	6	52	-	81
As at March 31, 2019	**276**	**115**	**535**	**1,183**	**555**	**1,874**	**175**	**4,713**
As at April 1, 2019	276	115	535	1,183	555	1,874	175	4,713
Additions	-	-	54	80	19	760	-	913
Disposals	-	-	-	-	(3)	(152)	(6)	(161)
Translation adjustment	-	-	11	64	21	107	-	203
Reclassified on account of adoption of Ind AS 116 (Refer note 36)	(276)	-	-	-	-	-	-	(276)
As at March 31, 2020	**-**	**115**	**600**	**1,327**	**592**	**2,589**	**169**	**5,392**
Accumulated Depreciation								
As at April 1, 2018	21	4	196	541	185	572	34	1,553
Acquisitions through business combinations	-	-	65	-	115	99	-	279
Depreciation for the year	13	3	86	198	71	398	47	816
Depreciation on disposals	-	-	(23)	-	(30)	(115)	(7)	(175)
Translation adjustments	-	-	7	2	4	24	-	37
As at March 31, 2019	**34**	**7**	**331**	**741**	**345**	**978**	**74**	**2,510**
As at April 1, 2019	34	7	331	741	345	978	74	2,510
Depreciation for the year	-	3	78	141	49	475	31	777
Depreciation on disposals	-	-	-	-	(3)	(149)	(6)	(158)
Translation adjustments	-	-	10	45	24	88	-	167
Reclassified on account of adoption of Ind AS 116 (Refer note 36)	(34)	-	-	-	-	-	-	(34)
As at March 31, 2020	**-**	**10**	**419**	**927**	**415**	**1,392**	**99**	**3,262**
Net carrying value								
As at March 31, 2019	**242**	**108**	**204**	**442**	**210**	**896**	**101**	**2,203**
As at March 31, 2020	**-**	**105**	**181**	**400**	**177**	**1,197**	**70**	**2,130**

4. Goodwill

(i) Reconciliation of the carrying amount of goodwill at the beginning and end of the reporting period:

₹ in Lakhs

	As at March 31, 2020	As at March 31, 2019
Cost or deemed cost	15,578	14,519
Accumulated impairment losses	-	-
Total	**15,578**	**14,519**

Cost or deemed cost ₹ in Lakhs

	As at March 31, 2020	As at March 31, 2019
Balance at beginning of year	14,519	8,067
Additional amounts recognised from business combinations occurring during the year	-	6,091
Effect of foreign currency exchange differences	1,059	361
Balance at end of year	**15,578**	**14,519**

(ii) Allocation of goodwill to cash generating units:

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to cash generating units (CGU), to be benefited through the synergies of the acquisition. On each reporting date, the company reviews the goodwill for any impairment, which is represented through CGU's.

Goodwill has been allocated for impairment testing purposes to the following cash-generating units:

Cash generating units ₹ in Lakhs

	As at March 31, 2020	As at March 31, 2019
Xyka	282	282
Rezopia Inc.	912	834
Halosys Technologies Inc.	2,323	2,123
Interective Business Information Systems Inc.	5,817	5,316
Scalable Data System Pty Ltd.	1,706	1,816
Sopris Systems, LLC	4,538	4,148
Total	**15,578**	**14,519**

At the end of each reporting period presented, the recoverable amount of a CGU is higher of its fair value less cost to sell and its value-in-use. The fair value of a CGU is determined based on the net fair value of the identifiable assets, liabilities and contingent liabilities. The value in use is determined based on the specific calculations. These calculations are based on net present value of cash flow projections over a period of six years discounted at the rate of 18% (FY 2018-19 - 12%) which is arrived after consulting the valuation experts. The Company has considered flat growth rate for FY 2020-21 and steady growth rate of 15% YOY from FY 2021-22 onwards (FY 2018-19 - 15% YOY growth). EBITDA margins considered in the projections are based on international services and it is considered at 22% (FY 2018-19 - 25%) based on financial budgets approved by management.

As at the end of each financial years presented, the estimated recoverable amount of the CGU exceeded its carrying amount, hence impairment is not required.

5. Other intangible assets

₹ in Lakhs

	Computer software - purchased	Internally generated software	Intellectual Property	Non Compete	Vendor relation	Customer Relation	Contracts in Progress	Total of Intangible Assets
Gross carrying value (Deemed cost)								
As at April 1, 2018	7	450	163	26	1,075	64	-	1,785
Acquisitions through business combinations	-	-	489	-	-	1,503	705	2,697
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Translation adjustment	(4)	30	3	-	6	8	4	47
As at March 31, 2019	**3**	**480**	**655**	**26**	**1,081**	**1,575**	**709**	**4,529**
As at April 1, 2019	3	480	655	26	1,081	1,575	709	4,529
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Translation adjustment	-	-	-	-	-	-	-	-
Reclassified on account of adoption of Ind AS 116 (Refer note 36)	-	-	-	-	-	-	-	-
As at March 31, 2020	**3**	**480**	**655**	**26**	**1,081**	**1,575**	**709**	**4,529**
Accumulated Depreciation								
As at April 1, 2018	7	345	70	15	322	17	-	776
Acquisitions through business combinations	-	-	-	-	-	-	-	-
Amortization for the year	-	99	53	8	171	51	76	458
Amortization on disposals	-	-	-	-	-	-	-	-

₹ in Lakhs

	Computer software - purchased	Internally generated software	Intellectual Property	Non Compete	Vendor relation	Customer Relation	Contracts in Progress	Total of Intangible Assets
Translation adjustments	(4)	29	9	1	38	2	-	75
As at March 31, 2019	**3**	**473**	**132**	**24**	**531**	**70**	**76**	**1,309**
Accumulated Depreciation								
As at April 1, 2018	7	345	70	15	322	17	-	776
Acquisitions through business combinations	-	-	-	-	-	-	-	-
Amortization for the year	-	99	53	8	171	51	76	458
Amortization on disposals	-	-	-	-	-	-	-	-
Translation adjustments	(4)	29	9	1	38	2	-	75
As at March 31, 2019	**3**	**473**	**132**	**24**	**531**	**70**	**76**	**1,309**
As at April 1, 2019	3	473	132	24	531	70	76	1,309
Amortization for the year	-	7	91	2	177	274	405	956
Amortization on disposals	-	-	-	-	-	-	-	-
Translation adjustments	-	-	(10)	(3)	(21)	(31)	(48)	(113)
Reclassified on account of adoption of Ind AS 116 (Refer note 36)	-	-	-	-	-	-	-	-
As at March 31, 2020	3	480	213	23	687	313	433	2,152
Net carrying value								
As at March 31, 2019	**-**	**7**	**523**	**2**	**550**	**1,505**	**633**	**3,220**
As at March 31, 2020	**-**	**-**	**442**	**3**	**394**	**1,262**	**276**	**2,377**

6.1. Investments

₹ in Lakhs

	As at March 31, 2020	As at March 31, 2019
Non-Trade, Long-term		
In Foreign Holdings		
Equity instruments carried at fair value (Quoted) through profit & loss		
138 shares of US $ 0.01 per share of Principal Financial Group Inc.,	3	5
(As at March 31, 2019 : 138 Shares of US $ 0.01 per share)		
Equity instruments carried at fair value (Unquoted) through OCI		
223 Equity shares of DKK 1,000 on a value of DKK 2,733 per share in IZARA Aps.,	-	63
(As at March 31, 2019 : 223 shares of DKK 2,733 per share)		
Investment in simple for future equity - Retail 10X, Inc.	605	553
Investment in SemiCab, Inc.	265	-
Total	**873**	**621**
Aggregate amount of quoted investments	3	5
Market value of quoted investment	3	5
Aggregate carrying amount of unquoted investments	870	616
Investments carried at fair value through other comprehensive income	870	616
Investments carried at fair value through profit & loss	3	5

6.2. Other financial assets

₹ in Lakhs

	As at March 31, 2020	As at March 31, 2019
Security deposits	1,588	1,563
Balance held as margin money or security against borrowings	2,067	349
Total	**3,655**	**1,912**

7. Other non-current assets

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Unsecured, considered good unless otherwise stated		
Capital advances	-	1
Lease pre-payments (Refer note 36)	-	60
Other deposits	147	170
Prepaid expenses	89	9
Advance tax	5,425	3,927
Balances with government authorities		
Receivable from Customs authority	219	219
Receivable from GST authority	1	1
	220	**220**
Other recoverables		
Considered good	25	25
Considered doubtful	125	125
	150	150
Less : Allowance for doubtful recoverable	125	125
	25	25
Total	**5,906**	**4,412**

8.1. Investments

	As at March 31, 2020		As at March 31, 2019	
	No. of units	₹ in Lakhs	No. of units	₹ in Lakhs
Non-trade				
Investments in mutual funds (Quoted)				
Aditya Birla Sunlife Money Manager Fund - Growth Regular *	-	-	541,322	1,356
Aditya Birla Sunlife Liquid Fund - Growth Direct	-	-	369,957	1,111
Aditya Birla Sun Life Cash Plus - DDR	-	-	350,997	1,055
ICICI Prudential short term Fund - Growth *	1,137,375	480	1,137,375	439
ICICI Prudential Liquid Fund -Direct Plan Growth	-	-	581,435	1,607
ICICI Prudential Liquid Fund - Growth *	-	-	451,552	1,243
Tata Money Market Fund Plan A - DDR - Direct	-	-	119,880	3,530
DSP BlackRock Liquidity Fund - Direct Plan - DDR	-	-	137,455	3,674
Total		**480**		**14,015**
(* As at March 31, 2019 - The investments were on lien for guarantee given against loan borrowed by Sonata Software North America Inc. During the year 2019-20, the investments were released from lien on repayment of the loan)				
Aggregate amount of quoted investments		480		14,015
Market value of quoted investment		480		14,015
Investments carried at fair value though profit or loss		480		14,015

8.2. Trade receivables

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Unsecured		
Considered good	70,000	81,111
Considered doubtful	1,785	1,354
	71,785	82,465
Less : Allowances for credit losses	1,785	1,354
Total	**70,000**	**81,111**

Movement in expected credit loss allowance

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Balance at the beginning of the year	1,354	1,023
Movement in allowances for credit losses on trade receivables (including expected credit loss allowance on trade receivables calculated at lifetime expected credit loss)	431	331
Provision at the end of the year	1,785	1,354

8.3. Cash and cash equivalents

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Cash on hand	1	1
Balances with banks		
In current accounts	6,366	6,295
In EEFC accounts	8,979	304
In demand deposit accounts	21,874	10,832
Total	**37,220**	**17,432**

8.4. Bank balances other than above

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
In fixed deposit accounts	1,418	1,060
In earmarked accounts		
Balance held as margin money or security against borrowings	631	1,101
Unpaid dividend account	375	328
Total	**2,424**	**2,489**

8.5. Other financial assets

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Unsecured, considered good		
Security deposits	244	92
Interest accrued but not due on fixed deposits/margin money	4	21
Unbilled revenue	4,078	4,466
Fair value of forward contracts (Refer note 27)	-	2,275
Total	**4,326**	**6,854**

9. Other current assets

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Other deposits	197	146
Loans and advances to employees	174	111
Prepaid expenses	560	549
Balances with government authorities		
Receivable from service tax authority	40	71
VAT credit receivable	169	139
GST credit receivable	1,039	379
Other recoverables	2,330	1,380
Total	**4,509**	**2,775**

10. Equity share capital

(₹ in lakhs)

	As at March 31, 2020	As at March 31, 2019
Authorized		
150,000,000 equity shares of face value ₹ 1/- each	**1,500**	**1,500**
(As at March 31, 2019 : 150,000,000 equity shares of face value ₹ 1/- each)		
Issued		
105,159,306 equity shares of face value ₹ 1/- each fully paid-up	**1,052**	**1,052**
(As at March 31, 2019 : 105,159,306 equity shares of face value ₹ 1/- each)		
Subscribed and paid-up		
103,908,181 equity shares of face value ₹ 1/- each fully paid-up	1,039	1,039
(As at March 31, 2019 - 103,859,431 equity shares of face value ₹ 1/- each)		
Out of issued capital, 1,251,125 (As at March 31, 2019 - 1,299,875) shares are held by Sonata Software Limited Employee Welfare Trust		
1,251,125 equity shares held by trust of face value ₹ 1/- each	13	13
(As at March 31, 2019 : 1,299,875 equity shares of face value ₹ 1/- each)		
Total	**1,052**	**1,052**

Refer notes (i) to (v) below

(₹ in Lakhs)

Notes :

		As at March 31, 2020	As at March 31, 2019
i)	**Reconciliation of number of shares and amount outstanding at the beginning and at the end of the reporting year**		
	Equity shares with voting rights		
	Number of shares outstanding at the beginning of the year	103,859,431	103,779,431
	Add: Share issued on exercise of employee stock options	48,750	80,000
		103,908,181	103,859,431
	Add: Number of shares held by Sonata Software Limited Employee Welfare Trust (Shares issued for consideration other than cash)	1,251,125	1,299,875
	Number of shares outstanding at the end of the year	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, other than shares issued to Sonata Employee Stock Option Trust, is entitled to 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 2013, 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

	As at March 31, 2020		As at March 31, 2019	
	No. of shares	% of holding	No. of shares	% of holding
Hemendra M Kothari	10,660,026	10	10,660,026	10
Akshay Rajan Raheja	8,250,000	8	8,250,000	8
Viren Rajan Raheja	8,250,000	8	8,250,000	8
Suman R Raheja	6,900,000	7	6,900,000	7
HDFC Trustee Company Limited - A/C HDFC Multi-Asset Fund	9,726,600	9	7,963,557	8

			₹ in Lakhs		₹ in Lakhs
(iv)	1,251,125 equity shares held by trust of face value ₹ 1/- each (As at March 31, 2019 : 1,299,875 equity shares of face value ₹ 1/- each)		13		13

(v) During the year ended March 31, 2020 on account of final dividend for fiscal year 2019, the Company has incurred a net cash outflow of ₹ 35,458 lakhs inclusive of dividend distribution tax.

11. Other equity

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Securities premium reserve	**4,493**	**4,493**
Amount received on issue of shares in excess of the par value has been classified as security premium, net of utilisation.		
Capital redemption reserve	**2,787**	**2,787**
A statutory reserve created to the extent of sum equal to the nominal value of the share capital extinguished on buyback of company's own share pursuant to section 69 of the Company Act 2013.		
General reserve	**8,742**	**8,742**
This represents appropriation of profit by the company.		
Employee Stock option reserve	**284**	**225**
This represents value of equity-settled share based payment transaction with employees.		
Retained earnings		
Opening balance	59,013	48,820
Adjustments during the year		
Impact on account of adoption of Ind AS 116 (Refer note 36)	814	-
Adjustment on account of acquisition of subsidiary	-	(254)
Profit for the year	27,693	24,926
Less :		
Dividend paid	29,352	11,940
Tax on dividend	6,141	2,608
Set-off of tax on dividend paid by subsidiary	(35)	(69)
Closing balance	**52,062**	**59,013**
Retained earnings comprises of the amounts that can be distributed by the Company as dividends to its equity share holders.		
Other comprehensive income		
Remeasurement of the defined benefit plans		
Opening balance	(97)	(86)
For the year (net of tax)	(633)	(11)
Closing balance	**(730)**	**(97)**
Actuarial gain or (losses) on gratuity benefit are recognised in other comprehensive income.		
Effective portion of cash flow hedges		
Opening balance	1,120	(80)
Exchange difference on cash flow hedges, (net of tax)	(2,571)	1,186
Less : Transferred to Consolidated Statement of Profit and Loss	-	(14)
Closing balance	**(1,451)**	**1,120**
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income.		
Exchange difference on foreign currency translation		
Opening balance	(496)	(551)
For the year (net of tax)	237	55
Closing balance	**(259)**	**(496)**
Exchange difference relating to the translation of the result and net assets of the company's foreign operations from their functional currencies to the company's presentation currency are recognised directly in other comprehensive income and accumulated in foreign currency translation reserve.		
Total	**65,928**	**75,787**

12. Other financial liabilities

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Lease liability (Refer note 36)	8,009	-
Payable for acquisition of business - contingent consideration	2,523	3,145
Others	144	139
Total	**10,676**	**3,284**

13. Other non-current liabilities

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Lease rent equalization (Refer note 36)	-	1,066
Total	**-**	**1,066**

14.1. Borrowings

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Loans repayable on demand		
From banks - Secured	8,322	1,487
Working capital loan based on corporate guarantee given by Sonata Software Limited to Citi Bank NA US and which is repayable on demand		
From others - Unsecured	278	75
Total	**8,600**	**1,562**

14.2. Other financial liabilities

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Lease Liability (Refer note 36)	2,109	-
Interest accrued but not due on borrowings	1	7
Unpaid dividends	375	328
Payable on acquisition of Property,Plant and Equipment	60	50
Other liabilities	2	3
Fair value of forward contracts (Refer note 27)	3,053	-
Payable for acquisition of business - contingent consideration	898	-
Total	**6,498**	**388**

15. Other current liabilities

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Income received in advance (Unearned revenue)	157	970
Lease rent equalization (Refer note 36)	-	56
Gratuity payable (net) (Refer note 30)	778	22
Other payables		
Statutory remittances	3,771	2,689
Advances from customers	570	416
Other liabilities	1,557	689
Total	**6,833**	**4,842**

16. Provisions

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Provision for employee benefits		
Compensated absences	2,269	1,833
Gratuity	24	17
Total	**2,293**	**1,850**

17. Current tax liabilities (net)

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Provision for tax	3,593	4,257
Total	**3,593**	**4,257**

17. Income Tax

(₹ in Lakhs)

		For the year ended March 31, 2020	For the year ended March 31, 2019
(a)	Income tax expense in the statement of profit and loss consists of:		
	Current Tax:		
	In respect of current year	10,590	11,045
	Short provision for tax relating to prior years	13	-
	Deferred Tax:		
	In respect of current year	(347)	(984)
	Total Income tax expense recognised in the statement of profit and loss	**10,256**	**10,061**
(b)	**Income tax recognised in other Comprehensive income**		
	Deferred tax related to items recognised in other comprehensive income during the year:		
	Net loss / (gain) on measurement of defined benefit plan	(232)	(11)
	Net loss / (gain) on measurement of exchange difference	(854)	348
	Total	**(1,086)**	**337**
	The reconciliation between the provision of income tax of the Company and amounts computed by applying the Indian statutory income tax rate to profit before taxes is as follows:		
	Profit before tax	37,949	34,949
	Enacted income tax rate in India	25.17%	34.94%
	Computed expected tax expense	9,551	12,213
	Effect of:		
	Unbilled Revenue	-	(40)
	Income exempt from tax	-	(1,426)
	Expenses that are not deductible in determining taxable profit	110	175
	Items that are deductible in determining taxable profit	(45)	(30)
	Tax Provisions (reversals)	554	(350)
	Different tax rates of Subsidiaries operating in other jurisdictions	74	(480)
	Effect of Income taxable at differential rate	-	(50)
	Others	12	49
	Income tax expense recognised in the statement of profit and loss	**10,256**	**10,061**

The applicable Indian corporate statutory tax rate for the year ended March 31, 2020 and March 31, 2019 is 25.17% and 34.94% respectively.

On September 20, 2019, the Government of India, vide the Taxation Laws (Amendment) Ordinance 2019, inserted Section 115BAA in the Income Tax Act, 1961, which provides domestic companies an option to pay Corporate Tax at reduced rate effective April 01 2019, subject to certain conditions. The Company including its subsidiary incorporated in India has completed it's evaluation and has opted to pay tax at the reduced rate.

The Group is having units in Bengaluru registered as Special Economic Zone (SEZ) units, which were entitled to a tax holiday under Section 10AA of the Income Tax Act, 1961 in the previous year. Since the group has opted for paying corporate tax rate at reduced rate, tax holiday under Section 10AA of the Income Tax Act, 1961 won't be available to the group.

Dividend income from certain category of investments is exempt from tax. The difference between the reported income tax expense and income tax computed at statutory tax rate is primarily attributable to income exempt from tax.

The group is also subject to tax on income attributable to its permanent establishments in foreign jurisdictions due to operation of its foreign branches.

18. Deferred Tax

Deferred Tax assets / (liabilities) as at March 31, 2020 in relation to:

(₹ in Lakhs)

	As at April 1, 2019	Recognised in Profit & Loss	Recognised in Other Comprehensive Income	Others	As at March 31, 2020
Property, plant and equipment	579	158	-	-	737
Intangible Assets	47	(19)	-	-	28
Allowances for credit losses	156	77	-	-	233
Disallowance u/s 40(a)	515	33	-	-	548
Disallowance u/s 43B	460	150	-	-	610
Net gain or loss on fair value of Mutual Funds	(31)	(87)	-	-	(118)
Fair value through other comprehensive income	(160)	-	1,086	-	926
Impairment loss recognised on investments of PF Trust	140	(220)	-		(80)
Others*	(516)	255	-	(184)	(445)
Total	**1,190**	**347**	**1,086**	**(184)**	**2,439**

*Deferred tax assets of ₹ 308 has been reversed through retained earnings on account of adoption of Ind AS 116. Please refer Note No. 36 for details.

Deferred Tax assets / (liabilities) as at March 31, 2019 in relation to:

	As at April 1, 2018	Recognised in Profit & Loss	Recognised in Other Comprehensive Income	Others	As at March 31, 2019
Property, plant and equipment	443	136	-	-	579
Intangible Assets	28	19	-	-	47
Allowances for credit losses	131	25	-	-	156
Disallowance u/s 40(a)	296	219	-	-	515
Disallowance u/s 43B	395	65	-	-	460
Net gain or loss on fair value of Mutual Funds	(384)	353	-	-	(31)
Fair value through other comprehensive income	157	-	(337)	20	(160)
Others	178	167	-	(721)	(376)
Total	**1,244**	**984**	**(337)**	**(701)**	**1,190**

Deferred tax assets has not been recognised on accumulated long term capital loss of ₹ 4,015 and ₹ 5,292 as at March 31, 2020 and March 31, 2019 respectively as it is probable that taxable profit will not be available against which the unused tax losses can be utilised in forseable future.

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Unused tax losses (long term capital loss) which expire in:		
-AY 2020-21	-	1,277
-AY 2021-22	438	438
-AY 2022-23	2,154	2,154
-AY 2024-25	461	461
-AY 2025-26	962	962
Total	**4,015**	**5,292**

19.1. Revenue from operations

(₹ in Lakhs)

	For the year ended March 31, 2020	For the year ended March 31, 2019
Revenue from hardware/software product and licenses	255,176	188,529
Revenue from software services (Refer Note 24)	118,753	107,325
Other operating revenues	397	236
Total	**374,326**	**296,090**

19.2. Other income

(₹ in Lakhs)

	For the year ended March 31, 2020	For the year ended March 31, 2019
Interest		
from fixed deposits/margin money with banks	850	483
from unwinding of rent deposits discounted (Refer note 36)	25	19
Dividend income from current investments	-	387
Net gain on foreign currency transactions and translations	4,212	135
Net gain on investments carried at fair value through profit and loss	541	832
Other non-operating income		
Commission	-	2
Miscellaneous income	212	867
Total	**5,840**	**2,725**

20. Purchase of stock-in-trade (traded goods)

(₹ in Lakhs)

	For the year ended March 31, 2020	For the year ended March 31, 2019
Purchase of traded items	241,579	178,036
Total	**241,579**	**178,036**

21. Employee benefit expense

(₹ in Lakhs)

	For the year ended March 31, 2020	For the year ended March 31, 2019
Salaries including bonus	60,107	51,684
Contribution to provident and other funds	4,044	3,239
Share based payments to employees (Refer note 31)	177	398
Gratuity (Unfunded) (Refer note 30)	6	12
Staff welfare expenses	1,697	1,553
Total	**66,031**	**56,886**

22. Finance costs

(₹ in Lakhs)

	For the year ended March 31, 2020	For the year ended March 31, 2019
Interest expenses on:		
Borrowings	96	186
Others	27	35
Lease liability (Refer note 36)	1,158	-
Unwinding contingent consideration	119	-
Other borrowing costs	118	118
Total	**1,518**	**339**

23. Other expenses

(₹ in Lakhs)

	For the year ended March 31, 2020	For the year ended March 31, 2019
Power and Fuel	620	624
Rent	1,194	3,342
Repairs and maintenance - Buildings	7	33
Repairs and maintenance - Machinery	138	148
Insurance	647	658
Rates and taxes	848	723
Communication cost	637	622
Facility maintenance	796	720
Travelling and conveyance expenses	4,100	4,499
Sales commission	770	728
Professional and technical fees	3,487	2,532
Legal fees	163	186
Insourcing professional fees	9,311	8,866
Expenditure on corporate social responsibility (Refer note 40)	469	388
Software license fees	644	659
Payments to auditors	141	112
Net loss on property, plant and equipment sold / scrapped	2	20
Impairment loss recognised on trade receivables and bad debts written off	871	226
Impairment loss recognised on investments of PF Trust	2,323	500
Miscellaneous expenses	2,267	2,021
Total	**29,435**	**27,607**
Note - Payment to auditors comprises (net of input tax credit):		
Remuneration to statutory auditors for audit of Company and its subsidiaries	106	106
Remuneration to statutory auditors for other services	32	4
Reimbursement of expenses	3	2
	141	**112**

24. Revenue from software services

Disaggregate revenue information

The table below presents disaggregated revenues from contracts with customers by geography and contract type for the year ended March 31, 2020. The Group believes that this disaggregation best depicts how the nature, amount, timing and uncertainty of our revenues and cashflows are affected by industry, market and other economic factors.

(₹ in Lakhs)

	For the year ended March 31, 2020		For the year ended March 31, 2019	
	India	Other than India	India	Other than India
Time & Material	5,555	97,163	5,198	88,053
Fixed Price	2,027	14,009	1,784	12,290

Trade receivables and Contract Balances

The Group classifies the right to consideration in exchange for deliverables as either a receivable or as unbilled revenue.

A receivable is a right to consideration that is unconditional upon passage of time. Revenue for time and material contracts are recognized as related service are performed. Revenue for fixed price maintenance contracts is recognized on a straightline basis over the period of the contract. Revenues in excess of billings is recorded as unbilled revenue and is classified as a financial asset for these cases as right to consideration is unconditional upon passage of time.

Revenues from fixed-price contracts are recognized using the "percentage-of-completion" method. Invoicing to the clients is based on milestones as defined in the contract. This would result in the timing of revenue recognition being different from the timing of billing the customers. Unbilled revenue for fixed price contracts is classified as non financial asset as the contractual right to consideration is dependent on completion of contractual milestones.

Invoicing in excess of earnings are classified as unearned revenue.

Trade receivable and unbilled revenues are presented net of impairment in the Balance Sheet.

During the year ended March 31, 2020, ₹ 4,466 Lakhs of unbilled revenue as of April 1, 2019 has been reclassified to Trade receivables upon billing to customers on completion of milestones.

During the year ended March 31, 2019, the company recognized revenue of ₹ 970 Lakhs arising from opening unearned revenue as of April 1, 2019.

Performance obligations and remaining performance obligations

The remaining performance obligation disclosure provides the aggregate amount of the transaction price yet to be recognized as at the end of the reporting period and an explanation as to when the Company expects to recognize these amounts in revenue. Applying the practical expedient as given in Ind AS 115, the Company has not disclosed the remaining performance obligation related disclosures for contracts where the revenue recognized corresponds directly with the value to the customer of the entity's performance completed to date, typically those contracts where invoicing is on time and material basis. Remaining performance obligation estimates are subject to change and are affected by several factors, including terminations, changes in the scope of contracts, periodic revalidations, adjustment for revenue that has not materialized and adjustments for currency.

The aggregate value of performance obligations that are completely or partially unsatisfied as at March 31, 2020, other than those meeting the exclusion criteria mentioned above, is ₹ 619 Lakhs. The Company expects to recognize the revenue within the next one year. This includes contracts that can be terminated for convenience without a substantive penalty since, based on current assessment, the occurrence of the same is expected to be remote.

25. Contingent Liabilities

(₹ in Lakhs)

		As at March 31, 2020	As at March 31, 2019
a)	**Guarantees**		
	The Group has given corporate guarantees to certain suppliers of Sonata Information Technology Limited (SITL) and Sonata Software North America (SSNA).	20,172	13,350
b)	**Disputed demand of Service tax**		
	(i) The Company renders Information Technology related services to some of its clients in India. The Service Tax department had classified these services as 'Manpower Recruitment or Supply Agency Services'. The Company had contested this re-classification and had preferred an appeal before the Central Excise and Service Tax Appellate Tribunal (CESTAT). One of the clients of the Company had indemnified the Company for any demands that may arise on account of service tax liability up to an amount of ₹ 237. The amount included as disputed demand is excluding the amount indemnified by the client. Disputed demand of service taxes has been settled through Sabka Vishwas Scheme, 2019 during the current year.	-	677
	(ii) The demand for payment of service tax for the period from FY 2006-07 to FY 2012-13 on services received and consumed by UK branch of the company and a subsidiary company at USA, treating it as import of service, wrong availment of cenvat credit and usage of software services provided to subsidiary. The company had filed appeal before the Commissioner of Appeals and is confident of getting favorable outcome based on legal precedents which support its stand.	1,028	1,028
c)	**Other claims against the Company not acknowledged as debt**	2,864	2,864
d)	**Disputed demands of Income-tax**	51,356	54,752

Details of disputed demands of Income-tax primarily relate to: (₹ in Lakhs)

(i) 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 of the Act to the multiple undertakings of the Company on the ground that they were in fact one single unit and thus the benefits claimed were in excess of permissible limits, and had raised a demand of Nil, (As at March 31, 2019 - ₹ 5,001) for financial years 2007-08 to 2009-10. The company received favourable order from CIT(A) and the Department has preferred an appeal before Income-tax Appellate Tribunal (ITAT) and the Department has preferred an appeal before Mumbai High Court for Financial Year 2007-08 and 2008-09 which is in pre admission stage.

For the financial year 2005-06 and 2006-07 , ₹ 4,570 (As at March 31, 2019- ₹ 4,570), the Company has received favorable order from Income-tax Appellate Tribunal (ITAT) and the Department has preferred an appeal before the Honorable High Court of Mumbai.

For the financial year 2001-02, ITAT had given a favorable order on the ground of income accrued under Section 10A of the Act against which the department had filed an appeal before the Honorable High Court of Mumbai ₹ 149 (As at March 31, 2019 - ₹ 149).

For the financial year 2013-14, ₹ 43 (As at March 31, 2019 - ₹ 43), the Company has preferred an appeal before Commissioner of Income-tax (Appeals) on the ground of income accrued under Section 10A of the Act

For financial year 2010-11 ₹ 2,275 (As at March 31,2019 - ₹ 2,275), Assessing Officer has re-opened the Assessment under section 148 of the Act and disallowed section 10 A benefit. The company has preferred an appeal before Commissioner of Income-tax (Appeals).

For the financial year 2015-16, ₹ 67 (As at March 31, 2019 - Nil), the Company has preferred an appeal before Commissioner of Income tax (Appeals) on the ground of income accrued under Section 10A of the Act.

(ii) Disallowance of Inter-Company Service Charges

a) The Company charges Sonata Information Technology Limited (SITL), its wholly owned subsidiary, for certain support services rendered. During assessments, the Income-tax department denied benefits under Section 10A of the Income Tax Act on such support services and assessed the same as normal business income and raised demand of ₹ 2,337 (As at March 31, 2019 - ₹ 2,337) for financial years 2001-02 to 2004-05. The Company had received favorable orders from ITAT. However, the department preferred an appeal on the said orders before the Honorable High Court of Mumbai.

₹ 116 (As at March 31, 2019- ₹ 116) for the financial year 2010-11. The Company had filed an appeal before the Commissioner of Income-tax (Appeals). The Company has received favorable orders and the Department had preferred an appeal before ITAT which was heard during the year and dismissed. Department has filed appeal before High Court. High Court has admitted the appeal pending hearing.

b) The Company charges SITL 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 SITL. SITL 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. ₹ 5,933 (As at March 31, 2019 - ₹ 5,014) for the financial years 2001-02, 2003-04 to 2009-10. SITL has received favorable orders from the Income-tax Appellate Tribunal (Income Tax Appellate Tribunal). The Income-tax department has preferred an appeal to the Honorable High Court of Mumbai.

ii. ₹ 447 (As at March 31, 2019- ₹ 447) for the financial year 2002-03. 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 had referred the petition back to the Honorable High Court of Mumbai to reconsider its decision. The Honorable High Court of Mumbai admitted the appeal.

iii. ₹ 2,944 (As at March 31, 2019 - ₹ 2,944) for the financial years 2012-13 and 2013-14. SITL has received favorable order from Commissioner of Income-tax (Appeals) (CIT(A)). Department has filed appeal before ITAT.

iv. ₹ 2,453 (As at March 31, 2019- ₹ 1,877) for financial year 2014-15, 2015-16 and 2016-17. The assessing officer has disallowed the intercompany service charges and cost for deputation of personnel. SITL has filed appeal before Commissioner of Income-tax (Appeals).

(iii) 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 Income Tax Act and had raised demand of ₹ 2,842 (As at March 31, 2019 - ₹ 2,842) for the financial years 1999-00, 2000-01 and 2001-02. 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 ITAT which were reversed by the Honorable High Court of Karnataka. The Company had preferred a Special Leave Petition Appeal on the said order to the Honorable Supreme Court of India, which had been admitted. However, for these years one of the principal suppliers of software to the Company had paid taxes of ₹ 879 out of the above demand. The amount included as disputed demand is excluding the amount paid by the supplier.

SITL is engaged in the business of buying and selling packaged software in India. The Income Tax department has been contending that amounts paid by SITL 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 had raised demands of ₹ 2,182 (As at March 31, 2019 - ₹ 2,182) for the financial years 2000-01 and 2001-02. SITL'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. SITL had received favorable orders from the Income-tax Appellate Tribunal which were reversed by the Honorable High Court of Karnataka. SITL had preferred a Special Leave Petition on the said order to the Honorable Supreme Court of India, which had been admitted. However, for these years one of the principal suppliers of software to SITL had paid taxes of ₹ 1,286 out of the above demand. The amount included as disputed demand is excluding the amount paid by the supplier.

(iv) Deductions claimed under Section 80 O

Prior to the enactment of Section 10A of the Act, the Company claimed deduction for exports made, under Section 80 O of the Act. The department had 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 ₹ 83 (As at March 31, 2019 - ₹ 83) for the financial year 1994-95. The Company had received favorable orders from Income-tax Appellate Tribunal. The department had preferred an appeal on the said order before the Honorable High Court of Mumbai.

(v) 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 SITL. Consequent to issue described in (ii) above, the Income-tax department, holding payments for purchase of software as "Royalty" disallowed the same while computing taxable profits of the SITL.

The Honorable High Court of Karnataka had given an unfavorable decision on the issue covered in (ii) 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 SITL. Based on legal opinions and feedback from its legal counsels, the SITL is confident of a favorable outcome on these consequential demands.

Details of demands raised and the forum where these are pending are:

i. ₹ 23,644 (As at March 31, 2019 - ₹ 23,644) of tax demand for the financial years 2001-02, 2002-2003, 2006-07 and 2007-08. The Company had received a favorable order from ITAT. The Income-tax department had preferred an appeal to the Honorable High Court of Mumbai.

ii. Nil (As at March 31, 2019 - ₹ 14) for the financial year 2014-15. The Department has filed an appeal before the ITAT.

iii. ₹ 127 (As at March 31, 2019 - ₹ 127) for the financial years 2012-13 and 2013-14. SITL had received a favorable order from CIT(A). The Income-tax department had preferred an appeal before ITAT.

iv. ₹ 72 (As at March 31, 2019 - ₹ 15) for the financial year 2014-15, 2015-16 and 2016-17. The assessing officer has disallowed payments made for purchase of software on non-deduction of tax. SITL has preferred an appeal before CIT(A).

(vi) Transfer Pricing Adjustment

₹ 1,072 (As at March 31, 2019 – ₹ 1,072) for the financial year 2011-12 and financial year 2013-14. The Income-tax department has recommended the upward adjustment in the value of Investment in subsidiary and sale of services to associated enterprises as Transfer Pricing Adjustment in the International transactions in order to consider them to be at arm's length price. The Company had preferred an appeal before Commissioner of Income-tax (Appeals) heard and partly allowed. For the financial year 2011-12, the Company has preferred an appeal before Income-tax Appellate Tribunal (ITAT) and for the financial year 2013-14, the company has preferred an appeal before Commissioner of Income-tax (Appeals).

e) In addition, the Group in the ordinary course of business receives various claims from its customers and other business partners. Based on review of such matters and the information available at this time, the Group does not anticipate that any of these will result in a settlement that will have a material impact on its Consolidated financial statements.

26. Commitments

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Estimated amount of contracts remaining to be executed on capital account and not provided for	19	21

27. Financial instruments

The carrying value and fair value of financial instruments by categories as at March 31, 2020 and March 31, 2019 is as follows:

(₹ in Lakhs)

	Note No.	Carrying Value		Fair Value	
		As at March 31, 2020	As at March 31, 2019	As at March 31, 2020	As at March 31, 2019
Financial assets					
Amortised Cost					
Security Deposits	6.2 & 8.5	1,832	1,655	1,832	1,655
Trade receivable	8.2	70,000	81,111	70,000	81,111
Cash and cash equivalents	8.3	37,220	17,432	37,220	17,432
Bank balances other than Cash & cash equivalents	8.4	2,424	2,489	2,424	2,489
Other financial assets	6.2 & 8.5	6,149	4,836	6,149	4,836
FVTPL					
Investment in Mutual Fund	8.1	480	14,015	480	14,015
Investment in Equity instruments (Quoted)	6.1	3	5	3	5
Forward Contracts	8.5	-	296	-	296
FVTOCI					
Investment in Equity instruments (Unquoted)	6.1	870	616	870	616
Forward Contracts	8.5	-	1,979	-	1,979
Total Assets		**118,978**	**124,434**	**118,978**	**124,434**
Financial liabilities					
Amortised Cost					
Borrowings	14.1	8,600	1,562	8,600	1,562
Trade payables		56,186	58,733	56,186	58,733
Other financial liabilities	14.2	10,270	388	10,270	388
FVTPL					
Payable for acquisition of subsidiary	12	3,421	3,145	3,421	3,145
Non-current other financial liabilities	15	144	139	144	139
Forward Contracts	14.2	1,120	-	1,120	-
FVTOCI					
Forward Contracts	14.2	1,933	(2)	1,933	(2)
Total Liabilities		**81,674**	**63,966**	**81,674**	**63,966**

The management assessed that fair value of cash and short-term deposits, trade receivables, trade payables and other current financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

1. The fair value of the quoted mutual funds are based on price quotations at reporting date. The fair value of other financial liabilities and other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. In addition to being sensitive to a reasonably possible change in the forecast cash flows or discount rate, the fair value of the equity instruments is also sensitive to a reasonably possible change in the growth rates.

2. The fair values of the unquoted equity have been estimated using a discounted cash flow model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, discount rate, credit risk and volatility, the probabilities of the various estimates whose range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

3. The Group enters into derivative financial instruments with Banks. Foreign exchange forward contracts are valued using valuation techniques, which employs the use of market observable inputs. The most frequently applied valuation techniques include forward pricing model, using present value calculations. The models incorporate various inputs including the credit quality of

banks, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves etc.

As at March 31, 2020, the marked-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative bank default risk. The changes in bank credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationship and other financial instruments recognised at fair value.

Fair value hierarchy

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The following table presents the fair value measurement hierarchy of financial assets and liabilities measured at fair value on recurring basis as at March 31, 2020 and March 31, 2019.

Quantitative disclosures of fair value measurement hierarchy for financial assets and financial liabilities are as under:

(₹ in Lakhs)

	Fair Value			
	As at March 31, 2020	As at March 31, 2019	Fair value hierarchy	Valuation technique and Key inputs
Investment in Equity instruments - Principal Share Group (Quoted)	3	5	Level 1	Fair value is determined based on the share price quoted in exchange.
Investment in Mutual funds (Quoted)	480	14,015	Level 1	Fair value is determined based on the Net asset value published by respective funds.
Foreign currency forward contracts	(3,053)	2,275	Level 2	The fair value of forward foreign contracts are determined using forward exchange rates at the reporting date.
Investment in Equity instruments - IZARA Aps (Unquoted)	-	63	Level 3	Investment in associate is a financial asset.
Investment in Equity instruments - Retain 10x Inc.	605	553	Level 3	Investment in associate is a financial asset.
Investment in Equity instruments - Semicab Inc.	265	-	Level 3	Investment in associate is a financial asset.
Other financial liabilities	3,565	3,284	Level 3	Payable for acquisition of subsidiary is a financial liability.

There have been no transfers among Level 1, Level 2 and Level 3 during the year.

i) Reconciliation of fair value measurement of investment in Unquoted equity instrument classified as FVTOCI (Level 3):

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Opening balance	617	63
Remeasurement recognised in OCI	54	1
Purchases	265	553
Sales	(63)	-
Closing balance	**873**	**617**

ii) Reconciliation of fair value measurement of payables for acquisition of subsidiary classified as FVTPL (Level 3):

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Opening balance	3,145	243
Additions during the year	-	3,212
Remeasurement recognised in Statement of Profit and Loss	276	(67)
Payout / reversals during the year	-	(243)
Closing balance	**3,421**	**3,145**

Derivative financial instruments

The Group is exposed to foreign currency fluctuations on foreign currency assets/ liabilities and forecasted cash flows denominated in foreign currency. The Group follows established risk management policies, including the use of derivatives to hedge foreign currency assets/ liabilities and foreign currency forecasted cash flows. The counter party in these derivative instruments is a bank and the Group considers the risks of non-performance by the counterparty as non-material.

For movement in cash flow hedge reserve gain or loss - Refer note 11

The following table presents the aggregate contracted principal amounts of the Group's derivative contracts outstanding:

(Amount in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Designated derivative instruments (Sell):		
In USD	936	884
in GBP	151	127
in EUR	43	33

The foreign exchange forward contracts mature anywhere between 0-1 year. The table below analyzes the derivative financial instruments into relevant maturity groupings based on the remaining period as at the reporting date:

(Amount in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Designated derivative instruments (Sell):		
Less than 3 months		
In USD	354	408
in GBP	29	30
in EUR	8	8
More than 3 months		
In USD	582	476
in GBP	122	97
in EUR	35	25

Average rate of coverage

	As at March 31, 2020		As at March 31, 2019	
	Amount in Lakhs	Weighted Average Rate (₹)	Amount in Lakhs	Weighted Average Rate (₹)
USD	936	74.29	884	72.22
GBP	151	94.98	127	98.03
EUR	43	84.52	33	86.42

28. Financial risk management

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk, foreign currency risk and interest rate risk. The Group's primary focus is to foresee the unpredictability of financial markets and seek to minimize potential adverse effects on its financial performance. The primary market risk to the Group is foreign exchange risk. The Group uses derivative financial instruments to mitigate foreign exchange related risk exposures. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivative for speculative purposes may be undertaken.

The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below:

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities. Credit risk arises from cash held with banks and financial institutions, as well as credit exposure to clients, including outstanding accounts receivable. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Group assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer, including the default risk of the industry and country in which the customer operates, also has an influence on credit risk assessment.

The following table gives details in respect of revenues generated from top customer and top 5 customers (excluding Inter-company):

(₹ in Lakhs)

	For the year ended	
	March 31, 2020	March 31, 2019
Revenue from top customer	50,390	46,716
Revenue from top 5 customers	120,583	113,103

One customer accounted for more than 10% of the revenue for the year ended March 31, 2020 and two of the customers accounted for more than 10% of the receivables for the year ended March 31, 2020. One customer accounted for more than 10% of the revenue for the year ended March 31, 2019, however none of the customers accounted for more than 10% of the receivables for the year ended March 31, 2019.

Investments

The Group limits its exposure to credit risk by generally investing in liquid securities and only with counterparties that have a good credit rating. The Group does not expect any losses from non-performance by these counterparties, and does not have any significant concentration of exposures to specific industry sectors.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they become due. The Group manages its liquidity risk by ensuring, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. Also, the Group has unutilized credit limits with banks.

The Group's corporate treasury department is responsible for liquidity, funding as well as settlement management. In addition, processes and policies related to such risks are overseen by senior management.

The working capital position of the Group is given below:

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Cash and cash equivalents	37,220	17,432
Bank balances other than cash & cash equivalents	1,418	1,060
Investments in mutual funds (quoted)	480	10,976
Trade receivables	70,000	81,111
Other financial assets	4,326	6,854
Other current assets	4,509	2,775

The table below provides details regarding the contractual maturities of significant financial liabilities as at March 31, 2020 and March 31, 2019 :

(₹ in Lakhs)

	As at March 31, 2020		
	Less than 1 year	1-2 years	2 years & above
Borrowings	8,600	-	-
Trade payables	56,186	-	-
Other financial liabilities	4,389	2,667	-
Lease liabilities	2,109	1,833	6,176

(₹ in Lakhs)

	As at March 31, 2019		
	Less than 1 year	1-2 years	2 years & above
Borrowings	1,562	-	-
Trade payables	58,733	-	-
Other financial liabilities	388	-	3,284

Foreign Currency risk

The Group's exchange risk arises from its foreign operations, foreign currency revenues and expenses, (primarily in U.S. Dollars, British pound sterling and Euros). A significant portion of the Group's revenues are in these foreign currencies, while a significant portion of its costs are in Indian rupees. As a result, if the value of the Indian rupee appreciates relative to these foreign currencies, the Group's revenues measured in rupees may decrease. The exchange rate between the Indian rupee and these foreign currencies has changed substantially in recent periods and may continue to fluctuate substantially in the future. The Group reviews on a periodic basis to formulate the strategy for foreign currency risk management.

Consequently, the Group uses derivative financial instruments, such as foreign exchange forward contracts, to mitigate the risk of changes in foreign currency exchange rates in respect of its forecasted cash flows and trade receivables.

The details in respect of the outstanding foreign exchange forward contracts are given under the derivative financial instruments section.

In respect of the Group's forward contracts, a 1% decrease/ increase in the respective exchange rates of each of the currencies underlying such contracts would have resulted in:

a) an approximately ₹ 423 lakhs increase and decrease in the Group's net profit as at March 31, 2020;

b) an approximately ₹ 378 lakhs increase and decrease in the Group's net profit as at March 31, 2019.

The following table presents foreign currency risk from non-derivative financial instruments as of March 31, 2020 and March 31, 2019.

(₹ in Lakhs)

	USD	GBP	EUR	Other Currencies*
As at March 31, 2020				
Assets				
Trade receivables	18,078	-	3,120	673
Cash and Cash equivalents	16,606	962	151	709
Other assets	3,138	457	162	9
Liabilities				
Trade Payable	(3,991)	(887)	(146)	(261)
Other non-current liabilities	(11,156)	-	-	(838)
Net assets/liabilities	**22,675**	**532**	**3,287**	**292**
As at March 31, 2019				
Assets				
Trade receivables	-	3,830	582	2,121
Cash and Cash equivalents	3,620	3,942	1,051	788
Other assets	2,805	792	455	626
Liabilities				
Trade Payable	(3,301)	(715)	-	(810)
Other non-current liabilities	(3,863)	-	-	(459)
Net assets/liabilities	**(739)**	**7,849**	**2,088**	**2,266**

*Others include currencies such as Canadian Dollar, Singapore Dollar, Australian Dollar, Swiss Franc, Danish Krone, United Arab Emirates Dirham, Saudi Riyal, etc.

For the year ended March 31, 2020, every 1% increase/decrease of the respective foreign currencies compared to functional currency of the Company would impact operating margins by 0.14%/ (0.14)%. For the year ended March 31, 2019, the impact on operating margins would be 0.04%/ (0.04)%.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates and investments. The Group's borrowings and investments are primarily short-term, which do not expose it to significant interest rate risk.

29. Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group monitors the return on capital as well as the level of dividends on its equity shares. The Group's objective when managing capital is to maintain an optimal structure so as to maximize shareholder value.

The capital structure of the company consists of the following:

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Total equity attributable to the equity share holders of the Group	66,967	76,826
As percentage of total capital	89%	98%
Current borrowings	8,600	1,562
Non-Current borrowings	-	-
Total Borrowings	8,600	1,562
As a percentage of total capital	11%	2%
Total capital (borrowings and equity)	**75,567**	**78,388**

The Group is predominantly equity financed which is evident from the capital structure table. Further, the Group has always been a net cash Company with cash and bank balances along with investment which is predominantly investment in liquid and short term mutual funds.

30. Employee benefit plans

i) Defined contribution plans

(a) Provident fund

The Group makes contributions towards Provident Fund under a defined contribution 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 Group 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.

Provident fund contributions amounting to ₹ 1,647 lakhs (for the year ended March 31, 2019 ₹ 1,364 lakhs) has been charged to the Statement of Profit and Loss (as part of Contribution to Provident Fund and other Funds in Note 21 Employee benefit expense).

b) During the year the Group has recognised the following amounts in the Statement of Profit and Loss towards Employers contribution to:

(₹ in Lakhs)

	Year ended March 31, 2020	Year ended March 31, 2019
Employee's State Insurance (as part of Staff welfare expenses in Note 21 Employee benefits expense)	16	18
Superannuation (as part of Contribution to Provident Fund and other Funds in Note 21 Employee benefits expense)	963	721
National Pension Scheme (as part of Contribution to Provident Fund and other Funds in Note 21 Employee benefits expense)	45	32
National Insurance Contribution (as part of Contribution to Provident Fund and other Funds in Note 21 Employee benefits expense)	740	551

ii) Defined benefit plans - Gratuity

The principal assumptions used for the purposes of the actuarial valuations were as follows.

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Discount rate(s)	6.82%	7.87%
Expected rate(s) of salary increase	5.00%	5.00%
Mortality Rate	Indian Assured Lives Mortality 2006-08	" Indian Assured Lives Mortality 2006-08 "

Amounts recognised in Statement of Profit and Loss in respect of these defined benefit plans are as follows:

(₹ in Lakhs)

	Year ended March 31, 2020	Year ended March 31, 2019
Service Cost:		
Current Service Cost	484	405
Net Interest Expense	2	7
Components of defined benefit costs recognised in profit or loss	486	412
Remeasurement on the net defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	311	(28)
Actuarial (gains) / losses arising from changes in financial assumptions	508	(26)
Actuarial (gains) / losses arising from experience adjustments	46	75
Components of defined benefit costs recognised in other comprehensive income	**865**	**21**

The current service cost and the net interest expense for the year are included in the 'Employee benefits expense' line item in the statement of profit and loss.

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The remeasurernent of the net defined benefit liability is included in other comprehensive income.

The amount included in the balance sheet arising from the entity's obligation in respect of its defined benefit plans is as follows:

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Present value of funded defined benefit obligation	(4,448)	(3,446)
Fair value of plan assets	3,670	3,424
Net (liability) / Assets arising from defined benefit obligation	**(778)**	**(22)**
Movements in the present value of the defined benefit obligation are as follows.		
Opening defined benefit obligation	3,445	2,941
Current service cost	484	405
Interest cost	273	231
Remeasurement (gains)/losses:	-	-
Actuarial gains and losses arising from changes in financial assumptions	509	(26)
Actuarial gains and losses arising from experience adjustments	46	75
Benefits paid	(309)	(180)
Closing defined benefit obligation	**4,448**	**3,446**
Movements in the fair value of the plan assets are as follows.		
Opening fair value of plan assets	3,423	2,843
Interest income	272	224
Return on plan assets (excluding amounts included in net interest expense)	(310)	28
Contributions from the employer	594	509
Benefits paid	(309)	(180)
Closing fair value of plan assets	**3,670**	**3,423**

The major categories of plan assets as a percentage of total plan

	As at March 31, 2020	As at March 31, 2019
Insurer Managed Funds	100%	100%
Category of funds :		
Secure Fund	16.82%	9.39%
Defensive Fund	39.62%	43.90%
Balanced Fund	43.46%	46.58%
Stable Fund	0.11%	0.13%

Sensitivity analysis for significant actuarial assumptions is computed to show the movement in defined benefit obligation by 1%:

(₹ in Lakhs)

	As at March 31, 2020		As at March 31, 2019	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	548	459	393	331
Future salary growth (1% movement)	553	471	401	343

The Group expects to contribute ₹ 1,235 lakhs to its defined benefit plans during the next fiscal year.

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 (₹ in Lakhs)

	As at				
	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016
Present value of defined benefit obligation	4,449	3,446	2,941	2,496	2,034
Fair value of plan assets	3,670	3,424	2,843	2,692	2,000
Surplus / (deficit)	(779)	(22)	(98)	196	(34)
Experience adjustments on plan liabilities - (gain)/losses	46	75	178	(84)	(5)
Experience adjustments on plan assets - (losses)/gain	(310)	28	(17)	104	(106)

Maturity profile of defined benefit obligation: (₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Within 1 year	430	386
1-2 years	131	123
2-3 years	173	173
3-4 years	160	179
4-5 years	162	145
5 and Above	10,501	9,116

The Company has established an income tax approved irrevocable trust fund to which it regularly contributes to finance liabilities of the plan. The fund's investments are managed by insurance company as per the mandate provided to them by the trustees and the asset allocation is within the permissible limits prescribed in the insurance regulations.

31. Share-based payments

(a) Employee share option plan of the Group

i) Details of the employee share option plan of the Group

The Company has a stock option plan for employees of the Company and its subsidiaries, authorized by the nomination and remuneration committee . In accordance with the terms of the plan, as approved by shareholders at its annual general meeting dated 19th August 2014. Eligible employees are granted to get stock option with graded vesting period of four years. The quantum of stock option is decided by the nomination and remuneration committee. The shares are transferred to employees from the Sonata Software Ltd Employee Welfare Trust based on the approval.

Each vested stock option shall converts into one equity share of the Company upon exercise. The exercise price of the stock option shall be the closing market price of the share on National Stock Exchange of India Ltd on the trading day immediately preceding the date of the grant . The stock options carry neither rights to dividends nor voting rights unless the transfer of shares from the Sonata Software Ltd Employee Welfare Trust to the employee is duly registered by the company . Options may be exercised at any time from the date of vesting to the date of their expiry.

The following share-based payment arrangements were in existence during the current and prior years:

Number of Shares	Grant date	Expiry date	Exercise price (₹)	Fair Value at grant date (₹)
375,000	April 1, 2012	April 1, 2017	18.10	4.45 - 6.55
120,000	May 20, 2015	May 20, 2020	165.75	53.35 - 68.45
160,000	August 8, 2016	August 9, 2021	154.45	55.21 - 68.60
60,000	May 29, 2017	May 29, 2022	149.65	43.49 - 55.86
75,000	November 13, 2017	November 14, 2022	191.95	54.78 - 79.62
120,000	May 31, 2019	May 30, 2024	354.50	115.54-137.75

ii) Fair value of share options outstanding at the year end

Options are priced using Black - Scholes pricing model.

Inputs into the model

Grant date	April 1, 2012	May 20, 2015	August 8, 2016	May 29, 2017	November 13, 2017	May 31, 2019
Grant date share price	13.74	148.98	150.09	142.17	188.51	356.70
Exercise price (₹)	18.10	165.75	154.45	149.65	191.95	354.50
Expected volatility (%)	49.84 - 51.82	46.52 - 47.05	43.18 - 44.24	36.47 - 40.61	31.78 - 40.86	53-26
Option life (in years)	5	5	5	5	5	5
Dividend yield (%)	-	-	-	-	-	2.50
Risk-free interest rate (%)	8.18 - 8.60	7.79 - 7.86	6.91 - 7.08	6.66 - 6.79	6.52 - 6.81	6.71 - 7.03

(iii) Movements in share options during the year

The following reconciles the share options outstanding at the beginning and end of the year:

	2019-2020		2018-2019	
	Number of Options	Weighted average exercise price (₹)	Number of Options	Weighted average exercise price (₹)
Balance at beginning of year	305,000	164.15	385,000	163.65
Granted during the year	120,000	354.50	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	48,750	175.83	80,000	161.73
Expired during the year	56,250	191.95	-	-
Balance at end of year	**320,000**	**228.87**	**305,000**	**164.15**
Exercisable at the end of the year	140,000	153.76	98,750	161.57

Weighted average remaining contractual life of share options is 1.98 years (as at March 31, 2019 2.35 years)

(iv) Stock options exercised during the year

The following share options were exercised during the year:

Granted on	Number Exercised	Exercised Date	Share price at exercise Date (₹)
May 20, 2015	30,000	May 20, 2019	332.45
November 13, 2017	18,750	August 1, 2019	321.05
Total	**48,750**		

The following share options were exercised during the financial year 2018-19:

Granted on

Granted on	Number Exercised	Exercised Date	Share price at exercise Date (₹)
May 20, 2015	30,000	June 6, 2018	309.10
May 20, 2015	30,000	September 20, 2018	413.40
October 25, 2018	20,000	October 25, 2018	269.65
Total	**80,000**		

(v) Share options outstanding at the end of the year

The share options outstanding at the end of the year had a weighted average exercise price of ₹ 228.87 (as at March 31, 2019 ₹ 164.15)

During the year, the amount recognised as expense for Employee Stock Options is ₹ 58 lakhs

(b) Other Stock Based Compensation Arrangements

Stock Appreciation Rights Plan provides the certain employee with the right to receive cash that is equal to the increase in the value of the company's shares from the date the right was granted and the right was exercised. They are not entitled to any shares or dividend. Plan 1 and 2 of 2018 has been approved by the Board vide Board Meeting dated May 29, 2017 subsequently amended dated August 13th , 2018. Plan of 2019 has been approved by the Board vide Board meeting dated August 13th, 2018.

The Company has also granted stock appreciation rights plan to certain employees during the year which is subject to certain vesting conditions. Details of the grant/issue as at March 31, 2020 are given below:

	For the year ended March 31, 2020						
	As per plan 1 (2018)		As per plan (2019)	As per plan2 (2018)	As per plan 3 (2018)	As per plan 2 (2019)	As per plan 4 (2018)
Outstanding units as at the beginning of the year	290,000	105,000	127,500	435,000	-	-	-
Number of units granted under letter of intent during the year	-	-		-	180,000	118,500	360,000
Exercised units	5,000	35,000	46,000	-	-	-	-
Lapsed units	-	-	-	-	-	-	-
Forfeited units	-	-	-	-	-	-	-
Cancelled units		70,000	-	-	-	-	-
Outstanding units as at the end of the year	285,000	-	81,500	435,000	180,000	118,500	360,000
Contractual life (in years)	3	3	1	3	3	1	3

	For the year ended March 31, 2020						
	As per plan 1 (2018)		As per plan (2019)	As per plan2 (2018)	As per plan 3 (2018)	As per plan 2 (2019)	As per plan 4 (2018)
Date of grant	May 29, 2017	November 13, 2017	September 30, 2018	December 18, 2018	May 31, 2019	October 10, 2019	October 30, 2019
Grant price per unit (₹)	149.65	191.95	200.00	315.30	354.50	224.00	317.40
Number of units exercisable at the end of the year	215,000	-	81,500	145,000	-	-	-
Weighted average remaining contractual life (in years)	2.56	-	3.00	3.71	4.17	3.00	4.59
Weighted average exercise price (₹)	198.20	-	200.00	354.65	398.74	224.00	357.01
Weighted average exercise price for options exercisable at the end of the year (₹)	162.32	-	200.00	315.30	-	-	-

	For the year ended March 31, 2019			
	As per plan 1 (2018)		As per plan1 (2019)	As per plan 2 (2018)
Outstanding units as at the beginning of the year	390,000	105,000	-	-
Number of units granted under letter of intent during the year	-	-	127,500	435,000
Vested units	40,000	-	-	-
Lapsed units	-	-	-	-
Forfeited units	-	-	-	-
Cancelled units	60,000	-	-	-
Outstanding units as at the end of the year	290,000	105,000	127,500	435,000
Contractual life (in years)	3	3	1	3
Date of grant	May 29, 2017	November 13, 2017	September 30, 2018	December 18, 2018
Grant price per unit (₹)	149.65	191.95	200	315.30
Number of units exercisable at the end of the year	145,000	35,000	-	-
Weighted average remaining contractual life (in years)	5.08	3.00	3.5	4.72
Weighted average exercise price (₹)	272.95	191.95	200	354.65
Weighted average exercise price for options exercisable at the end of the year (₹)	159.86	191.95	-	-

The weighted average fair value of each unit for the above mentioned stock appreciation rights plan has been calculated using the Black - Scholes pricing model with the following assumptions:

	For the year ended March 31, 2020					
	As per plan 1 (2018)	As per plan (2019)	As per plan 2 (2018)	As per plan 3 (2018)	As per plan 2 (2019)	As per plan 4 (2018)
Grant date	May 29, 2017	September 30, 2018	December 18, 2018	May 31, 2019	October 1, 2019	October 30, 2019
Exercise price (₹)	163.34-177.71	86.02-94.65	149.42	354.5-444.68	317.4-398.15	224.00
Dividend yield	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Expected life (in years)	3	1	3	3	1	3
Risk free interest rate	4.87-5.76%	4.87-5.76%	4.87-5.76%	4.87-5.76%	4.87-5.76%	4.87-5.76%
Volatility	45%	45%	45%	45%	45%	45%

	For the year ended March 31, 2019		
	As per plan 1 (2018)	As per plan 2(2018)	As per plan1 (2019)
Grant date	May 29, 2017	December 18, 2018	September 30, 2018
Exercise price (₹)	163.34-177.71	86.02-94.65	149.42
Dividend yield	2.50%	2.50%	2.50%
Expected life (in years)	3	3	1
Risk free interest rate	4.87-5.76%	4.87-5.76%	4.87-5.76%
Volatility	45%	45%	45%

During the year, the expense recognised for Stock appreciation rights is ₹ 177 lakhs and the related liability accounted is ₹ 746 lakhs.

32. Consolidation of Employee Welfare Trust

Ind AS 110 – Consolidated financial statements defines control and establishes control as the main basis for consolidating the entities. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee, in view of which the company has consolidated Sonata employee welfare trust accounts.

33. Related party disclosure

i) Details of related parties :

Description of relationship	Names of related parties
(a) Post-employment benefit plan (Refer Note 30)	Sonata Software Limited Gratuity Fund
	Sonata Software Officers' Superannuation Fund
	Sonata Software Provident Fund Trust
(b) Key Management Personnel (KMP)	Mr. P Srikar Reddy, Managing Director & Chief Executive Officer
	Mr. Pradip P Shah, Chairman & Independent Director
	Mr. B K Syngal, Independent Director (upto August 10, 2019)
	Mr. S N Talwar, Independent Director (upto August 10, 2019)
	Ms. Radhika Rajan, Independent Director
	Mr. Viren Raheja, Non Executive Director
	Mr. S B Ghia, Non Executive Director
	Mr. Sanjay K Asher (w.e.f August 8, 2019)
	Mr. Prasanna Oke, Chief Financial Officer (upto June 30, 2019)
	Mr. Jagannathan CN, Chief Financial Officer (w.e.f October 30, 2019)

ii) Transactions with related parties :

(₹ in Lakhs)

	KMP	
	As at March 31, 2020	As at March 31, 2019
Compensation of key management personnel of the Company		
Short-term employee benefits*	327	444
Share-based payment transactions	153	217
Others	206	387
Total compensation paid to key management personnel	**686**	**1,048**
Balances outstanding at the end of the year		
Payable to key management personnel of the Company		
Short-term employee benefits*	100	170
Share-based payment transactions	245	255
Others	230	125

* The above post employment benefits excludes gratuity and compensated absences which cannot be separately identified from the composite amount advised by the actuary.

34. Segment Reporting

The CEO & MD of the Company has been identified as the Chief Operating Decision Maker (CODM) as defined by Ind AS 108, Operating Segments. Information reported to the CODM for the purposes of resource allocation and assessment of segment performance focuses on geographical territory; Accordingly, the reportable segments are "India" and "Other than India".

The Group's operation comprises of software development, technical services and product marketing. Primary segmental reporting is based on geographical areas based on location of customer, viz., Domestic (India) and International (Rest of the world). Secondary segment comprises business segment viz., products & services.

In primary segment, revenue and all expenses, which relate to a particular geographical segment based on location of customer, are reported. Secondary segment is reported based on the Group's business viz., products and services. Revenue is identified based on the business operations.

Revenues and expenses directly attributable to segments are reported under each reportable segment. Expenses which are not directly identifiable to each reportable segment have been allocated on the basis of associated revenues of the segment and manpower efforts. All other expenses which are not attributable or allocable to segments have been disclosed as unallocable expenses. Assets and liabilities that are directly attributable or allocable to segments are disclosed under each reportable segment. All other assets and liabilities are disclosed as unallocable.

Primary disclosure

Geographical Segment based on location of customers (₹ in Lakhs)

	India		Other than India		Unallocable		Consolidated	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Revenue								
Segment revenue	223,491	177,070	152,997	119,020	-	-	376,488	296,090
Inter segment revenue							(2,162)	-
Revenue from operations							374,326	296,090
Segment result								
Profit before tax and interest	7,166	4,862	30,673	27,560	1,628	2,590	39,467	35,012
Finance costs							1,518	339
Profit before tax and exceptional item							37,949	34,673
Exceptional item - Interest income on Income Tax refund							-	276
Profit before tax							37,949	34,949
Tax expense							(10,256)	(10,061)
Profit after tax							27,693	24,888
Segment assets	63,425	50,377	74,779	82,795	23,442	19,636	161,646	152,808
Segment liabilities	52,474	52,854	30,010	17,302	12,195	5,826	94,679	75,982

Secondary disclosure

Business Segment (₹ in Lakhs)

	Products		Services		Unallocable		Consolidated	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Revenue	255,176	188,529	119,150	107,561	-	-	374,326	296,090
Assets	63,425	50,377	74,779	82,795	23,442	19,636	161,646	152,808
Capital expenditure	52	40	861	936	-	-	913	976

35. Statement of Net assets and Profit or loss attributable to owners and non-controlling interest

(a) As at and for the year ended March 31, 2020

Name of the entity	Net Assets, i.e. total assets minus total liabilities		Share of profit / (loss)		Share in other comprehensive income		Share in Total Comprehensive income	
	As % of consolidated net assets	Amount (₹ in lakhs)	As % of consolidated profit / (loss)	Amount (₹ in lakhs)	As % of consolidated other comprehensive income	Amount (₹ in lakhs)	As % of consolidated profit / (loss)	Amount (₹ in lakhs)
Parent	33.67%	22,546	55.95%	15,493	106.68%	(3,165)	49.86%	12,328
Subsidiaries								
Indian								
Sonata Information Technology Limited	25.90%	17,342	23.64%	6,546	0.42%	(12)	26.43%	6,534
Sonata Software Solutions Limited*	0.28%	189	(0.09%)	(26)	-	-	(0.10%)	(26)
Foreign								
Sonata Software North America Inc**	4.32%	2,895	9.58%	2,654	15.85%	(470)	8.83%	2,184
Interactive Business Information Systems Inc.	11.31%	7,571	5.83%	1,614	(4.69%)	139	7.09%	1,753
Sonata Software FZ LLC (Dubai)	1.43%	960	(0.29%)	(80)	1.45%	(43)	(0.50%)	(123)
Sonata Software Qatar	(0.18%)	(122)	(0.13%)	(37)	0.98%	(29)	(0.27%)	(66)
Sonata Europe Limited	10.59%	7,090	7.57%	2,096	(22.39%)	664	11.16%	2,760
Sonata Software GmbH	(0.01%)	(4)	(0.61%)	(168)	(0.40%)	12	(0.63%)	(156)
Scalable Data Systems	3.61%	2,419	0.75%	207	0.20%	(6)	0.81%	201
Sopris Systems LLC	9.08%	6,081	(2.20%)	(608)	1.89%	(56)	(2.69%)	(664)
Total	**100%**	**66,967**	**100%**	**27,692**	**100%**	**(2,967)**	**100%**	**24,726**

*Sonata Software Solutions Limited, a wholly- owned subsidiary was incorporated on February 24, 2020

** Rezopia Inc. and Halosys Technologies Inc. merged with Sonata Software North America (SSNA) w.e.f June 14, 2019.

(b) As at and for the year ended March 31, 2019

Name of the entity	Net Assets, i.e. total assets minus total liabilities		Share of profit / (loss)		Share in other comprehensive income		Share in Total Comprehensive income	
	As % of consolidated net assets	Amount (₹ in Lakhs)	As % of consolidated profit or loss	Amount (₹ in Lakhs)	As % of consolidated other comprehensive income	Amount (₹ in Lakhs)	As % of consolidated profit or loss	Amount (₹ in Lakhs)
Parent	35.54%	27,306	70.20%	17,498	92.60%	1,139	71.25%	18,637
Subsidiaries				-				
Indian				-				
Sonata Information Technology Limited	27.15%	20,859	16.03%	3,997	(2.93%)	(36)	15.14%	3,961
Foreign								
Sonata Software North America Inc	4.96%	3,808	3.94%	982	(18.86%)	(232)	2.87%	750
Rezopia Inc	1.17%	898	(0.79%)	(198)	5.04%	62	(0.52%)	(136)
Halosys Technologies Inc.	2.39%	1,837	(2.05%)	(511)	6.42%	79	(1.65%)	(432)
Interactive Business Information Systems Inc.	8.89%	6,827	3.65%	910	26.02%	320	4.70%	1,230
Sonata Software FZ LLC (Dubai)	0.75%	580	(0.75%)	(188)	(1.30%)	(16)	(0.78%)	(204)
Sonata Software Qatar	0.11%	82	(0.32%)	(80)	(1.06%)	(13)	(0.36%)	(93)
Sonata Europe Limited	8.60%	6,610	9.65%	2,406	2.28%	28	9.31%	2,434
Sonata Software GmbH	0.39%	301	0.19%	47	(0.73%)	(9)	0.14%	38
Scalable Data Systems	3.37%	2,586	0.66%	164	(1.46%)	(18)	0.56%	146
Sopris Systems LLC	6.68%	5,132	(0.41%)	(102)	(6.02%)	(74)	(0.67%)	(176)
Total	**100%**	**76,826**	**100%**	**24,926**	**100%**	**1,230**	**100%**	**26,156**

36. Leases

The Group has adopted Ind AS 116 'Leases' with the date of initial application being April 1, 2019. Ind AS 116 replaces Ind AS 17 – Leases and related interpretation and guidance. The Group has applied Ind AS 116 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at April 1, 2019. As a result, the comparative information has not been restated.

In adopting Ind AS 116, the Group has applied the below practical expedients :

a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

b) leases of low value assets (assets of less than ₹ 500,000 in value) has not been considered for application of Ind AS 116.

c) exclusion of the initial direct costs from measurement of the right-of-use asset at the date of transition.

d) application of hindsight, in determining the lease term if the contract contains options to extend or terminate the lease.

e) applied the practical expedient to grandfather the assessment of which transactions are leases. Accordingly, Ind AS 116 is applied only to contracts that were previously identified as leases under Ind AS 17.

On transition to Ind AS 116, the Group recognised right-of-use assets amounting to ₹ 11,826, lease liabilities amounting to ₹ 11,525 and ₹ 814 (credit) in retained earnings as at April 1, 2019.

Impact of adoption of Ind AS 116 on retained earnings: (₹ in Lakhs)

	For the year ended March 31, 2020
Reversal of deferred rent liability as at March 31, 2019	1,122
Less: Reversal of deferred tax asset on deferred rent liability	(308)
Impact on retained earnings as at April 1, 2019	**814**

Impact of adoption of Ind AS 116 on the statement of profit and loss (₹ in Lakhs)

	For the year ended March 31, 2020
Interest on lease liabilities	1,158
Depreciation of Right-of-use assets	1,921
Deferred tax (credit)	(175)
Impact on the statement of profit and loss for the year	2,904

The aggregate depreciation expense of ₹ 1,921 lakhs on ROU assets is included under depreciation and amortization expense in the statement of Profit and Loss.

Following are the changes in the carrying value of right of use (ROU) assets for the year ended March 31, 2020:

(₹ in Lakhs)

	Category of ROU Asset		
	Leasehold Land	Leasehold Buildings	Total
Balance as at April 1, 2019	-	11,584	11,584
Reclassified on account of adoption of Ind AS 116	242	-	242
Additions	-	-	-
Deletion	-	(213)	(213)
Depreciation	(13)	(1,908)	(1,921)
Translation difference	-	37	37
Balance as at March 31, 2020	**229**	**9,500**	**9,729**

The following is the movement in lease liabilities during the year ended March 31, 2020:

(₹ in Lakhs)

	For the year ended March 31, 2020
Balance at the beginning of the year	11,525
Additions	-
Finance cost accrued during the year	1,158
Deletions	(213)
Payment of lease liabilities	(2,389)
Translation Difference	37
Balance at the end of the year	**10,118**

Rental expense recorded for short-term leases was ₹ 1,194 lakhs for the year ended March 31, 2020

The following is the break-up of lease liabilities as at March 31, 2020 based on their maturities:

(₹ in Lakhs)

	As at March 31, 2020
Current lease liabilities	2,109
Non-current lease liabilities	8,009
Total	**10,118**

Contractual maturities of lease liabilities.

The table below provides details regarding the contractual maturities of lease liabilities as at March 31, 2020 on an undiscounted basis:

(₹ in Lakhs)

	As at March 31, 2020
Not later than one year	2,272
Later than one year and not later than 5 years	8,452
Later than 5 years	3,822
Total	**14,546**

37. Acquisition of GAPbuster

Sonata Europe Limited, a wholly-owned subsidiary of Sonata Software Limited (Sonata), signed definitive agreements with the Shareholders of GAPbuster Ltd, a UK registered Company to acquire 100% stake in GAPbuster on March 4, 2020 for an investment of USD 4.8 million (approximately ₹ 3,632 lakhs) (net of working capital) including USD 0.5 million (approximately ₹ 378 lakhs) which is deferred consideration payable on the expiry of one year. The acquisition was completed on April 20, 2020.

38. Acquisition of Scalable Data Systems Pty Ltd ('Scalable')

On December 21, 2018, Sonata Software Limited acquired 100% of voting interests in Scalable Data Systems Pty Ltd, a Australian -based Microsoft Dynamics 365 Value Added Reseller (VAR) and Independent Software Vendor (ISV) focused on Microsoft Dynamics AX (EPR) for a total consideration of upto AUD 4.49 million (₹ 2,237 lakhs), comprising of cash consideration of AUD 2.63 million (₹ 1,310 lakhs), contingent consideration of upto AUD 1.86 million (₹ 927 lakhs). The payment of contingent consideration is dependent upon the achievement of certain financial targets by Scalable Data Systems Pty Ltd.

The acquisition will increase Sonata's footprint as a Microsoft Dynamics 365 leader, making the combined entity a Digital Transformation partner of choice for customers in Retail, Distribution, Manufacturing, Commodities, and Travel.

The purchase price has been allocated based on management's estimates and independent appraisal of fair value as follows:-

(₹ in lakhs)

	Acquiree's carrying amount	Fair value adjustments	Purchase price allocated
Net assets*	(427)	-	(427)
Intangible assets			
- Customer relationship	-	424	424
- Contract in progress	-	320	320
- Intellectual property	-	403	403
Deferred tax liabilities on intangible assets	-	(327)	(327)
Total	(427)	820	393
Goodwill	-	-	1,844
Total purchase price	**(427)**	**820**	**2,237**

*Include cash and cash equivalents of ₹ 71 Lakhs

The goodwill comprises value of benefits of expected synergies, future revenue, future market developments,assembled workforce, etc.

The goodwill is not tax deductible.

The fair value of each major class of consideration as at the acquisition date is as follows:-

(₹ in Lakhs)

	Amount
Nature of Consideration	
Cash paid	1,310
Fair value of contingent consideration	927
Total purchase price	**2,237**

At the acquisition date, the key inputs used in determination of the fair value of contingent consideration are the discount rate of 3.5%. The undiscounted value of contingent consideration as at March 31, 2020 is AUD 2 million (₹ 927 lakhs) and ₹ 980 lakhs as on March 31, 2019.

The transaction costs of ₹ 237 lakhs related to the acquisition have been included in the consolidated statement of profit and loss for the year ended March 31, 2019.

39. Acquisition of Sopris Systems, LLC. ('Sopris')

On February 15, 2019 Sonata Software North America Inc.(a wholly owned subsidiary of Sonata Software Limited) acquired 100% of voting rights in Sopris Systems LLC, a Delaware-based limited liability Company specialised in Microsoft Dynamics for field services and project- centric companies for a total consideration of upto USD 7.02 million (₹ 4,974 lakhs), comprising of cash consideration of USD 4.03 million (₹ 2,850 lakhs), contingent consideration of upto USD 2.99 million (₹ 2,124 lakhs). The payment of contingent consideration is dependent upon the achievement of certain financial targets by Sopris Systems LLC.

The acquisition will help Sonata group grow their presence in the United States. It will enhance Sonata's capabilities in Microsoft 365 Stack. The excess of the purchase consideration paid over the fair value of asets acquired has been attributed to goodwill.

The purchase price has been allocated based on management's estimates and independent appraisal of fair value as follows:-

(₹ in Lakhs)

	Acquiree's carrying amount	Fair value adjustments	Purchase price allocated
Net assets	(620)	-	(620)
Intangible assets			
- Customer relationship	-	1,079	1,079
- Contract in progress	-	385	385
- Intellectual property	-	86	86
Deferred tax liabilities on intangible assets		(403)	(403)
Total	(620)	1,147	527
Goodwill	-	-	4,247
Total purchase price	**(620)**	**1,147**	**4,774**

The goodwill comprises value of benefits of expected synergies, future revenue, future market developments,assembled workforce, etc.

The goodwill is not tax deductible.

The fair value of each major class of consideration as at the acquisition date is as follows:-

(₹ in Lakhs)

	Amount
Nature of Consideration	
Cash paid	2,850
Fair value of contingent consideration	1,924
Total purchase price	**4,774**

At the acquisition date, the key inputs used in determination of the fair value of contingent consideration are the discount rate of 3.55%. The undiscounted value of contingent consideration as at March 31, 2020 was USD 2.99 million (₹ 2,648 lakhs) and ₹ 2,420 lakhs as at March 31, 2019.

The transaction costs of ₹ 201 lakhs related to the acquisition have been included in the consolidated statement of profit and loss for the year ended March 31, 2019.

40. Corporate Social Responsibility

As per Section 135 of Companies Act, 2013 a company meeting the applicability threshold, needs to spend at least 2% of its average net profit for the immediately preceding three financial years on corporate social responsibility (CSR) activities. A CSR committee has been formed by the Group as per the Companies Act, 2013. The CSR initiatives are focused towards those programmes directly or indirectly, benefit the community and society at large.

(i) Gross amount required to be spent by the Group during the year is ₹ 466 lakhs (Previous year is ₹ 382 lakhs)

(ii) Amount spent during the year is ₹ 469 lakhs (Previous year is ₹ 388 lakhs)

(₹ in Lakhs)

	In Cash	Yet to be paid in Cash	Total
1. Construction / acquisition of any asset	-	-	-
2. On purposes other than (1) above	-	469	469
Total	**-**	**469**	**469**

(iii) Amount unspent is ₹ 13 lakhs (Previous year is ₹ 4 lakhs)

41. Earnings Per Share

Reconciliation of number of equity shares used in the computation of basic and diluted earnings per share is set out below:

	For the year ended March 31, 2020		For the year ended March 31, 2019	
	Basic EPS	Diluted EPS	Basic EPS	Diluted EPS
Weighted average number of equity shares outstanding during the period	105,110,556	105,110,556	105,159,306	105,159,306
Weighted average number of Potential equity shares exercised by Sonata Employee Welfare Trust	(1,251,125)	(1,251,125)	(1,299,875)	(1,299,875)
Weighted average number of equity shares resulting from assumed exercise of employee stock options	31,654	31,654	49,096	141,979
Weighted average number of equity shares for calculation of earning per share	103,891,085	103,891,085	103,908,527	104,001,410

42. Distributions made and proposed :

The Board of Directors at their meeting held on October 30, 2019 had declared an interim dividend of 575% (₹ 5.75 per equity share of par value of ₹ 1 each). Further, the Board of Directors at its meeting held on Feb 26, 2020 have recommended a second interim dividend of 1450% (₹ 14.5 per equity share of par value ₹ 1 each) .

The Board of Directors at their meeting held on November 02, 2018 had declared an interim dividend of 475% (₹ 4.75 per equity share of par value of ₹ 1 each). Further, the Board of Directors at its meeting held on May 30, 2019 have recommended a final dividend of 800% (₹ 8 per equity share of par value ₹ 1 each) which is subject to approval of shareholders. The proposal was approved by shareholders at the Annual General Meeting held on August 7, 2019, this has resulted in a cash outflow of ₹ 10,142 lakhs, inclusive of dividend distribution tax .

43. There is no amount due or outstanding as at Balance Sheet date to be credited to the Investor Education and Protection Fund.

For and on behalf of the Board

Pradip P Shah
Chairman
Mumbai

P Srikar Reddy
Managing Director & Chief Executive Officer
Bengaluru

Jagannathan Chakravarthi
Chief Financial Officer
Bengaluru

R Sathyanarayana
VP - Finance & Accounts
Bengaluru

Mangal Krishnarao Kulkarni
Company Secretary
Bengaluru

Date : May 11, 2020

SONATA INFORMATION TECHNOLOGY LIMITED FINANCIAL STATEMENTS

SONATA SOFTWARE

BOARD'S REPORT

To the Members,

The Directors have pleasure in presenting before you the Twentieth Annual Report of your Company together with the Audited Financial Statements for the Financial Year ended 31st March, 2020.

FINANCIAL RESULTS

(₹ in lakhs)

Description	Financial Year ended 31.03.2020	Financial Year ended 31.03.2019
Total Income	**250,748**	187,125
Total Expenditure	**241,240**	179,843
EBITDA	**9,508**	7,282
Depreciation & Amortization Expense	**207**	70
Finance Cost	**412**	333
Profit before Tax and Exceptional Items	**8,889**	6,879
Exceptional item [Interest income on Income Tax refund]	**-**	228
Provision for Tax (Net)	**2,450**	2,482
Profit after Tax	**6,439**	4,625
Earnings in ₹ per share	**190.75**	137.02

BUSINESS PERFORMANCE

Your Company has posted encouraging results for the Financial Year that ended on 31st March, 2020.

Your Company has reported a revenue of ₹ 250,748 Lakhs in the Financial Year under review with a growth of 31% in EBIDTA before Exceptional Items and 39% in PAT due to higher margins. Turnover has gone up by 34%, efficiency in working capital management helped us in achieving this growth. However, the focus in this business has always been to manage Return on Capital Employed, which was 33% for the Financial Year as compared to 27% for the previous Financial year.

Your Company's business has two broad lines:

A. **PRODUCTS**

Your Company's focus on the digital transformation to clients has brought in strategic customers for us and improved profitability by using our IP's in our solutions. We focus on Multi cloud services to most of our existing customers and we have been a preferred partners for Microsoft Azure, AWS and Google Cloud. We also started engaging in Large SI products and seen a good amount of success during last year. We will continue our focus on Multi cloud, SI business and security business during the current year also.

B. **SERVICES**

During the year under review, your Company has consolidated its services business with the existing customer and has also acquired new customers in its focused verticals. Your Company has established itself as a key partner of Microsoft in MS Dynamics business and introduced the sale & services around newly acquired CTRM IP in India market. The GDC / GIC business has grown and the Company has acquired new businesses. New leads have started coming through the Platformation sales motion and it has improved the company image with customers as well as with our partners.

OUTLOOK IN BUSINESS

Your Company continued to focus on Cloud Infrastructure and Management business and has got into partnership with AWS and Google, some of the leading Cloud platform provider. These business relationships have brought in new customers and revenue.

Your Company is working with these partners to expand the size and scope of business in their respective technology areas.

DIVIDEND / TRANSFER TO RESERVES

Considering the better liquidity position of the Company, your Directors declared First Interim Dividend of ₹ 5/- per equity share, 2nd Interim Dividend of ₹ 5/- per equity share and 3rd Interim Dividend ₹ 148.13 per share (rounded off to ₹ 50 Crores) adds up to a total dividend of ₹ 158.13 per equity share for Financial Year 2019-20.

Your Company has not transferred any amounts to reserve for the Financial Year ended 31st March, 2020.

The paid up share capital of your Company is ₹ 33,753,940 divided into 3,375,394 equity shares of ₹ 10 /- each. Your Company has not come out with any issue (public, rights or preferential) during the Financial Year under review.

BOARD MEETINGS

During the year under review, the Board of Directors met 5 (Five) times. The Board Meetings were held on 30th May, 2019, 7th August, 2019, 30th October, 2019, 24th January, 2020 and 26th February 2020.

BOARD OF DIRECTORS AND OTHER MANAGERIAL PERSONNEL

During the Financial Year under review, Mr. B K Syngal, Independent Director, retired from the Company with effect from 11th August, 2019, due to completion of his tenure as an Independent Director. The Board places on record its appreciation for his invaluable contribution and guidance.

During the Financial Year under review, at the meeting of the Board held on 24th January, 2020, Ms. Rashmi Shrike (ACS no: 38432) was appointed as a Company Secretary of the Company with immediate effect.

During the year under review, your Company has not appointed any Director.

DECLARATION FROM INDEPENDENT DIRECTORS ON ANNUAL BASIS

Your Company has received necessary declaration from Independent Director of your Company under Section 149(7) of the Companies

Act, 2013, that the Independent Director of your Company meet with the criteria of their Independence laid down in Section 149(6) of the Companies Act, 2013. The Independent Director has confirmed that she has complied with the Company's Code of Conduct.

DIRECTOR'S RESPONSIBILITY STATEMENT:

In pursuance of Section 134 (3) (c) read with Section 134 (5) of the Companies Act, 2013, the Directors hereby confirm that:

- in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial Year and of the profit and loss of the Company for that period;
- the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the Directors have prepared the Annual Accounts on a going concern basis; and
- the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

MATERIAL CHANGES AND COMMITMENTS

There has been no material change and commitment affecting financial position between the end of the Financial Year and date of this Report.

AUDIT COMMITTEE

The Audit Committee of the Board has been reconstituted at the Board Meeting held on 7th August, 2019 by appointing Mr. Sujit Mohanty as a member of the committee in place of Mr. B.K Syngal who ceased to be the Director due to completion of his tenure as an Independent Director. The Audit Committee currently comprises of Ms. Radhika Rajan (Chairperson), Mr. P Srikar Reddy and Mr. Sujit Mohanty as its members. During the year under review, the Committee met 4 (Four) times. The Committee Meetings were held on 30th May, 2019, 7th August, 2019, 30th October, 2019 and 24th January, 2020.

NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee of the Board had been reconstituted at the Board Meeting held on 7th August, 2019 by appointing Mr. Sujit Mohanty as a member of the Committee in place of Mr. B.K Syngal who ceased to be the Director due to completion of his tenure as an Independent Director. The Nomination and Remuneration Committee currently comprises of Ms. Radhika Rajan (Chairperson), Mr. P Srikar Reddy and Mr. Sujit Mohanty as its members.

Further, the Nomination and Remuneration Committee of the Board have been dissolved at the Board Meeting held on 24th January, 2020, pursuant to the sub rule (2) of the Rule 4 of Companies (Appointment and Qualification of Directors) Amendment Rules,2017, which exempts a wholly owned subsidiary of a listed entity from the requirement of having a Nomination and Remuneration Committee of the Board.

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

The Corporate Social Responsibility Committee of the Board had been reconstituted at the Board Meeting held on 7th August, 2019 by appointing Mr. Sujit Mohanty as a member of the Committee in place of Mr. B.K Syngal who ceased to be the Director due to completion of his tenure as an Independent Director. The Corporate Social Responsibility Committee currently comprises of Ms. Radhika Rajan (Chairperson), Mr. P Srikar Reddy and Mr. Sujit Mohanty as its members. The Committee met 2 (Two) times during the year under review. i.e. on 30th May, 2019 and 24th January, 2020.

QUALIFICATIONS IN AUDIT REPORTS

Your Company confirms that there is no qualification in the Statutory Auditor's Report and Secretarial Audit Report for the year under review.

STATUTORY AUDITORS

M/s Deloitte Haskins & Sells, LLP, Chartered Accountants, Bengaluru, (Firm Registration No. 117366W/W-100018) were appointed as Statutory Auditors of the Company from the conclusion of Seventeenth (17th) Annual General Meeting (AGM) till conclusion of Twenty Second (22nd) AGM, subject to ratification of appointment by the shareholders at every AGM. Pursuant to The Companies (Amendment) Act, 2017 the requirement to ratify the appointment of the Statutory Auditors by the shareholders at every AGM has been omitted, and therefore your Company is not seeking ratification.

SECRETARIAL AUDITOR

The Board re-appointed Mr. Vijaykrishna K T, Practising Company Secretary as the Secretarial Auditor for the Financial Year 2019-20 at the Board Meeting held on 30th October, 2019.

The Secretarial Audit Report for the financial year ended 31st March, 2020 is annexed to this Report as **Annexure I.** The report does not contain any qualification, reservation or adverse remark.

COST AUDIT

The provisions of Companies (Cost Records and Audit) Rules, 2014 are not applicable to your Company.

SECRETARIAL STANDARDS

Your Company has complied with the provisions of the Secretarial Standards 1 and 2, which were issued by the Institute of Company Secretaries of India.

EXTRACT OF ANNUAL RETURN

As required pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014, an extract of annual return in MGT 9 is annexed as a part of this Annual Report as **Annexure II.**

RECOGNITION

During the year under review, your Company was felicitated with following recognitions:

- McAfee - "Growth partner South – 2019"
- Best Partner for Oracle Digital Prime (ODP) Adjudged best partner in India for contributing the major share of this teams target during their last financial year.
- Best Partner for Oracle Engineered Systems- Adjudged best partner in India for selling the most number of Engineered Systems in India during their last financial year.
- Successfully completed ISO 9001-2015 recertification for the Sonata India Business.
- Sonata wins 2nd place in the Lean-Agile Transformation Conclave Experience & Awards contest for 2019, organized by BSPIN (Bangalore Software Process Improvement Network).

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE OUTGO:

(A) CONSERVATION OF ENERGY

Though your Company does not have energy intensive operations, every endeavor has been made to ensure the optimal usage of energy, avoid wastage and conserve energy. As an ongoing process, your Company continued to undertake the following measures to conserve energy:

- Using energy-efficient computers and equipment with the latest technologies, which would help in conservation of energy.
- Installation of sensors at work space area resulting in lights automatically getting switched off in areas not in use.

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.

(B) TECHNOLOGY ABSORPTION:

During this Financial Year also, your Company continued its focus on new technology areas like Mobility, Cloud and Analytics and focused on Cloud SI, security SI & Own IP businesses in the Indian market.

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO:

During the Financial Year under review, Foreign Exchange outgo on account of Travelling, Royalty, Import of traded products, etc. was ₹ 151 Lakhs and Foreign Exchange inflow on account of software services rendered and sales of traded products exports was ₹ 34,362 Lakhs.

PARTICULARS OF EMPLOYEES

Information as required under the provisions of Rules 5(2) & 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is not applicable to your Company.

PUBLIC DEPOSITS

Your Company has not accepted any deposits from the public under Chapter V of the Companies Act, 2013 during the year under review.

QUALITY MANAGEMENT

Your Company has been focusing on enhancing customer satisfaction and operational effectiveness by adopting industry best practices and standards.

During the year under review, your Company successfully completed the recertification audit of its Quality Management System demonstrating continued alignment with the standard ISO 9001:2015.

Your Company continues its efforts to sustain and enhance customer satisfaction. Your Company has been able to achieve an overall aggregated score of 4.1 out of a possible top score of 5 this year, from key customers.

Company is focusing on and enhancing service delivery processes and capabilities while including new service offerings to existing and new clients.

HUMAN RESOURCES MANAGEMENT

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

- Sonatians participated in the TechGig Code Gladiator Coding contest, putting up their coding prowess and problem-solving skills to test and benchmarking themselves against the best coders in India. We are happy 15 Sonatians qualified for the Semi-finals. 3 Sonatians faced off with some of the best at the Finale in Mumbai. 1 Sonatian was adjudged one of the top 10 in the Finals that happened in Mumbai in June 2019.
- Session on "Having Development Conversations" were conducted from June – August'19 for all managers in the organization.
- Swagatham is an outreach program intended to create awareness about higher education and research among the top undergraduate students in India at the IISc, Bangalore. The 4th Swagatham was organized by CSA department, IISc in April 2019 with an inaugural session which was attended by executives from Sonata Software along with CSA faculty, as part of our commitment to IISc.
- Sonata's Industry-Academia partnership with IIIT-B has facilitated students from IIIT-B to take up their internships on Industry Problems and Current Technologies and Business Trends. This year, Sonata has offered a dedicated internship program, starting in June, in areas of Application Building for Platforms & Application Development and enhanced Code Generation Platforms. This internship program will help the students to learn problem solving skills and exposure to cutting edge research.
- To engage Sonatians in the managerial cadre, an initiative called The Leader's Ideation Forum was launched during the year. The Leaders Ideation Forum was conducted starting August in Sonata locations in India. Participants of these include Middle & Senior Managers. These monthly sessions are designed to help enhance communication, ideate on solutions and innovations, solve problems locally and make consensus-based decisions.
- Over 100 Sonatians got a chance to visit the Customer Experience Center (CEC) at our Global Village facility in Bangalore in the last quarter. The objective was to enhance the Sonatian experience for them. A greater sense of belonging and a deeper understanding of what we stand for, goes a long way in building trust and pride in the organization. This is what we believe was achieved through these initiatives.
- Representing an internationally shared global agenda for sustainability, Sustainable Development Goals (SDGs) are a collection of 17 global goals set by the United Nations General Assembly in 2015 for the year 2030. Globally, businesses are in the process of aligning themselves and their activities to these goals and at this time, in different stages of their sustainability journeys. With many of our initiatives and ongoing programs under CSR, we have been working towards many of these goals ourselves. Industry, Innovation and Infrastructure, reducing inequalities, responsible consumption and production, meaningful partnerships to attain these goals, gender equality are some of the SDGs we are already working for at Sonata and will consciously continue to do. We took up this topic of 'Sustainability - Business Impact and RoI" for our latest session of Sonata Cafe. We had the most passionate, insightful and uniquely different views from Sonatians. Our invited guest, Mr. Ashok Pamidi, CEO, NASSCOM Foundation, presented a bird's eye view of the various sustainability related statistics from around the world, along with prevalent practices from inside the IT industry in India.
- 'Bring your Child to Work 2019' was organized for various Sonata locations in the quarter. It was wonderful to see the enthusiasm with which Sonatians participated in the event. No stone was unturned to make the event lively and entertaining both by the organizers and the audience.

- SJBIT Engineering Students' Industrial visit to Sonata's facility in November 2019 was part of a new initiative to foster better engagement between Sonata and the education institutions we are associated with. Students found the experience at Sonata as "excellent, informative and one of the best in their academic program till date".
- As part of our on-going partnership with Agastya International Foundation, we funded the Agastya Summer camp in April 2019 at GHPS Kuragall, which sought to explain basic principles of science through puzzles, games and low-cost model making to children. The Camp engaged 800 rural children and 21 teachers in 25 days' time. Sonata's work with Agastya Foundation, in bringing hands-on science education to underprivileged rural children, has benefited over 12 different communities in the last three months. Hundreds of children and adults participate in activities like meditation, craft-work, and story-writing – exploring and having fun! Glad to report that we have been able to positively impact 8 schools, in 26 sessions, 895 children and 18 teachers in all. The First Mobile Science Lab was launched in August 2019 in Kuppam and we inaugurated the second one in December in GHPS Shivalli, Dharwad.
- Sonata Software partners with Smt. Kamala & Sri. Venkappa M Agadi College of Engineering & Technology (SKSVMA), Gadag, to provide scholarships to economically challenged girl students, enabling them to gain technical knowledge, skill and capability to pursue a career in Industry. Six girl students from the departments of Information Science, Computer Science and Electronics & Communication from the 5th and 7th semesters were selected for their outstanding scholastic performance as well as achievements in extracurricular activities last quarter for the scholarships.

  Further, every year your Company organizes an Annual Communications Meet "ACM" where:

  - Your Managing Director along with his Leadership team shared the company strategy, plans & key focus areas. Like all years the telecast this year too was widely viewed across the locations.
  - The ACM enabled employees to develop a sense of purpose, vision and helped them align and give a deep sense of belonging to the organization's strategy, plans & objectives.

DETAILS OF ADEQUACY OF INTERNAL FINANCIAL CONTROLS

The Company has in place well defined and adequate internal controls commensurate with the size of the Company and the same were operating effectively throughout the year. The internal control systems operate through well documented Standard Operating Procedures, policies and process guidelines. These Procedures, policies, processes and the systems are periodically reviewed and improved upon to meet the changing business environment.

The Internal Financial Controls helps in ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the Accounting records and timely preparation of reliable financial information.

During the year under review, both the internal and statutory auditors reviewed the internal financial controls. Based on their assessment no material weaknesses were found in the design and operation of the internal financial controls in the company.

SIGNIFICANT & MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNAL

During the year under review, there were no significant and material orders passed by the Regulators or Courts or Tribunals impacting the going concern status of your Company and its future operations.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS:

During the Financial Year under review, your Company has taken Inter Corporate Deposits at prevailing bank lending rate from its Holding Company, Sonata Software Ltd. for meeting its working capital requirements. There is no outstanding balance as on 31st March, 2020. The maximum amount outstanding at any point of time during the Financial Year has been ₹ 7,800 Lakhs

Also, your Company has taken Corporate Guarantees from its Holding Company, Sonata Software Ltd. for facilitating its business needs. The outstanding amount as on 31st March, 2020 is as below:

Name of the Party	Amount in ₹ Lakhs
IBM India Ltd.	500
Microsoft Corporation (India) Pvt. Ltd.	11,349

RISK MANAGEMENT:

The Risk Management practices of Sonata seek to sustain our long term vision and mission. The Risk Management Policy, inter alia, includes identification therein of elements of risk, including those which in the opinion of the Board may threaten the existence of the Company. Risk management process has been established across the Company and is designed to identify, assess and frame a response to threats that affect the achievement of its objectives. Further, it is embedded across all the major functions and revolves around the goals and objectives of the organisation.

CORPORATE SOCIAL RESPONSIBILTY "CSR":

During the Financial Year, your Company has spent ₹ 134.31 lacs towards CSR activities.

Your Company has a Policy on CSR and as part of its implementation program, identified and participated in the following initiatives:

- Sonata partnered with the Art & Photography Foundation Supporting MAP's Mission to exhibit, interpret and preserve a growing collection of art and cultural artefacts. Sonata are the Technology Partner's for building Technology solutions for the First Private Museum in Bangalore.
- Sonata Partnered with Agastya foundation in helping them to set up Two Mobile science labs and donated two Mobile Science vans to help Rural students in Chittoor & Dharwad district. Sonata also provides technology assistance for improving the knowledge repository of an existing android app-based learning program - Lab on Tab.
- Promote education to the impaired – Partner with Sense International India, a Centre for Deaf and Blind in Bengaluru.
- Sonata partnered with Kriti Social Initiatives to empower women through skills training and capacity building, promote livelihoods for women, ensure education of children in slums and technology assistance for various woman empowerment programs in Hyderabad.
- Sonata, as part of its CSR engagement is supporting Telangana Yuvathi Mandali to offer quality education to the girl child in Hyderabad.
- Sonata supported Andhra Mahila Sabha for improving the infrastructure of the Hospital and the Nursing School for providing better child mortality for the economically challenged mothers in Chennai.

- Sonata Software in partnership with The Golf Foundation (TGF) is supporting to help in identifying talented underprivileged Golfers, as it believes in producing global level golf champions from deserving talent from weaker section of society.
- The Annual Report on CSR in the prescribed format is enclosed to this report as **Annexure III.**

FORMAL ANNUAL EVALUATION

During the Financial Year under review, as mandated by the Companies Act, 2013, your Company conducted an exercise to evaluate the performance of the Board, Committees of the Board, Chairman of the Board, Individual Directors and the Independent Directors. As part of the evaluation process, individual criteria for each of the exercise was formulated. From these, formal questionnaire listing various parameters on which each of the categories were required to be evaluated was shared with each member of the Board / Committee / Director. They were then required to rate individually on each of the parameters Pursuant to provision of Companies Act, 2013.

VIGIL MECHANISM & SEXUAL HARRASMENT

Your Company shares a group Vigil Mechanism policy formulated and adopted by Sonata Software Limited (Holding Company). This policy provides a secure framework to report genuine concerns about unethical behaviour, actual or suspected fraud, theft, bribery, misappropriation of Company funds, financial reporting violations, misuse of intellectual property, mismanagement, significant environmental, safety or product quality issues, discrimination, actual or potential conflicts of interest, violation of company's rules, Company's policies or violation of Code of Conduct of your Company. The said policy has been communicated to the employees.

Sonata Software Limited (Holding company) has formulated and adopted a policy on 'Prevention of Sexual Harassment' which is in line with the requirements of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. This policy extends to your Company and through this policy, complaints are monitored by a committee duly constituted for protection against victimisation. No complaints were received under this policy during the Financial Year 2019-20.

The Company affirms that no employee has been denied access to the Audit Committee during the Financial Year 2019-20.

RELATED PARTY TRANSACTIONS:

Particulars of Contracts or Arrangements with Related parties referred to in Section 188(1) – details provided in format AOC-2 as **Annexure IV.**

JUSTIFICATION FOR ENTERING INTO RELATED PARTY TRANSACTIONS:

During the year under review your Company has availed Inter Corporate Deposits at prevailing bank lending rate from its Parent Company, Sonata Software Ltd. for meeting its working capital requirements.

Also, your Company has obtained Corporate Guarantees on its behalf from its Parent Company, Sonata Software Ltd, for facilitating its business needs.

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: Bengaluru
Date: 11 May, 2020

P SRIKAR REDDY
CHAIRMAN

Annexure - I

FORM NO. MR-3

SECRETARIAL AUDIT REPORT

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2020

To
The Members
Sonata Information Technology Limited
Mumbai

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Sonata Information Technology Limited (CIN:U72300MH2000PLC127476) (hereinafter called 'the Company'). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2020 complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by Sonata Information Technology Limited for the financial year ended on 31st March, 2020 according to the provisions of:

i. The Companies Act, 2013 (the Act) and the rules made thereunder;

ii. The other general laws as may be applicable to the Company like Payment of Gratuity Act etc

iii. The Industry specific laws applicable to the Company are as follows:

   - The Information Technology Act, 2000
   - The Special Economic Zone Act, 2005
   - Policy relating to Software Technology Parks of India and its regulations
   - The Indian Copyright Act, 1957
   - The Patents Act, 1970
   - The Trade Marks Act, 1999

(iv) The other general laws as may be applicable to the Company including the following:

   - The Karnataka and Maharashtra Shops& Commercial Establishment Act & Rules
   - The ESI Act & General Regulations
   - The Employees Provident Funds & Miscellaneous Provisions Act
   - The Minimum Wages Act & Rules
   - The Payment of Wages Act & Rules
   - The Payment of Gratuity Act & Rules
   - The Payment of Bonus Act & Rules
   - The Maternity Benefit Act
   - The Equal Remuneration Act
   - The Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959& Rules
   - The Karnataka and Maharashtra Labour Welfare Fund Act & Rules
   - Industrial Employment Standing Orders Act.
   - The Karnataka and Maharashtra (National & Festival) Holidays Act &Rules
   - The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act.
   - For majority of Central Labour Laws the States have introduced Rules [names of each of the Rules is not included here]
   - The Competition Act, 2002
   - The Indian Contract Act, 1872
   - The Sales of Goods Act, 1930
   - The Indian Stamp Act, 1899
   - The Transfer of Property Act, 1882

I have also examined compliances with the applicable clauses of Secretarial Standards issued by the Institute of Company Secretaries of India on the Board and General Meeting i.e. SS-1 and SS-2.

During the period under review, the Company has complied with the provisions of the Acts, Rules, Regulations, Guidelines, Standards, etc. mentioned above. Certain non material findings made during the course of the audit relating to Companies Act and Labour Laws were addressed suitably by the Management.

Further, I report that with regard to financial and taxation matters, I have relied on the draft Audit Report, Limited Review Report and the Internal Audit Report provided by the Statutory/Internal Auditor as the case may be.

I further report that the Board of Directors of the Company is duly constituted with proper balance of Non-Executive Directors and Independent Directors.

Adequate notice is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance (in certain instances, detailed notes on agenda were sent within seven days, with the consent of Directors), and a system exists for seeking and obtaining further information and clarifications on the agenda items before the Meeting and for meaningful participation at the Meeting.

Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes as per the practice followed. However, during the period under report, there was no such case instance.

I further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that I could not physically verify few documents/ registers/returns due to Lockdown situation in relation to outbreak of Pandemic Covid-19 and I have relied on the soft copies/ information shared with me.

Place: Bengaluru
Date: 11 May, 2020

Vijayakrishna K T
FCS No.: 1788
C P No.: 980
UDIN: F001788B000226397

Note: This report is to be read with my letter of even date which is annexed as Annexure and forms an integral part of this report.

'ANNEXURE'

My report of even date is to be read along with this letter:

1. Maintenance of secretarial record is the responsibility of the management of the Company. My responsibility is to express an opinion on these secretarial records based on our audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of Secretarial Records. The verification was done on test basis to ensure that correct facts are reflected in the secretarial records. I believe that the processes and practices, I have followed provide a reasonable basis for our opinion.
3. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company including records under Income Tax Act, Customs Act, Goods and Service Tax Act.
4. Where ever required, the Company has represented about the compliance of laws, rules and regulations and happening of events etc. as applicable from time to time.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of Management. My examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit Report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the Management has conducted the affairs of the Company.

Place: Bengaluru
Date: 11 May, 2020

Vijayakrishna K T
FCS No.: 1788
C P No.: 980

ANNEXURE II

EXTRACT OF ANNUAL RETURN
FORM MGT-9
FOR THE FINANCIAL YEAR ENDED 31.03.2020

Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management & Administration) Rules, 2014.

I REGISTRATION & OTHER DETAILS:

i	CIN	U72300MH2000PLC127476
ii	Registration Date	29/06/2000
iii	Name of the Company	Sonata Information Technology Limited
iv	Category/Sub-category of the Company	Public Company Limited by Shares
v	Address of the Registered office & contact details	No.208 T V Industrial "Estate" "K. Ahire" Marg, Worli, Mumbai-400030 Tel : 91-22-24943055
vi	Whether listed company	Unlisted
vii	Name , Address & contact details of the Registrar & Transfer Agent, if any	NA

II PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the Company is as below - Software Development and Consulting Services and also reselling of product licenses.

Sl No	Name & Description of main products/services	NIC Code of the Product /service	% to total turnover of the Company
1	Other Information Technology and Computer Services activities	62099	100%

III PARTICULARS OF HOLDING , SUBSIDIARY & ASSOCIATE COMPANIES

Sl No	Name & Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	Sonata Software Limited	L72200MH1994PLC082110	Holding Company	100%	2(46)

IV. SHAREHOLDING PATTERN (EQUITY SHARE CAPITAL BREAK UP AS % TO TOTAL EQUITY)

(I) CATEGORY-WISE SHAREHOLDING

Category of Shareholders	No. of Shares held at the beginning of the year (as on 1st April, 2019)				No. of Shares held at the end of the year (as on 31st March, 2020)				% change during the year	
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares		
A. Promoters										
(1) Indian										
a) Individual*/HUF	0	700	0	0.02	0	700	0	0.02	0	0
b) Central Govt. or State Govt.	0	0	0		0		0		0	0
c) Bodies Corporates	0	3374694	0	99.98	0	3374694	0	99.98	0	0
d) Bank/FI	0	0	0	0	0		0		0	0
e) Any other	0	0	0	0	0		0		0	0
SUB TOTAL:(A) (1)	**0**	**3375394**	**0**	**100**	**0**	**3375394**	**0**	**100**	**0**	**0**
(2) Foreign	0	0	0	0	0	0	0	0	0	0
a) NRI- Individuals	0	0	0	0	0	0	0	0	0	0
b) Other Individuals	0	0	0	0	0	0	0	0	0	0
c) Bodies Corp.	0	0	0	0	0	0	0	0	0	0
d) Banks/FI	0	0	0	0	0	0	0	0	0	0
e) Any other...	0	0	0	0	0	0	0	0	0	0
SUB TOTAL (A) (2)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Category of Shareholders	No. of Shares held at the beginning of the year (as on 1st April, 2019)				No. of Shares held at the end of the year (as on 31st March, 2020)				% change during the year	
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares		
Total Shareholding of Promoter (A)=(A)(1)+(A)(2)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
B. PUBLIC SHAREHOLDING	0	0	0	0	0	0	0	0	0	0
(1) Institutions	0	0	0	0	0	0	0	0	0	0
a) Mutual Funds	0	0	0	0	0	0	0	0	0	0
b) Banks/FI	0	0	0	0	0	0	0	0	0	0
c) Central govt	0	0	0	0	0	0	0	0	0	0
d) State Govt.	0	0	0	0	0	0	0	0	0	0
e) Venture Capital Fund	0	0	0	0	0	0	0	0	0	0
f) Insurance Companies	0	0	0	0	0	0	0	0	0	0
g) FIIS	0	0	0	0	0	0	0	0	0	0
h) Foreign Venture Capital Funds	0	0	0	0	0	0	0	0	0	0
i) Others (specify)	0	0	0	0	0	0	0	0	0	0
Beneficial holdings under MGT- 4	0	0	0	0	0	0	0	0	0	0
SUB TOTAL (B)(1):	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
(2) Non Institutions	0	0	0	0	0	0	0	0	0	0
a) Bodies corporates	0	0	0	0	0	0	0	0	0	0
i) Indian	0	0	0	0	0	0	0	0	0	0
ii) Overseas	0	0	0	0	0	0	0	0	0	0
b) Individuals	0	0	0	0	0	0	0	0	0	0
i) Individual shareholders holding nominal share capital upto ₹ 1 lakhs	0	0	0	0	0	0	0	0	0	0
ii) Individuals shareholders holding nominal share capital in excess of ₹ 1 lakhs	0	0	0	0	0	0	0	0	0	0
c) Others (specify)	0	0	0	0	0	0	0	0	0	0
SUB TOTAL (B)(2):	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total Public Shareholding (B)= (B)(1)+(B)(2)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
C. Shares held by Custodian for GDR & ADR	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Grand Total (A+B+C)	**0**	**3375394**	**0**	**100**	**0**	**3375394**	**0**	**100**	**0**	**0**

***Note:** The beneficial ownership in the shares held by individual shareholders are held by Sonata Software Limited

(ii) SHAREHOLDING OF PROMOTERS

Sl No.	Shareholders Name	Shareholding at the beginning of the year (1st April, 2019)			Shareholding at the end of the year (31st March, 2020)			% change in shareholding during the year
		No of shares	% of total shares of the Company	% of shares pledged encumbered to total shares	No of shares	% of total shares of the Company	% of shares pledged encumbered to total shares	
1	Sonata Software Limited	33,74,694	99.98	NIL	33,74,694	99.98	NIL	NIL
	Total	**33,74,694**	**99.98**	**NIL**	**33,74,694**	**99.98**	**NIL**	**NIL**

(iii) CHANGE IN PROMOTER'S SHAREHOLDING (SPECIFY IF THERE IS NO CHANGE)

Sl No.		Shareholding at the beginning of the Year		Cumulative Shareholding during the year	
		No of shares	% of total shares of the Company	No of shares	% of total shares of the Company
1	At the beginning of the year	NIL	NIL	NIL	NIL
2	Date wise increase/decrease in Promoters Shareholding during the year specifying the reasons for increase/ decrease (e.g. allotment/transfer/bonus/sweat equity etc)	NIL	NIL	NIL	NIL
3	At the end of the year	NIL	NIL	NIL	NIL

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters & Holders of GDRs & ADRs)

Sl. No.	For Each of the Top 10 Shareholders	Shareholding at the end of the year		Cumulative Shareholding during the year	
		No of shares	% of total shares of the Company	No of shares	% of total shares of the Company
1	At the beginning of the year	NIL	NIL	NIL	NIL
2	Date wise increase/decrease in Promoters Shareholding during the year specifying the reasons for increase/ decrease (e.g. allotment/transfer/bonus/sweat equity etc)	NIL	NIL	NIL	NIL
3	At the end of the year (or on the date of separation, if separated during the year)	NIL	NIL	NIL	NIL

(v) Shareholding of Directors and Key Managerial Personnel:

Sl. No.	For Each of the Directors & KMP*	Shareholding at the end of the year		Cumulative Shareholding during the year	
		No of shares	% of total shares of the Company	No of shares	% of total shares of the Company
1	At the beginning of the year	Nil	Nil	Nil	Nil
2	Date wise increase/decrease in Promoters Shareholding during the year specifying the reasons for increase/ decrease (e.g. allotment/transfer/bonus/sweat equity etc)	Nil	Nil	Nil	Nil
3	At the end of the year	Nil	Nil	Nil	Nil

***Note:** Directors are not holding any shares since the beneficial interest is held by Sonata Software Limited (Holding company).

(vi) INDEBTEDNESS

(₹ in Lakhs)

Indebtedness of the Company including interest outstanding/accrued but not due for payment	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtness at the beginning of the financial year 01.04.2019				
i) Principal Amount	-	75	-	75
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	**-**	**75**	**-**	**75**
Change in Indebtedness during the financial year				
Additions	6,275	24,974	Nil	31,249
Reduction	6,275	24,771	Nil	31,046
Net Change	-	203	Nil	203
Indebtedness at the end of the financial year 31.03.2020				
i) Principal Amount	-	278	Nil	278
ii) Interest due but not paid	Nil	Nil	Nil	-
iii) Interest accrued but not due	Nil	Nil	Nil	-
Total (i+ii+iii)	**-**	**278**	**-**	**278**

VI REMUNERATION OF DIRECTORS

A. Remuneration to Managing Director, Whole time director and/or Manager:

(₹ in Lakhs)

Sl. No	Particulars of Remuneration	Sujit Mohanty (whole-time Director)	Total Amount
	Gross salary		
1	(a) Salary as per provisions contained in section 17(1) of the Income Tax. 1961.	89	89
2	(b) Value of perquisites u/s 17(2) of the Income tax Act, 1961	-	-
3	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	-	-
4	Stock option	-	-
5	Sweat Equity	-	-
6	Commission as % of profit	-	-
7	Others, please specify (SARs)	-	-
8	**Total (A)**	**89**	**89**
9	**Ceiling as per the Act**		**437**

Note:

1) Mr. P Srikar Reddy, Director of the Company was not paid any remuneration as he holds executive position in Sonata Software Limited (Holding Company).

B. Remuneration to other Directors

(₹ in Lakhs)

Sl. No	Particulars of Remuneration	Name of the Independent Director		Total Amount
1	**Independent Directors**	**Ms. Radhika Rajan**	**Mr. B K Syngal**	
2	(a) Fee for attending board/ committee meetings	2	1	3
3	(b) Commission	0	0	0
4	(c) Others, please specify	0	0	0
5	**Total (1)**	**2**	**1**	**3**
	Other Non Executive Directors			
6	(a) Fee for attending board /committee meetings	0	0	0
7	(b) Commission	0	0	0
8	(c) Others, please specify	0	0	0
9	**Total (2)**	-	-	-
10	**Total (B)=(1+2)**	**2**	**1**	**3**
11	**Total Managerial Remuneration (A+B)**			**92**
12	**Overall Ceiling as per the Act**			**960**

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD

(₹ in Lakhs)

Sl. No.	Particulars of Remuneration	Key Managerial Personnel	Total Amount
	Gross salary	--	--
1	(a) Salary as per provisions contained in section 17(1) of the Income Tax. 1961.	--	--
2	(b) Value of perquisites u/s 17(2) of the Income tax Act, 1961	--	--
3	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	--	--
4	Stock option	--	--
5	Sweat Equity	--	--
6	Commission as % of profit	--	--
7	Others, please specify	--	--

(VII) PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES

There were no penalties or punishments levied on the Company during the year. Also, there was no necessity for the Company to compound any offence.

For and on behalf of the Board

Place: Bengaluru
Date: 11 May, 2020

P SRIKAR REDDY
CHAIRMAN

SONATA SOFTWARE

ANNEXURE III

ANNUAL REPORT ON CSR ACTIVITIES

1. The CSR policy lays down the vision statement for the Company which through its CSR initiatives, will enhance value creation in the society and in the community in which it operates, through its services, conduct & initiatives, so as to promote sustained growth in the society and community around it along with environmental concern. The objective of the Company's CSR policy is to operate its business in an economically, socially & environmentally sustainable manner, while recognizing the interests of all its stakeholders and other objects of the Company.

   Further, initiatives are focused towards those programmes which directly or indirectly benefit the communities and society at large by enhancing the quality of life & economic well-being of the local populace through continuous efforts.

2. The CSR Committee comprises of the following Members-
   i. Radhika Rajan (Chairperson)
   ii. P Srikar Reddy
   iii. Sujit Mohanty
3. Average net profits of the Company for the last three financial years is ₹ 5,883.
4. Prescribed CSR Expenditure (two per cent of the amount as in item 3 above) is ₹ 118.
5. Details of CSR spent during the Financial Year 2019-20.
   a) Total amount spent for the Financial Year 2019-20 was ₹ 134.
   b) Amount unspent – Nil.
   c) Manner in which the amount spent during the Financial Year 2019-20 is detailed below-

(₹ in Lakhs)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sl. No	**CSR Project or activity identified**	**Sector in which the project is covered**	**Projects or programs (1) Local area or other (2) Specify the state and district where projects or programs was undertaken**	**Amount outlay (budget) project or programs wise**	**Amount spent on the projects or programs Sub Heads: (1) Direct expenditure on projects or programs. (2) Overheads**	**Cumulative expenditure upto the reporting period.**	**Amount spent: Direct or through implementing agency**
1	Provide Support for creating a private museum to exhibit, interpret and preserve a growing collection of art and cultural artefacts and technology partner for revamping their existing website into a new responsive one.	Traditional Arts, Textiles and Handicrafts	Bangalore, Karnataka	70	(1) 70 (2) 3	73	Art and Photography foundation
2	Provide support to set up Two Mobile science labs and to provide technology assistance for improving the application-based learning program.	Education and the Environment	Bangalore, Karnataka	20	(1) 27 (2) 1	29	Agastya International foundation

(₹ in Lakhs)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sl. No	**CSR Project or activity identified**	**Sector in which the project is covered**	**Projects or programs (1) Local area or other (2) Specify the state and district where projects or programs was undertaken**	**Amount outlay (budget) project or programs wise**	**Amount spent on the projects or programs Sub Heads: (1) Direct expenditure on projects or programs. (2) Overheads**	**Cumulative expenditure upto the reporting period.**	**Amount spent: Direct or through implementing agency**
3	Empower women through skills training and capacity building, promote livelihoods for women, ensure education of children in slums and technology assistance for various woman empowerment programs	Education and the Environment	Hyderabad, Telangana	5	(1) 5	5	Kriti Social Initiatives
4	Helping to build lives of specially challenged students	Education and the Environment	Yelahanka, Karnataka	7	(1) 7	7	Sense International
5	Provide help in improving the infrastructure of the Hospital and the Nursing School for providing better child mortality	Education and the Environment	Chennai, Tamil Nadu	5	(1) 5	5	Andhra Mahila Sabha
6	Enabling quality education to the girl child	Education and the Environment	Hyderabad, Telangana	5	(1) 5	5	Telangana Yuvathi Mandali
7	Provide golf training for economically challenged talented students	Education and the Environment	Delhi	1	(1) 1	1	The Golf Foundation
8	Support for developed Applications	All	India	5	(2) 9	9	WCT and WW
		Total		118		134	

6. In alignment with its vision, the Company has strived consistently to create value to the society and community in which it operates and is committed to promote sustainable growth. The spend has increased as compared to last year and the Company will continue its efforts towards channelizing the funds allocated for this purpose.

7. A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.

P Srikar Reddy
Chairman

Place : Bengaluru
Date: 11 May, 2020

Radhika Rajan
Chairperson of CSR Committee

Place : Mumbai
Date: 11 May, 2020

ANNEXURE IV

Particulars of contracts / arrangements made with related parties

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014 - Form AOC-2)

1) **Details of contracts or arrangements or transactions not at arm's length basis:**

   There was no Contract / arrangement / transaction entered into during the Financial Year ended 31st March 2020, which was not at arm's length basis.

2) Details of material contracts or arrangement or transactions at arm's length basis:

₹ in lakhs

Name of the Related Party	Sonata Software Limited	Sonata Software North America Inc.
Nature of Relationship	**Holding Company**	**Fellow subsidiary**
Nature Of Contracts/ Arrangements/ Transactions :		-
Revenue from software product and licenses	6,647	3
Software project fees/ service charges	2,155	-
Inter- corporate deposit taken	23,245	-
Inter- corporate deposit repaid	23,245	-
Interest on inter- corporate deposit paid	66	-
Rent paid	81	-
Dividend paid	5,506	-
Commission paid on corporate guarantees	56	-

Notes:

1) Duration of the above Contracts / Arrangements / transactions are all ongoing contracts.
2) Salient terms of the Contracts or arrangements or transactions above mentioned are all based on transfer pricing guidelines.
3) Appropriate approvals have been taken for these Related Party Transactions.
4) Advances paid have been adjusted against billings, wherever applicable.

FOR AND ON BEHALF OF THE BOARD

Place: Bengaluru
Date: 11 May, 2020

P SRIKAR REDDY
CHAIRMAN

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SONATA INFORMATION TECHNOLOGY LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **Sonata Information Technology Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2020, and the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, and its profit, total comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibility for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

- The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Board's report, Management discussion and analysis and Report on corporate governance, but does not include the financial statements and our auditor's report thereon.
- Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
- In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.
- If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the Ind AS and other accounting principles generally accepted in India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit we report that:

   a) We have sought and 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 including Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.

   d) In our opinion, the aforesaid financial statements comply with the Ind AS specified under Section 133 of the Act.

   e) On the basis of the written representations received from the directors as on March 31, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2020 from being appointed as a director in terms of Section 164(2) of the Act.

   f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.

   g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended,

      In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of section 197 of the Act.

   h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:

      i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements.

      ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

      iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

For **Deloitte Haskins and Sells LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Gurvinder Singh
Partner
(Membership No. 110128)
UDIN: 20110128AAAABE4880

Place: Bengaluru
Date: May 11, 2020

ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT

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

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Sonata Information Technology Limited ("the Company") as of March 31, 2020 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting of the Company based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2020, based on the criteria for internal financial control over financial reporting established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **Deloitte Haskins and Sells LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Gurvinder Singh
Partner
(Membership No. 110128)
UDIN: 20110128AAAABE4880

Place: Bengaluru
Date: May 11, 2020

ANNEXURE B TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of 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) According to the information and explanations given to us and the records examined by us, the Company does not have any immovable properties of freehold or leasehold land and building and hence reporting under the clause 3(i)(c) of the Order is not applicable to the Company.

(ii) The Company does not have any inventory and hence reporting under clause 3(ii) of the Order is not applicable to the Company.

(iii) The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013.

(iv) In our opinion and according to the information and explanations given to us, the Company has not granted any loans, made investments or provided guarantees and hence reporting under clause 3(iv) of the Order is not applicable to the Company.

(v) According to the information and explanations given to us, the Company has not accepted any deposit during the year and does not have any unclaimed deposits and hence reporting under clause 3(v) of the Order is not applicable to the Company.

(vi) The maintenance of cost records has not been specified by the Central Government under section 148(1) of the Companies Act, 2013 and hence reporting under clause 3(vi) of the Order is not applicable to the Company.

(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 statutory dues, including Provident Fund, Employees' State Insurance, Income-tax, Goods and Service tax, Customs Duty, Cess and other material statutory dues applicable to it to the appropriate authorities.

(b) There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Goods and Service Tax, cess and other material statutory dues in arrears as at March 31, 2020 for a period of more than six months from the date they became payable.

(c) Details of dues of Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, and Value Added Tax which have not been deposited as on March 31, 2020 on account of disputes are given below:

Name of Statute	Nature of Dues	Forum where Dispute is Pending	Period to which the Amount Relates	Amount (₹ in Lakhs)
Income Tax Act, 1961	Income Tax	Supreme Court	AY 2001-02 & 2002-03	2,182*
		High Court	AY 2002-03 to 2009-10	30,023
		Appellate Authority upto ITAT Level	AY 2013-14 to 2016-17	5,597

*Net of ₹ 125 Lakhs adjusted against amount paid under protest.

(viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings to banks or financial institutions. The Company has neither taken any loans or borrowings from government or has not issued any debentures.

(ix) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under clause 3(ix) of the Order is not applicable to the Company.

(x) 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 by its officers or employees has been noticed or reported during the year.

(xi) In our opinion and according to the information and explanations given to us, the Company has paid / provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.

(xii) The Company is not a Nidhi Company and hence reporting under clause 3(xii) of the Order is not applicable to the Company.

(xiii) In our opinion and according to the information and explanations given to us the Company is in compliance with Section 188 and 177 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements as required by the applicable accounting standards.

(xiv) During the year the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause (xiv) of Order is not applicable to the Company.

(xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or directors of its holding company or persons connected with them and hence provisions of section 192 of the Companies Act, 2013 are not applicable to the Company.

(xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For **Deloitte Haskins and Sells LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Gurvinder Singh
Partner
(Membership No. 110128)
UDIN: 20110128AAAABE4880

Place: Bengaluru
Date: May 11, 2020

BALANCE SHEET as at March 31, 2020

₹ in Lakhs

	Note No.	As at March 31, 2020	As at March 31, 2019
ASSETS			
Non-current assets			
Property, plant and equipment	3	95	80
Right-of-use assets	31	917	-
Financial assets			
Other financial assets	4	2,172	438
Deferred tax assets (net)	15	439	603
Other non-current assets	5	2,129	1,580
Total non-current assets		**5,752**	**2,701**
Current assets			
Financial assets	6		
Investments	6.1	-	4,116
Trade receivables	6.2	48,939	61,030
Cash and cash equivalents	6.3	16,161	4,141
Bank balances other than above	6.4	492	984
Other financial assets	6.5	13	159
Other current assets	7	2,525	1,461
Total current assets		**68,130**	**71,891**
Total assets		**73,882**	**74,592**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	8	338	338
Other equity	9	19,994	20,183
Total Equity		**20,332**	**20,521**
LIABILITIES			
Non-current liabilities			
Financial liabilities	10		
Other financial liabilities	10.1	782	-
Other non-current liabilities	10.2	-	37
Total non-current liabilities		**782**	**37**
Current liabilities			
Financial liabilities	11		
Borrowings	11.1	278	75
Trade payables			
Total outstanding dues of micro enterprises and small enterprises	21	-	5
Total outstanding dues of creditors other than micro enterprises and small enterprises		47,968	50,559
Other financial liabilities	11.2	1,334	675
Other current liabilities	12	2,661	1,528
Provisions	13	55	51
Current tax liabilities (net)	14	472	1,141
Total current liabilities		**52,768**	**54,034**
Total equity and liabilities		**73,882**	**74,592**

See accompanying notes to the financial statements

As per our report of even date attached

For Deloitte Haskins & Sells LLP
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Gurvinder Singh
Partner
(Membership No. 110128)

Place : Bengaluru
Date : May 11, 2020

For and on behalf of the Board

P Srikar Reddy
Director

Sujit Mohanty
Vice President & Director

Rashmi Prabhu
Company Secretary

STATEMENT OF PROFIT & LOSS for the year ended March 31, 2020

(₹ in Lakhs)

	Note No.	For the year ended March 31, 2020	For the year ended March 31, 2019
REVENUE			
Revenue from operations	16.1	249,224	186,283
Other income	16.2	1,524	841
Total revenue		**250,748**	**187,124**
EXPENSES			
Purchases of stock-in-trade (traded goods)		235,241	173,886
Employee benefits expense	17	2,447	2,395
Finance costs	18	412	333
Depreciation and amortization expense	3	207	70
Other expenses	19	3,552	3,562
Total expenses		**241,859**	**180,246**
Profit before exceptional item and tax		**8,889**	**6,878**
Add : Exceptional item (Interest income on Income tax refund)		-	228
Profit before tax		**8,889**	**7,106**
Tax expense			
Current tax expense	14	2,282	2,738
Short/(excess) provision for tax relating to prior years	14	13	-
Deferred tax	15	155	(256)
Profit for the year		**6,439**	**4,624**
Other Comprehensive Income			
1 (a) Items that will not be reclassified to profit/(loss)		(19)	1
(b) Income tax relating to items that will not be reclassified to profit/(loss)		5	-
		(14)	**1**
2 (a) Items that will be reclassified to profit/(loss)		2	(56)
(b) Income tax relating to items that will be reclassified to profit/(loss)		(1)	19
		1	**(37)**
Total		**(13)**	**(36)**
Total comprehensive income		**6,426**	**4,588**
Earnings per share (on ₹ 10 per share)	28		
Basic and Diluted ₹		190.75	137.02

See accompanying notes to the financial statements

As per our report of even date attached
For Deloitte Haskins & Sells LLP
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Gurvinder Singh
Partner
(Membership No. 110128)

Place : Bengaluru
Date : May 11, 2020

For and on behalf of the Board

P Srikar Reddy
Director

Sujit Mohanty
Vice President & Director

Rashmi Prabhu
Company Secretary

CASH FLOW STATEMENT for the year ended March 31, 2020

(₹ in Lakhs)

		For the year ended March 31, 2020	For the year ended March 31, 2019
A. CASH FLOW FROM OPERATING ACTIVITIES:			
Net profit before tax		**8,889**	**7,106**
Adjustments for :			
Depreciation and amortization expense		207	70
Finance costs		392	308
Impairment loss recognised on trade receivables and bad debts written off		168	127
Interest from unwinding of rent deposits discounted		(3)	(2)
Interest on Income-tax refund		-	(228)
Interest from fixed deposits/margin money with banks		(394)	(190)
Dividend income from current investments		-	(151)
Unwinding of interest on rental deposits		-	(7)
Net (gain) / loss on sale of property, plant and equipment / scrapped		-	9
Net gain on investments carried at fair value through profit and loss		(261)	(196)
Unrealized foreign exchange (gain) / loss (net)		(979)	(572)
Changes in operating assets and liabilities:			
Decrease/(increase) in trade receivables		13,575	(31,943)
Decrease/(increase) in other financial assets non-current		(1,730)	444
Decrease/(increase) in other financial assets		61	10
Decrease/(increase) in other non-current assets		7	13
Decrease/(increase) in other current assets		(1,084)	851
(Decrease)/increase in trade payables		(2,758)	15,229
(Decrease)/increase in other financial liabilities		(28)	63
(Decrease)/increase in other current liabilities		1,133	(1,013)
(Decrease)/increase in other non-current liabilities		-	4
(Decrease)/increase in provisions		4	10
Net cash flow from / (used in) operating activities before taxes		**17,199**	**(10,058)**
Income taxes paid, net of refunds		(3,528)	(453)
Net cash flow from / (used in) operating activities	**(A)**	**13,671**	**(10,511)**

SONATA SOFTWARE

CASH FLOW STATEMENT for the year ended March 31, 2020

(₹ in Lakhs)

		For the year ended March 31, 2020	For the year ended March 31, 2019
B. CASH FLOW FROM INVESTING ACTIVITIES			
Expenditure on property, plant and equipment		(58)	(31)
Proceeds from disposal of property, plant and equipment		-	13
Purchase of current investments		(64,047)	(76,400)
Proceeds from sale of investments		68,424	75,332
Bank balances not considered as Cash and cash equivalents		492	(660)
Interest received		392	191
Net cash flow from / (used in) investing activities	**(B)**	**5,203**	**(1,555)**
C. CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings from banks (net)		203	(28)
Payment of lease liabilities		(200)	-
Payment of dividend		(5,506)	(338)
Payment of taxes on dividend		(1,133)	(69)
Finance costs		(289)	(310)
Net cash flow used in financing activities	**(C)**	**(6,925)**	**(745)**
Net increase/(decrease) in Cash and cash equivalents	**(A+B+C)**	**11,949**	**(12,811)**
Opening Cash and cash equivalents		4,141	16,874
Exchange difference on translation of foreign currency Cash and cash equivalents		71	78
Closing Cash and cash equivalents		**16,161**	**4,141**
Cash and cash equivalents at the end of the year comprises:			
In Current accounts		1,475	522
In EEFC accounts		436	215
In Demand deposit accounts		14,250	3,404
		16,161	**4,141**

See accompanying notes to the financial statements

As per our report of even date attached
For Deloitte Haskins & Sells LLP
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Gurvinder Singh
Partner
(Membership No. 110128)

Place : Bengaluru
Date : May 11, 2020

For and on behalf of the Board

P Srikar Reddy
Director

Sujit Mohanty
Vice President & Director

Rashmi Prabhu
Company Secretary

STATEMENT OF CHANGES IN EQUITY

for the year ended March 31, 2020

(a) Equity share capital

	(₹ in Lakhs)
Balance as at April 1, 2018	338
Add: Shares issued on exercise of employee stock options	-
Balance as at March 31, 2019	**338**
Balance as at April 1, 2019	338
Add: Shares issued on exercise of employee stock option	-
Balance as at March 31, 2020	**338**

(b) Other equity

(₹ in Lakhs)

	Reserves and Surplus (Refer Note 9)			Items of Other Comprehensive Income (Refer Note 9)		Total Other Equity
	Capital Redemption Reserve	General Reserve	Retained Earnings	Remeasurement of the defined benefit plans	Effective portion of cash flow hedges	
Balance as at April 1, 2018	263	450	15,265	(12)	150	16,116
Profit for the year			4,624			4,624
Amount transferred to initial amount of hedged item (net of tax)				1	(37)	(36)
Total comprehensive income for the year			**4,624**	**1**	**(37)**	**4,588**
Amount transferred to initial amount of hedged item (net of tax)					(115)	(115)
Payment of Cash dividends			(337)			(337)
Dividend distribution tax			(69)			(69)
Balance as at March 31, 2019	**263**	**450**	**19,483**	**(11)**	**(2)**	**20,183**
Balance as at April 1, 2019	263	450	19,483	(11)	(2)	20,183
Profit for the year			6,439			6,439
Other comprehensive income (net of tax)				(14)	1	(13)
Total comprehensive income for the year			**6,439**	**(14)**	**1**	**6,426**
Impact on account of adoption of Ind AS 116 (Refer note 31)			24			24
Payment of cash dividends			(5,506)			(5,506)
Dividend distribution tax			(1,133)			(1,133)
Balance as at March 31, 2020	**263**	**450**	**19,307**	**(25)**	**(1)**	**19,994**

See accompanying notes to the financial statements

As per our report of even date attached
For Deloitte Haskins & Sells LLP
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Gurvinder Singh
Partner
(Membership No. 110128)

Place : Bengaluru
Date : May 11, 2020

For and on behalf of the Board

P Srikar Reddy
Director

Sujit Mohanty
Vice President & Director

Rashmi Prabhu
Company Secretary

Notes forming part of financial statements

1 COMPANY OVERVIEW

Sonata Information Technology Limited ("SITL" or the "Company") is a Company primarily engaged in the business of providing Information Technology Solutions, software development services and re-selling products of companies such as Microsoft, IBM and Oracle etc. to its customers in India and the Asia Pacific region.

The Company is a public limited company incorporated and domiciled in India with its registered office at Mumbai and operationally headquartered at Bengaluru. SITL is a wholly owned subsidiary of Sonata Software Limited. The financial statements are approved for issue by the Company's Board of Directors on May 11, 2020.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION & PRESENTATION OF FINANCIAL STATEMENTS

a. Statement of compliance

These financial statements have been prepared in accordance with Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and relevant amendment rules issued thereafter.

Except for the changes below, the Company has consistently applied accounting policies to all periods.

The Company has adopted Ind AS 116 'Leases' with the date of initial application being April 1, 2019. Ind AS 116 replaces Ind AS 17 – Leases and related interpretation and guidance. The standard sets out principles for recognition, measurement, presentation and disclosure of leases for both parties to a contract i.e., the lessee and the lessor.

Ind AS 116 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The Company has applied Ind AS 116 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at April 1, 2019. As a result, the comparative information has not been restated. Refer Note 31 for further details.

b. Basis of measurement

The financial statements have been prepared on a historical cost convention and on an accrual basis, except for certain financial instruments which are measured at fair value at end of the each reporting period, as explained in the accounting policies below.

c. Use of judgement, estimates and assumptions

The preparation of the financial statements in conformity with Ind AS requires the management to make judgements, estimates and assumptions considered in the reported amounts of assets and liabilities and disclosure relating to contingent liabilities as at the date of financial statement and the reported amounts of income and expenditure during the reported year. Estimates and underlying assumptions are reviewed on a periodic basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

i) Income taxes

The Company's major tax jurisdictions is India. Significant judgments are involved in determining the provision for income taxes, including amount expected to be paid/recovered for uncertain tax positions. In assessing the realizability of deferred income tax assets, management considers whether some portion or all of the deferred income tax assets will not be realized. The realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the scheduled reversals of deferred income tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based on the level of historical taxable income and projections for future taxable income over the periods in which the deferred income tax assets are deductible, management believes that the company will realize the benefits of those deductible differences. The amount of the deferred income tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry forward period are reduced.

ii) Depreciation and amortisation

Depreciation and amortisation is based on management estimates of the future useful lives of certain class of property, plant and equipment and intangible assets. Estimates may change due to technological developments, competition, changes in market conditions and other factors and may result in changes in the estimated useful life and in the depreciation and amortisation charges.

iii) Other estimates

The preparation of financial statements involves estimates and assumptions that affect the reported amount of assets, liabilities, disclosure of contingent liabilities at the date of financial statements and the reported amount of revenues and expenses for the reporting period. Specifically, the Company estimates the probability of collection of accounts receivable by analyzing historical payment patterns, customer concentrations, customer credit worthiness and current economic trends. If the financial condition of a customer deteriorates, additional allowances may be required.

Fair valuation of derivative hedging instruments designated as cash flow hedges involves significant estimates relating to the occurrence of forecast transaction.

iv) Estimation of uncertainties relating to the global health pandemic COVID-19:

The management has considered the possible effects, if any, that may result from the pandemic relating to Covid 19 on the carrying amounts of receivables. In making the assumptions and estimates relating to the uncertainties as at the Balance sheet date in relation to recoverable amounts of these assets, the management has considered the global economic conditions prevailing at the date of approval of these financial statements and has used internal and external sources of Information to the extent determined by it. The actual outcome of these assumptions and estimates may vary in the future due to the impact of the pandemic.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (i.e. the "functional currency"). The financial statements are presented in Indian Rupee, the national currency of India, which is the functional currency of the Company. The functional currency of its Branch is as per its respective domicile currency.

b. Property, plant and equipment

Property, plant and equipment are measured at cost or its deemed cost less accumulated depreciation and impairment losses, if any. Cost includes expenditures directly attributable to the acquisition of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Subsequent expenditure relating to property, plant and equipment is capitalized only when it is probable that future economic benefits associated with these will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance costs are recognized in the statement of profit and loss when incurred.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the Statement of Profit and Loss.

c. Capital work-in-progress

Amounts paid towards the acquisition of property, plant and equipment outstanding as of each reporting date and the cost of property, plant and equipment not ready for intended use before such date are disclosed under capital advances and capital work-in-progress respectively.

d. Depreciation/ Amortisation

Depreciable amount for assets is the cost of asset less its estimated residual value.

Depreciation has been provided on plant and equipments on the straight line method and on furniture and fixtures, vehicles and office equipments on the written down method, as per the useful life prescribed in Schedule II of the Companies Act, 2013.

Leasehold improvements are amortized over primary lease period.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate. The Company assesses at each Balance Sheet date whether there is objective evidence that a asset or a group of assets is impaired. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

e. Financial Instruments

All financial instruments are recognised initially at fair value. Transaction costs that are attributable to the acquisition of the financial asset (other than financial assets recorded at fair value through profit or loss) are included in the fair value of the financial assets. Purchase or sale of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trade) are recognised on trade date. While, loans and borrowings and payables are recognised net of directly attributable transaction costs.

For the purpose of subsequent measurement, financial instruments of the Company are classified in the following categories: non-derivative financial assets comprising amortised cost, fair value through other comprehensive income (FVTOCI) or fair value through profit and loss account (FVTPL), non derivative financial liabilities at amortised cost or FVTPL and derivative financial instruments (under the category of financial assets or financial liabilities) at FVTPL.

The classification of financial instruments depends on the objective of the business model for which it is held. Management determines the classification of its financial instruments at initial recognition.

Non-derivative financial assets

i. Financial assets at amortised cost

A financial asset shall be measured at amortised cost if both of the following conditions are met:

(a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

They are presented as current assets, except for those maturing later than 12 months after the reporting date which are presented as non-current assets. Financial assets are measured initially at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest rate method, less any impairment loss.

Financial assets at amortised cost are represented by trade receivables, security deposits, cash and cash equivalents, employee advances and eligible current and non-current assets.

Cash and cash equivalents comprise cash on hand and in banks and demand deposits with banks which can be withdrawn at any time without prior notice or penalty on the principal.

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand, in banks and demand deposits with banks, net of outstanding bank overdrafts that are repayable on demand, book overdraft and are considered part of the Company's cash management system.

ii. Financial Assets at Fair Value through Other Comprehensive Income (FVTOCI)

For assets, if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and where the company has exercised the option to classify the equity investment as at FVTOCI, all fair value changes on the investment are recognised in OCI. The accumulated gains or losses on such investments are not recycled to the Statement of Profit and Loss even on sale of such investment.

iii. Financial assets at Fair Value through Profit and loss (FVTPL) -

Financial assets which is not classified in any of the above category is measured at FVTPL. These include surplus funds invested in mutual funds etc.

Financial assets included within the FVTPL category are measured at fair values with all changes recorded in the statement of profit and loss.

Non-derivative financial liabilities

- Financial liabilities at amortised cost

Financial liabilities at amortised cost represented by borrowings, trade and other payables are initially recognized at fair value, and subsequently carried at amortized cost using the effective interest rate method. For trade and other payable maturing within one year from the Balance Sheet date, the carrying value approximates fair value due to short maturity.

Derivative financial instruments and hedging activities

A derivative is a financial instrument which changes value in response to changes in an underlying asset and is settled at a future date. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Company enters into derivative contracts to hedge the risks asserted with currency fluctuations relating to firm commitments and highly probable transactions. The Company does not use derivative instruments for speculative purposes.

The Company documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an on-going basis, of whether the derivatives that are used in hedging transactions are effective in offsetting changes in cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in Other Comprehensive Income. The ineffective portion of changes in the fair value of the derivative is recognised in the Statement of Profit and Loss.

Amounts accumulated in hedging reserve are reclassified to the Statement of Profit and Loss in the periods when the hedged item affects the Statement of Profit and Loss.

The full fair value of a hedging derivative is classified as a current/ non-current, asset or liability based on the remaining maturity of the hedged item.

When a hedging instrument expires, swapped or unwound, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in Statement of Changes in Equity is recognised in the Statement of Profit and Loss.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Fair value measurement

The Company classifies the fair value of its financial instruments in the following hierarchy, based on the inputs used in their valuation:

i) Level 1 - The fair value of financial instruments quoted in active markets is based on their quoted closing price at the Balance Sheet date.

ii) Level 2 - The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques using observable market data. Such valuation techniques include discounted cash flows, standard valuation models based on market parameters for interest rates, yield curves or foreign exchange rates, dealer quotes for similar instruments and use of comparable arm's length transactions.

iii) Level 3 - The fair value of financial instruments that are measured on the basis of entity specific valuations using inputs that are not based on observable market data (unobservable inputs). When the fair value of unquoted instruments cannot be measured with sufficient reliability, the Company carries such instruments at cost less impairment, if applicable.

f. Leases

The Company's lease asset classes primarily consist of leases for land and buildings. The Company, at the inception of a contract, assesses whether the contract is a lease or not lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a time in exchange for a consideration. This policy has been applied to contracts existing and entered into on or after April 1, 2019.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets (assets of less than₹ 500,000 in value). The Company recognises the lease payments associated with these leases as an expense over the lease term.

In the comparative period, leases under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. When acquired, such assets are capitalized at fair value or present value of the minimum lease payments at the inception of the lease, whichever is lower. Lease payments and receipts under operating leases are recognised as an expense and income respectively, on a straight line basis in the statement of profit and loss over the lease term except where the lease payments are structured to increase in line with expected general inflation.

g. Employee Benefits

The Company participates in various employee benefit plans. Post-employment benefits are classified as either defined contribution plans or defined benefit plans. Under a defined contribution plan, the Company's only obligation is to pay a fixed amount with no obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits. The related actuarial and investment risks fall on the employee. The expenditure for defined contribution plans is recognized as expense during the period when the employee provides service. Under a defined benefit plan, it is the Company's obligation to provide agreed benefits to the employees. The related actuarial and investment risks fall on the Company. The present value of the defined benefit obligations is calculated using the projected unit credit method.

Provident Fund: Employees receive benefits from a provident fund, which is a defined benefit plan. The employer and employees each make periodic contributions to the plan. A portion of the contribution is made to the approved provident fund trust managed by the Trustees of Sonata Software Limited Provident Fund while the remainder of the contribution is made to the government administered pension fund. The rate at which the annual interest is payable to the beneficiaries by the trust is being administered by the Government. The Company has an obligation to make good the shortfall, if any, between the return from the investments of the Trust and the notified interest rate.

Gratuity: The Company provides for Gratuity, a defined benefit plan covering the eligible employees. The Gratuity plan provides a lump-sum payment to vested employees at retirement, death or termination of employment, of an amount based on the respective employee's salary and tenure of the employment with the Company.

Liabilities with regard to the Gratuity plan are determined by actuarial valuation , performed by an independent actuary, at each Balance Sheet date using projected unit method. The Company fully contributes all ascertained liabilities to the trust managed by the Trustees of Sonata Software Limited Gratuity Fund. The Trustees administers the contributions made to the Trust. The fund's investments are managed by certain insurance companies as per the mandate provided to them by the trustees and the asset allocation is within the permissible limits prescribed in the insurance regulations.

The Company recognizes the net obligation of a defined benefit plan in its Balance Sheet as an asset or liability. Gains and losses through re-measurements of the net defined benefit liability/(asset) are recognized in other comprehensive income and are not reclassified to profit or loss in subsequent periods. The actual return of the portfolio of plan assets, in excess of the yields computed by applying the discount rate used to measure the defined benefit obligation is recognized in other comprehensive income. The effect of any plan amendments are recognized in net profit in the statement of Profit and Loss.

Superannuation Fund: Certain employees of the Company are participants in a defined contribution plan of superannuation. The Company has no further obligations to the plan beyond its monthly contributions which are periodically contributed to the Sonata Software Limited Superannuation Fund , the corpus of which is invested with the Life Insurance Company.

Short-term employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service.

The cost of short-term compensated absences is accounted as under:

(a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and

(b) in case of non-accumulating compensated absences, when the absences occur.

Long-term employee benefits

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related service are recognised as a liability at the present value of the defined benefit obligation as at the Balance Sheet date less the fair value of the plan assets out of which the obligations are expected to be settled.

h. Provisions

A provision is recognised when the Company has a present obligation (legal or constructive) 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 are determined by discounting the expected future cashflows at pre-tax rate that reflects the current market assessments of the time value of the money and the risks specific to the liability. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset, if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions for onerous contracts are recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. Provisions for onerous contracts are measured at the present value of lower of the expected net cost of fulfilling the contract and the expected cost of terminating the contract.

i. Income Taxes

Income tax comprises current and deferred tax. Income tax expense is recognized in the Statement of Profit and Loss except to the extent it relates to items directly recognized in equity or in other comprehensive income.

a) Current income tax - Current income tax liability/ (asset) for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the taxable income for the year. The tax rates and tax laws used to compute the current tax amount are those that are enacted or substantively enacted by the reporting date and applicable for the year. The Company off sets current tax assets and current tax liabilities, where it has a legally enforceable right to set off the recognized amounts and where it intends either to settle on a net basis or to realize the asset and liability simultaneously.

b) Deferred tax - Deferred income tax is recognized using the Balance Sheet approach. Deferred income tax assets and liabilities are recognized for deductible and taxable temporary differences arising between the tax base of assets and liabilities and their carrying amount in financial statements, except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profits or loss at the time of the transaction.

Deferred income tax asset is recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized. Deferred income tax liabilities are recognized for all taxable temporary differences.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

j. Cash flow Statement:

Cash flows are reported using the indirect method, whereby profit for the period is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipt or payments and item of income or expense associated with investing or financing cash-flows. The cash flow from operating, investing and financing activities of the Company are segregated.

k. Revenue Recognition

The Company derives revenue primarily from Information Technology Services and Solutions. The Company recognizes revenue when it transfers control over a product or a service to a customer.

Effective April 1, 2018 the company adopted Ind AS 115, "Revenue from Contracts with Customers" using the cumulative catch-up transition method which is applied to contracts that were not completed as of April 1, 2018. Accordingly, the comparatives have not been retrospectively adjusted. The effect of adoption of Ind AS 115 was insignificant on financial statements.

The method for recognizing revenues and costs depends on the nature of the services rendered.

a) Hardware/software products and licenses

Revenues from sale of product and licenses are recognised when customer obtains control of the specified asset. In case of customization the same is 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.

When another party is involved in providing goods or services to the customer, the entity determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (ie the entity is a principal) or to arrange for those goods or services to be provided by the other party (ie the entity is an agent). The entity determines whether it is a principal or an agent for each specified good or service promised to the customer. A specified good or service is a distinct good or service (or a distinct bundle of goods or services) to be provided to the customer. Company recognises revenue in the gross amount of consideration to which it expects to be entitled in exchange for the specified good or service transferred. Company recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

b) Time and materials contracts

Revenues from contracts priced on a time and material basis are recognised as the related services are performed and related costs are incurred.

c) Fixed-price contracts

Revenues from fixed-price contracts are recognized using the “percentage-of-completion” method. Percentage of completion is determined based on project costs incurred to date as a percentage of total estimated project costs required to complete the project. The cost expended (or input) method has been used to measure progress towards completion as there is a direct relationship between input and productivity.

If the Company does not have a sufficient basis to measure the progress of completion or to estimate the total contract revenues and costs, revenue is recognized only to the extent of contract cost incurred for which recoverability is probable.

When total cost estimates exceed revenues in an arrangement, the estimated losses are recognized in the statement of profit and loss in the period in which such losses become probable based on the current contract estimates.

d) Maintenance Contracts

Revenues from sale of product and licenses are recognised when customer obtains control of the specified asset. In case of customization the same is 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.

When another party is involved in providing goods or services to the customer, the entity determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (ie the entity is a principal) or to arrange for those goods or services to be provided by the other party (ie the entity is an agent). The entity determines whether it is a principal or an agent for each specified good or service promised to the customer. A specified good or service is a distinct good or service (or a distinct bundle of goods or services) to be provided to the customer. Company recognises revenue in the gross amount of consideration to which it expects to be entitled in exchange for the specified good or service transferred. Company recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Trade receivables and Contract Balances

The company classifies the right to consideration in exchange for deliverables as either a receivable or as unbilled revenue.

A receivable is a right to consideration that is unconditional upon passage of time. Revenue for time and material contracts are recognized as related service are performed. Revenue for fixed price maintenance contracts is recognized on a straightline basis over the period of the contract. Revenues in excess of billings is recorded as unbilled revenue and is classified as a financial asset for these cases as right to consideration is unconditional upon passage of time.

Revenues from fixed-price contracts are recognized using the "percentage-of-completion" method. Invoicing to the clients is based on milestones as defined in the contract. This would result in the timing of revenue recognition being different from the timing of billing the customers. Unbilled revenue for fixed price contracts is classified as non financial asset as the contractual right to consideration is dependent on completion of contractual milestones.

'Unbilled revenues' represent cost and earnings in excess of billings as at the end of the reporting period.

'Unearned revenues' represent billing in excess of revenue recognized. Advance payments received from customers for which no services are rendered are presented as 'Advance from customers'.

Revenues are reported net of GST and applicable discounts and allowances.

l. Dividend and dividend distribution tax:

Final dividends on shares are recorded as a liability on the date of approval by the shareholders and interim dividends are recorded as a liability on the date of declaration by the Company's Board of Directors. The Company declares and pays dividends in Indian rupees and are subject to applicable distribution taxes. The applicable distribution taxes are treated as an appropriation of profits.

m. Foreign Currency transactions and translations

Transactions in foreign currency are translated into the respective functional currencies using the exchange rates prevailing at the dates of the respective transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the exchange rates prevailing at reporting date of monetary assets and liabilities denominated in foreign currencies are recognized in the Statement of Profit and Loss and reported within foreign exchange gains/ (losses).

Non-monetary assets and liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

Foreign currency gains and losses are reported on a net basis. This includes changes in the fair value of foreign exchange derivative instruments, which are accounted at fair value through profit or loss.

n. Finance Income and expense

Finance income consists of interest income on funds invested, dividend income and fair value gains on the FVTPL financial assets. Interest income is recognized as it accrues in the statement of profit and loss, using the effective interest method.

Dividend income is recognized in the statement of profit and loss on the date that the Company's right to receive payment is established.

Finance expenses consist of interest expense on loans and borrowings. Borrowing costs are recognized in the Statement of Profit and Loss using the effective interest method.

o. Impairment

a) Financial assets : In accordance with Ind AS 109, the Company applies Expected Credit Loss (ECL) model for measurement and recognition of impairment loss.

The Company assesses at each Balance Sheet date whether a financial asset or a group of financial assets is impaired. The Company follows 'simplified approach' for recognition of impairment loss allowance on trade receivable and unbilled revenue. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognizes impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition. The Company recognizes lifetime expected credit losses for all trade receivables and/or other contract assets that do not constitute a financing transaction. For all other financial assets, expected credit losses are measured at an amount equal to the 12 month expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.

ECL allowance (or reversal) is recognised as income / expense in the Statement of Profit and Loss.

b) Non-financial assets

The Company assesses at each reporting date whether there is any objective evidence that a non financial asset or a group of non financial assets is impaired. If any such indication exists, the Company estimates the amount of impairment loss.

An impairment loss is calculated as the difference between an asset's carrying amount and recoverable amount. Losses are recognised in Statement of Profit and Loss and reflected in an allowance account. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through Statement of Profit and Loss.

The carrying amount of the asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net off any acumulated depreciation) had no impairement loss been recognised for the asset in prior years.

The recoverable amount of an asset or cash-generating unit (as defined below) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

p. Earnings per share

Basic earnings per equity share is computed by dividing the net profit attributable to the equity holders of the Company by the weighted average number of equity shares outstanding during the period.

Diluted earnings per equity share is computed by dividing the net profit attributable to the equity holders of the Company by the weighted average number of equity shares considered for deriving basic earnings per equity share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares. The dilutive potential equity shares are adjusted for the proceeds receivable had the equity shares been actually issued at fair value(i.e. the average market value of the outstanding equity shares). Dilutive potential equity shares are deemed converted as at the beginning of the period, unless issued at a later date. Dilutive potential equity shares are determined independently for each period presented.

q. Contingent Liabilities

Contingent liabilities exist when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or nonoccurrence of one or more uncertain future events not wholly within the control of the Company, or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required or the amount cannot be reliably estimated. Contingent liabilities are appropriately disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

r. Contingent Assets

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. The Company does not recognize a contingent asset.

s. Events after the reporting period

Adjusting events are events that provide further evidence of conditions that existed at the end of the reporting period. The financial statements are adjusted for such events before authorisation for issue.

Non-adjusting events are events that are indicative of conditions that arose after the end of the reporting period. Non-adjusting events after the reporting date are not accounted, but disclosed.

Notes forming part of financial statements

3. Property, Plant and Equipment

(₹ in Lakhs)

	Tangible Assets					
	Leasehold improvements	Plant and equipments	Office equipments	Furniture and fixtures	Vehicles	Total
Gross carrying value (Deemed cost)						
As at April 1, 2018	99	112	28	19	29	287
Additions	8	30	2	-	-	40
Disposals	-	(1)	(1)	-	(29)	(31)
As at March 31, 2019	**107**	**141**	**29**	**19**	**-**	**296**
As at April 1, 2019	107	141	29	19	-	296
Additions	5	41	3	3	-	52
Disposals	-	(4)	-	-	-	(4)
As at March 31, 2020	**112**	**178**	**32**	**22**	**-**	**344**
Accumulated Depreciation						
As at April 1, 2018	62	60	18	8	7	155
Charge for the Year	37	25	4	4	-	70
Depreciation on disposals	-	(1)	(1)	-	(7)	(9)
As at March 31, 2019	**99**	**84**	**21**	**12**	**-**	**216**
As at April 1, 2019	99	84	21	12	-	216
Charge for the Year	2	28	5	2	-	37
Depreciation on disposals	-	(4)	-	-	-	(4)
As at March 31, 2020	**101**	**108**	**26**	**14**	**-**	**249**
Net carrying value						
As at March 31, 2019	**8**	**57**	**8**	**7**	**-**	**80**
As at March 31, 2020	**11**	**70**	**6**	**8**	**-**	**95**

4. Other financial assets

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Unsecured, considered good unless otherwise stated		
Security deposits	106	104
Balance held as margin money or security against guarantee	2,066	334
Total	**2,172**	**438**

5. Other non-current assets

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Unsecured, considered good unless other wise stated		
Lease pre-payments (Refer note 31)	-	7
Other deposits	6	14
Advance Tax	1,903	1,339
Balances with Government authorities		
Receivable from Customs authority	219	219
Receivable from GST authority	1	1
Other recoverables	125	125
Less : Allowance for doubtful recoverable	125	125
Total	**2,129**	**1,580**

6.1. Investments

Non-trade (Quoted)

Investments in mutual funds (Quoted) - At lower of cost and fair value, unless otherwise stated

	As at March 31, 2020		As at March 31, 2019	
	No. of units	₹ in Lakhs	No. of units	₹ in Lakhs
Aditya Birla Sunlife Liquid Fund - Growth Direct Plan	-	-	350,997	1,055
Tata Liquid Fund Direct Plan - Growth	-	-	34,092	1,004
DSP Liquidity Fund - Direct Growth	-	-	43,177	1,154
ICICI Prudential Liquid Fund - Direct Growth	-	-	326,867	903
Total		-		**4,116**
Aggregate amount of quoted investments		-		4,116
Market value of quoted investments		-		4,116
Investments carried at fair value through profit or loss		-		4,116

6.2. Trade receivables

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Unsecured		
Considered good*	48,939	61,030
Considered doubtful	288	204
	49,227	61,234
Less : Allowances for credit losses	288	204
Total	**48,939**	**61,030**

* include dues from related party (Refer note 30)

Movement in allowances for credit losses

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Balance at the beginning of the period	204	210
Movement in allowances for credit losses on trade receivables	84	(6)
Provision at the end of the period	**288**	**204**

6.3. Cash and cash equivalents

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Balances with banks		
In current accounts	1,475	522
In EEFC accounts	436	215
In demand deposit accounts	14,250	3,404
Total	**16,161**	**4,141**

6.4. Bank balances other than above

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
In earmarked accounts		
Balance held as margin money or security against borrowings	492	984
Total	**492**	**984**

SONATA SOFTWARE

6.5. Other financial assets

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Security deposits	3	2
Interest accrued but not due on fixed deposits/margin money	3	1
Unbilled revenue	7	69
Fair value of forward contracts	-	87
Total	**13**	**159**

7. Other current assets

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Other deposits	197	146
Loans and advances to employees	3	2
Prepaid expenses	74	76
Balances with government authorities		
Receivable from service tax authority	40	71
VAT credit receivable	125	133
GST credit receivable	744	126
	909	330
Gratuity (Refer note 25)	-	4
Other recoverables	1,342	903
Total	**2,525**	**1,461**

8. Equity share capital

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Authorized		
10,000,000 equity shares of ₹ 10/- each	**1,000**	**1,000**
(As at March 31, 2019 - 10,000,000 equity shares of ₹ 10/- each)		
Issued		
6,000,700 equity shares of ₹ 10/- each	**600**	**600**
(As at March 31, 2019 - 6,000,700 equity shares of ₹ 10/- each)		
Subscribed and paid-up		
3,375,394 equity shares of ₹ 10/- each	338	338
(As at March 31, 2019 - 3,375,394 equity shares of ₹ 10/- each)		
Total	**338**	**338**
Refer notes (i) to (v) below		

Notes :

	As at March 31, 2020	As at March 31, 2019
i) Reconciliation of number of shares and amount outstanding at the beginning and at the end of the reporting year		
Equity shares with voting rights		
Number of shares	3,375,394	3,375,394
Amount ₹ in Lakhs	338	338

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

The Company has one class of 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, 2013, read together with the Memorandum of Association and Articles of Association of the Company, as applicable.

		As at March 31, 2020	As at March 31, 2019
iii)	**Details of shares held by Holding Company**		
	Equity shares with voting rights		
	Sonata Software Limited (Holding Company) and its nominees	3,375,394	3,375,394
iv)	**Details of shares held by each shareholder holding more than 5% shares**		
	Sonata Software Limited (Holding Company) and its nominees		
	No. of shares held	3,375,394	3,375,394
	% of holding	100	100

v) During the year ended March 31, 2020 on account of dividend for fiscal 2020 the Company has incurred a net cash outflow of ₹ 6,638 lakhs inclusive of dividend distribution tax.

9. Other equity

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Capital redemption reserve	**263**	**263**
A statutory reserve created to the extent of sum equal to the nominal value of the share capital extinguished on buyback of company's own share pursuant to section 69 of the Company Act 2013.		
General reserve	**450**	**450**
This represent appropriation of profit by the company.		
Retained earnings		
Opening balance	19,483	15,265
Adjustments during the year		
Impact on account of adoption of Ind AS 116 (Refer note 31)	24	-
Profit for the year	6,439	4,624
Less :		
Dividend	5,506	337
Tax on dividend	1,133	69
Closing balance	**19,307**	**19,483**
Retained earnings comprises of the amounts that can be distributed by the company as dividends to its equity share holders.		
Other Comprehensive Income		
Remeasurement of the defined benefit plans		
Opening balance	(11)	(12)
For the year, (net of tax)	(14)	1
Closing balance	**(25)**	**(11)**
Actuarial gain or (losses) on gratuity benefit are recognised in other comprehensive income.		
Effective portion of cash flow hedges		
Opening balance	(2)	150
Exchange differences on cash flow hedges, (net of tax)	1	(37)
Less : Transferred to Statement of Profit and Loss	-	115
Closing balance	**(1)**	**(2)**
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income.		
Total	**19,994**	**20,183**

10.1 Other financial liabilities

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Lease Liability (Refer note 31)	782	-
Total	**782**	**-**

10.2 Other non-current liabilities

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Lease rent equalization (Refer note 31)	-	37
Total	**-**	**37**

11.1. Borrowings

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Term loan		
From others - Unsecured (Amount payable towards Vendor financing arrangement)	278	75
Total	**278**	**75**

11.2. Other financial liabilities

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Lease Liability (Refer note 31)	202	-
Interest accrued but not due on borrowings	-	1
Payable on acquisition of Property,Plant and Equipment	8	15
Fair value of forward contracts (Refer note 22)	493	-
Reimbursable expenses payable to related party (Refer note 30)	631	659
Total	**1,334**	**675**

12. Other current liabilities

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Income received in advance (Unearned revenue)	132	173
Gratuity payable (net) (Refer note 25)	42	-
Other payables		
Statutory remittances	2,353	1,127
Advances from customers	95	102
Interest accrued on ICD (Refer note 30)	3	-
Others	36	126
Total	**2,661**	**1,528**

13. Provisions

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Provision for employee benefits - Compensated absences	55	51
Total	**55**	**51**

14. Current tax liabilities (net)

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Provision for tax	472	1,141
Total	**472**	**1,141**

14. Income Tax

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
(a) Income tax expense in the statement of profit and loss consists of:		
Current Tax:		
In respect of current year	2,282	2,738
In respect of prior years	13	-
Deferred Tax:		
In respect of current year	155	(256)
Total Income tax expense recognised in the statement of profit and loss	**2,450**	**2,482**
(b) Income tax recognised in other Comprehensive income		
Deferred tax related to items recognised in other comprehensive income during the year:		
Net loss / (gain) on measurement of defined benefit plan	(5)	-
Net loss / (gain) on measurement of exchange difference	1	(19)
Total	**(4)**	**(19)**
The reconciliation between the provision of income tax of the Company and amounts computed by applying the Indian statutory income tax rate to profit before taxes is as follows:		
Profit before tax	8,889	7,106
Enacted income tax rate in India	25.17%	34.94%
Computed expected tax expense	2,237	2,483
Effect of:		
Income that is exempt from tax	-	(53)
Items that are deductible in determining taxable profit	23	37
Tax Provisions (reversals)	161	-
Others	29	15
Income tax expense recognised in the statement of profit and loss	**2,450**	**2,482**

The applicable Indian corporate statutory tax rate for the year ended March 31, 2020 and March 31, 2019 is 25.17% and 34.94% respectively.

On September 20, 2019, the Government of India, vide the Taxation Laws (Amendment) Ordinance 2019, inserted Section 115BAA in the Income Tax Act, 1961, which provides domestic companies an option to pay Corporate Tax at reduced rate effective April 01, 2019 subject to certain conditions. The Company has completed it's evaluation and has opted to pay tax at the reduced rate.

The Company is also subject to tax on income attributable to its permanent establishments in foreign jurisdictions due to operation of its foreign branches.

15. Deferred Tax

Deferred Tax assets / (liabilities) as at March 31, 2020 in relation to: (₹ in Lakhs)

	As at April 1, 2019	Recognised in Profit & Loss	Recognised in Other Comprehensive Income	Others	As at March 31, 2020
Property, Plant and Equipment	47	(18)	-	-	29
Allowances for Credit Losses	72	(1)	-	-	71
Disallowance u/s 40 (a)	402	(28)	-	-	374
Disallowance u/s 43 (B)	29	(121)	-	-	(92)
Right to use	-	19	-	-	19
Fair Value through Other Comprehensive Income	10		4	-	14
Others*	43	(6)	-	(13)	24
Total	**603**	**(155)**	**4**	**(13)**	**439**

*Deferred tax assets of ₹ 13 has been reversed through retained earnings on account of adoption of Ind AS 116. Please refer Note No. 31 for details.

Deferred Tax assets / (liabilities) as at March 31, 2019 in relation to: (₹ in Lakhs)

	As at April 1, 2018	Recognised in Profit & Loss	Recognised in Other Comprehensive Income	Others	As at March 31, 2019
Property, Plant and Equipment	25	22	-	-	47
Allowances for Credit Losses	73	(1)	-	-	72
Disallowance u/s 40 (a)	183	219	-	-	402
Disallowance u/s 43 (B)	39	(10)	-	-	29
Fair Value through Other Comprehensive Income	(9)	-	19	-	10
Others	17	26	-	-	43
Total	**328**	**256**	**19**	**-**	**603**

16.1. Revenue from operations

(₹ in Lakhs)

	For the year ended March 31, 2020	For the year ended March 31, 2019
Revenue from hardware/software products and licenses	247,697	184,172
Revenue from software services	1,527	2,111
Total	**249,224**	**186,283**

Performance obligations and remaining performance obligations:

The remaining performance obligation disclosure provides the aggregate amount of the transaction price yet to be recognized as at the end of the reporting period and an explanation as to when the Company expects to recognize these amounts in revenue. Applying the practical expedient as given in Ind AS 115, the Company has not disclosed the remaining performance obligation related disclosures for contracts where the revenue recognized corresponds directly with the value to the customer of the entity's performance completed to date, typically those contracts where invoicing is on time and material basis.

16.2. Other income

(₹ in Lakhs)

	For the year ended March 31, 2020	For the year ended March 31, 2019
Interest		
from fixed deposits/margin money with banks	394	190
from unwinding of rent deposits discounted	3	2
Dividend income from current investments	-	151
Net gain on investments carried at fair value through profit and loss	261	196
Net gain on foreign currency transactions and translations	818	197
Other non-operating income		
Miscellaneous income	48	105
Total	**1,524**	**841**

17. Employee benefit expense

(₹ in Lakhs)

	For the year ended March 31, 2020	For the year ended March 31, 2019
Salaries including bonus	1,862	1,846
Contributions to provident and other funds	156	147
Share based payments to employees	14	14
Staff welfare expenses	23	30
	2,055	**2,037**
Deputation cost/Service charges from holding company (Refer note 30)	392	358
Total	**2,447**	**2,395**

18. Finance costs

(₹ in Lakhs)

	For the year ended March 31, 2020	For the year ended March 31, 2019
Interest expenses on:		
Borrowings	47	47
Inter corporate borrowings (Refer note 30)	68	106
Others	19	25
Lease liability (Refer note 31)	104	-
Other borrowing costs	174	155
Total	**412**	**333**

19. Other expenses

(₹ in Lakhs)

	For the year ended March 31, 2020	For the year ended March 31, 2019
Power and fuel	15	13
Rent (includes transactions with related parties - Refer note 30)	91	223
Repairs and maintenance - Machinery	3	3
Insurance	90	104
Rates and taxes	53	136
Communication cost	21	26
Facility maintenance	89	73
Travelling and conveyance expenses	139	189
Sales commission	375	432
Professional and technical fees	476	161
Software project fees from Holding company	1,457	1,560
Legal fees	8	11
Insourcing professional fees	12	16
Expenditure on Corporate Social Responsibility (Refer note 27)	134	101
Payments to auditors	31	26
Net loss on property, plant and equipment sold / scrapped	-	9
Impairment loss recognised on trade receivables and bad debts written off	168	127
Impairment loss recognised on investments of PF Trust	100	100
Miscellaneous expenses	208	157
	3,470	3,467
Service charges from holding company (Refer note 30)	82	95
Total	**3,552**	**3,562**
Note - Payment to auditors comprises (net of input tax credit):		
Statutory audit	26	26
Other services	5	-
	31	**26**

20 Contingent Liabilities

(₹ in Lakhs)

		As at March 31, 2020	As at March 31, 2019
a)	**Other claims against the Company not acknowledged as debt**	65	65
b)	**Disputed demands of Income-tax**	37,802	36,264

Details of disputed demands of Income-tax primarily relates to:

(i) 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. ₹ 5,933 (As at March 31, 2019 - ₹ 5,014) for the financial years 2001-02, 2003-04 to 2009-10. The Company has received favorable orders from the Income-tax Appellate Tribunal ("ITAT"). The Income-tax department has preferred an appeal to the Honorable High Court of Mumbai.

ii. ₹ 447 (As at March 31, 2019 - ₹ 447) for the financial year 2002-03. 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 had referred the petition back to the Honorable High Court of Mumbai to reconsider its decision. The Honorable High Court of Mumbai admitted the appeal.

iii. ₹ 2,944 (As at March 31, 2019 - ₹ 2,944) for the financial years 2012-13 and 2013-14. The Company has received favorable order during financial year 2017-18 from Commissioner of Income-tax (Appeals). The income tax department has preferred an appeal to Income Tax Appellate Tribunal.

iv. ₹ 2,453 (As at March 31, 2019- ₹ 1,877) for financial year 2014-15, 2015-16 and 2016-17. The assessing officer has disallowed the intercompany service charges and cost for deputation of personnel. The Company has filed appeal before Commissioner of Income-tax (Appeals).

(ii) 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 had raised demands of ₹ 2,182 (As at March 31, 2019 - ₹ 2,182) for the financial years 2000-01 and 2001-02. 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 had preferred a Special Leave Petition on the said order to the Honorable Supreme Court of India, which had been admitted. However, for these years one of the principal suppliers of software to the Company had paid taxes of ₹ 1,286 out of the above demand. The amount included as disputed demand is excluding the amount paid by the supplier.

(iii) 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 (ii) 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 had given an unfavorable decision on the issue covered in (ii) 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 forum where these are pending are:

i. ₹ 23,644 (As at March 31, 2019 - ₹ 23,644) of tax demand for the financial years 2001-02, 2002-2003, 2006-07 and 2007-08. The Company had received a favorable order from ITAT. The Income-tax department had preferred an appeal to the Honorable High Court of Mumbai.

ii. Nil (As at March 31, 2019- ₹ 14) for the financial year 2014-15. The Department has filed an appeal before the ITAT.

iii. ₹ 127 (As at March 31, 2019- 127) for the financial years 2012-13 and 2013-14. The Company had received a favorable order from CIT(A). The Income-tax department had preferred an appeal before ITAT.

iv. ₹ 72 (As at March 31, 2019 - ₹ 15) for the financial year 2014-15, 2015-16 and 2016-17. The assessing officer has disallowed payments made for purchase of software on non-deduction of tax. The company has preferred an appeal before CIT(A).

c) In addition, the Company in the ordinary course of business receives various claims from its customers and other business partners. Based on review of such matters and the information available at this time, the Company does not anticipate that any of these will result in a settlement that will have a material impact on its financial statements.

21. Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
(i) Principal amount remaining unpaid to any supplier as at the end of the accounting year	-	5
(ii) Interest due thereon remaining unpaid to any supplier as at the end of the accounting year	-	-
(iii) The amount of interest paid along with the amounts of the payment made to the supplier beyond the appointed day	-	-
(iv) The amount of interest due and payable for the year	-	-
(v) The amount of interest accrued and remaining unpaid at the end of the accounting year	-	-
(vi) The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid	-	-

Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors.

22. Financial instruments

The carrying value and fair value of financial instruments by categories as at March 31, 2020 and March 31, 2019 is as follows:

(₹ in Lakhs)

		Carrying Value		Fair Value	
	Note No.	As at March 31, 2020	As at March 31, 2019	As at March 31, 2020	As at March 31, 2019
Financial assets					
Amortised Cost					
Security Deposits	4 & 6.5	109	106	109	106
Trade receivable	6.2	48,939	61,030	48,939	61,030
Cash and cash equivalents	6.3	16,161	4,141	16,161	4,141
Bank balances other than Cash & cash equivalents	6.4	492	984	492	984
Other financial assets	4 & 6.5	2,076	404	2,076	404
FVTPL					
Investments in Mutual Funds (quoted)	6.1	-	4,116	-	4,116
Forward Contracts	6.5	-	89	-	89
Total Assets		**67,777**	**70,870**	**67,777**	**70,870**
Financial liabilities					
Amortised Cost					
Borrowings	11.1	278	75	278	75
Trade payables		47,968	50,564	47,968	50,564
Other financial liabilities	11.2	1,625	675	1,625	675
FVTPL					
Forward Contracts	11.2	492	-	492	-
FVTOCI					
Forward Contracts	11.2	-	(2)	-	(2)
Total Liabilities		**50,363**	**51,312**	**50,363**	**51,312**

The management assessed that fair value of cash and short-term deposits, trade receivables, trade payables, other current assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

1. The fair value of the quoted mutual funds are based on price quotations at reporting date. The fair value of other financial liabilities and other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. In addition to being sensitive to a reasonably possible change in the forecast cash flows or discount rate, the fair value of the equity instruments is also sensitive to a reasonably possible change in the growth rates.

2. The Company enters into derivative financial instruments with Banks. Foreign exchange forward contracts are valued using valuation techniques, which employs the use of market observable inputs. The most frequently applied valuation techniques include forward pricing model, using present value calculations. The models incorporate various inputs including the credit quality

of banks, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves etc. As at March 31, 2020, the marked-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative bank default risk. The changes in bank credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationship and other financial instruments recognised at fair value.

Fair value hierarchy

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The following table presents the fair value measurement hierarchy of financial assets and liabilities measured at fair value on recurring basis as at March 31, 2020 and March 31, 2019.

Quantitative disclosures of fair value measurement hierarchy for financial assets is as under: (₹ in Lakhs)

	Fair value		Fair value hierarchy	Valuation technique and Key inputs
	As at March 31, 2020	As at March 31, 2019		
Investments in Mutual Funds (quoted)	-	4,116	Level 1	Fair value is determined based on the Net asset value published by respective funds.
Foreign currency forward contracts	492	87	Level 2	The fair value of forward foreign contracts are determined using forward exchange rates at the reporting date.

There have been no transfers among Level 1, Level 2 and Level 3 during the year.

Derivative financial instruments

The Company is exposed to foreign currency fluctuations on foreign currency assets/ liabilities and forecasted cash flows denominated in foreign currency. The Company uses derivatives to hedge foreign currency assets/ liabilities and foreign currency forecasted cash flows. The counter party in these derivative instruments is a bank and the Company considers the risks of non-performance by the counterparty as non-material.

For movement in cash flow hedge reserve gain or loss - Refer note 9

The following table presents the aggregate contracted principal amounts of the Company's derivative contracts outstanding:

Amount in lakhs

	As at March 31, 2020	As at March 31, 2019
Designated derivative instruments (Sell):		
In USD	201	269

The foreign exchange forward and option contracts mature anywhere between 0-1 year. The table below analyzes the derivative financial instruments into relevant maturity groupings based on the remaining period as at the reporting date:

Amount in lakhs

	As at March 31, 2020	As at March 31, 2019
Designated derivative instruments (Sell):		
Less than 3 months	-	-
In USD	201	261
More than 3 months	-	-
In USD	-	8

Average rate of coverage

	As at March 31, 2020		As at March 31, 2019	
	Amount in Lakhs	Weighted Average Rate (₹)	Amount in Lakhs	Weighted Average Rate (₹)
USD	201	73.36	269	69.97

23. Financial risk management

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, foreign currency risk and interest rate risk. The Company's primary focus is to foresee the unpredictability of financial markets and seek to minimize potential adverse effects on its financial performance. The primary market risk to the Company is foreign exchange risk. The Company uses derivative financial instruments to mitigate foreign exchange related risk exposures. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Company's policy that no trading in derivative for speculative purposes may be undertaken.

The Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below:

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities. Credit risk arises from cash held with banks and financial institutions, as well as credit exposure to clients, including outstanding accounts receivable. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer, including the default risk of the industry and country in which the customer operates, also has an influence on credit risk assessment. The Company has taken an Insurance cover on trade receivables.

The following table gives details in respect of revenues generated from top customer and top 5 customers (excluding Inter Company):

(₹ in Lakhs)

	For the year ended	
	March 31, 2020	March 31, 2019
Revenue from top customer	53,573	49,822
Revenue from top 5 customers	124,756	80,611

Two customers accounted for more than 10% of the revenue for the year ended March 31, 2020 and two of the customers accounted for more than 10% of the receivables for the year ended March 31, 2020. One customer accounted for more than 10% of the revenue for the year ended March 31, 2019 and two of the customers accounted for more than 10% of the receivables for the year ended March 31, 2019.

Investments

The Company limits its exposure to credit risk by generally investing in liquid securities and only with counterparties that have a good credit rating. The Company does not expect any losses from non-performance by these counterparties, and does not have any significant concentration of exposures to specific industry sectors.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by ensuring, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. Also, the Company has unutilized credit limits with banks.

The Company's corporate treasury department is responsible for liquidity, funding as well as settlement management. In addition, processes and policies related to such risks are overseen by senior management.

The working capital position of the Company is given below:

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Cash and cash equivalents	16,161	4,141
Investments in Mutual Funds (quoted)	-	4,116
Trade receivables	48,939	61,030
Other financial assets	13	159
Other current assets	2,525	1,461

The table below provides details regarding the contractual maturities of significant financial liabilities as at March 31, 2020 and March 31, 2019:

(₹ in Lakhs)

	As at March 31, 2020		
	Less than 1 year	1-2 years	2 years & above
Borrowings	278	-	-
Trade payables	47,968	-	-
Other financial liabilities	843	191	591

	As at March 31, 2019		
	Less than 1 year	1-2 years	2 years & above
Borrowings	75	-	-
Trade payables	50,564	-	-
Other financial liabilities	675	-	-

Foreign currency risk

The Company's exchange risk arises from its foreign operations, foreign currency revenues and expenses, (primarily in U.S. Dollar). As a result, if the value of the Indian rupee appreciates relative to this foreign currency, the Company's revenues measured in rupees may decrease. The exchange rate between the Indian rupee and this foreign currency has changed substantially in recent periods and may continue to fluctuate substantially in the future. The Company reviews on a periodic basis to formulate the strategy for foreign currency risk management.

Consequently, the Company uses derivative financial instruments, such as foreign exchange forward contracts, to mitigate the risk of changes in foreign currency exchange rates in respect of its forecasted cash flows and trade receivables.

The details in respect of the outstanding foreign exchange forward contracts are given under the derivative financial instruments section.

In respect of the Company's forward contracts, a 1% decrease/ increase in the respective exchange rates of each of the currencies underlying such contracts would have resulted in:

a) an approximately ₹ 153 lakhs increase and decrease in the Company's net profit as at March 31, 2020;

b) an approximately ₹ 183 lakhs increase and decrease in the Company's net profit as at March 31, 2019.

The following table presents foreign currency risk from non-derivative financial instruments as of March 31, 2020 and March 31, 2019.

(₹ in Lakhs)

Exposure currency	USD	GBP	EUR	Other Currencies*
As at March 31, 2020				
Assets				
Trade receivables	3,696	99	101	-
Cash and Cash equivalents	634	-	-	29
Liabilities				
Trade Payable	(1,145)	-	(10)	(241)
Net assets/liabilities	**3,185**	**99**	**91**	**(212)**
As at March 31, 2019				
Assets				
Trade receivables	5,763	-	115	22
Cash and Cash equivalents	726	-	-	7
Liabilities				
Trade Payable	(374)	(3)	(4)	(232)
Net assets/liabilities	**6,115**	**(3)**	**111**	**(203)**

*Others include currencies such as Singapore Dollar and Australian Dollar.

For the year ended March 31, 2020, every 1% increase/decrease of the respective foreign currencies compared to functional currency of the Company would impact operating margins by 0.01%/ (0.01)%. For the year ended March 31, 2019, the impact on operating margins would be 0.03%/ (0.03)%.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's investments. The Company's investments are primarily short-term, which do not expose it to significant interest rate risk.

24. Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company monitors the return on capital as well as the level of dividends on its equity shares. The Company's objective when managing capital is to maintain an optimal structure so as to maximize shareholder value.

The capital structure of the company consists of the following: (₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Total equity attributable to the equity share holders of the Company	20,332	20,521
As percentage of total capital	99%	100%
Current borrowings	278	75
Non-current borrowings	-	-
Total Borrowings	278	75
As a percentage of total capital	1%	0%
Total capital (borrowings and equity)	20,610	20,596

25. Employee benefit plans

i) Defined contribution plans

Provident fund

a) Eligible employees of the company receive benefits from a provident fund, which is a defined benefit plan. Both the eligible employee and the Company make monthly contributions to the provident fund plan equal to a specified percentage of the covered employee's salary. The Company contributes a portion to the Sonata Software Provident Fund. The trust invests in specific designated instruments as permitted by Indian law. The remaining portion is contributed to the government administered pension fund.The rate at which the annual interest is payable to the beneficiaries by the trust is being administered by the Government. The Company has an obligation to make good the shortfall, if any, between the return from the investments of the Trust and the notified interest rate.

Provident fund contributions amounting to ₹ 76 lakhs (for the year ended March 31, 2019 ₹ 71 lakhs) has been charged to the Statement of Profit and Loss (as part of Contribution to Provident Fund and other Funds in Note 17 Employee benefits expense).

b) During the year the Company has recognised the following amounts in the Statement of Profit and Loss towards Employers contribution to:

(₹ in Lakhs)

	Year ended March 31, 2020	Year ended March 31, 2019
Employee's State Insurance (as part of Staff welfare expenses in Note 17 Employee benefits expense)	-	1
Superannuation (as part of Contribution to Provident Fund and other Funds in Note 17 Employee benefits expense)	51	46
National Pension Scheme (as part of Contribution to Provident Fund and other Funds in Note 17 Employee benefits expense)	2	3

ii) Defined benefit plans - Gratuity

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	As at March 31, 2020	As at March 31, 2019
Discount rate(s)	6.82%	7.94%
Expected rate(s) of salary increase	5.00%	5.00%
Mortality Rate	Indian Assured Lives Mortality 2006-08	Indian Assured Lives Mortality 2006-08

Amounts recognised in Statement of Profit and Loss in respect of these defined benefit plans are as follows:

(₹ in Lakhs)

	Year ended March 31, 2020	Year ended March 31, 2019
Service Cost:		
Current Service Cost	27	25
Net Interest Expense	-	1
Components of defined benefit costs recognised in profit or loss	27	26
Remeasurement on the net defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	20	(1)
Actuarial (gains) / losses arising from changes in financial assumptions	30	(2)
Actuarial (gains) / losses arising from experience adjustments	(31)	2
Components of defined benefit costs recognised in other comprehensive income	19	(1)

The current service cost and the net interest expense for the year are included in the 'Employee benefits expense' line item in the Statement of Profit and Loss.

The remeasurement of the net defined benefit liability is included in other comprehensive income.

The amount included in the balance sheet arising from the entity's obligation in respect of its defined benefit plans is as follows:

(₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Present value of funded defined benefit obligation	(313)	(270)
Fair value of plan assets	271	274
Net (liability) / Assets arising from defined benefit obligation	**(42)**	**4**
Movements in the present value of the defined benefit obligation are as follows		
Opening defined benefit obligation	270	232
Current service cost	27	25
Interest cost	21	18
Remeasurement (gains)/losses:		
Actuarial gains and losses arising from changes in financial assumptions	30	(2)
Actuarial gains and losses arising from experience adjustments	(31)	2
Benefits paid	(5)	(5)
Closing defined benefit obligation	**312**	**270**
Movements in the fair value of the plan assets are as follows		
Opening fair value of plan assets	274	215
Interest income	22	17
Return on plan assets (excluding amounts included in net interest expense)	(20)	1
Contributions from the employer	-	46
Benefits paid	(5)	(5)
Closing fair value of plan assets	**271**	**274**

The major categories of plan assets as a percentage of total plan:

	As at March 31, 2020	As at March 31, 2019
Insurer Managed Funds	100%	100%
Category of funds :		
Secure Fund	26.10%	24.63%
Defensive Fund	36.25%	35.16%
Balanced Fund	37.65%	40.21%

Sensitivity analysis for significant actuarial assumptions is computed to show the movement in defined benefit obligation by 1%:

(₹ in Lakhs)

	As at March 31, 2020		As at March 31, 2019	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	32	28	26	23
Future salary growth (1% movement)	32	29	27	24

The Company expects to contribute ₹ 52 Lakhs to its defined benefit plans during the next fiscal year.

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 optimize 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 (₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018	As at March 31, 2017	As at March 31, 2016
Present value of defined benefit obligation	313	270	232	176	153
Fair value of plan assets	271	274	215	204	182
Surplus / (deficit)	(42)	4	(17)	28	29
Experience adjustments on plan liabilities - (gain)/losses	(31)	2	33	(10)	4
Experience adjustments on plan assets - (losses)/gain	(20)	1	(2)	13	(10)

Maturity profile of defined benefit obligation: (₹ in Lakhs)

	As at March 31, 2020	As at March 31, 2019
Within 1 year	8	9
1-2 years	9	8
2-3 years	11	9
3-4 years	10	31
4-5 years	11	10
5 years and Above	619	578

The Company has established an income tax approved irrevocable gratuity trust fund to which it regularly contributes to finance liabilities of the plan. The fund's investments are managed by insurance company as per the mandate provided to them by the trustees and the asset allocation is within the permissible limits prescribed in the insurance regulations.

(iii) Other Stock Based Compensation Arrangements

In the financial year 2017-18, Sonata Software Limited, Holding Company, had introduced an Stock Appreciation Rights Plan. Plan provides certain employees with the right to receive cash that is equal to the increase in the value of the Holding Company's share price from the date the right was granted and the right was exercised. They are not entitled to any shares or dividend.

As at the end of the year 58,000 options has been granted under the above mentioned plan and expense amounting to ₹ 13 lakhs has been recognised in Statement of Profit and Loss.

The Company has also granted stock appreciation rights plan to certain employees during the year which is subject to certain vesting conditions. Details of the grant/issue as at March 31, 2020 are given below:

	For the year ended March 31, 2020			For the year ended March 31, 2019	
	As per plan 2 (2018)	As per plan 1 (2019)	As per plan 1 (2019)	As per plan 2 (2018)	As per plan 1 (2019)
Outstanding units as at the beginning of the year	45,000	9,000	-	-	-
Number of units granted under letter of intent during the year	-	-	4,000	45,000	9,000
Exercised units	-	-	-	-	-
Lapsed units	-	-	-	-	-
Forfeited units	-	-	-	-	-
Cancelled units	-	-	-	-	-
Outstanding units as at the end of the year	45,000	9,000	4,000	45,000	9,000
Contractual life (in years)	3	1	1	3	1
Date of grant	December 18, 2018	September 30, 2018	October 1, 2019	December 18, 2018	September 30, 2018
Grant price per unit (₹)	315.30	200.00	224.00	315.30	200.00

	For the year ended March 31, 2020			For the year ended March 31, 2019	
	As per plan 2 (2018)	As per plan 1 (2019)	As per plan 1 (2019)	As per plan 2 (2018)	As per plan 1 (2019)
Number of units exercisable at the end	15,000	9,000	4,000	-	-
Weighted average remaining contractual life (in years)	5.00	2.00	4.00	3.42	5.72
Weighted average exercise price (₹)	354.65	200.00	224.00	354.65	200.00
Weighted average exercise price of options exercisable at the end of the year (₹)	315.30	200.00	224.00	0.00	200.00

The weighted average fair value of each unit for the above mentioned stock appreciation rights plan has been calculated using the Black - Scholes pricing model with the following assumptions:

	For the year ended March 31, 2020			For the year ended March 31, 2019	
	As per plan 2 (2018)	As per plan 1 (2019)	As per plan 1 (2019)	As per plan 2 (2018)	As per plan 1 (2019)
Grant date	December 18, 2018	September 30, 2018	October 1, 2019	December 18, 2018	September 30, 2018
Exercise price (₹)	315.3-395.51	200.00	224.00	315.3-395.51	200.00
Dividend yield %	2.50	2.50	2.50	2.50	2.50
Expected life (in years)	3	1	1	3	1
Risk free interest rate	4.87-5.76%	4.87-5.76%	4.87-5.76%	4.87-5.76%	4.87-5.76%
Volatility%	45	45	45	45	45

26. 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 Ind AS 108.

In view of the above, primary and secondary reporting disclosures for business /geographical segments, as envisaged in Ind AS 108 are not applicable to the Company.

27. Corporate Social Responsibility

As per Section 135 of Companies Act, 2013 a company meeting the applicability threshold, needs to spend at least 2% of its average net profit of the immediately preceding three financial years on Corporate Social Responsibility (CSR) activities. A CSR committee has been formed by the Company as per the Companies Act, 2013 . The CSR initiatives are focused towards those programme directly or indirectly, benefit the community and society at large.

(i) Gross amount required to be spent by the Company during the year is ₹ 118 lakhs (Previous Year is ₹ 105 lakhs)

(ii) Amount spent during the year is ₹ 134 lakhs (Previous year is ₹ 101 lakhs)

Particulars	In Cash	Yet to be paid in Cash	Total
1. Construction / acquisition of any asset	-	-	-
2. On purposes other than (1) above	-	134	134
Total	**-**	**134**	**134**

(iii) Amount unspent is Nil (Previous year is ₹ 4 lakhs)

28. Earnings Per Share

Reconciliation of number of equity shares used in the computation of basic earnings per share is set out below:

(₹ in Lakhs)

	Year ended March 31, 2020	Year ended March 31, 2019
Total number of equity shares outstanding	3,375,394	3,375,394
Weighted average number of equity shares for calculation of earning per share	3,375,394	3,375,394

29. Distributions made and proposed

The amount of per share dividend recognized as distributions to equity shareholders for the year ended March 31, 2020 and year ended March 31, 2019 was ₹ 158.13 and ₹ 15 respectively.

The Board of Directors at their meeting held on August 07, 2019 had declared an interim dividend of 50% (₹ 5 per equity share of par value of ₹ 10 each). The Board of Directors at their meeting held on October 30, 2019 had declared second interim dividend of 50% (₹ 5 per equity share of par value of ₹ 10 each). Further, the Board of Directors at its meeting held on February 26, 2020 have recommended third dividend of 1481.3% (₹ 148.13 per equity share of par value ₹ 10 each).

The Board of Directors at their meeting held on August 13, 2018 had declared an interim dividend of 50% (₹ 5 per equity share of par value of ₹ 10 each). The Board of Directors at their meeting held on November 2, 2018 had declared second interim dividend of 50% (₹ 5 per equity share of par value of ₹ 10 each). Further, the Board of Directors at its meeting held on May 30, 2019 have recommended a final dividend of 50% (₹ 5 per equity share of par value ₹ 10 each).

30. Related party disclosure

i) Details of related parties :

Description of relationship	Names of related parties
(a) Holding Company	Sonata Software Limited
(b) Fellow Subsidiary	Sonata Software Solutions Limited
	Sonata Software North America Inc.
	Sonata Software FZ LLC
(c) Post-employment benefit plan	Sonata Software Limited Gratuity Fund
	Sonata Software Officers' Superannuation Fund
	Sonata Software Provident Fund Trust
(d) Key Management Personnel (KMP)	Mr. P Srikar Reddy, Director
	Mr. Sujit Mohanty, Vice President & Director
	Mr. B K Syngal, Director (upto August 10, 2019)
	Ms. Radhika Rajan, Director

ii) Transactions with related parties :

(₹ in Lakhs)

	Holding Company		Fellow Subsidiary		KMP	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Revenue from Software products and licenses	6,647	716	3	5		
Software project fees	1,681	1,560	-	-		
Service charges	474	453	-	-		
Rent paid	81	54	-	-		
Inter corporate borrowings taken	23,245	16,356	-	-		
Inter corporate borrowings repaid	23,245	16,356	-	-		
Interest on inter corporate borrowings	66	106	-	-		
Dividend paid	5,506	337	-	-		
Commission on corporate guarantees	56	55	-	-		
Compensation of key management personnel of the Company						
Short-term employee benefits*	-	-	-	-	89	89
Share-based payment transactions	-	-	-	-	9	7
Others	-	-	-	-	3	4
Balances outstanding at the end of the year						
Interest accrued on inter corporate borrowings	3	-	-	-		
Trade Receivables	3,169	244	3	5		
Trade payables	246	75	-	-		
Reimbursement of expenses payable	631	659				
Corporate guarantees taken	11,849	10,873	-	-		
Payable to key management personnel of the Company						
Short-term employee benefits*					25	25
Share-based payment transactions					16	7

* The above post employment benefits excludes gratuity and compensated absences which cannot be separately identified from the composite amount advised by the actuary.

Transactions with key management personnel

During the year ended March 31, 2020, 54,000 units of Sonata Software Limited (year ended March 31, 2019 - 45,000) were granted to the key management personnel under the Stock Appreciation Rights Plan.

31. Leases

The Company has adopted Ind AS 116 'Leases' with the date of initial application being April 1, 2019. Ind AS 116 replaces Ind AS 17 – Leases and related interpretation and guidance. The Company has applied Ind AS 116 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at April 1, 2019. As a result, the comparative information has not been restated.

In adopting Ind AS 116, the Company has applied the below practical expedients :

a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics

b) leases of low value assets (assets of less than ₹ 500,000 in value) has not been considered for application of Ind AS 116

c) exclusion of the initial direct costs from measurement of the right-of-use asset at the date of transition

d) application of hindsight, in determining the lease term if the contract contains options to extend or terminate the lease.

e) applied the practical expedient to grandfather the assessment of which transactions are leases. Accordingly, Ind AS 116 is applied only to contracts that were previously identified as leases under Ind AS 17.

On transition to Ind AS 116, the Company recognised right-of-use assets amounting to ₹ 1,087 lease liabilities amounting to ₹ 1,080 and ₹ 24 (credit) in retained earnings as at April 1, 2019.

Impact of adoption of Ind AS 116 on retained earnings:

	(₹ in Lakhs)
Reversal of deferred rent liability as at March 31, 2019	37
Less: Reversal of deferred tax asset on deferred rent liability	(13)
Impact on retained earnings as at April 1, 2019	**24**

Impact of adoption of Ind AS 116 on the statement of profit and loss

(₹ in Lakhs)

	For the year ended March 31, 2020
Interest on lease liabilities	104
Depreciation of Right-of-use assets	170
Deferred tax (credit)	(19)
Impact on the statement of profit and loss for the period	**255**

The aggregate depreciation expense of ₹ 170 lakhs on ROU assets is included under depreciation and amortization expense in the statement of Profit and Loss.

Following are the changes in the carrying value of right of use (ROU)assets for the year ended March 31, 2020:

	Category of ROU Asset
	Buildings
Balance as at April 1, 2019	1,087
Reclassified on account of adoption of Ind AS 116	-
Additions	-
Deletion	-
Depreciation	(170)
Balance as at March 31, 2020	**917**

Rental expense recorded for short-term leases was ₹ 91 lakhs for the year ended March 31, 2020

The following is the movement in lease liabilities during the year ended March 31, 2020:

(₹ in Lakhs)

	For the year ended March 31, 2020
Balance at the beginning	1,080
Additions	-
Finance cost accrued during the year	104
Deletions	-
Payment of lease liabilities	(200)
Balance at the end of the year	**984**

The following is the break-up of lease liabilities as at March 31, 2020 based on their maturities:

(₹ in Lakhs)

	As at March 31, 2020
Current lease liabilities	202
Non-current lease liabilities	782
Total	**984**

Contractual maturities of lease liabilities

The table below provides details regarding the contractual maturities of lease liabilities as at March 31, 2020 on an undiscounted basis:

(₹ in Lakhs)

	As at March 31, 2020
Not later than one year	213
Later than one year and not later than 5 years	747
Later than 5 years	463
Total	**1,423**

For and on behalf of the Board

P Srikar Reddy
Director

Sujit Mohanty
Vice President & Director

Rashmi Prabhu
Company Secretary

Place : Bengaluru
Date : May 11, 2020

SONATA SOFTWARE LIMITED

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Tel: 91-80-6778 1999, Fax: 91-80-2661 0972, **E-mail:** info@sonata-software.com, **Website:** www.sonata-software.com

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE is hereby given that the Twenty-Fifth Annual General Meeting (AGM) of the Members of SONATA SOFTWARE LIMITED will be held on Tuesday, 11th August, 2020 at 4.00 P.M (IST) through Video Conferencing ("VC") / Other Audio Visual Mean ("OAVM") to transact the following business :

ORDINARY BUSINESS

1. **Adoption of Financial Statements for the Financial Year ended 31st March, 2020**

   To receive, consider, approve and adopt the following:

   (a) the Audited Financial Statements of the Company for the Financial Year ended 31st March, 2020 together with the Reports of the Directors and Auditors thereon; and

   (b) the Audited Consolidated Financial Statements of the Company for the Financial Year ended 31st March, 2020 together with the report of the Auditors thereon.

2. **Confirmation of Interim Dividends**

   To confirm the payment of Interim Dividend of ₹ 5.75 per equity share of ₹ 1/- each (i.e. 575%), already paid and to confirm the payment of Second Interim Dividend of ₹ 14.50 per equity share of ₹ 1/- each (i.e. 1450 %), already paid for the Financial Year 2019-20.

3. **Appointment of Mr. S B Ghia as a Director liable to retire by rotation**

   To appoint a Director in place of Mr. S B Ghia (DIN: 00005264), who retires by rotation and being eligible, offers himself for re-appointment.

SPECIAL BUSINESS

4. **Appointment of Mr. Sanjay Asher as an Independent Director**

   To consider and if thought fit, to pass the following resolution as an Ordinary Resolution:

   RESOLVED THAT in accordance with the provisions of Sections 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 (Act) (including any statutory modification or re-enactment thereof for the time being in force), the Companies (Appointment and Qualifications of Directors) Rules, 2014, read with Schedule IV to the Act and Regulation 17 and other applicable Regulations of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), as amended from time to time, Mr. Sanjay Asher (DIN: 00008221), who had been appointed by the Board of Directors as an Additional Director pursuant to the provisions of Section 161(1) of the Companies Act, 2013 and the Articles of Association of the Company, and who meets the criteria for being appointed as an Independent Director of the Company and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company, not liable to retire by rotation, for a term of five years commencing from 8th August, 2019 upto 7th August, 2024.

   RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers to any officer(s) / authorized representative(s) of the Company to do all acts, deeds and things and take all such steps as may be necessary, proper or expedient to give effect to this resolution.

5. **Re-appointment of Mr. P Srikar Reddy as the Managing Director and Chief Executive Officer of the Company**

   To consider and if thought fit, to pass the following resolution as an Ordinary Resolution:

   RESOLVED THAT pursuant to the recommendation of the Nomination and Remuneration Committee and approval of the Board of Directors in its meeting held on 30th October, 2019 and subject to the provisions of Sections 196, 197, 198, 203 and other applicable provisions of the Companies Act, 2013 and the rules, circulars, orders and notifications issued thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule-V of the Companies Act, 2013, the approval of the members be and is hereby accorded for re-appointment of Mr. P Srikar Reddy (DIN: 00001401), as the Managing Director and Chief Executive Officer of the Company, with the benefit of continuity of service, for a period of three years commencing from 14th February, 2020 and concluding on 13th February, 2023, as well as the payment of salary, commission and perquisites (hereinafter referred to as "remuneration"), shall be upon the terms and conditions as set out in the agreement and material terms of which are set out in the Explanatory Statement attached hereto, and the Board of Directors of the Company be and are hereby authorised to alter and vary the terms and conditions of the said re-appointment and remuneration and / or agreement in such manner as may be agreed in the best interests of the Company and as may be permissible at law.

   RESOLVED FURTHER THAT the remuneration payable to Mr. P Srikar Reddy, shall not exceed the overall ceiling of the total managerial remuneration as provided under Section 197 and Schedule V of the Companies Act, 2013 or such other limits as may be prescribed from time to time.

   RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers to any officer(s) / authorized representative(s) of the Company to do all acts, deeds and things and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

By Order of the Board
For SONATA SOFTWARE LIMITED

Mangal Kulkarni
Company Secretary
ACS: 11861

Place: Bengaluru
Date: 11 May, 2020

NOTES:

1. The Statement pursuant to Section 102 of the Companies Act, 2013 setting out material facts relating to the Special Business to be transacted at the Meeting is annexed hereto as **Annexure I.**

2. In view of the continuing COVID-19 pandemic, the Ministry of Corporate Affairs ("MCA") has vide its circular dated

May 5, 2020 read with circulars dated April 8, 2020 and April 13, 2020 (collectively referred to as "MCA Circulars") permitted the holding of the Annual General Meeting ("AGM") through VC / OAVM, without the physical presence of the Members at a common venue. In compliance with the provisions of the Act, Listing Regulations and MCA Circulars, the AGM of the Company is being held through VC / OAVM.

3. Pursuant to the provisions of the Act, a Member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote on his/her behalf and the proxy need not be a Member of the Company. Since this AGM is being held pursuant to the MCA Circulars and SEBI Circular through VC / OAVM, physical attendance of Members has been dispensed with. Accordingly, the facility for appointment of proxies by the Members will not be available for the AGM and hence the Proxy Form and Attendance Slip are not annexed to this Notice.

4. In compliance with the aforesaid MCA Circulars and SEBI Circular dated May 12, 2020, Notice of the AGM along with the Annual Report 2019-20 is being sent only through electronic mode to those Members whose email addresses are registered with the Company/Depositories. Members may note that the Notice and Annual Report 2019-20 will also be available on the Company's website at www.sonata-software.com, websites of the Stock Exchanges i.e. BSE Limited and National Stock Exchange of India Limited at www.bseindia.com and www.nseindia.com respectively and on the website of NSDL https://www.evoting.nsdl.com. The Company has also published an advertisement in newspaper containing the details about the AGM i.e, the conduct of the AGM through VC/OAVM, date and time of the AGM, availability of the notice of AGM at the Company's website, manner of registering the email ID's of those shareholders who have not registered their email addresses with the Company / RTA and other matters as may be required.

5. The Company has engaged the services of NSDL, as authorised agency for conducting the AGM through VC/ OAVM and for providing e-voting facility.

6. Members attending the AGM through VC/ OAVM shall be counted for the purpose of reckoning the quorum under Section 103 of the Act.

7. Institutional / Corporate Shareholders (i.e. other than individuals / HUF, NRI, etc.) are required to send a scanned copy (PDF/JPG Format) of its Board or governing body Resolution/Authorization etc., authorizing its representative to attend the AGM through VC /OAVM on its behalf and to vote through remote e-voting. The said Resolution/Authorization shall be sent to the Scrutinizer by email through its registered email address to parameshwar@vjkt.in with a copy marked to evoting@nsdl.co.in.

8. Since SEBI has made it mandatory for distributing dividends through Electronic Clearing Service (ECS), the Company has used the bank account details furnished by the Depositories for distributing interim 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.

9. The Register of Directors and Key Managerial Personnel and their shareholding maintained under Section 170 of the Act, the Register of Contracts or Arrangements in which the directors are interested, maintained under Section 189 of the Act and certificate from the Statutory Auditors of the Company confirming the compliance of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and any amendments thereto with regard to the Company's Employees Stock option Scheme Plans will be available electronically for inspection by the Members during the AGM. All documents referred to in the Notice will also be available for electronic inspection without any fee by the members from the date of circulation of this Notice up to the date of AGM, i.e. 11th August, 2020. Members seeking to inspect such documents can send an email to investor@sonata-software.com.

10. Members holding shares in physical form are requested to forward all applications for shares related correspondence (including intimation for change in address) to the Company's Share Transfer Agent KFin Technologies Private Limited (Formerly Karvy Fintech Private Limited), Unit : Sonata Software Ltd, Karvy Selenium Tower B, Plot No.31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad, Telangana - 500 032. P:+91 40-67161591. Members holding shares in electronic form are requested to notify change in their address to their Depository Participant.

11. As mandated by SEBI, effective from April 1, 2019, that securities of listed companies shall be transferred only in dematerialised form. To ensure better service and elimination of risk of holding shares in physical form, we request shareholders holding shares in physical form to dematerialize their shares at the earliest.

12. The Securities and Exchange Board of India (SEBI) has mandated the submission of the Permanent Account Number (PAN) by every participant in the securities market. Members holding shares in electronic form are, therefore requested to submit their PAN to their Depository Participant (s). Members holding shares in physical form are requested to submit their PAN details to the Company's share transfer agent KFin Technologies Private Limited, Unit : Sonata Software Ltd, Karvy Selenium Tower B, Plot No.31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad, Telangana - 500 032.

13. Members desiring 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, be transferred to the Investor Education and Protection Fund (IEPF). Shares on which dividend remains unclaimed for seven consecutive years shall be transferred to the IEPF as per Section 124 of the Act, read with applicable IEPF rules.

14. Members may note that unclaimed Interim and Final Dividend for the Financial Year ended 2014 shall become due for transfer to IEPF on 11th December, 2020 and 9th September, 2021 respectively. Further, if for the shares pertaining to these dividends, the dividend has not been claimed for last seven years, the shares would also be transferred to IEPF.

15. To avail the facility of nomination, Members holding shares in physical form may write to the Company for obtaining the Nomination Form (Form SH-13). Members holding shares in electronic form, may fill the nomination form with the respective Depository Participant.

16. Since the AGM will be held through VC/OAVM, the route map is not annexed to this Notice.

17. The Members who have cast their vote by remote e-voting prior to the AGM may also attend/ participate in the AGM through VC / OAVM but shall not be entitled to cast their

vote again at the AGM. The detailed instructions for availing e-voting facility are provided in **Annexure II**.

18. Deloitte Haskins & Sells, LLP, Chartered Accountants, were appointed as Statutory Auditors from the conclusion of Twenty Second (22nd) Annual General Meeting (AGM) till conclusion of Twenty Seventh (27th) AGM, subject to ratification of their appointment at every Annual General Meeting by the members. However, the members may note that pursuant to the Companies (Amendment) Act, 2017 the requirement of ratification of the appointment of the Statutory Auditors in every Annual General Meeting has been dispensed with by the Act and therefore the Company is not seeking ratification.

19. Additional information of Director recommended for re-appointment as per the provisions of SEBI Listing Regulations:

In terms of Regulation 36 of the SEBI Listing Regulations, a brief resume of Mr. S B Ghia seeking re-appointment vide Ordinary Business No. 3 in the Notice is as follows:

Mr. S B Ghia (72) (DIN: 00005264) is a Non-executive Director of the Company appointed on 26th May, 1997. He is an industrialist with interest in a variety of fields including Chemicals, Fibres & Pet recycling and Preform, Polymers and Software. He holds a Bachelor's Degree in Science (Chemistry) and MBA from Bowling Green University, USA. Currently he is the Chairman and Managing Director of Futura Polyesters Limited. He is also a Director in Sonata Software Limited and Alkyl Amines Limited. He is a Chairman of Stakeholder Relationship Committee and Corporate Social Responsibility Committee and member of Audit Committee and Nomination and Remuneration Committee of Sonata Software Limited. He is member of Audit Committee, Nomination and Remuneration Committee and Stakeholder Relationship Committee of Futura Polyesters Ltd. He is a Chairman of Audit Committee and Nomination and Remuneration Committee and member of Stakeholder Relationship Committee of Alkyl Amines Ltd. His shareholding in Sonata is 5,000 shares (0.005%).

ANNEXURE I TO THE NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

ITEM NO.4: Ordinary Resolution

Based on the recommendation of the Nomination and Remuneration Committee, the Board of Directors appointed Mr. Sanjay Asher (DIN: 00008221) as an Additional Director of the Company and also as an Independent Director, not being liable to retire by rotation, for a term of 5 years i.e. from 8th August, 2019 upto 7th August, 2024, subject to approval of the Members.

Pursuant to the provisions of Section 161(1) of the Act, Mr. Asher holds office only upto the date of this Annual General Meeting (AGM) and is eligible to be appointed as a Director. The Company has, in terms of Section 160(1) of the Act, received in writing a Notice from a Member, proposing his candidature for the office of Director.

The Company has received declaration from Mr. Asher to the effect that he meets the criteria of independence as provided in Section 149(6) of the Act, read with the Rules framed thereunder and Regulation 16(1)(b) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations). In the opinion of the Board of Directors, Mr. Asher is independent of management.

Mr. Sanjay Asher is a qualified Chartered Accountant, a commerce and a Law Graduate. He is a Solicitor admitted to Bombay Incorporated Law Society. He is a Senior Partner at the law firm M/s. Crawford Bayley & Company. He specializes in corporate and commercial law, mergers and acquisitions, private equity and capital markets.

In compliance with the provisions of Section 149, read with Schedule IV to the Act and Regulation 17 of the Listing Regulations, the appointment of Mr. Asher as an Independent Director is now being placed before the Members for their approval.

The Board recommends the Resolution at Item No. 4 of the accompanying Notice for approval by the Members of the Company.

Except Mr. Asher, none of the other Directors, Key Managerial Personnel of your Company and their relatives are in any way concerned or interested in this resolution..

ITEM NO.5: Ordinary Resolution

Mr. P. Srikar Reddy (DIN-00001401) is Managing Director and CEO of the Company. He holds a Degree in Engineering (Electronics) and PGDBM (IIM). Mr. Reddy is with Sonata Group for over 30 plus years and is the Director of Sonata Information Technology Limited, Sonata Software FZ LLC, Dubai, Visaka Industries Limited and Retail 10X Inc. He is also a member of the Audit Committee and Corporate Social Responsibility Committee of Sonata Information Technology Limited and Member of Corporate Social Responsibility Committee, Stakeholders Relationship Committee, Risk Management Committee and Share Transfer Committee of the Company. His shareholding in the Company is 12,01,500 shares (1.14%).

Consequent upon the expiry of term of appointment of Mr P. Srikar Reddy as Managing Director & Chief Executive Officer of the Company as on 13th February, 2020, pursuant to recommendation of Nomination and Remuneration Committee, he has been re-appointed as the Managing Director & Chief Executive Officer of the Company by the Board of Directors (subject to the approval of shareholders) for a further period of three years with effect from 14th February, 2020 on the terms and conditions recommended by Nomination and Remuneration Committee and approved by the Board of Directors at its meeting held on 30th October, 2019 and details as set out in the Agreement dated 25th November, 2019.

The terms and conditions including remuneration (as stipulated in the said employment agreement) is abstracted below:

- **Fixed compensation:** ₹ 2.4 Crores per annum subject to increase as may be decided by the Remuneration Committee based on performance including but not limited to achievement of target.
- **Commission:** Commission at 0.5% on the net profits of the Company and its Wholly-owned Subsidiaries.
- **Variable pay:** Upto ₹ 2.05 Crores per annum on achievement of such parameters as set by the Board.
- **Stock Options & Stock appreciation Rights:** He will be entitled for 20,000 stock options every year under Employee Stock Option Plan of the Company. He will be entitled to Stock appreciation rights under the phantom stock program pursuant to which 55,000 Phantom Stock appreciation right unit will be granted every year for 3 years as per phantom stock program.
- **Other Perquisites:** Provision of Car, Telephone and other Employee benefits as per policy of the Company.
- Annual Fees of any two professional bodies.
- Company will provide Furniture and Fixtures upto a value of ₹ 150,000 subject to all applicable Company rules.
- Company will reimburse fees (excluding admission and life membership) of any two clubs.
- Housing loan as per the rules of the Company.
- Householders insurance premium upto a maximum of ₹ 3000/- per year.

This Explanatory Statement may also be read and treated as disclosure in compliance with the requirements of Secretarial Standard – 2 and Listing Regulations.

The Board of Directors recommends the resolution in relation to the re-appointment of Managing Director & Chief Executive Officer, for the approval of the Members of the Company.

The Agreement dated 25th November, 2019 between the Company and Mr. P. Srikar Reddy is available for inspection by the members of the Company as per the instructions mentioned in Point No. 9 of above Notes.

Except Mr. P Srikar Reddy, none of the Directors or Key Managerial Personnel (KMP) of the Company or their relatives are in anyway, concerned or interested in this Resolution.

Information pursuant to Regulation 36(3) of Listing Regulations

Name of the Director	Mr. Sanjay Khatau Asher	Mr. Srikar Palem Reddy
Date of Birth	November 26, 1963	May 30, 1958
Category	Independent Director	Managing Director and CEO
DIN	00008221	00001401
Date of Appointment	August 8, 2019	October 20, 1999
Nature of expertise in specific functional areas	Financial and Legal services sector	Information Technology and Finance
Disclosure of relationship with Directors inter-se	None	None
Directorships held in other Indian Listed entities	1. Repro India Limited 2. Deepak Nitrite Limited 3. Sudarshan Chemical Industries Limited 4. Tribhovandas Bhimji Zaveri Limited 5. Ashok Leyland Limited 6. IndusInd Bank Ltd	1. Visaka Industries Limited
Membership of Committees in other Indian Listed entities, if any	**Audit Committee** • Deepak Nitrite Limited • Sudarshan Chemical Industries Limited • Ashok Leyland Limited • IndusInd Bank Ltd **Nomination and Remuneration Committee** • Sudarshan Chemical Industries Limited • Tribhovandas Bhimji Zaveri Limited • IndusInd Bank Ltd. • Repro India Limited **Corporate Social Responsibility Committee** • IndusInd Bank Ltd **Stakeholders Relationship Committee** • Sudarshan Chemical Industries Limited • Ashok Leyland Limited **Vigilance Committee** • IndusInd Bank Ltd **Compensation Committee** • IndusInd Bank Ltd **Special Committee (Frauds)** • IndusInd Bank Ltd **Committee of Directors** • IndusInd Bank Ltd **Project Committee** • Deepak Nitrite Limited	**Audit Committee** • Sonata Information Technology Limited **Corporate Social Responsibility Committee** • Sonata Information Technology Limited

ANNEXURE II TO THE NOTICE

A. INSTRUCTIONS FOR MEMBERS FOR ATTENDING THE AGM THROUGH VC / OAVM ARE AS UNDER:

i. Members will be able to attend the AGM through VC / OAVM facility provided by NSDL at https://www.evoting.nsdl.com by using their remote e-voting login credentials and selecting the EVEN for Company's AGM.

Members who do not have the User ID and Password for e-voting or have forgotten the User ID and Password may retrieve the same by following the remote e-voting instructions mentioned in the Notice. Further Members can also use the OTP based login for logging into the e-voting system of NSDL.

ii Facility of joining the AGM through VC / OAVM shall open 30 minutes before the time scheduled for the AGM and will be available for Members on first come first serve basis.

iii Members who need assistance before or during the AGM, can contact NSDL on evoting@nsdl.co.in/ 1800-222-990 or contact Mr. Amit Vishal, Senior Manager – NSDL at amitv@nsdl.co.in/ 022-24994360 or Ms. Megha Malviya, Assistant Manager- NSDL at megham@nsdl.co.in/022-42165335.

iv. Members are encouraged to join the Meeting through Laptops for better experience.

v. Further Members will be required to allow Camera and use Internet with a good speed to avoid any disturbance during the meeting.

vi. Please note that participants connecting from mobile devices or tablets or through Laptop via mobile hotspot may experience Audio/Video loss due to fluctuation in their respective network. It is therefore recommended to use Stable Wi-Fi or LAN connection to mitigate any kind of aforesaid glitches.

vii. Members who would like to ask questions during the AGM may register themselves as speaker by sending their request from their registered email address mentioning their name, DP ID and Client ID/ folio number, PAN, mobile number before 4th August, 2020 at investor@sonata-software.com. Those Members who have registered themselves as a speaker will only be allowed to express their views/ ask questions during the AGM. The Company reserves the right to restrict the number of speakers depending upon the availability of the time for the AGM.

viii. The facility of participation at the AGM through VC/OAVM will be made available for 1000 members on first come first serve basis. This will not include large Shareholders (Shareholders holding 2% or more shareholding), Promoters, Institutional Investors, Directors, Key Managerial Personnel, the Chairpersons of the Audit Committee, Nomination and Remuneration Committee and Stakeholders Relationship Committee, Auditors etc. who are allowed to attend the AGM without restriction on account of first come first serve basis.

ix. In line with the Ministry of Corporate Affairs (MCA) Circular No. 17/2020 dated April 13, 2020, the Notice calling the AGM has been uploaded on the website of the Company at https://www.sonata-software.com. The Notice can also be accessed from the websites of the Stock Exchanges i.e. BSE Limited and National Stock Exchange of India Limited at www.bseindia.com and www.nseindia.com respectively and the AGM Notice is also available on the website of NSDL (agency for providing the Remote e-Voting facility) i.e. www.evoting.nsdl.com.

Instructions for Members for e-Voting during the AGM:

i. The procedure for e-Voting on the day of the AGM is same as the instructions mentioned below for remote e-voting.

ii. Only those Members/ shareholders, who will be present in the AGM through VC/OAVM facility and have not casted their vote on the Resolutions through remote e-Voting and are otherwise not barred from doing so, shall be eligible to vote through e-Voting system in the AGM.

iii. The details of the person who may be contacted for any grievances connected with the facility for e-Voting on the day of the AGM shall be the same person mentioned for Remote e-voting.

B. INSTRUCTIONS FOR E-VOTING

i. Pursuant to the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 (as amended) and Regulation 44 of SEBI (Listing Obligations & Disclosure Requirements) Regulations 2015 (as amended), and the Circulars issued by the Ministry of Corporate Affairs dated April 08, 2020, April 13, 2020 and May 05, 2020 the Company is providing facility of remote e-voting to its Members in respect of the business to be transacted at the AGM. A person, whose name is recorded in the Register of Members or in the Register of Beneficial Owners (in case of electronic shareholding) maintained by the Depositories as on the cut-off date i.e. 4th August, 2020 only shall be entitled to avail the facility of remote e-voting/e-voting at the AGM. NSDL will be facilitating remote e-voting to enable the Members to cast their votes electronically. Members can cast their vote online from 09.00 a.m. (IST) on Saturday, 8th August, 2020 upto 5.00 p.m. (IST) on Monday, 10th August, 2020. At the end of remote e-voting period, the facility shall forthwith be blocked.

ii. The Members who have cast their vote by remote e-voting prior to the AGM may also attend/ participate in the AGM through VC / OAVM but shall not be entitled to cast their vote again.

iii. The Members present in the AGM through VC / OAVM facility and have not cast their vote on the Resolutions through remote e-voting, and are otherwise not barred from doing so, shall be eligible to vote through e-voting system during the AGM.

iv. The Company has appointed Mr. Parameshwar Bhat, Practising Company Secretary (COP:11004) as the Scrutinizer for conducting the e-voting process in a fair and transparent manner.

v. Any person, who acquires shares of the Company and becomes a Member of the Company after sending of the Notice and holding shares as of the cut-off date, may obtain the login ID and password by sending a request. However, if he/she is already registered with NSDL for remote e-voting then he/she can use his/her existing User ID and password for casting the vote.

vi. The details of the process and manner for remote e-voting are explained herein below:

Step 1: Log-in to NSDL e-voting system at https://www.evoting.nsdl.com/

Step 2: Cast your vote electronically on NSDL e-voting system.

Details on Step 1 are mentioned below:

How to Log-in to NSDL e-Voting website?

1. Visit the e-Voting website of NSDL. Open web browser by typing the following URL: https://www.evoting.nsdl.com/ either on a Personal Computer or on a mobile.

2. Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholders' section.

3. A new screen will open. You will have to enter your User ID, your Password and a Verification Code as shown on the screen. Alternatively, if you are registered for NSDL eservices i.e. IDEAS, you can log-in at https://eservices.nsdl.com/ with your existing IDEAS login. Once you log-in to NSDL eservices after using your log-in credentials, click on e-Voting and you can proceed to Step 2 i.e. Cast your vote electronically.

4. Your User ID details are given below :

Manner of holding shares i.e. Demat (NSDL or CDSL) or Physical	Your User ID is:
a) For Members who hold shares in demat account with NSDL.	8 Character DP ID followed by 8 Digit Client ID For example if your DP ID is IN300*** and Client ID is 12****** then your user ID is IN300***12******.
b) For Members who hold shares in demat account with CDSL.	16 Digit Beneficiary ID For example if your Beneficiary ID is 12************** then your user ID is 12**************
c) For Members holding shares in Physical Form.	EVEN Number followed by Folio Number registered with the company For example if folio number is 001*** and EVEN is 101456 then user ID is 101456001***

5. Your password details are given below:

   a. If you are already registered for e-Voting, then you can user your existing password to login and cast your vote.

   b. If you are using NSDL e-Voting system for the first time, you will need to retrieve the 'initial password' which was communicated to you. Once you retrieve your 'initial password', you need to enter the 'initial password' and the system will force you to change your password.

   c. How to retrieve your 'initial password'?

      i. If your email ID is registered in your demat account or with the company, your 'initial password' is communicated to you on your email ID. Trace the email sent to you from NSDL from your mailbox. Open the email and open the attachment i.e. a .pdf file. Open the .pdf file. The password to open the .pdf file is your 8 digit client ID for NSDL account, last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The .pdf file contains your 'User ID' and your 'initial password'.

      ii. If your email ID is not registered, please follow steps mentioned below in process for those shareholders whose email ids are not registered.

6. If you are unable to retrieve or have not received the "Initial password" or have forgotten your password:

   a. Click on "Forgot User Details/Password? (If you are holding shares in your demat account with NSDL or CDSL) option available on www.evoting.nsdl.com.

   b. Physical User Reset Password?" (If you are holding shares in physical mode) option available on www.evoting.nsdl.com.

   c. If you are still unable to get the password by aforesaid two options, you can send a request at evoting@nsdl.co.in mentioning your demat account number/folio number, your PAN, your name and your registered address.

   d. Members can also use the OTP (One Time Password) based login for casting the votes on the e-Voting system of NSDL.

7. After entering your password, tick on Agree to "Terms and Conditions" by selecting on the check box.

8. Now, you will have to click on "Login" button.

9. After you click on the "Login" button, Home page of e-Voting will open.

Details on Step 2 is given below:

How to cast your vote electronically on NSDL e-Voting system?

1. After successful login at Step 1, you will be able to see the Home page of e-Voting. Click on e-Voting. Then, click on Active Voting Cycles.

2. After click on Active Voting Cycles, you will be able to see all the companies "EVEN" in which you are holding shares and whose voting cycle is in active status.

3. Select "EVEN" of company for which you wish to cast your vote.

4. Now you are ready for e-Voting as the Voting page opens.

5. Cast your vote by selecting appropriate options i.e. assent or dissent, verify/modify the number of shares for which you wish to cast your vote and click on "Submit" and also "Confirm" when prompted.

6. Upon confirmation, the message "Vote cast successfully" will be displayed.

7. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.

8. Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

Process for those shareholders whose email IDs are not registered with the depositories for procuring user ID and password and registration of email IDs for e-voting for the resolutions set out in this notice :

1. In case shares are held in physical mode please provide Folio No., Name of shareholder, scanned copy of the share certificate (front and back), PAN (self attested scanned copy of PAN card), AADHAR (self attested scanned copy of Aadhar Card) by email to einward.ris@kfintech.com;

2. In case shares are held in demat mode, please provide DPID-CLID (16 digit DPID + CLID or 16 digit beneficiary ID), Name, client master or copy of Consolidated Account statement, PAN (self attested scanned copy of PAN card), AADHAR (self attested scanned copy of Aadhar Card) to Depository Participants "DPs" for receiving all communications from the Company electronically.

General Guidelines for shareholders

1 Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc. with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer by e-mail to parameshwar@vjkt.in with a copy marked to evoting@nsdl.co.in.

2. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the "Forgot User Details/Password?" or "Physical User Reset Password?" option available on www.evoting.nsdl.com to reset the password.

3. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-voting user manual for Shareholders available at the download section of www.evoting.nsdl.com or call on toll free no.: 1800-222-990 or send a request to evoting@nsdl.co.in or contact Ms. Sarita Mote, Assistant Manager- NSDL at saritam@nsdl.co.in/ +91-22-24994890 or Ms. Soni Singh, Assistant Manager-NSDL, at sonis@nsdl.co.in/+91-22-24994559 who will address the grievances on e-Voting.

Other Instructions

The Scrutinizer shall, immediately after the conclusion of voting at the AGM, first count the votes cast during the AGM, thereafter unblock the votes cast through remote e-voting and make, not later than 48 hours of conclusion of the AGM, a consolidated Scrutinizer's Report of the total votes cast in favour or against, if any, to the Chairman or a person authorised by him in writing, who shall countersign the same.

The results of the resolutions will be announced by the Company on its website www.sonata-software.com and on the website of NSDL : https://www.evoting.nsdl.com. The results shall also be informed to the Stock Exchanges.

Registered Office:
208, T.V. Industrial Estate
2nd floor, S.K. Ahire Marg,
Worli Mumbai – 400 030

By Order of the Board
For SONATA SOFTWARE LTD

Place: Bengaluru
Date: 11 May, 2020

Mangal Kulkarni
Company Secretary
ACS: 11861

SONATA

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info@sonata-software.com
www.sonata-software.com